



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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

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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

The Group's consolidated turnover for the year ended 31 December 2002 was increased by 17.5 times to HK\$111.6 million and the Group's operating loss before tax for the year was decreased by 68.2% to HK\$4.6 million, with the satisfactory results from the provision of the Services as detailed in the Section headed "Business Review" below.

The Group's financial position is strong and its cash and bank balance was over HK\$26.4 million as at 31 December 2002.

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 2002 together with the comparative figures for the last year, as follows:

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
TURNOVER	1	111,566	6,036
Cost of sales		<u>(111,018)</u>	<u>(7,133)</u>
Gross profit/(loss)		548	(1,097)
Other revenue		278	798
Selling and distribution costs		(366)	(769)
Administrative expenses		(5,245)	(4,772)
Other operating income/(expenses)		<u>136</u>	<u>(8,796)</u>
OPERATING LOSS BEFORE TAX		(4,649)	(14,636)
Tax	3	<u>—</u>	<u>—</u>
LOSS BEFORE MINORITY INTERESTS		(4,649)	(14,636)
Minority interests		<u>643</u>	<u>3,350</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(4,006)</u>	<u>(11,286)</u>
LOSS PER SHARE	4		
Basic		<u>(1.26) cents</u>	<u>(3.55) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1. TURNOVER

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

An analysis of turnover is as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Sale of parts and components of digital versatile disc (“DVD”) players	108,681	—
Sale of data broadcasting hardware and software	1,514	3,684
Income from the provision of data broadcasting and related services	<u>1,371</u>	<u>2,352</u>
	<u><u>111,566</u></u>	<u><u>6,036</u></u>

2. SEGMENT INFORMATION

Segment information is presented by two way of segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group’s operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summarised details of the business segments are as follows:

- (a) the trading of parts and components of DVD players;
- (b) the manufacture and sale of the data broadcasting hardware and software; and
- (c) the provision of data broadcasting and related services.

No geographical segment information is presented as over 90% of the Group’s turnover and assets were derived from customers and operations, respectively, in the PRC during the year.

No intersegment sales and transfers were transacted during the year (2001: Nil).

Business segments

The following tables present revenue, loss and expenditure information for the Group's business segments.

Group

	Trading of parts and components of DVD players		Manufacture and sale of data broadcasting hardware and software		Provision of data broadcasting and related services		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>108,681</u>	<u>—</u>	<u>1,514</u>	<u>3,684</u>	<u>1,371</u>	<u>2,352</u>	<u>111,566</u>	<u>6,036</u>
Segment results	<u>1,875</u>	<u>—</u>	<u>(1,246)</u>	<u>(6,250)</u>	<u>194</u>	<u>566</u>	823	(5,684)
Interest income and unallocated gains							278	798
Unallocated corporate expenses							<u>(5,750)</u>	<u>(9,750)</u>
Operating loss before tax							(4,649)	(14,636)
Tax							<u>—</u>	<u>—</u>
Loss before minority interests							(4,649)	(14,636)
Minority interests							<u>643</u>	<u>3,350</u>
Net loss from ordinary activities attributable to shareholders							<u>(4,006)</u>	<u>(11,286)</u>

Group

	Trading of parts and components of DVD players		Manufacture and sale of data broadcasting hardware and software		Provision of data broadcasting and related services		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Amortisation of an intangible asset	—	—	110	110	—	—	110	110
Impairment of an intangible asset	—	—	—	3,120	—	—	—	3,120
Impairment of fixed assets	—	—	—	—	—	—	53	—
Depreciation	—	—	—	—	—	—	147	196
Provision for doubtful debts	—	—	—	1,227	—	17	—	1,244
Provision for prepayments, deposits and other receivables	—	—	15	223	—	—	15	223
Minimum subscription payments	—	—	—	—	—	—	—	3,769
Write back of provision for doubtful debts	—	—	(290)	—	—	—	(290)	—

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 (2001: Nil).

Under the Income Tax Law of the PRC, the Company's subsidiary, Tianjin AVD Electron Co., Ltd. ("Tianjin AVD") (formerly known as Tianjin Tiancai Network Software Co., Ltd.) 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, Tianjin AVD is exempt 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 2000 when it first became profitable in accordance with relevant accounting principles generally accepted in the PRC and the relevant Income Tax Law of the PRC. Tianjin AVD is also exempt from local income tax for the first five years of operation, starting from 2000 when it first became profitable.

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

4. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$4,006,000 (2001: HK\$11,286,000), and the weighted average of 318,000,000 (2001: 318,000,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2001 and 2002 have not been calculated as the impact of the outstanding share options was anti-dilutive.

5. RESERVES

During the year, there was no movement to and from any reserves.

DIVIDENDS

The directors do not recommend the payment of any dividend for the year (2001: Nil).

BUSINESS REVIEW

During the year, apart from the data broadcasting business in the PRC, the Group capitalized its expertise on the digital information technology field to act as a technical consultant and sourcing agent for parts and components of digital versatile disc players for a connected party (the "Services"), which was approved by the independent shareholders at the special general meeting held on 31 May 2002. Details of the Services are set out in the Company's circular dated 15 May 2002.

For the year ended 31 December 2002, the Group's consolidated turnover was approximately HK\$111.6 million, representing a substantial increase by 17.5 times compared with last year. Loss attributable to shareholders amounted to HK\$4.0 million while the last year's loss was HK\$11.3 million. The improved Group's performance was mainly contributed by the broadened income base and considerable profits achieved in the provision of the Services commencing June 2002 - the related turnover and gross profit amounted to HK\$108.7 million and HK\$1.9 million, respectively.

The prolonged depression of the PRC stock market and the persistent intense competitions in the year 2002 created an uncertain market of data broadcasting business in the PRC. In addition, as the National Standard for the data broadcasting industry has not formally been released, the Group adopted a prudent attitude towards the market demand and had scaled down certain of its business activities such as launching and provision of certain new products and systems, signing cooperative agreements with TV network operators and content providers, etc. 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. As such, the Group had an unsatisfactory results attained in this business during the year. The turnover derived from the sales of data broadcasting hardware and software and the provision of data broadcasting and related services decreased by 52.2% to HK\$2.9 million for the year, compared with 2001, leading to the operating loss incurred for the year in this business segment.

As regards the research and development activities, the Group has secured the know-how of the Conditional Access system which greatly strengthens the Group's technological capability in the development of dynamic encryption system. In view of the technological advancement of the system in application for individual and commercial usages, the Group believes that the system will offer business opportunities to the Group in the near future. Besides, the Group has continued in its customer-oriented services and is actively developing a nationwide sales distribution network for its products.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2002, the Group is debt-free and its cash and bank balances amount to HK\$26.4 million. Net current assets of the Group was approximately HK\$21.8 million. The management is confident that the Group's financial resource is sufficient to finance its day-to-day operation. At present, the Group does not have a funding need and does not have any charges on its assets.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is pegged, together with the minimal fluctuation in the exchange rate between Hong Kong dollar and Renminbi, the Group believes its exposure to exchange risk is minimal.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2002, the total number of staff of the Group in the Mainland and Hong Kong was 27. The total staff costs, including directors' emoluments and the staff costs amounted to HK\$2.0 million for the year under review. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the Mainland.

The Group established a Share Option Scheme to reward its employees for their individual performance. For the year ended 31 December 2002, there was a total of 12,000,000 outstanding share options to its employees. During the year under review, no share option had been granted nor exercised.

CONTINGENT LIABILITIES

The Company's subsidiary, Tianjin AVD, was a defendant in a lawsuit brought by a supplier in 2001 claiming approximately HK\$99,000 together with interest of approximately HK\$3,800. A judgement in relation to this lawsuit was firstly reached by the District Court in Tianjin on 11 December 2001 and was in favour of Tianjin AVD, and the aforesaid supplier filed an appeal against the judgement on 22 December 2001. On 25 February 2002, the Court of Appeal in Tianjin overturned the judgement made by the District Court. The case was then re-heard by the District Court on 26 November 2002 under the instructions of the Court of Appeal. On 14 March 2003, the District Court laid down a judgement in favour of Tianjin AVD under which the Group is not liable to any claim and accordingly, no provision has been accounted for in the Group's financial statements in respect of the matter. The supplier has 15 days from the date of receiving the judgement within which to make a further appeal, should it so decide.

OTHERS

On 23 December 2002 and subsequent to the balance sheet date, on 17 February 2003, the Board announced that there has been discussion between Apex Digital Inc. (“**Apex Digital**”), a substantial shareholder of the Company which holds 80,000,000 shares of the Company (the “**Shares**”), representing 25.16% interests in the Company, and Ultra Challenge Limited (“**Ultra Challenge**”), the controlling shareholder of the Company which holds 171,900,000 Shares, representing 54.06% interests in the Company, in respect of the intended transfer of the Shares held by Ultra Challenge to Apex Digital (the “**Proposal**”). As at the date of this announcement, the discussion between Apex Digital and Ultra Challenge is still in progress and the terms of the Proposal are being finalized. If the Proposal materialises, it will result in a change of control of the Company and will trigger an obligation on the part of Apex Digital to make a general offer in compliance with Rule 26 of the Code on Takeovers and Mergers (the “**Takeovers Code**”) to acquire all the issued Shares (other than those already owned by Apex Digital or parties acting in concert with it).

As at the date of this announcement, no legally binding contract and/or agreement in relation to the Proposal has been entered into. Accordingly, the Proposal may or may not materialise and such discussion may or may not result in a change of control.

OUTLOOK

In view of the broadened income base and considerable profits achieved by the provision for the Services during the year, the management is confident that it will build up a steady and considerable income stream to the Group. However, the initial term of the Services expired on 31 December 2002 and the management is considering to extend the Services with a connected party. Up to the date of this announcement, no agreement is entered into between the Company and the connected party. In addition, the management is actively exploring another business opportunities for capitalization of our expertise on the digital information technology field to further broaden the income base for the interest of the Group.

As regards the data broadcasting business in the PRC, the management believes that the research and development is important in the long-term development of the Group. Accordingly, the Group is cautious about the fierce competitions in the uncertain market and the development of the National Standard for the data broadcasting industry and will continue to invest

resources to develop products. The Group will also capitalize on its brand name advantage, stressing on the establishment of its sale and after-sale network in order to further enlarge the Group's market share and to further consolidate its leading position in the data broadcasting industry.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTING SECURITIES

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

BOARD PRACTICES AND PROCEDURES

The Company has complied with the GEM Listing Rules 5.28 to 5.39 concerning board practices and procedures throughout the financial year.

By Order of the Board
Professor Kou Jisong
Chairman

Hong Kong, 24 March 2003

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from its date of publication.

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