



CHINA DATA
BROADCASTING

CHINA DATA BROADCASTING HOLDINGS LIMITED

(中華數據廣播控股有限公司)*

(incorporated in Bermuda with limited liability)

ANNUAL RESULT 2000

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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

Despite facing an uncertain and competitive market, the Group's business grows continuously. Turnover increased drastically by 207% and reached HK\$25 million.

The Group has further strengthened its business foundation and enhanced its technological development capabilities.

As a key player in the industry, the Shanghai and Shenzhen Stock Exchanges have both appointed the Group to assist them to develop their securities information business operations through the Group's data broadcasting technologies.

As a result of the Group's prudent attitude towards the forthcoming National Standard, the Group had scaled down certain of its business activities such as postponing the launch and provision of certain new products and systems, signing up of TV network operators and content providers. The scaling down of the Group's business activities has affected the Group's achievement in certain of its business objectives set out in the Prospectus dated 17 January 2000.

The Group incurred a loss for the year mainly as a result of substantial provisions made on the stock and debtor at the year-end date.

RESULTS

The board of directors of China Data Broadcasting Holdings Limited (“the Company”) announces the audited results of the Group for the year ended 31 December 2000 together with the comparative figures for the period from 18 February 1999 to 31 December 1999.

		2000	Period from
	Notes	<i>HK\$'000</i>	18 February 1999
			to 31 December
			1999
			<i>HK\$'000</i>
TURNOVER	2	25,259	8,235
Cost of sales		<u>(24,409)</u>	<u>(6,080)</u>
Gross profit		850	2,155
Other revenue		1,333	8
Selling and distribution costs		(756)	(752)
Administrative expenses		(6,667)	(825)
Other operating expenses		<u>(1,953)</u>	<u>(250)</u>
OPERATING PROFIT/(LOSS)			
BEFORE TAX		(7,193)	336
Tax	3	<u>—</u>	<u>—</u>
PROFIT/(LOSS) BEFORE MINORITY			
INTERESTS		(7,193)	336
Minority interests		<u>1,199</u>	<u>(190)</u>
NET PROFIT/(LOSS)			
ATTRIBUTABLE TO			
SHAREHOLDERS		<u>(5,994)</u>	<u>146</u>
EARNINGS/(LOSS) PER SHARE	4		
Basic		<u>(1.94) cents</u>	<u>0.08 cent</u>
Diluted		<u>N/A</u>	<u>N/A</u>

1. **Group Reorganisation and Basis of Presentation**

The Company was incorporated in Bermuda as an exempted company under the Companies Act on 22 September 1999 with limited liability. On incorporation, the Company had authorised share capital of HK\$100,000 divided into 1,000,000 shares, all of which were issued nil paid on 24 September 1999. Apart from the aforesaid share issue, no other transactions were carried out by the Company for the period from 22 September 1999 to 31 December 1999. Accordingly, the Company did not have any results for the period from 22 September 1999 (date of incorporation) to 31 December 1999 and did not have any assets, liabilities and shareholders' equity as at 31 December 1999.

Pursuant to a Group reorganisation (the "Reorganisation") on 11 January 2000 in preparation for the listing of the Company's shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM"), the Company acquired from its holding company the entire issued share capital of Verified Solutions Group Limited ("Verified Solutions") and became the holding company of the Group.

Further details of the Reorganisation and the principal steps thereof are set out in the paragraph headed "Corporate reorganisation" in Appendix IV of the prospectus issued by the Company on 17 January 2000.

The Reorganisation was accounted for by the Company in the year ended 31 December 2000 using the merger basis of accounting in accordance with Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions". In applying the merger basis of accounting, the Group financial statements were prepared on the basis that the Group structure as at 11 January 2000 arising from its reorganisation had been in existence from the earliest incorporation date of the merging companies which, in this case, is 18 February 1999, being the incorporation date of Verified Solutions.

All significant intra-group transactions and balances have been eliminated in the preparation of the consolidated financial statements.

In the opinion of the directors, the Group financial statements prepared on the above basis present fairly the results, cash flows and state of affairs of the Group as a whole.

2. **Turnover and Revenue**

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.

Revenue from the following activities has been included in turnover:

	2000 <i>HK\$'000</i>	Period from 18 February 1999 to 31 December 1999 <i>HK\$'000</i>
Sales of data broadcasting hardware and software	23,380	7,566
Income from the provision of data broadcasting and related services	<u>1,978</u>	<u>739</u>
	25,358	8,305
Less: Business tax and government surcharges	<u>(99)</u>	<u>(70)</u>
	<u><u>25,259</u></u>	<u><u>8,235</u></u>

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 year.

Under the Income Tax Law of the PRC, Tiancai Network is subject to state income tax of 30% and local income tax of 3%. Pursuant to an approval 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 and thereafter, is entitled to a 50% relief from state income tax for the third to fifth years inclusive, starting from the year when it first becomes profitable. 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.

The Group did not have any significant unprovided deferred tax liabilities in respect of the year.

4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$5,994,000 (period from 18 February 1999 to 31 December 1999: profit of HK\$146,000), and the weighted average of 309,180,822 (period from 18 February 1999 to 31 December 1999: 171,900,000) ordinary shares in issue during the year.

The number of shares used to calculate the 1999 earnings per share represents the share capital of the Company on the basis that the Reorganisation had been completed on 18 February 1999 and the subdivision of every share of HK\$0.10 each into four shares of HK\$0.025 each.

Diluted loss per share for the year ended 31 December 2000 has not been calculated as the impact of the outstanding share options was anti-dilutive.

Diluted earnings per share for the period from 18 February 1999 to 31 December 1999 has not been calculated as no diluting events existed during the period.

5. Reserves

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits/ losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Arising on Reorganisation and acquisition of a subsidiary	—	885	—	307	—	1,192
Net profit for the period from 18 February 1999 to 31 December 1999	—	—	—	—	146	146
At 31 December 1999 and at 1 January 2000	—	885	—	307	146	1,338
Shares issued on the Placing	35,400	—	—	—	—	35,400
Shares issued on over- allotment	5,310	—	—	—	—	5,310
Share issue expenses	(7,873)	—	—	—	—	(7,873)
Capitalisation for unpaid shares	(4,300)	—	—	—	—	(4,300)
Exchange realignments	—	—	76	—	—	76
Net loss for the year	—	—	—	—	(5,994)	(5,994)
At 31 December 2000	<u>28,537</u>	<u>885</u>	<u>76</u>	<u>307</u>	<u>(5,848)</u>	<u>23,957</u>

DIVIDENDS

The directors do not recommend the payment of any dividend for the year (period from 18 February 1999 to 31 December 1999: Nil).

BUSINESS REVIEW

The year 2000 is a difficult year for the data broadcasting industry. The ever-changing technological development, the influence of the government policy and also the entry of new competitors together created an uncertain market with intense competition. The Group managed to record continued turnover growth this year despite of the difficult market condition.

One of the Group's important service contents is the real-time stock quotation for the PRC stock market. As a key player in the industry, the Shanghai and Shenzhen Stock Exchanges have both appointed the Group to assist them to develop their securities information business operations through the Group's data broadcasting technologies. By virtue of the appointment agreements, the Group secures an authenticated source of its service contents, which lay a very good business foundation for the Group to increase its market share through expanding its alliance with TV network operators.

The management firmly believes that technological development capability is crucial to the success of the Group. In order to further enhance

its capability, the Group cooperates with Nexus, a reputable Swedish company, for the development of Conditional Access system (“CA system”). This CA system will play an important role in the protection of the Group’s service contents from unauthorised use.

To further enrich the Group’s service contents, it signed cooperation agreements with 北京景山遠程教育網絡技術有限公司 (“Beijing Jian Shan Distance Education Net Limited”) and also 北京國聯新世紀網絡教育有限公司 (“Beijing Guolian New Era Network Education Co., Limited”), which provide rich and valuable education contents for the Group’s distance education programme.

During the year, the Group successfully developed the stock analysis software model I. This is catered for the market needs and will increase the attractiveness of the Group’s products to its customers.

The Group was invited by the relevant authority of the PRC government to participate in the National Standard Drafting Committee for the data broadcasting industry. As the National Standard has yet to be released, the Group adopted a prudent attitude towards it to which the Group had scaled down certain of its business activities such as postponing the launch and provision of certain new products and systems, signing up of TV network operators and content providers. The scaling down of the Group’s business activities has affected the Group’s achievement in certain of its business objectives set out in the Prospectus dated 17 January 2000.

The Group incurred a loss for the year mainly as a result of substantial provisions made on the stock and debtor at the year-end date. The management has adopted a conservative attitude towards the estimated net realizable/recoverable value of the assets concerned and has written down the value of the assets concerned to their respective estimated net realizable/recoverable value. The loss was also due to a written-off of discrepancies found between the stock records and the year-end physical stock take. The management has reviewed and located the origin of the above problems. In order to strengthen control and enhance efficiency of the Group’s operations, the Group closed its Shijiazhuang office near the end of the year.

OUTLOOK

The Group firmly believes that there remains a broad horizon of development and huge market potential in the data broadcasting industry. The Group will continue focusing on the PRC market, and relying on the foundation built in this year, the Group will emphasise on developing highly sophisticated encrypted transmission and reception modules, forming alliance with TV network operators and enriching its service contents to attract more subscribers.

In line with the appointment agreements with the Shanghai and Shenzhen Stock Exchanges (“the Exchanges”), the Group will focus on developing highly sophisticated encrypted transmission and reception modules in order to prohibit any unauthorized use of the stock information disseminated by the Exchanges and hence, ensuring no loss of subscriptions that should be received from our stock contents subscribers. The management envisages that the approximately 50 million PRC stock market participants may provide the Group with a sizeable recurring income.

The management considers that the market for the TV set top box remains difficult in the year 2001 because it is a new form of electronic equipment that is still in its introductory stage. As such, more time is required in order to gain acceptance by the potential customers at large. Accordingly, the Group is not planning to invest substantial resources for the production and development of the TV set top box in the year 2001. Taking the advantage of the Group’s representation in the National Standard Drafting Committee for the data broadcasting industry, the Group will carefully plan the launching of its products in order to ensure that they will comply with the National Standard.

The management believes that research and development is important in the long-term development of the Group’s business. Accordingly, the Group will continue to invest resources to develop sophisticated products. Focus is on models VI to VIII of the Full Channel transmission modules and the high-speed broadband data broadcasting system basing on the DVB-C technology.

The Group will take advantage of the well-known “Tiancai” brand name and strengthen the Group’s sale and after-sale network in order to further enlarge the Group’s market share. The Group plans 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.

The Group will continue to pursue its conservative and highly efficient development strategy. Under the fierce competition in the PRC market, the Group will surpass its competitors by its sophisticated technology and marketing technique. Looking forward, the management believes that under the ever-advancing technological environment, the Group will continue to progress and create the greatest benefits for its shareholders.

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, 2001

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