



## **China Data Broadcasting Holdings Limited**

**(中華數據廣播控股有限公司)\***

*(incorporated in Bermuda with limited liability)*

(Stock Code: 8016)

### **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2004**

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\* for identification only

## RESULTS

The board of directors of China Data Broadcasting Holdings Limited (the “Company”) is pleased to announce the audited financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2004.

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<b>TURNOVER</b>	<i>1</i>	<b>578,032</b>	180,750
Cost of sales		<u>(554,419)</u>	<u>(171,509)</u>
Gross profit		<b>23,613</b>	9,241
Other revenue	<i>1</i>	<b>356</b>	246
Selling expenses		<b>(3,613)</b>	–
Administrative expenses		<b>(13,040)</b>	(7,694)
Other operating (expenses)/income		<u>(7,632)</u>	<u>14</u>
<b>(LOSS)/PROFIT FROM OPERATIONS</b>	<i>3</i>	<b>(316)</b>	1,807
Gain on disposal of subsidiaries attributable to discontinued operations		<u>6,612</u>	<u>–</u>
<b>PROFIT BEFORE TAX</b>		<b>6,296</b>	1,807
Tax	<i>4</i>	<u>(5,933)</u>	<u>(44)</u>
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>363</b>	1,763
Minority interests		<u>–</u>	<u>(461)</u>
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<u><b>363</b></u>	<u>1,302</u>
<b>EARNINGS PER SHARE</b>	<i>5</i>		
Basic		<u><b>0.11 cents</b></u>	<u>0.41 cents</u>
Diluted		<u><b>0.11 cents</b></u>	<u>0.40 cents</u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>1,093</b>	754
Intangible assets		–	28
		<u><b>1,093</b></u>	<u>782</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>625</b>	–
Trade and bills receivables		<b>17,713</b>	78,468
Prepayments, deposits and other receivables		<b>202</b>	342
Amount due from a substantial shareholder		<b>48</b>	–
Pledged deposits		<b>180</b>	2,134
Cash and cash equivalents		<b>17,014</b>	8,158
		<u><b>35,782</b></u>	<u>89,102</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables		<b>13,871</b>	66,482
Tax payable		<b>5,964</b>	44
Other payables and accruals		<b>704</b>	5,331
Amounts due to related companies		–	145
		<u><b>20,539</b></u>	<u>72,002</u>
<b>NET CURRENT ASSETS</b>		<u><b>15,243</b></u>	<u>17,100</u>
<b>NET ASSETS</b>		<u><b>16,336</b></u>	<u>17,882</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>7,950</b>	7,950
Reserves	6	<b>8,386</b>	9,932
<b>SHAREHOLDERS' FUNDS</b>		<u><b>16,336</b></u>	<u>17,882</u>

Note:

## 1. TURNOVER AND REVENUE

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 and other revenue is as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<b>Turnover</b>		
Continuing operation		
Sale of consumer electronic products and the related parts and components	<u>577,789</u>	<u>179,715</u>
Discontinued operations ( <i>Note 2</i> )		
Sale of data broadcasting hardware and software	211	388
Income from the provision of data broadcasting and related services	<u>32</u>	<u>647</u>
	<u>243</u>	<u>1,035</u>
	<u><b>578,032</b></u>	<u><b>180,750</b></u>
<b>Other revenue</b>		
Commission income	320	206
Interest income	20	22
Others	<u>16</u>	<u>18</u>
	<u><b>356</b></u>	<u><b>246</b></u>

## 2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: on a primary segment reporting basis, by business segment; and 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.

On 10 November 2004, the Company disposed of a wholly owned subsidiary, Verified Solutions Group Limited ("Verified Solutions"). Verified Solutions and its subsidiary, Tianjin AVD Electron Co., Limited ("Tianjin AVD") (collectively known as "Verified Solutions Group") were principally engaged in the manufacture and sale of data broadcasting hardware and software and the provision of data broadcasting and related services. Accordingly, the operations of Verified Solutions Group were reported as discontinued operations.

In view of the above disposal, the Group has reorganised its operational structure. Summary details of the business segments are as follows:

Continuing operation:

- (a) the trading of consumer electronic products and the related parts and components.

Discontinued operations:

- (b) the manufacture and sale of data broadcasting hardware and software; and
- (c) the provision of data broadcasting and related services.

Comparative figures have been restated to segregate continuing and discontinuing business segment information to conform with the current year's presentation.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

No intersegment sales and transfers were transacted during the year (2003: Nil).

(a) **Business segments**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	Continuing operation		Discontinued operations					
	Trading of consumer electronic products and the related parts and components		Manufacture and sale of data broadcasting hardware and software		Provision of data broadcasting and related services		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>577,789</u>	<u>179,715</u>	<u>211</u>	<u>388</u>	<u>32</u>	<u>647</u>	<u>578,032</u>	<u>180,750</u>
Segment results	<u>12,151</u>	<u>9,316</u>	<u>234</u>	<u>(118)</u>	<u>(17)</u>	<u>43</u>	<u>12,368</u>	<u>9,241</u>
Interest income and unallocated gains							<u>356</u>	<u>246</u>
Unallocated corporate expenses							<u>(13,040)</u>	<u>(7,680)</u>
(Loss)/Profit from operations							<u>(316)</u>	<u>1,807</u>
Gain on disposal of subsidiaries attributable to discontinued operations	-	-	<u>5,741</u>	-	<u>871</u>	-	<u>6,612</u>	-
Profit before tax							<u>6,296</u>	<u>1,807</u>
Tax							<u>(5,933)</u>	<u>(44)</u>
Profit before minority interests							<u>363</u>	<u>1,763</u>
Minority interests							-	<u>(461)</u>
Net profit from ordinary activities attributable to shareholders							<u>363</u>	<u>1,302</u>

	Continuing operation		Discontinued operations					
	Trading of consumer electronic products and the related parts and components		Manufacture and sale of data broadcasting hardware and software		Provision of data broadcasting and related services		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	19,128	78,271	-	197	-	15	19,128	78,483
Unallocated assets							17,747	11,401
Total assets							<u>36,875</u>	<u>89,884</u>
Segment liabilities	13,871	66,242	-	40	-	240	13,871	66,522
Unallocated liabilities							6,668	5,480
Total liabilities							<u>20,539</u>	<u>72,002</u>
Other segment information:								
Capital expenditure	1,185	-	-	-	-	-	1,185	-
Unallocated capital expenditure							101	1,072
Total capital expenditure							<u>1,286</u>	<u>1,072</u>
Depreciation	395	-	-	-	-	-	395	-
Unallocated depreciation							235	186
Total depreciation							<u>630</u>	<u>186</u>
Bad debts written off	7,632	-	-	-	-	-	7,632	-
Amortisation of intangible assets	-	-	-	110	-	-	-	110
Write back of provision for slow-moving inventories	-	-	(328)	(47)	-	-	(328)	(47)

**(b) Geographical segments**

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments:

	Hong Kong		United States of America		Mainland China		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:								
Sales to external customers	<u>–</u>	<u>–</u>	<u>397,400</u>	<u>144,515</u>	<u>180,632</u>	<u>36,235</u>	<u>578,032</u>	<u>180,750</u>
Other segment information:								
Segment assets	<u>20,640</u>	<u>88,126</u>	<u>15,445</u>	<u>–</u>	<u>790</u>	<u>1,758</u>	<u>36,875</u>	<u>89,884</u>
Capital expenditure	<u>101</u>	<u>404</u>	<u>–</u>	<u>–</u>	<u>1,185</u>	<u>668</u>	<u>1,286</u>	<u>1,072</u>



### 3. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations is arrived at after charging/(crediting):

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bad debts written off	7,632	–
Cost of inventories sold	554,370	170,905
Cost of services provided	49	604
Depreciation	630	186
Amortisation of intangible assets*	–	110
Research and development costs**	3,120	1,251
Exchange (gains)/losses, net	(11)	10
Minimum lease payments under operating leases in respect of land and buildings	360	236
Auditors' remuneration	450	398
Staff costs (excluding directors' remuneration: Salaries and related staff costs Pension scheme contributions	2,274 81	1,858 61
	<u>2,355</u>	<u>1,919</u>
Loss on disposal of fixed assets	–	14
Loss on written off of fixed assets	–	16
Write back of provision for slow-moving inventories	<u>(328)</u>	<u>(47)</u>

\* The amortisation of intangible assets is included in "Cost of sales" on the face of the income statement.

\*\* Research and development costs for the year included salaries and pension contributions of HK\$Nil (2003: HK\$649,000) which are also included in staff costs as disclosed above.

### 4. TAX

(a) The taxation charged to the income statement represents:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong profits tax		
– current	–	44
Elsewhere		
– current	2,412	–
– underprovision in previous year	3,521	–
	<u>5,933</u>	<u>44</u>

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year. The amount provided for the year ended 31 December 2003 was calculated at 17.5% based on the estimated assessable profits for that year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

- (b) A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

#### 2004

	Hong Kong		United States of America		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(Loss) before tax	<u>1,981</u>		<u>5,702</u>		<u>(1,387)</u>		<u>6,296</u>	
Tax at the statutory tax rate	347	17.5	2,443	42.8	(458)	(33.0)	2,332	37.1
Lower tax rate for specific provinces	-	-	-	-	291	21.0	291	4.6
Income not subject to tax	(1,157)	(58.4)	(31)	(0.5)	-	-	(1,188)	(18.9)
Expenses not deductible for tax	270	13.6	-	-	-	-	270	4.3
Deferred tax asset not recognised	16	0.8	-	-	-	-	16	0.2
Tax losses not recognised	524	26.5	-	-	167	12.0	691	11.0
Underprovision in previous year	-	-	3,521	61.8	-	-	3,521	55.9
Tax charge at the Group's effective rate	<u>-</u>	<u>-</u>	<u>5,933</u>	<u>104.1</u>	<u>-</u>	<u>-</u>	<u>5,933</u>	<u>94.2</u>

2003

	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit/(Loss) before tax	<u>3,565</u>		<u>(1,758)</u>		<u>1,807</u>	
Tax at the statutory tax rate	624	17.5	(580)	(33.0)	44	2.4
Lower tax rate for specific provinces	–	–	369	21.0	369	20.4
Income not subject to tax	(4)	(0.1)	–	–	(4)	(0.2)
Expenses not deductible for tax	860	24.1	8	0.5	868	48.1
Profit not subject to tax	(1,436)	(40.3)	–	–	(1,436)	(79.5)
Tax losses not recognised	–	–	203	11.5	203	11.2
Tax charge at the Group's effective rate	<u>44</u>	<u>1.2</u>	<u>–</u>	<u>–</u>	<u>44</u>	<u>2.4</u>

- (c) At the balance sheet date, the following unused tax losses have not been recognised as deferred tax assets:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unused tax losses	<b>2,997</b>	2,632
Deductible temporary differences	<u>90</u>	–
	<u><b>3,087</b></u>	<u>2,632</u>

Deferred tax assets have not recognised in respect of the above items due to the unpredictability of future profit streams.

## 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of approximately HK\$363,000 (2003: HK\$1,302,000), and the weighted average of 318,000,000 (2003: 318,000,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of approximately HK\$363,000 (2003: HK\$1,302,000). The weighted average number of ordinary shares used in the calculation is the 318,000,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 1,020,619 (2003: 5,929,549) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

## 6. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	PRC reserve fund HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2003	28,537	885	58	307	676	(21,816)	8,647
Exchange realignment	-	-	(17)	-	-	-	(17)
Net profit for the year	-	-	-	-	-	1,302	1,302
At 31 December 2003 and at 1 January 2004	28,537	885	41	307	676	(20,514)	9,932
Reserves realised upon disposal of subsidiaries	-	(885)	(41)	(307)	(676)	-	(1,909)
Net profit for the year	-	-	-	-	-	363	363
At 31 December 2004	<u>28,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,151)</u>	<u>8,386</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the year, the Group engaged in trading of consumer electronic products and the relevant parts and components (the “Consumer electronic products Business”) and the data broadcasting business in the PRC. For the year ended 31 December 2004, the Group has accomplished a revenue of approximately HK\$578.0 million and a net profit of approximately HK\$363,000.

As regards the Consumer electronic products Business, the Group deployed more resources to develop the existing business and explore further business opportunities during the year. The turnover and contribution derived from such business during the period amounted to HK\$577.8 million and HK\$12.2 million. The rapid growth in the Consumer electronic products Business enlarge income stream of the Group and make the Group achieve profit in this year.

As regards the data broadcasting business in the PRC, the prolonged depression of the PRC stock market, the intense competition and the not-yet-released National Standard created uncertain market of data broadcasting business in the PRC. During the year, the Group adopted the prudent attitude towards the market demand and had scaled down certain of business activities such as launching and provision of certain new products and systems, signing co-operative agreements with TV network operations and content providers, etc. The turnover derived from the data broadcasting business was HK\$0.2 million which led to the operating loss in this business for the year. In view of this, the Group disposed of the data broadcasting business to an independent third party and discontinued such operation in November 2004.

The Group’s financial position was strong as at 31 December 2004 and the cash and bank balance was HK\$17.2 million approximately.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2004, the Group has no borrowings and its cash and bank balances amount to HK\$17.2 million. The Group's net current assets approximate to HK\$15.2 million and the Group does not have any charges on its assets. The management is confident that the Group's financial resources are sufficient to finance the daily operation.

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 dollars and Renminbi, the Group believes its exposure to exchange risk is minimal.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 31 December 2004, the total number of the Group's staff was approximately 10. The total staff costs amounted to HK\$2.3 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 China.

The Group established a Share Options Scheme to reward its employees for their individual performance. For the year ended 31 December 2004, 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.

## **OUTLOOK**

As regards the Consumer electronic products Business, the Board believes that the development of such business is indeed an appropriate approach to building up a steady and considerable income stream of the Group. In addition, the existing management possess extensive experience and knowledge in the consumer electronic industry which is a vital and beneficial to further develop the existing business and explore further business opportunities in the consumer electronic industry, such as trading of finished goods/parts and components of televisions, DVD players, digital cameras, game consoles and other products. The Board determines to put more resources to develop such business and explore further business opportunities in the consumer electronic industry and is confident that more revenue from the business relating to the consumer electronic products will be brought to the Group this year.

## INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2004, the interests and short positions of the Directors in the ordinary Shares of the Company (the “Shares”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

### Long positions in Shares

Name of Director	Number of Shares	Capacity	Type of Interest	Approximate percentage of interest
Mr. David Ji Long Fen (“Mr. Ji”) ( <i>notes a and b</i> )	149,297,340	Interest of a controlled corporation	Corporate	46.95
	57,700,000	Beneficial owner	Personal	18.14
Mr. Ancle Hsu Ann Keh (“Mr. Hsu”) ( <i>note a</i> )	149,297,340	Interest of a controlled corporation	Corporate	46.95

#### Notes:

- (a) Apex Digital Inc., (“Apex Digital”) is controlled by Mr. Ji and United Delta Inc., (“United Delta”), a private corporation incorporated in the USA and which is equally owned by Mr. Ji and Mr. Hsu. Accordingly, each of Mr. Hsu and Mr. Ji is deemed to be interested in the 149,297,340 shares owned by Apex Digital.
- (b) In addition to Mr. Ji’s deemed interest in the 149,297,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 206,997,340 shares.

Save as disclosed in this paragraph, as at 31 December 2004, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate. No options have been granted to the directors up to the date of this report.

## **INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY**

So far as was known to any Director or chief executive of the Company, as at 31 December 2004, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

### **Long positions in Shares**

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest %</b>
Apex Digital ( <i>note 1</i> )	Beneficial owner	149,297,340	47.0
United Delta ( <i>note 1</i> )	Interest of a controlled corporation	149,297,340	47.0
Mr. Ji ( <i>notes 1 and 2</i> )	Interest of a controlled corporation	149,297,340	47.0
	Beneficial owner	57,700,000	18.1
Mr. Hsu ( <i>note 1</i> )	Interest of a controlled corporation	149,297,340	47.0
Ms. Liu Ru Ying ( <i>note 3</i> )	Family interest	206,997,340	65.1
Ms. Susan Chang ( <i>note 4</i> )	Family interest	149,297,340	47.0
Mr. Xu Gao Hui	Beneficial owner	22,350,000	7.0
Mr. Mark Lau	Beneficial owner	15,900,000	5.0

*Notes:*

- (1) Apex Digital is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA and which is equally owned by Mr. Ji and Mr. Hsu. Accordingly, each of Mr. Hsu and Mr. Ji is deemed to be interested in the 149,297,340 shares owned by Apex Digital.
- (2) In addition to Mr. Ji's deemed interest in the 149,297,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 206,997,340 shares.
- (3) Ms. Liu Ru Ying is the spouse of Mr. Ji. and, under Section 316 of the SFO, is therefore deemed to be interested in all 206,997,340 shares in which Mr. Ji is interested.
- (4) Ms. Susan Chang is the spouse of Mr. Hsu and, under Section 316 of the SFO, is therefore deemed to be interested in all 149,297,340 shares in which Mr. Hsu is interested.

Save as disclosed above, as at 31 December 2004, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

## **COMPETING INTEREST**

Apex Digital was founded by Mr. Ji and Mr. Hsu, the executive directors of the Company, and is controlled by Mr. Ji and United Delta, which is equally owned by Mr. Ji and Mr. Hsu. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital".

Save as disclosed above, none of the directors or the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on GEM) had an interest in a business which competes or may compete with the business of the Group during the period under review.

## **AUDIT COMMITTEE**

All of independent non-executive directors resigned on 20 December 2004 due to personal reasons and at the date of this announcement, the Company still has no independent non-executive directors. Therefore, the Company does not have an audit committee to review and supervise the Group's financial reporting procedures and internal control since their resignation.

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

To the best knowledge of the Board, the Company had complied with the Code of Best Practice as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited except for the insufficient independent non-executive directors and the absence of the audit, nomination and remuneration committees.



## **PURCHASE, SALE AND 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.

By Order of the Board  
**David Ji Long Fen**  
*Chairman*

Hong Kong, 28 November 2005

*As at the date of this announcement, the Company's executive directors are Mr. David Ji Long Fen, Mr. Ankle Hsu Ann Keh and Ms. Alice Hsu Chu Yun. There is no independent non-executive director appointed at the date of this announcement.*

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