



CHINA DATA BROADCASTING HOLDINGS LIMITED

(中華數據廣播控股有限公司) *

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE PERIOD FROM 22TH SEPTEMBER, 1999 (DATE OF INCORPORATION OF THE COMPANY) TO 31ST DECEMBER, 1999

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This announcement, for which the directors of China Data Broadcasting Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Data Broadcasting Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this announcement misleading; and 3. all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Pro forma annual turnover increased significantly by 72% and reached HK\$12.6 million.
- Pro forma profit did not increase correspondingly with pro forma turnover because of the Group's strategy to increase its market share at the expense of margin.
- With a potential market of 216 million primary and secondary students in the PRC, the Group has been enriching its education software contents so as to rapidly build up its subscriber base.
- We have developed technology to enable users to receive data through television sets (TV) in addition to personal computers, which means that our market reach has expanded to the 350 million TV owners in the PRC. The enabler (i.e. TV set top box) is going to be launched to market in the year 2000.
- We are the first one to make use of the FC data broadcasting technology to broadcast data in the PRC. In order to protect our intellectual rights, we applied for a patent for the utility model of the multimedia TV set top box for FC data broadcasting from State Intellectual Property Bureau in July 1999.
- We have formed strategic alliance with 103 TV network operators out of which we have signed cooperative agreements with 14 for the sharing of subscriptions derived from our data broadcasting service contents.

RESULTS

The directors of China Data Broadcasting Holdings Limited ("the Company") announce the audited results and the pro forma combined results of the Group for the year ended 31st December, 1999 with the comparative pro forma figures for the corresponding period in 1998. The Company was incorporated in Bermuda on 22nd September, 1999 and remained inactive until 11th January, 2000 when the reorganisation (the "Reorganisation") of the Group was completed and the Company became the holding company of the Group. As a result, the audited financial statements of the Group did not have any operating results for the period from 22nd September, 1999 (date of incorporation) to 31st December, 1999. The pro forma combined results of the Group for the years ended 31st December, 1999 and 1998, which are provided for information purposes only, have been prepared as if the Reorganisation and the acquisition (the "Acquisition") of a 70% interest in Tianjin Tiancai Network Software Co., Ltd. in June 1999 had been completed on 1st January, 1998.

		Year ended 31st December, 1999 Pro forma combined (Note 1) HK\$'000	Year ended 31st December, 1998 Pro forma combined (Note 1) HK\$'000
	<i>Notes</i>		
TURNOVER	2	<u>12,559</u>	<u>7,294</u>
OPERATING PROFIT BEFORE TAX		150	729
Tax	3	<u>—</u>	<u>—</u>
PROFIT BEFORE MINORITY INTERESTS		150	729
Minority interests		<u>(134)</u>	<u>(219)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>16</u>	<u>510</u>
Earnings per share	4	<u>0.8 cent</u>	<u>25.5 cents</u>

Notes:

1. Reorganisation subsequent to balance sheet date

Subsequent to the balance sheet date, on 11th January, 2000, pursuant to the Reorganisation, the Company acquired from its shareholders the entire issued share capital of Verified Solutions Group Limited (“Verified Solutions”) and became the holding company of the Group. The Reorganisation will be accounted for by the Company using the merger accounting method in accordance with Statement of Standard Accounting Practice No. 27 “Accounting for group reorganisation” in the year ending 31st December, 2000. On this basis, the audited results of the Group for the period from 18 February, 1999 (date of incorporation of Verified Solutions and effective formation date of the Group) to 31st December, 1999 will be presented as follows:

	Notes	Period from 18th February, 1999 (effective formation date of the Group) to 31st December, 1999 consolidated HK\$'000
TURNOVER	2	<u>8,235</u>
OPERATING PROFIT BEFORE TAX		336
Tax	3	<u>—</u>
PROFIT BEFORE MINORITY INTERESTS		336
Minority interests		<u>(190)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>146</u>
Earnings per share	4	<u>7.3 cents</u>

2. Turnover

Turnover represents the invoiced value of goods sold and services rendered, net of value-added tax, business tax and government surcharges, and after allowance for goods returned and trade discounts.

3. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the periods.

Prior to the Acquisition, the data broadcasting business (the “Data Broadcasting Business”) of Tiancai Network was carried on by Genius. Genius, a joint stock limited liability company with its “A” shares listed on the Shenzhen Stock Exchange, is situated in an approved high-technology development zone and is a high-technology enterprise. According to the relevant tax rules and regulations in the PRC, Genius was exempted from income tax for the two fiscal years commencing in November 1997 and ended on 31st December, 1998 and, thereafter, is taxable at a concessionary income tax rate of 15%.

During the period from 1 July 1999 to 31 December 1999, the Data Broadcasting Business of Tiancai Network was conducted in the name of Genius for the benefit of Tiancai Network and, as the taxable income of the Data Broadcasting Business for the period was not material, Genius has agreed not to allocate any income tax to Tiancai Network. Accordingly, no income tax was payable by Tiancai Network during the period.

Under the Income Tax Law of the People’s Republic of China, Tiancai Network is subject to state income tax of 30% and local income tax of 3%. Pursuant to an approved document issued by Tianjin High-tech Industry Park State Tax Bureau, Tiancai Network is exempted from state income tax for the first two years of operation starting from the year when it first becomes profitable and thereafter, is entitled to a 50% relief from state income tax for the third to fifth years, inclusive. Tiancai Network is also exempted from local income tax for the first five years of operation, starting from the year when it first becomes profitable.

4. Earnings per share

The pro forma earnings per share is calculated based on the pro forma combined profit attributable to shareholders for the years ended 31st December, 1999 and 1998 of HK\$16,000 and HK\$510,000 respectively, and the pro forma weighted average of 2,000,000 shares deemed to have been issued during each of the years.

The earnings per share for the period from 18th February, 1999 (effective formation date of the Group) to 31st December, 1999 is calculated based on the net profit attributable to shareholders for the period from 18th February, 1999 to 31st December, 1999 of HK\$146,000 and the weighted average of 2,000,000 shares deemed to have been in issue throughout the period.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31st December, 1999.

BUSINESS REVIEW AND OUTLOOK

The year 1999 saw the rapid development of the Information Technology (“IT”) sector and intense competition of the market, the ever-changing technological development; adjustments in the policy relating to the IT Industry; the entry of new competitors in the PRC as well as from outside the PRC, which together created enormous uncertainties to the IT service market. In this uncertain market which offered risks and opportunities at the same time, the management of the Group were able to make accurate judgement to the situation enabling the Group to ride out the risks of the initial stage of its establishment and moved into the stage of fast development.

During the year, our Tiancai brand name PC plug-in boards continued to be one of the popular products in the market. Its market share increased substantially following its increase in sales volume of 101% over that of last year. In order to meet the needs of our customers, the Group followed closely on the latest technology and developed a variety of unique elements in its data broadcasting transmission and receiving modules as well as the related software products, bringing the Group well ahead of its competitors.

As at the end of the 1999, the Group has formed strategic alliance with 103 TV network operators, involving 24 provinces, municipalities and autonomous regions, the TV networks of which covered more than 20 million household. In order to secure a larger subscribers base, we will continue to establish further business relationship with the TV network operators and to provide free transmission modules and free technological support to them as well as to our new potential partners.

In line with our mission to develop data broadcasting technology, we are the first one to make use of the FC data broadcasting technology to broadcast data in the PRC and by virtue of this, we entered into cooperative agreements with 14 TV network operators including Tianjin TV Station for the sharing of subscription derived from our data broadcasting service. At 31st December 1999, we had over 6,000 subscribers using this service, representing a growth of 130% over last year.

In order that the data broadcasting service provided by the Group can better serve the needs of our subscribers and that the contents can be more compelling and rich, the Group has invested substantial amount of time and capital to enrich its service contents, and has also formed strategic alliance with a number of ICPs for the provision of electronic newspaper, shareware and other information to subscribers.

Plans and prospects

We consider that digitized information in the PRC will remain at great demand. As the growth in the Internet market in the PRC is subject to limitations, we believe that internet alone cannot meet the needs of PRC subscribers. Accordingly, we consider that data broadcasting offers a broad horizon of development and a huge market potential. The Group will continue focusing on the PRC market, and capitalizing on the already established leading edge in the data broadcasting industry, we will emphasise on developing sophisticated transmission and reception modules, forming strategic alliance with a large number of TV network operators, providing compelling and valuable multimedia program contents to attract more subscribers and hence, increase our market share.

In the year 2000, we will launch our TV set top boxes to enable our customers to receive our data through their television sets (TV). With 350 million TV owners in the PRC, we believe that our first generation TV set top boxes will become a major source of income of the Group. In addition to the TV set top boxes, we will continue to improve the quality of PC plug-in boards in order that our products will become the clear market leader in the PRC market.

We will continue to provide free transmission modules and free technological support to TV network operators and also to enrich our multimedia program contents in order to expand our alliance with TV network operators, both in terms of numbers and scope. Priority will be given to those TV network operators who have more than 300,000 subscribers and locate in the coastal and sizeable cities.

In order to attract more data broadcasting service subscribers, the Group will invest a considerable amount of resources to enrich its service contents. With a potential market of 216 million primary and secondary students in the PRC, focus will be on enriching our education software contents. We will also continue to collect new contents from electronic newspaper and financial information providers with a target to establish strategic alliance with 25 content providers in a year's time. We believe that the above can increase the number of subscribers and hence, provide a stable source of recurring subscriptions income to the Group.

We will take advantage of our well known "Tiancai" brand name and strengthen our sale and after-sale network in order to further enlarge our market share. We plan to recruit 100 new authorized distributors in all the major cities of the PRC and conduct vigorous advertisement campaigns in TV, newspapers and magazines in order to achieve the greatest publicity.

We believe that research and development is important in the long-term development of the Group's business. Accordingly, substantial resources will be put on R&D. Focus is on models III to V of the Full Channel transmission modules and the second generation multimedia TV set top boxes. In the meantime, plan has been established to develop the high-speed broadband data broadcasting system in preparation for the replacement of VBI and FC data broadcasting technology.

The main reason why the Group has been able to surpass its competitors and achieve a leading edge from time to time under the fierce competition of the present PRC IT market is that the management has been able to accurately grasp the trend of technological development, hence to formulate a series of time-honoured effective development strategies for the Group. After two years of initial development, the Group has established reputable goodwill, sound financial management and excellent sales systems, and has trained a generation of young, motivated, capable as well as mission-oriented management and research experts. Looking forward, the management of the Group will continue to make the best of efforts, and with the full support of investors, we will create a better future.

The Year 2000 issue

The Year 2000 issue refers to problems arising in computer operations that fail to recognise the year 2000. In the past, computer data storage was expensive and some systems engineers used only two digits to represent the year in databases to save storage space. As a result of the decreasing costs of data storage, advances in technology, and increasing awareness of the Year 2000 issue, most recently developed products on the market are now Year 2000 compliant.

The Year 2000 compliance issue has been taken into account during the research and development stage of the Group products. In addition, all software developed by the Group is tested to ensure it is Year 2000 compliant before it is launched. For outsourced software, the Group requires the suppliers to provide confirmation that it is Year 2000 compliant.

The Group conducted an assessment on its internal computer systems and concluded that they were Year 2000 compliant. In addition, the Group implemented a Year 2000 contingency plan which mainly included the making of back-up copies of all computer files and the maintaining of a systematic filing of hard copies of the relevant documents. The Group has not experienced any major Year 2000 problems at the date of this report. All the products sold by the Group are also Year 2000 compliant.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

Professor Kou Jisong
Chairman

Hong Kong, 27th March, 2000

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the day of its posting.

* For identification purposes only