**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 2012

The board of directors (the "Board") of DVN (Holdings) Limited (the "Company") announces the final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012, which have been reviewed by the Audit Committee of the Company.

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2012*

| | Note | 2012 HK$'000 | 2011 HK$'000 (Restated) |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Revenue | *3* | **55,225** | 61,900 |
| Cost of sales | | **(8,946)** | (11,942) |
| Gross profit | | **46,279** | 49,958 |
| Other income and other gains/(losses), net | | **(2,311)** | 19,351 |
| Marketing, selling and distribution costs | | **(7,726)** | (8,712) |
| Administrative expenses | | **(59,691)** | (52,428) |
| Other operating expenses | | **(944)** | (4,363) |
| Operating profit/(loss) | | **(24,393)** | 3,806 |
| Share of loss of jointly controlled entities | | **(14,542)** | (20,642) |
| Share of loss of associates | | **(1,869)** | (2,791) |
| Loss before income tax | | **(40,804)** | (19,627) |
| Income tax expenses | *4* | **(2,729)** | (2,147) |
| **Loss for the year from continuing operations** | | **(43,533)** | (21,774) |
| **DISCONTINUED OPERATIONS** | | | |
| **Loss for the year from discontinued operations** | *5(b)* | **(171,191)** | (96,071) |
| **LOSS FOR THE YEAR** | *6* | **(214,724)** | (117,845) |
| Attributable to: | | | |
| Equity holders of the Company | | | |
| – Continuing operations | | **(43,481)** | (21,650) |
| – Discontinued operations | | **(171,191)** | (96,071) |
| | | **(214,672)** | (117,721) |
| Non-controlling interests | | | |
| – Continuing operations | | **(52)** | (124) |
| – Discontinued operations | | **–** | – |
| | | **(52)** | (124) |
| | | **(214,724)** | (117,845) |
| **LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | | | |
| Basic and diluted | *7* | | |
| – Continuing operations | | **(3.82) cents** | (1.90) cents |
| – Discontinued operations | | **(15.02) cents** | (8.43) cents |
| | | **(18.84) cents** | (10.33) cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2012*

| | 2012<br>HK$'000 | 2011<br>HK$'000<br>(Restated) |
|---|---|---|
| **LOSS FOR THE YEAR** | **(214,724)** | (117,845) |
| Other comprehensive income/(loss) | | |
| – Currency translation differences | **(2,967)** | 49,293 |
| Other comprehensive income/(loss) for the year, net of tax | **(2,967)** | 49,293 |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(217,691)** | (68,552) |
| Attributable to: | | |
| – Equity holders of the Company | **(217,639)** | (68,437) |
| – Non-controlling interests | **(52)** | (115) |
| | **(217,691)** | (68,552) |
| Total comprehensive loss attributable to equity holders of the Company arising from: | | |
| – Continuing operations | **(33,552)** | 3,362 |
| – Discontinued operations | **(184,087)** | (71,799) |
| | **(217,639)** | (68,437) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2012*

| | Note | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **5,110** | 19,120 |
| Intangible assets | | **–** | 32,852 |
| Interests in jointly controlled entities | | **8,019** | 23,963 |
| Interests in associates | | **41,230** | 73,423 |
| Deferred income tax assets | | **–** | 8,193 |
| Available-for-sale financial assets | *9* | **10,680** | 51,694 |
| Trade receivables | | **–** | 102,777 |
| Total non-current assets | | **65,039** | 312,022 |
| **CURRENT ASSETS** | | | |
| Inventories | | **–** | 63,242 |
| Available-for-sale financial assets | *9* | **38,264** | 10,103 |
| Trade receivables | *10* | **140,180** | 615,214 |
| Prepayments, deposits and other receivables | | **48,711** | 142,939 |
| Tax receivables | | **1,888** | 5,127 |
| Cash and cash equivalents | | **600,993** | 413,641 |
| Total current assets | | **830,036** | 1,250,266 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *11* | **27,946** | 196,496 |
| Other payables and accruals | | **54,045** | 205,405 |
| Tax payables | | **9,167** | 6,721 |
| Total current liabilities | | **91,158** | 408,622 |
| Net current assets | | **738,878** | 841,644 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **803,917** | 1,153,666 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred income tax liabilities | | **26,293** | 24,190 |
| Net assets | | **777,624** | 1,129,476 |
| **EQUITY** | | | |
| Equity attributable to the Company's equity holders | | | |
| Share capital | | **113,953** | 113,953 |
| Reserves | | **547,421** | 897,582 |
| | | **661,374** | 1,011,535 |
| Non-controlling interests | | **116,250** | 117,941 |
| Total equity | | **777,624** | 1,129,476 |

*Notes:*

## 1.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with 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 ("HKICPA") 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 and derivative financial instruments.

## 1.2 IMPACT OF NEW, AMENDED AND REVISED HKFRSs

In the current year, 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 year.

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 27 (2011) (Amendment), HKFRS 10 (Amendment) and HKFRS 12 (Amendment) | Investment Entities |
| 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 7 (Amendment) | Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities |
| HKFRS 9 | Financial Instruments |
| HKFRS 9 (Amendment) and HKFRS 7 | Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 10 (Amendment), HKFRS 11 (Amendment) and HKFRS 12 (Amendment) | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| 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.

## 2 SEGMENT INFORMATION

The chief operating decision maker has been identified as the Board of the Company. Management has determined the operating segments based on the internal reports reviewed by the Board of the Company 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.

An analysis of the Group's revenue, results and certain assets, liabilities and expenditure information for the year ended 31 December 2012 by operating segments is as follows:

| | 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) | 8,392 | 17,773 | 29,060 | – | – | 55,225 | 247,920 | 303,145 |
| Depreciation | 568 | 578 | 205 | – | 106 | 1,457 | 3,300 | 4,757 |
| Amortisation | 101 | – | – | – | – | 101 | 7,781 | 7,882 |
| Operating profit/(loss) *(Note (i))* | 9,065 | 7,310 | (154) | (17,134) | (23,480) | (24,393) | (144,567) | (168,960) |
| Finance costs | – | – | – | – | – | – | – | – |
| Share of loss of jointly controlled entities | – | (12,109) | – | (2,433) | – | (14,542) | – | (14,542) |
| Share of loss of associates | – | – | – | (1,869) | – | (1,869) | – | (1,869) |
| Loss before income tax | | | | | | (40,804) | (144,567) | (185,371) |
| Income tax expenses | | | | | | (2,729) | (26,624) | (29,353) |
| Loss for the year | | | | | | (43,533) | (171,191) | (214,724) |
| Total assets *(Note (ii))* | 48,944 | 164,518 | 24,772 | 72,687 | 584,154 | 895,075 | – | 895,075 |
| Total assets include: | | | | | | | | |
| Interests in jointly controlled entities | – | (4,316) | – | 12,335 | – | 8,019 | – | 8,019 |
| Interests in associates | – | – | – | 41,230 | – | 41,230 | – | 41,230 |
| Total liabilities *(Note (iii))* | 29,971 | 38,805 | 10,049 | 23,025 | 15,601 | 117,451 | – | 117,451 |
| Capital expenditure | 2,569 | 15 | 72 | – | 755 | 3,411 | 6,390 | 9,801 |
| Interest income | 9,249 | 93 | 1 | – | 198 | 9,541 | 3,411 | 12,952 |
| Interest expenses | – | – | – | – | – | – | – | – |

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 | Total |
|---|---|---|---|---|---|---|---|---|
| | DVB Business HK$'000 (Restated) | AA Business HK$'000 | FMI Business HK$'000 | Direct Investments HK$'000 | Others HK$'000 | Sub-total HK$'000 (Restated) | DVB Business HK$'000 (Restated) | HK$'000 |
| Revenue (from external customers) | 8,408 | 22,901 | 30,591 | – | – | 61,900 | 505,824 | 567,724 |
| Depreciation | 237 | 346 | 177 | – | 152 | 912 | 4,503 | 5,415 |
| Amortisation | – | – | – | – | – | – | 14,253 | 14,253 |
| Operating profit/(loss) *(Note (i))* | 9,308 | 6,331 | 1,014 | – | (12,847) | 3,806 | (104,077) | (100,271) |
| Finance costs | – | – | – | – | – | – | (11) | (11) |
| Share of loss of jointly controlled entities | – | (911) | – | (19,731) | – | (20,642) | – | (20,642) |
| Share of loss of associates | – | – | – | (2,791) | – | (2,791) | (6,503) | (9,294) |
| Loss before income tax | | | | | | (19,627) | (110,591) | (130,218) |
| Income tax credit/(expenses) | | | | | | (2,147) | 14,520 | 12,373 |
| Loss for the year | | | | | | (21,774) | (96,071) | (117,845) |
| Total assets *(Note (ii))* | 61,797 | 165,201 | 26,031 | 94,102 | 18,538 | 365,669 | 1,196,619 | 1,562,288 |
| Total assets include: | | | | | | | | |
| Interests in jointly controlled entities | – | 7,742 | – | 16,221 | – | 23,963 | – | 23,963 |
| Interests in associates | – | – | – | 71,714 | – | 71,714 | 1,709 | 73,423 |
| Total liabilities *(Note (iii))* | 38,887 | 29,435 | 11,031 | 61,838 | 26,916 | 168,107 | 264,705 | 432,812 |
| Capital expenditure | – | 228 | 398 | – | 13 | 639 | 14,369 | 15,008 |
| Interest income | 4,327 | 127 | 4 | – | 133 | 4,591 | 12,152 | 16,743 |
| Interest expenses | – | – | – | – | – | – | 11 | 11 |

*Notes:*

(i) The operating profit under the continuing operations of the DVB Business for the year ended 31 December 2012 is stated after crediting, inter alia, the technology licensing income of HK$8,392,000 (2011: HK$8,408,000), the non-compete income of HK$2,597,000 (2011: HK$2,597,000), and interest income from the expected periodic adjustment payments of HK$4,618,000 (2011: HK$2,598,000), of the discontinued STB Business, which have not been transferred to the Purchaser (as defined in Note 5) upon the completion of the DB Disposal (as defined in Note 5).

(ii) The total assets under the continuing operations of the DVB Business represent the expected periodic adjustment payments classified as available-for-sale financial assets of the discontinued STB Business, which has not been transferred to the Purchaser upon the completion of the DB Disposal.

(iii) The total liabilities under the continuing operations of the DVB Business represent the deferred income tax liabilities provided for the expected periodic adjustment payments classified as available-for-sale financial assets and the deferred income 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 | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | |
| | **Continuing operations HK$'000** | **Discontinued operations HK$'000** | **Total HK$'000** | Continuing operations HK$'000 (Restated) | Discontinued operations HK$'000 (Restated) | Total HK$'000 |
| The PRC | | | | | | |
| – Mainland China | **26,165** | **244,207** | **270,372** | 31,309 | 485,903 | 517,212 |
| – Hong Kong | **19,705** | **3,713** | **23,418** | 21,136 | 19,921 | 41,057 |
| Others | **9,355** | **–** | **9,355** | 9,455 | – | 9,455 |
| | **55,225** | **247,920** | **303,145** | 61,900 | 505,824 | 567,724 |

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

| | | Group | |
|---|---|---|---|
| | **Operating segment** | **2012 HK$'000** | 2011 HK$'000 |
| Customer A | DVB Business | **–** | 180,902 |

A reconciliation of the total of the reportable segments' assets to the Group's total assets is as follows:

| | Group | |
|---|---|---|
| | **2012 HK$'000** | 2011 HK$'000 |
| Total assets for reportable segments | **310,921** | 1,543,750 |
| Corporate assets | **584,154** | 18,538 |
| Total assets of the Group | **895,075** | 1,562,288 |

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | |
| | **Continuing operations HK$'000** | **Discontinued operations HK$'000** | **Total HK$'000** | Continuing operations HK$'000 (Restated) | Discontinued operations HK$'000 (Restated) | Total HK$'000 |
| The PRC | | | | | | |
| – Mainland China | **53,230** | **–** | **53,230** | 104,311 | 28,041 | 132,352 |
| – Hong Kong | **985** | **–** | **985** | 676 | 16,188 | 16,864 |
| Others | **144** | **–** | **144** | 142 | – | 142 |
| | **54,359** | **–** | **54,359** | 105,129 | 44,229 | 149,358 |

## 3 REVENUE

An analysis of revenue is as follows:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | |
| | **Continuing operations HK$'000** | **Discontinued operations HK$'000** | **Total HK$'000** | Continuing operations HK$'000 (Restated) | Discontinued operations HK$'000 (Restated) | Total HK$'000 (Restated) |
| Advertising agency fee income | **17,773** | **–** | **17,773** | 22,901 | – | 22,901 |
| Revenue from provision of online financial market information | **29,060** | **–** | **29,060** | 30,591 | – | 30,591 |
| Revenue from sales of goods | **–** | **213,848** | **213,848** | – | 460,210 | 460,210 |
| Revenue from design, integration and installation of digital broadcasting systems | **–** | **23,628** | **23,628** | – | 42,804 | 42,804 |
| Licensing and leasing income | **8,392** | **10,444** | **18,836** | 8,408 | 2,810 | 11,218 |
| | **55,225** | **247,920** | **303,145** | 61,900 | 505,824 | 567,724 |

## 4 INCOME TAX CREDIT/(EXPENSES)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | |
| | **Continuing operations HK$'000** | **Discontinued operations HK$'000** | **Total HK$'000** | Continuing operations HK$'000 (Restated) | Discontinued operations HK$'000 (Restated) | Total HK$'000 |
| Current income tax | | | | | | |
| – Hong Kong | | | | | | |
| – Provision for the year | **(58)** | **–** | **(58)** | (270) | – | (270) |
| – Adjustment in respect of prior years | **–** | **–** | **–** | 12 | – | 12 |
| – Outside Hong Kong | | | | | | |
| – Provision for the year | **(2,671)** | **(8,577)** | **(11,248)** | (1,729) | (500) | (2,229) |
| – Adjustment in respect of prior years | **–** | **(4,889)** | **(4,889)** | 609 | – | 609 |
| | **(2,729)** | **(13,466)** | **(16,195)** | (1,378) | (500) | (1,878) |
| Deferred income tax | | | | | | |
| – Hong Kong | **–** | **–** | **–** | (22) | – | (22) |
| – Outside Hong Kong | **–** | **(13,158)** | **(13,158)** | (747) | 15,020 | 14,273 |
| | **–** | **(13,158)** | **(13,158)** | (769) | 15,020 | 14,251 |
| Income tax credit/(expenses) | **(2,729)** | **(26,624)** | **(29,353)** | (2,147) | 14,520 | 12,373 |

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation 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 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 "DB Purchaser"), pursuant to which the Company agreed to sell and the DB Purchaser agreed to purchase, the entire issued share capital of Allsure Limited ("Allsure"), a then 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 "DB Disposal") at an aggregate consideration of approximately RMB128,000,000 (equivalent to approximately HK$157,413,000).

Upon the completion of the DB Disposal on 17 October 2012, the Group ceased to have any equity interest in Allsure. Certain DB Business related inventories and prepayments, which had not been transferred to the DB Purchaser pursuant to the Conditional Agreement (the "Retained Assets"), had been subsequently disposed of by the Group.

(III) On 30 August 2012, 天柏寬帶網絡科技(北京)有限公司 (the "DBOSS Vendor"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement (the "Acquisition Agreement") with AVIT Ltd. (深圳市佳創視訊技術股份有限公司) (the "DBOSS Purchaser"), pursuant to which the DBOSS Vendor agreed to sell and the DBOSS Purchaser agreed to purchase, the entire paid-up capital of天柏寬帶網絡技術(北京)有限公司 (the "DBOSS Target Company"), a then wholly-owned subsidiary of the DBOSS Vendor relating to the Group's operation of the DVN Business Operation Support System (the "DBOSS Business") (the "DBOSS Disposal") at an aggregate consideration of RMB27,000,000 (equivalent to approximately HK$33,150,000).

Upon the completion of the DBOSS Disposal on 19 November 2012, the Group ceased to engage in all its existing DVB Business except the non-compete income and the conditional access and middleware licence fee relating to the disposal of the STB Business in 2010 for accounting purpose, which are recognised over a period of three years from 6 May 2010.

## (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:

| | **Year ended 31 December 2012** | | | | Year ended 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | **STB Business HK$'000** | **DB Business HK$'000** | **DBOSS Business HK$'000** | **Total HK$'000** | STB Business HK$'000 | DB Business HK$'000 (Restated) | DBOSS Business HK$'000 (Restated) | Total HK$'000 (Restated) |
| Revenue *(Note 3)* | **–** | **238,447** | **9,473** | **247,920** | – | 503,489 | 2,335 | 505,824 |
| Cost of sales | **–** | **(119,848)** | **–** | **(119,848)** | – | (352,869) | – | (352,869) |
| Gross profit | **–** | **118,599** | **9,473** | **128,072** | – | 150,620 | 2,335 | 152,955 |
| Other income and other gains/(losses), net | **–** | **32,006** | **559** | **32,565** | – | 33,428 | – | 33,428 |
| Marketing, selling and distribution costs | **–** | **(45,034)** | **(4,996)** | **(50,030)** | – | (56,274) | (2,407) | (58,681) |
| Administrative expenses | **–** | **(63,127)** | **(15,337)** | **(78,464)** | – | (92,063) | (7,693) | (99,756) |
| Other operating expenses *(Note (i))* | **–** | **(243,359)** | **(775)** | **(244,134)** | – | (70,633) | (1,309) | (71,942) |
| Operating loss | **–** | **(200,915)** | **(11,076)** | **(211,991)** | – | (34,922) | (9,074) | (43,996) |
| Finance costs | **–** | **–** | **–** | **–** | – | (11) | – | (11) |
| Share of loss of associates | **–** | **–** | **–** | **–** | – | (6,503) | – | (6,503) |
| Loss before income tax | **–** | **(200,915)** | **(11,076)** | **(211,991)** | – | (41,436) | (9,074) | (50,510) |
| Income tax expenses *(Note 4)* | **–** | **(21,624)** | **–** | **(21,624)** | – | (500) | – | (500) |
| Loss after tax of discontinued operations | **–** | **(222,539)** | **(11,076)** | **(233,615)** | – | (41,936) | (9,074) | (51,010) |
| Change in value of available-for-sale financial assets *(Note 9)* | **18,130** | **–** | **–** | **18,130** | (60,081) | – | – | (60,081) |
| Gain on disposal of digital broadcasting business *(Note 6)* | **–** | **23,637** | **25,657** | **49,294** | – | – | – | – |
| Pre-tax gain/(loss) recognised on disposal | **18,130** | **23,637** | **25,657** | **67,424** | (60,081) | – | – | (60,081) |
| Income tax credit/(expenses) *(Note 4)* | **15,061** | **(20,061)** | **–** | **(5,000)** | 15,020 | – | – | 15,020 |
| After-tax gain/(loss) recognised on disposal | **33,191** | **3,576** | **25,657** | **62,424** | (45,061) | – | – | (45,061) |
| Profit/(loss) for the year | **33,191** | **(218,963)** | **14,581** | **(171,191)** | (45,061) | (41,936) | (9,074) | (96,071) |
| Profit/(loss) attributable to: | | | | | | | | |
| Equity holders of the Company | **33,191** | **(218,963)** | **14,581** | **(171,191)** | (45,061) | (41,936) | (9,074) | (96,071) |
| Non-controlling interests | **–** | **–** | **–** | **–** | – | – | – | – |
| | **33,191** | **(218,963)** | **14,581** | **(171,191)** | (45,061) | (41,936) | (9,074) | (96,071) |

*Notes:*

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (i) Other operating expenses including: | | | | | | | | |
| Provision for impairment of trade receivables | **–** | **156,026** | **–** | **156,026** | – | 52,993 | – | 52,993 |
| Provision for impairment of other receivables | **–** | **47,822** | **–** | **47,822** | – | 1,571 | – | 1,571 |
| Provision for inventories | **–** | **23,736** | **–** | **23,736** | – | 858 | – | 858 |
| Provision for impairment of property, plant and equipment | **–** | **2,239** | **–** | **2,239** | – | – | – | – |

(ii) During the year ended 31 December 2012, additional provision for impairment of trade receivables approximately HK$156,026,000 (2011: HK$52,993,000) 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.

**(c) Analysis of the Cash Flows from Discontinued Operations**

| | **Year ended 31 December 2012** | | | | Year ended 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | **STB Business HK$'000** | **DB Business HK$'000** | **DBOSS Business HK$'000** | **Total HK$'000** | STB Business HK$'000 | DB Business HK$'000 (Restated) | DBOSS Business HK$'000 (Restated) | Total HK$'000 (Restated) |
| Net cash generated from/(used in) operating activities | **–** | **123,300** | **(10,398)** | **112,902** | – | (49,118) | (6,764) | (55,882) |
| Net cash generated from/(used in) investing activities | **35,467** | **(1,641)** | **(1,338)** | **32,488** | 42,066 | 10,816 | (3) | 52,879 |
| Net cash generated from/(used in) financing activities | **–** | **(257,945)** | **13,180** | **(244,765)** | – | (56,490) | 6,767 | (49,723) |
| | **35,467** | **(136,286)** | **1,444** | **(99,375)** | 42,066 | (94,792) | – | (52,726) |

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

| | **2012** | | |
|---|---|---|---|
| | **DB Business HK$'000** | **DBOSS Business HK$'000** | **Total HK$'000** |
| Net assets disposed of: | | | |
| Property, plant and equipment | **4,744** | **925** | **5,669** |
| Intangible assets | **20,059** | **4,634** | **24,693** |
| Interests in associates | **1,677** | **–** | **1,677** |
| Trade receivables | **287,480** | **–** | **287,480** |
| Prepayments, deposits and other receivables | **46,635** | **1,382** | **48,017** |
| Inventories | **15,370** | **199** | **15,569** |
| Cash and cash equivalents | **33,712** | **1,444** | **35,156** |
| Trade payables | **(79,483)** | **(170)** | **(79,653)** |
| Other payables and accruals | **(85,011)** | **(1,232)** | **(86,243)** |
| Deferred income tax liabilities | **(1,556)** | **–** | **(1,556)** |
| | **243,627** | **7,182** | **250,809** |
| Cost, fees and expenses, accrued and paid | **2,508** | **334** | **2,842** |
| Release of exchange reserve | **(110,850)** | **(23)** | **(110,873)** |
| Release of non-controlling interests | **(1,509)** | **–** | **(1,509)** |
| Gain on disposal | **23,637** | **25,657** | **49,294** |
| | **157,413** | **33,150** | **190,563** |
| Satisfied by: | | | |
| Consideration received, satisfied in cash | **157,413** | **30,067** | **187,480** |
| Consideration to be received | **–** | **3,083** | **3,083** |
| | **157,413** | **33,150** | **190,563** |

| | Year ended 31 December 2012 | | |
|---|---|---|---|
| | **DB Business HK$'000** | **DBOSS Business HK$'000** | **Total HK$'000** |
| Consideration received, after settlement of cost, fees and expenses | **154,905** | **29,733** | **184,638** |
| Cash and cash equivalents disposed of | **(33,712)** | **(1,444)** | **(35,156)** |
| Net cash inflow | **121,193** | **28,289** | **149,482** |

## 6 LOSS FOR THE YEAR

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

| | Group | |
|---|---|---|
| | **2012 HK$'000** *(Note (i))* | 2011 HK$'000 *(Note (i))* |
| Cost of inventories sold | **119,848** | 352,869 |
| Cost of provision of advertising agency services | **430** | 2,796 |
| Cost of provision of online financial market information | **8,516** | 9,146 |
| Depreciation | **4,757** | 5,415 |
| Net exchange losses | **–** | 488 |
| Change in value of available-for-sale financial assets | **(18,130)** | 60,081 |
| Gain on disposal of digital broadcasting business (including exchange reserve realised of HK$110,873,000) *(Note 5(b))* | **(49,294)** | – |
| Other operating expenses including | | |
| – Amortisation of deferred development costs | **7,882** | 14,253 |
| – Write-off of deferred development costs | **6,523** | 2,428 |
| – Provision for impairment of property, plant and equipment | **2,239** | – |
| – Net loss on disposal of property, plant and equipment | **357** | 259 |
| – Provision for inventories | **23,736** | 858 |
| – Provision for impairment of trade receivables | **156,026** | 56,016 |
| – Write-off of trade receivables | **174** | – |
| – Provision for impairment of prepayments, deposits and other receivables | **47,822** | 1,571 |
| Other income and other (gains)/losses, net | | |
| – Interest income on bank balances | **(6,356)** | (4,546) |
| – Interest income on trade receivables | **(1,978)** | (9,599) |
| – Interest income on available-for-sale financial assets | **(4,618)** | (2,598) |
| – Gain on bargain purchase of subsidiaries | **–** | (12,967) |
| – Net loss on disposal of associates | **–** | 2,080 |
| – Value-added tax refund | **(4,716)** | (20,678) |
| – Government grants | **(573)** | (130) |
| – Non-compete income | **(2,597)** | (2,597) |
| – Realisation of exchange reserve as a result of the repayment of an inter-company loan | **(21,362)** | – |
| – Consultancy fee income from jointly controlled entities | **(2,137)** | – |
| – Write-back of contingent consideration payable in respect of the acquisition of an associate | **(23,255)** | – |
| – Provision for impairment of an associate | **37,747** | – |
| – Provision for impairment of a jointly controlled entity | **1,435** | – |
| – Others | **(1,844)** | (1,744) |

*Note:*

(i) The income and expenses for the years ended 31 December 2012 and 2011 shown above covered both continuing and discontinued operations.

## 7 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 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 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 loss per share is set out as follows:

| | **Group** | |
|---|---|---|
| | **2012** | 2011 |
| 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 loss per share | **1,139,531,432** | 1,139,531,432 |
| | **HK$'000** | HK$'000 (Restated) |
| Group's loss attributable to the equity holders of the Company | | |
| – Continuing operations | **(43,481)** | (21,650) |
| – Discontinued operations | **(171,191)** | (96,071) |
| | **(214,672)** | (117,721) |

The basic and diluted loss per share for each of the years ended 31 December 2012 and 2011 are the same because the effect of the assumed conversion of all dilutive potential ordinary shares outstanding during the years were anti-dilutive.

## 8 DIVIDENDS

The Board does not recommend the payment of any dividend (2011: HK$Nil) for the year.

## 9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | **HK$'000** | HK$'000 |
| At 1 January | **61,797** | 145,106 |
| Receipt of periodic adjustment payments | **(30,849)** | (27,923) |
| Change in value *(Notes 5(b) and 6)* | **18,130** | (60,081) |
| Exchange differences | **(134)** | 4,695 |
| At 31 December | **48,944** | 61,797 |
| Less: Non-current portion | **(10,680)** | (51,694) |
| Current portion | **38,264** | 10,103 |

There was no change in the classification of the fair value hierarchy of the available-for-sale financial assets which are grouped into level 3 during the year ended 31 December 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. At 31 December 2012, the latest actual sales quantity of STB available to the management is better than the expected sales quantity of STB applied in the previous discounted cash flow analysis, the change in estimated cash flows resulted in an increase in the value of the available-for-sale financial assets of HK$18,130,000 (2011: a decrease of HK$60,081,000) which was recorded under the STB Business in the discontinued operations for the year ended 31 December 2012.

The expected periodic adjustment payments are denominated in Renminbi and their fair value was calculated at a discount rate of 6.70% (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:

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | **HK$'000** | HK$'000 |
| Within 6 months | **139,037** | 370,111 |
| 7 – 12 months | **8** | 144,243 |
| Over 12 months | **4,394** | 200,587 |
| | **143,439** | 714,941 |
| Less: Provision for impairment | **(3,259)** | (99,727) |
| | **140,180** | 615,214 |

The fair value of 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. 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:

| | Group | |
|---|---|---|
| | **2012** | 2011 |
| | **HK$'000** | HK$'000 |
| Within 6 months | **26,212** | 149,951 |
| 7 – 12 months | **1,536** | 4,730 |
| Over 12 months | **198** | 41,815 |
| | **27,946** | 196,496 |

The fair value of trade payables approximates its carrying amount.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF RESULTS

### Overall Performance

| | Year ended 31 December 2012 | | | Year ended 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Continuing operations HK$'000 | Discontinued operations HK$'000 | Total HK$'000 | Continuing operations HK$'000 (Restated) | Discontinued operations HK$'000 (Restated) | Total HK$'000 (Restated) |
| Revenue | 55,225 | 247,920 | 303,145 | 61,900 | 505,824 | 567,724 |
| Cost of sales | (8,946) | (119,848) | (128,794) | (11,942) | (352,869) | (364,811) |
| Gross profit | 46,279 | 128,072 | 174,351 | 49,958 | 152,955 | 202,913 |
| Other income and other gains/(losses), net | (2,311) | 32,565 | 30,254 | 19,351 | 33,428 | 52,779 |
| Marketing, selling and distribution costs | (7,726) | (50,030) | (57,756) | (8,712) | (58,681) | (67,393) |
| Administrative expenses | (59,691) | (78,464) | (138,155) | (52,428) | (99,756) | (152,184) |
| Other operating expenses | (944) | (244,134) | (245,078) | (4,363) | (71,942) | (76,305) |
| Operating profit/(loss) | (24,393) | (211,991) | (236,384) | 3,806 | (43,996) | (40,190) |
| Finance costs | – | – | – | – | (11) | (11) |
| Share of loss of jointly controlled entities | (14,542) | – | (14,542) | (20,642) | – | (20,642) |
| Share of loss of associates | (1,869) | – | (1,869) | (2,791) | (6,503) | (9,294) |
| Loss before income tax | (40,804) | (211,991) | (252,795) | (19,627) | (50,510) | (70,137) |
| Income tax expenses | (2,729) | (21,624) | (24,353) | (2,147) | (500) | (2,647) |
| Loss after tax | (43,533) | (233,615) | (277,148) | (21,774) | (51,010) | (72,784) |
| Change in value of available-for-sale financial assets | – | 18,130 | 18,130 | – | (60,081) | (60,081) |
| Gain on disposal of digital broadcasting business | – | 49,294 | 49,294 | – | – | – |
| Pre-tax gain/(loss) recognised on disposal | – | 67,424 | 67,424 | – | (60,081) | (60,081) |
| Income tax credit/(expenses) | – | (5,000) | (5,000) | – | 15,020 | 15,020 |
| After-tax gain/(loss) recognised on disposal | – | 62,424 | 62,424 | – | (45,061) | (45,061) |
| Loss for the year | (43,533) | (171,191) | (214,724) | (21,774) | (96,071) | (117,845) |

### Revenue

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Digital broadcasting business | **256,312** | 514,232 |
| Advertising agency business | **17,773** | 22,901 |
| Financial market information business | **29,060** | 30,591 |
| | **303,145** | 567,724 |

The Group recorded a consolidated revenue of HK$303,145,000 in 2012, representing a decrease of 47% when compared to last year (2011: HK$567,724,000). The decrease was attributable mainly to the decrease in the revenue of digital broadcasting business as a result of the phase-out of the backlog shipment of set top boxes ("STB") subsequent to the disposal of the Group's STB business in 2010 and the completion of the disposal of the Group's digital broadcasting business in late 2012.

The advertising agency business, which was acquired in June 2011, has recorded a significant drop in revenue in 2012 if compared to the whole year figure of 2011 because of the reduction in advertising spending of the advertisers and the negative impact caused by the TV commercial restrictive directive and the TV show restrictive directive issued by the State Administration of Radio, Films and Television ("SARFT"), which became effective on 1 January 2012.

### Gross Profit and Gross Profit Margin

The Group recorded gross profit of HK$174,351,000 in 2012, representing a decrease of 14% when compared to last year (2011: HK$202,913,000). Overall gross profit margin increased from 36% to 58% as less sales of low margin products, such as STB, were recorded in 2012.

### Other Income and Other Gains/(Losses), Net

| | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|
| Realisation of exchange reserve as a result of the repayment of an inter-company loan | **21,362** | – |
| Interest income | **12,952** | 16,743 |
| Gain on bargain purchase of advertising agency business | **–** | 12,967 |
| Net loss on disposal of associates | **–** | (2,080) |
| Value-added tax refund | **4,716** | 20,678 |
| Non-compete income | **2,597** | 2,597 |
| Consultancy fee income | **2,137** | – |
| Write-back of contingent consideration payable in respect of the acquisition of an associate | **23,255** | – |
| Provision for impairment of an associate | **(37,747)** | – |
| Provision for impairment of a jointly controlled entity | **(1,435)** | – |
| Others | **2,417** | 1,874 |
| | **30,254** | 52,779 |

The decrease in interest income was mainly resulted from lesser amount of interest income received from the instalment sales of digital broadcasting business.

As a result of the change in pricing policy for intra-group sales and the group restructuring for the digital broadcasting business in 2012, value-added tax refund significantly decreased by 77% in 2012.

As it is considered that the chance of achieving the key performance criteria by the associate, Chinese Online Corporation Limited ("COL") within the time frame set out in the subscription agreement for the Group's investment in COL is remote, the contingent consideration payable amounting to HK$23,255,000 for the investment in COL was written back and the investment cost of COL amounting to HK$37,747,000 was also impaired accordingly during the current year.

**Marketing, Selling and Distribution Costs/Administrative Expenses**

The Group recorded a decrease of 11% in the marketing, selling and distribution costs and administrative expenses for the current year when compared to last year because of the disposal of the Group's digital broadcasting business in late 2012.

**Other Operating Expenses**

| | **2012**<br>**HK$'000** | 2011<br>HK$'000 |
|---|---|---|
| Provision for impairment of trade receivables and other receivables | **203,848** | 57,587 |
| Provision for inventories | **23,736** | 858 |
| Amortisation of deferred development costs | **7,882** | 14,253 |
| Write-off of trade receivables | **174** | – |
| Write-off of deferred development costs | **6,523** | 2,428 |
| Provision for impairment of property, plant and equipment | **2,239** | – |
| Others | **676** | 1,179 |
| | **245,078** | 76,305 |

The substantial increase in other operating expenses in 2012 when compared to 2011 was mainly resulted from the impairment provisions made for trade receivables, other receivables, inventories and deferred development costs related to the Group's discontinued digital broadcasting business.

**Share of Loss of Associates**

The decrease in the share of loss of associates in 2012 when compared to 2011 was attributable mainly to the further acquisition of equity interest in an associate which then became a wholly-owned subsidiary of the Group in September 2011.

**Income Tax Expenses**

The substantial increase in income tax expenses in 2012 was attributable mainly to the derecognition of deferred income tax assets of HK$8,158,000, the underprovision of tax for prior years of HK$4,889,000 and the payment of withholding tax of HK$5,480,000 in respect of the dividends paid by a PRC subsidiary.

## REVIEW OF OPERATING SEGMENTS

### Digital Broadcasting Business

In 2012, the Group disposed of essentially all of its digital broadcasting business to independent third parties under two separate transactions. These divestures were strategic undertakings by management to restructure the Group's businesses away from capital intensive, matured, and excessively competitive businesses. Details of both transactions are set out in the Company's circular titled "Very Substantial Disposal" of 17 September 2012 and the Company's announcement titled "Discloseable Transaction – Disposal of a Subsidiary" of 30 August 2012.

After completion of the disposal of its digital broadcasting business in late 2012, the Group has ceased to engage in all its existing digital broadcasting business, except the non-compete income and the conditional access and middleware licence fee relating to the disposal of the Group's STB business in 2010, which are recognised over a period of three years from 6 May 2010 to 5 May 2013 for accounting purpose.

### Advertising Agency Business

After having enjoyed double digit growth in recent years, the advertising market in China cooled down substantially in 2012 by growing only 7.8% as majority of the advertisers reduced their advertising spending. At the same time, there was also a general contraction in available TV advertising air time in 2012 caused by the two restrictive directives issued by SARFT at the start of the year. The combined effect resulted in severe squeeze in earning spreads for intermediary agencies such as the Group's advertising agency subsidiaries, which provide advertising air time sourcing services for their clients.

Substantial progress has been made in the buildup of Midas Media Limited ("Midas Media"), the joint venture company established with international leading 4A firm GroupM, in 2012. A professional team has been assembled in position within the first six months of the operations of Midas Media. By the end of the year, Midas Media already began to generate revenue although after expenses still recorded a substantial loss for its first year operation. The Group's strategy is to build Midas Media into a key component of its advertising business.

### Financial Market Information Business

Due to volatilities in the global financial markets in 2012, the Group's financial market information business recorded a moderate 5% decline in revenue and a breakeven position in 2012.

### Direct Investments

The Group currently holds several non-controlling direct investments, which include, inter alia, an online game business and an online Chinese language education business.

*Online Game Business*

Shanghai Boyojoy Network Technology Co., Limited (上海博游網絡科技有限公司) ("Boyojoy"), a 37% owned associated company of the Group established in December 2009, is a Shanghai based web game development company focusing in providing internet games for the overseas market. Its first game, "Call of Gods", exceeded the million player mark within months after official launch in March 2011, and has been signed up by a number of game operators for markets including the US, Europe, South America, Asia, and the Middle East. Several non-English versions of the game have since been released to different markets. The popular game operator, Kongregate, is one of the game operators carrying "Call of Gods" on its game platform. Mobile version of the game is now being carried in App Store. As the game is well received by the market, Boyojoy recorded a profitable result for the year of 2012.

*Online Chinese Language Education Business*

Chinese Online (Beijing) Technology Company Limited (天地華文(北京)科技有限公司) ("天地華文"), a 20% owned associated company of the Group, provides supplementary tools for people studying Chinese as a foreign language ("CFL"). Due to China's economic development in the past thirty years, Chinese is becoming one of the favourite foreign language study options in schools overseas. According to the latest statistics, there are 50 million overseas CFL students today.

In the past, 天地華文 has provided website based Chinese e-learning services with features such as online 1 on 1 teaching, video based lessons, e-books etc. In 2012, 天地華文 has developed mobile based apps to take advantage of the recent explosion in mobile device usage. "myPad" is one of such app products designed as a more effective studying and planning tool for both students and teachers in today's fast pace and fragment time life style, and contains other useful applications such as common Chinese phrases for travelling as well. "myPad" has been selected by the United Nation Headquarter for its Chinese training program recently. There are also some innovative game-based learning app products aimed to make learning Chinese "easy and fun". As 天地華文 is still under the stage of business development, it recorded a substantial loss for the year of 2012.

## PROSPECTS

### Advertising Agency Business

Based on current industry sentiments, management expects end advertisers will further cut back on their advertising spending in 2013. As a result, management plans to focus more attention in the development of Midas Media in the coming years and will be more conservative towards trade receivable exposure.

With advancement in the development of China's advertising market, domestic end advertisers are increasingly seeking more efficient tailor-made advertising placements that require the support of "soft capabilities" such as promotional planning, media selection, and advertising placement strategies which traditionally have been the strength of international 4A firms. Midas Media is really the first attempt by an international 4A firm to establish a local 4A operation in China. Management views this as an opportunity to build up competitive advantage over other domestic players, and to upgrade from the traditional sourcing agency business. Through 4A type services, the Group will be able to exert more influence on its clients including their promotional budgets, and in the long run creating greater client royalty.

### Direct Investments

*Online Game Business*

To fully capitalise on the initial success of the "Call of Gods", Boyojoy will continue to refine, upgrade, and expand the game to bring new versions to the market. After almost two years of its launch, the "Call of Gods" game has accumulated considerable market recognition and a sizable player base, while allowing Boyojoy to gain significant experience in developing and promoting game products in the overseas market. Boyojoy plans to develop the "Call of Gods" site from a single game web page into a multiple games playing platform. In addition to the newly released "Call of Gods EX" for Apple mobile devices, Boyojoy is developing three other games to be introduced to the market in 2013.

While the domestic web game market has slowed down considerably in recent years, the overseas market has continued to grow steadily. Besides original developed games, Boyojoy also plans to work with certain developers of other successful games in the domestic market to create adaptation of their successful games for the overseas market.

*Online Chinese Language Education Business*

Over the past 5 years, CFL market in the west has grown 10 times. Today, it is estimated that near 50 million people enrolled in CFL related training. In addition, the Chinese government is also actively promoting Chinese language learning around the world.

Although usage of mobile devices has exploded in recent years, the scarce availability of education supplemental apps points to a quite interest niche market opportunity. 天地華文 aims to become a leading brand in the area of mobile network e-learning. Over the years, 天地華文 has managed to accumulate substantial experience in combining technology, teaching, and literary arts in developing and delivery of CFL e-learning materials. This will also be valuable advantage in the development of mobile e-learning app products.

## 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 2012 (2011: Nil).

The total number of employees of the Group as at 31 December 2012 was 87 (2011: 554). The significant drop in number of employees was resulted from the disposal of the Group's digital broadcasting business in 2012.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

At 31 December 2012, the Group recorded total assets of HK$895,075,000 (2011: HK$1,562,288,000) which were financed by liabilities of HK$117,451,000 (2011: HK$432,812,000), non-controlling interests of HK$116,250,000 (2011: HK$117,941,000) and shareholders' equity of HK$661,374,000 (2011: HK$1,011,535,000). The Group's net asset value per share (excluding non-controlling interests) as at 31 December 2012 amounted to HK$0.58 (2011: HK$0.89).

The Group had a total cash and bank balance of HK$600,993,000 (2011: HK$413,641,000) without any bank borrowings (2011: Nil) as at 31 December 2012. The increase in the cash and bank balance was resulted mainly from the proceeds received from the disposal of the Group's digital broadcasting business in 2012. The Group has sufficient internal funds for its daily operations.

As the Group's digital broadcasting business was disposed of during the current year, the balances of trade receivables and trade payables were significantly reduced from HK$717,991,000 and HK$196,496,000 respectively at 31 December 2011 to HK$140,180,000 and HK$27,946,000 respectively at 31 December 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 and investments 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. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government. 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 partially made the second stage investment payment of approximately HK$8,313,000 upon the achievement of the performance criteria by the Group's associated company, Boyojoy and increased its equity interest in Boyojoy from 25% to 37%.

In October and November 2012, the Group completed the disposal of a number of subsidiaries and an associated company, which were engaged in the digital broadcasting business. The Group recorded a net gain on disposal of HK$49,294,000 in aggregate for such disposals.

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2012.

### Charges on Assets

The Group did not have any assets pledged to third parties as at 31 December 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 31 December 2012.

### Capital Expenditure Commitments

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

### Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2012.

## 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 2012. 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 2012.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2012, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Corporate Governance Code (the "Code") from time to time, as set out in Appendix 14 to the Listing Rules.

## 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 2012 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 2012 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**
**Ko Chun Shun, Johnson**
*Chairman*

Hong Kong, 20 February 2013

*At the date of this announcement, the Board of the Company comprises the executive directors of Mr Ko Chun Shun, Johnson (Chairman), Mr Luo Ning, Mr Jin Wei, Mr Xu Qiang (Chief Operating Officer) and Mr Hu Qinggang (Chief Financial Officer and Acting Chief Executive 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*