



CHINA DATA BROADCASTING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)



ANNUAL REPORT

2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website of <http://www.hkgem.com> operated by the Stock Exchange. Companies listed on GEM are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

Corporate Information	3-4
Chairman's Statement	5-6
Biographical Details in Respect of Directors and Senior Management	7-8
Report of the Directors	9-17
Report of the Auditors	18-19
Consolidated Income Statement	20
Consolidated Balance Sheet	21
Consolidated Summary Statement of Changes in Equity	22
Consolidated Cash Flow Statement	23-24
Balance Sheet	25
Notes to the Financial Statements	26-59

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	301 Brea Canyon Road Walnut, CA91789 United States of America
Hong Kong liaison office	Unit 3701, 37/F., West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
E-mail address	LEE@apexdigital.com.hk
Compliance officer	Ms. Alice HSU Chu Yun
Qualified accountant	Mr. LEE Wing Lun CPA (HKICPA & CPA Aust.) ACIS & ACS
Company secretary	Mr. SHUM Shing Kei CPA (HKICPA)
Authorised representatives	Mr. David Ji Long Fen Mr. SHUM Shing Kei CPA (HKICPA)
Bermuda resident representative	Mr. John Charles Ross COLLIS
Bermuda deputy resident representative	Mr. Anthony Devon WHALEY
Stock exchange	Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Stock code	8016

Auditors

RSM Nelson Wheeler
Certified Public Accountants
7th Floor, Allied Kajima Building,
138 Gloucester Road
Hong Kong

**Bermuda principal share registrar
and transfer office**

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

**Hong Kong branch share registrar
and transfer office**

Hong Kong Registrars Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
China Insurance Group Building
141 Des Voeux Road Central, Sheung Wan
Hong Kong

Fubon Bank (Hong Kong) Limited
Fubon Bank Building
38 Des Voeux Road Central
Hong Kong

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.

David Ji Long Fen

Chairman

28 November 2005

EXECUTIVE DIRECTORS

Mr. David Ji Long Fen, aged 52, is the chairman of the Company. He is responsible for the formulation of corporate strategy and business direction of the Group. He graduated from the Department of Foreign Languages of Fudan University in Shanghai, the PRC and holds a Master of Business Administration degree from Pacific States University in the USA. He has more than 13 years of experience in the consumer electronics industry in the USA, including sourcing and wholesale operations. In December 2002, Mr. Ji was elected by TIME Magazine and CNN from more than 100 nominees of young executives as one of 15 Global Influentials for the year 2002.

Mr. Anle Hsu Ann Keh, aged 43, is responsible for management and operation of the Group. He has more than 15 years of experience in the consumer electronics industry. In December 2002, Mr. Hsu was elected by TIME Magazine and CNN from more than 100 nominees of young executives as one of 15 Global Influentials for the year 2002.

Professor Kou Ji Song, aged 57, is the founder of the Group. He is a professor and a supervisor to Ph.D. candidates and a member of the Chinese People's Political Consultative Conference. He is currently the vice-chancellor of Tianjin University and the chairman of Tianjin Tianda Tiancai Co., Ltd. ("Tianda Tiancai") (formerly known as Genius Co., Ltd.). He was the head of the Research Institute of System Engineering and the dean of the School of Management of Tianjin University before being appointed the vice-chancellor. He obtained a Ph.D. degree in systems engineering from Tianjin University. He resigned as the director of the Company with effect from 20 December 2004.

Ms. Bu Dong Mei, aged 50, is one of the founding staff members of the Group and is responsible for the general management and operation of the Group. Before joining the Group in 1997, she worked for Tianjin University as a senior engineer and as a manager of Tianjin University Industrial Development Company. She had 16 years' experience in research and marketing. She resigned as the director of the Company with effect from 1 January 2004.

Ms. Alice Hsu Chu Yun, aged 42, is responsible for financial management of the Group. She holds a Bachelor of Science degree in computer information system from California State University in the USA and an Associate of Arts degree in accounting and statistics from Shih Chie University in Taipei, Taiwan. She has over 21 years of experience in accounting and financial management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Shan Hai, aged 65, is an independent non-executive director appointed by the Company in January 2001. He graduated from the People's University of China. He had worked for the Tianjin Municipal Government for over 20 years as an official in the Policy Research Office and as the vice director of Tianjin Committee for Economic System Reform of Tianjin Municipality. He joined the Tianjin Securities Regulatory Office in 1995 and had been its director before his retirement in July 1999. He resigned as the director of the Company with effect from 20 December 2004.

Mr. Wang Fu Sun, aged 72, is an independent non-executive director appointed by the Company in January 2001. He had worked for the PRC government for over 30 years and had held positions in the Ministry of Foreign Affairs and the State Education Commission. He resigned as the director of the Company with effect from 20 December 2004.

SENIOR MANAGEMENT

Mr. Shum Shing Kei, aged 33, is company secretary of the Company. He obtained a Master's degree in financial management from the University of London, the United Kingdom. He is also a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in March 2002, he had 8 years' experience in auditing and accounting and had worked for an international accounting firm. Mr. Shum resigned as the Company's qualified accountant with effect from 21 July 2005.

Mr. LEE Wing Lun, aged 46, graduated from the Australian National University with a Bachelor degree in Commerce and holds a Postgraduate Diploma in Corporate Administration from the Polytechnic University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the CPA Australia, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He joins the Group in April 2005 as financial controller and is responsible for the financial and accounting management and secretarial affairs of the Group. He is appointed as the Company's qualified accountant with effect from 21 July 2005. He has over 10 years of working experience in auditing, accounting and finance matters including over 6 years in several audit firms and has been the financial controller of a trading group.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 59.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and the assets and liabilities of the Group is as follows:

RESULTS

	Year ended 31 December				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
TURNOVER	578,032	180,750	111,566	6,036	25,259
Cost of sales	(554,419)	(171,509)	(111,018)	(7,133)	(24,409)
Gross profit/(loss)	23,613	9,241	548	(1,097)	850
Other revenue	356	246	278	798	1,333
Selling and distribution costs	(3,613)	–	(366)	(769)	(756)
Administrative expenses	(13,040)	(7,694)	(5,245)	(4,772)	(6,667)
Other operating (expenses)/income	(7,632)	14	136	(8,796)	(1,953)
(LOSS)/PROFIT FROM OPERATIONS	(316)	1,807	(4,649)	(14,636)	(7,193)
Gain on disposal of subsidiaries attributable to discontinued operations	6,612	–	–	–	–
PROFIT/(LOSS) BEFORE TAX	6,296	1,807	(4,649)	(14,636)	(7,193)
Tax	(5,933)	(44)	–	–	–
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	363	1,763	(4,649)	(14,636)	(7,193)
Minority interests	–	(461)	643	3,350	1,199
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	363	1,302	(4,006)	(11,286)	(5,994)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2004	31 December			
		2003	2002	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS	36,875	89,884	27,766	32,453	47,274
TOTAL LIABILITIES	(20,539)	(72,002)	(5,570)	(5,608)	(4,396)
MINORITY INTERESTS	–	–	(5,599)	(6,242)	(10,971)
	16,336	17,882	16,597	20,603	31,907

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 20 and 21 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements and in the consolidated summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2004, the Company did not have any reserves available for distribution, other than the Company's share premium account, in the amount of approximately HK\$28,537,000, which may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 80% of the total sales for the year and sales to the largest customer included therein amounted to approximately 37%. Purchases from the Group's five largest suppliers accounted for approximately 74% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 34%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. David Ji Long Fen (*Chairman*)

Mr. Anle Hsu Ann Keh

Ms. Alice Hsu Chu Yun

Prof. Kou Ji Song

(resigned on 20 December 2004)

Ms. Bu Dong Mei

(resigned on 1 January 2004)

Independent non-executive directors:

Mr. Li Shan Hai

(resigned on 20 December 2004)

Mr. Wang Fu Sun

(resigned on 20 December 2004)

In accordance with clause 86 of the Company's bye-laws, Ms. Alice Hsu Chu Yun will retire and, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Save as Professor Kou Ji Song and Ms. Bu Dong Mei, the resigned executive directors, executive directors have not entered into service contracts with the Company. Professor Kou Ji Song and Ms. Bu Dong Mei entered into service contracts with the Company for a term of two years commencing from 24 January 2000. The contracts shall be continuing thereafter unless and until terminated by either party thereto giving to the other not less than six calendar months' prior notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the 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") (notes a and b)	149,297,340	Interest of a controlled corporation	Corporate	46.95
	57,700,000	Beneficial owner	Personal	18.14
Mr. Ancia Hsu Ann Keh ("Mr. Hsu") (note a)	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

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interest %
Apex Digital (note 1)	Beneficial owner	149,297,340	46.95
United Delta (note 1)	Interest of a controlled corporation	149,297,340	46.95
Mr. Ji (notes 1 and 2)	Interest of a controlled corporation	149,297,340	46.95
	Beneficial owner	57,700,000	18.14
Mr. Hsu (note 1)	Interest of a controlled corporation	149,297,340	46.95
Ms. Liu Ru Ying (note 3)	Family interest	206,997,340	65.09
Ms. Susan Chang (note 4)	Family interest	149,297,340	46.95
Mr. Xu Gao Hui	Beneficial owner	22,350,000	7.03
Mr. Mark Lau	Beneficial owner	15,900,000	5.00

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 report, 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.

AUDITORS

Ernst & Young have acted as auditors of the Company for the past three years. With effect from 7 January 2005, Ernst & Young resigned as auditors of the Company. The ordinary resolution was duly passed at the special general meeting of the Company held on 29 March 2005 approving the appointment of RSM Nelson Wheeler as the Company's auditors.

ON BEHALF OF THE BOARD

David Ji Long Fen

Chairman

Hong Kong

28 November 2005

RSM! Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE SHAREHOLDERS OF

China Data Broadcasting Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

28 November 2005

Consolidated Income Statement

CHINA DATA BROADCASTING HOLDINGS LIMITED

Year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
TURNOVER	4	578,032	180,750
Cost of sales		(554,419)	(171,509)
Gross profit		23,613	9,241
Other revenue	4	356	246
Selling expenses		(3,613)	–
Administrative expenses		(13,040)	(7,694)
Other operating (expenses)/income		(7,632)	14
(LOSS)/PROFIT FROM OPERATIONS	5	(316)	1,807
Gain on disposal of subsidiaries attributable to discontinued operations	6, 23	6,612	–
PROFIT BEFORE TAX		6,296	1,807
Tax	9	(5,933)	(44)
PROFIT BEFORE MINORITY INTERESTS		363	1,763
Minority interests		–	(461)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10	363	1,302
EARNINGS PER SHARE	11		
Basic		0.11 cents	0.41 cents
Diluted		0.11 cents	0.40 cents

The Notes on pages 26 to 59 form an integral part of these financial statements.

Consolidated Balance Sheet

ANNUAL REPORT 2004

31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	12	1,093	754
Intangible assets	13	–	28
		<u>1,093</u>	<u>782</u>
CURRENT ASSETS			
Inventories	15	625	–
Trade and bills receivables	16	17,713	78,468
Prepayments, deposits and other receivables		202	342
Amount due from a substantial shareholder	17	48	–
Pledged deposits	18	180	2,134
Cash and cash equivalents	18	17,014	8,158
		<u>35,782</u>	<u>89,102</u>
CURRENT LIABILITIES			
Trade and bills payables	19	13,871	66,482
Tax payable		5,964	44
Other payables and accruals		704	5,331
Amounts due to related companies		–	145
		<u>20,539</u>	<u>72,002</u>
NET CURRENT ASSETS		<u>15,243</u>	<u>17,100</u>
NET ASSETS		<u>16,336</u>	<u>17,882</u>
CAPITAL AND RESERVES			
Share capital	20	7,950	7,950
Reserves	22	8,386	9,932
SHAREHOLDERS' FUNDS		<u>16,336</u>	<u>17,882</u>

David Ji Long Fen
Director

Ancle Hsu Ann Keh
Director

The Notes on pages 26 to 59 form an integral part of these financial statements.

Consolidated Summary Statement of Changes in Equity

CHINA DATA BROADCASTING HOLDINGS LIMITED

Year ended 31 December 2004

	<i>Notes</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
Total equity at 1 January		17,882	16,597
Exchange realignment	22	—	(17)
Exchange losses not recognised in the consolidated income statement		—	(17)
Reserves realised upon disposal of subsidiaries	22	(1,909)	—
Net profit from ordinary activities attributable to shareholders		363	1,302
Total equity at 31 December		16,336	17,882

The Notes on pages 26 to 59 form an integral part of these financial statements.

Consolidated Cash Flow Statement

ANNUAL REPORT 2004

Year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		6,296	1,807
Adjustments for:			
Depreciation		630	186
Interest income		(20)	(22)
Gain on disposal of subsidiaries attributable to discontinued operations	6, 23	(6,612)	–
Bad debts written off		7,632	–
Loss on disposal of fixed assets		–	14
Loss on written off of fixed assets		–	16
Amortisation of intangible assets		–	110
Write back of provision for slow-moving inventories		(328)	(47)
		<hr/>	<hr/>
Operating profit before working capital changes		7,598	2,064
(Increase)/Decrease in inventories		(297)	367
Decrease/(Increase) in trade and bills receivables		53,084	(78,071)
Decrease/(Increase) in prepayments, deposits and other receivables		122	(91)
(Decrease)/Increase in trade and bills payables		(52,371)	66,300
(Decrease)/Increase in other payables and accruals		(72)	90
Increase in amount due from a substantial shareholder		(48)	–
Decrease in amounts due to related companies		–	(2)
		<hr/>	<hr/>
Cash generated from/(used in) operations		8,016	(9,343)
Interest received		20	22
Overseas profits tax paid		(13)	–
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		8,023	(9,321)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiaries	23	(20)	–
Purchases of fixed assets		(1,286)	(1,072)
Proceeds from disposal of fixed assets		185	394
Increase in time deposits with original maturity of more than three months		–	(56)
Decrease/(Increase) in pledged deposits		1,954	(2,134)
		<hr/>	<hr/>
Net cash from/(used in) investing activities		833	(2,868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Return of capital to a minority shareholder		–	(6,060)
		<hr/>	<hr/>
Net cash used in financing activities		–	(6,060)
		<hr/>	<hr/>

Consolidated Cash Flow Statement

CHINA DATA BROADCASTING HOLDINGS LIMITED

Year ended 31 December 2004

	<i>Notes</i>	2004 HK\$'000	2003 <i>HK\$'000</i>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,856	(18,249)
Cash and cash equivalents at 1 January	18	8,102	26,366
Effect of foreign exchange rate changes, net		—	(15)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	18	<u>16,958</u>	<u>8,102</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		16,953	8,097
Time deposits with original maturity of less than three months when acquired		5	5
		<u>16,958</u>	<u>8,102</u>

The Notes on pages 26 to 59 form an integral part of these financial statements.

Balance Sheet

ANNUAL REPORT 2004

31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	14	17,146	17,942
CURRENT ASSETS			
Prepayments, deposits and other receivables		160	207
Cash and cash equivalents	18	75	202
		235	409
CURRENT LIABILITIES			
Other payables and accruals		655	469
NET CURRENT LIABILITIES			
		(420)	(60)
NET ASSETS			
		16,726	17,882
CAPITAL AND RESERVES			
Share capital	20	7,950	7,950
Reserves	22	8,776	9,932
SHAREHOLDERS' FUNDS			
		16,726	17,882

David Ji Long Fen
Director

Ancle Hsu Ann Keh
Director

The Notes on pages 26 to 59 form an integral part of these financial statements.

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

1. CORPORATE INFORMATION

The Company is incorporated in Bermuda with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The trading of the shares of the Company in the Stock Exchange has been suspended since 28 December 2004 at the request of the Company and will remain suspended until further notice.

The head office and principal place of business of the Company is located at 301 Brea Canyon Road, Walnut, CA91789, United States of America.

The Company is an investment holding company. During the year, its subsidiaries were principally engaged in the trading of consumer electronic products and the related parts and components, including digital versatile disc players.

In the prior year, other than the abovesaid trading activities, the Group was also involved in manufacture and sale of data broadcasting hardware and software as well as the provision of data broadcasting and related services.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations ("SSAP")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from and up to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill which was not previously charged or recognised as income in the income statement and any related accumulated exchange fluctuation reserve.

(c) Subsidiaries

A subsidiary is a company that the Company controls which is normally evidenced when the Company has the power, directly or indirectly, to govern its financial and operating policies so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for on the basis of dividends received and receivable.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less its estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and equipment	16% – 20%
Leasehold improvements	Over the shorter of the lease terms or 20%

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets

Intangible asset represents the cost of acquiring the Full Channel Data Broadcasting Technology ("Technology") and the Conditional Access system. It is stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line basis over the estimated economic life of the intangible asset, subject to a maximum period of five years commencing on the date when the intangible asset was brought into economic use.

(f) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs.

(h) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(i) Capital reserve

Capital reserve represents the excess of the Group's interest in the fair values ascribed to the identifiable net assets of the data broadcasting business and the Technology over the consideration paid by the Group pursuant to a Group reorganisation on 11 January 2000 in the preparation for the listing of the Company's shares on the GEM.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the capital reserve.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) **Capital reserve** *(Continued)*

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the income statement and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

(j) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) from the rendering of data broadcasting and related services, when such services are rendered; and
- (iii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(k) **Employee benefits**

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Employee benefits *(Continued)*

Pension schemes (Continued)

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a fixed percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick and maternity leave are not recognised until the time of leave.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(n) Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) **Income tax** *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(p) **Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(q) **Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Segment reporting *(Continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise corporate and financial assets, borrowings, corporate and financing expenses, and corporate revenue.

(r) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. 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.

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

3. SEGMENT INFORMATION *(Continued)*

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 (Note 6).

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).

Notes to the Financial Statements

ANNUAL REPORT 2004

31 December 2004

3. SEGMENT INFORMATION (Continued)

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

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Continuing operation		Discontinued operations				Total	
	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			
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment assets	19,128	78,271	-	197	-	15	19,128	78,483
Unallocated assets							17,747	11,401
Total assets							36,875	89,884
Segment liabilities	13,871	66,242	-	40	-	240	13,871	66,522
Unallocated liabilities							6,668	5,480
Total liabilities							20,539	72,002
Other segment information:								
Capital expenditure	1,185	-	-	-	-	-	1,185	-
Unallocated capital expenditure							101	1,072
Total capital expenditure							1,286	1,072
Depreciation	395	-	-	-	-	-	395	-
Unallocated depreciation							235	186
Total depreciation							630	186
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)

3. SEGMENT INFORMATION (Continued)**(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 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:								
Sales to external customers	-	-	397,400	144,515	180,632	36,235	578,032	180,750
Other segment information:								
Segment assets	20,640	88,126	15,445	-	790	1,758	36,875	89,884
Capital expenditure	101	404	-	-	1,185	668	1,286	1,072

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

4. 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:

	2004 HK\$'000	2003 HK\$'000
Turnover		
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 6</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>578,032</u>	<u>180,750</u>
Other revenue		
Commission income	320	206
Interest income	20	22
Others	<u>16</u>	<u>18</u>
	<u>356</u>	<u>246</u>

Comparative figures have been restated to segregate turnover of continuing and discontinued operations conform with the current year's presentation.

31 December 2004

5. (LOSS)/PROFIT FROM OPERATIONS

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

	2004	2003
	HK\$'000	HK\$'000
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 (Note 7)):		
Salaries and related staff costs	2,274	1,858
Pension scheme contributions	81	61
	2,355	1,919
Loss on disposal of fixed assets	–	14
Loss on written off of fixed assets	–	16
Write back of provision for slow-moving inventories	(328)	(47)

* 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.

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

6. DISCONTINUED OPERATIONS

Pursuant to an instrument of transfer dated 10 November 2004, the Company disposed of its wholly owned subsidiary, Verified Solutions, at a consideration of US\$1. Verified Solutions Group was principally engaged in the manufacture and sale of data broadcasting hardware and software and the provision of data broadcasting and related services. As a consequence of the above, the operations of Verified Solutions Group were reported as discontinued operations.

The gain on disposal of subsidiaries attributable to discontinued operations of approximately HK\$6,612,000 was charged to the income statement, details of which are set out in Note 23. There was no income tax arising from the disposal.

The turnover, other revenue, expenses, results, cash flows, total assets and liabilities of the discontinued operations are as follows:

	Manufacture and sale of data broadcasting hardware and software		Provision of data broadcasting and related services	
	Period from 1 January 2004 to 10 November 2004 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 January 2004 to 10 November 2004 HK\$'000	Year ended 31 December 2003 HK\$'000
Turnover	211	388	32	647
Cost of sales	* 23	(506)	(49)	(604)
Gross profit/(loss)	234	(118)	(17)	43
Other revenue	3	90	-	150
Administrative expenses	(1,399)	(808)	(213)	(1,396)
Loss before tax	(1,162)	(836)	(230)	(1,203)
Tax	-	-	-	-
Loss before minority interests	(1,162)	(836)	(230)	(1,203)
Minority interests	-	(173)	-	(288)
Net loss from ordinary activities attributable to shareholders	(1,162)	(1,009)	(230)	(1,491)
Net cash used in operating activities	(1,055)	(6,078)	(160)	(10,129)
Net cash from/(used in) investing activities	161	(103)	24	(172)
Net cash used in financing activities	-	(2,272)	-	(3,788)
Effect of foreign exchange rate changes, net	-	(5)	-	(10)
Total net cash outflow	(894)	(8,458)	(136)	(14,099)

* Cost of sales for the period ended 10 November 2004 included write back of provision for slow-moving inventories of approximately HK\$328,000.

31 December 2004

6. DISCONTINUED OPERATIONS *(Continued)*

	Manufacture and sale of data broadcasting hardware and software		Provision of data broadcasting and related services	
	At 10 November 2004 <i>HK\$'000</i>	At 31 December 2003 <i>HK\$'000</i>	At 10 November 2004 <i>HK\$'000</i>	At 31 December 2003 <i>HK\$'000</i>
Total assets	207	660	30	1,101
Total liabilities, including amounts due to the Group of approximately HK\$9,467,000 (2003: HK\$9,467,000)	<u>(12,510)</u>	<u>(5,452)</u>	<u>(1,897)</u>	<u>(9,087)</u>
Net liabilities	<u>(12,303)</u>	<u>(4,792)</u>	<u>(1,867)</u>	<u>(7,986)</u>

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the GEM and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees	<u>—</u>	<u>40</u>
Other emoluments to executive directors:		
Salaries and allowances	<u>—</u>	<u>360</u>
	<u>—</u>	<u>400</u>

For the year ended 31 December 2004, no executive directors and independent non-executive directors received any directors' fees and emoluments.

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

7. DIRECTORS' REMUNERATION *(Continued)*

The existing three directors received nil emoluments for the year ended 31 December 2004 (2003: HK\$Nil).

The two executive directors who resigned during the year received nil emoluments for the year ended 31 December 2004 (2003: HK\$120,000 and HK\$120,000).

The two executive directors who resigned during the year ended 31 December 2003 received emoluments of HK\$60,000 and HK\$60,000 for the year ended 31 December 2003.

The remuneration paid by the Group to the resigned independent non-executive directors of the Company for the year ended 31 December 2004 analysed on an individual basis were as follows: HK\$Nil (2003: HK\$20,000) and HK\$Nil (2003: HK\$20,000).

For the years ended 31 December 2004 and 2003, no emoluments were paid by the Group to the directors as a bonus, as an inducement to join the Group, or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2004 and 2003.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included nil (2003: two) directors, details of whose remuneration are set out in Note 7 above. Details of the remuneration of the five (2003: remaining three) non-directors, highest paid employees for the year are as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries and allowances	1,239	1,018
Performance related incentive payments	30	–
Pension scheme contributions	26	12
	1,295	1,030

31 December 2004

8. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2004	2003
Nil to HK\$1,000,000	<u>5</u>	<u>3</u>

During the year, no emoluments were paid to the non-director, five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. TAX

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

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

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.

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

9. TAX (Continued)

- (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	<u>-</u>	<u>-</u>	<u>3,521</u>	<u>61.8</u>	<u>-</u>	<u>-</u>	<u>3,521</u>	<u>55.9</u>
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>

Notes to the Financial Statements

ANNUAL REPORT 2004

31 December 2004

9. TAX (Continued)

(b) (Continued)
2003

	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
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:

	2004 HK\$'000	2003 HK\$'000
Unused tax losses	<u>2,997</u>	<u>2,632</u>

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

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company, was net loss of approximately HK\$271,000 (2003: net profit of approximately HK\$1,285,000).

11. 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.

12. FIXED ASSETS

Group	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 January 2004	945	292	1,237
Additions	1,274	12	1,286
Disposals	(206)	–	(206)
Disposal of subsidiaries	(627)	–	(627)
At 31 December 2004	1,386	304	1,690
Accumulated depreciation and impairment			
At 1 January 2004	471	12	483
Charge for the year	480	150	630
Disposals	(21)	–	(21)
Disposal of subsidiaries	(495)	–	(495)
At 31 December 2004	435	162	597
Net book value			
At 31 December 2004	951	142	1,093
At 31 December 2003	474	280	754

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

13. INTANGIBLE ASSETS

	Group HK\$'000
Cost	
At 1 January 2004	3,631
Disposal of subsidiaries	(3,631)
	<hr/>
At 31 December 2004	–
	<hr/>
Accumulated amortisation	
At 1 January 2004	3,603
Disposal of subsidiaries	(3,603)
	<hr/>
At 31 December 2004	–
	<hr/>
Net book value	
At 31 December 2004	–
	<hr/>
At 31 December 2003	28
	<hr/>

14. INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	–	1,082
Amounts due from subsidiaries (<i>note (a)</i>)	21,606	22,402
	<hr/>	<hr/>
	21,606	23,484
Provision for impairment losses	–	(1,082)
Provision for amounts due from subsidiaries	(4,460)	(4,460)
	<hr/>	<hr/>
	17,146	17,942
	<hr/>	<hr/>

14. INTERESTS IN SUBSIDIARIES *(Continued)*

- (a) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (b) Particulars of the principal subsidiaries of the Company as at 31 December 2004 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Apex Honour Resources Limited	British Virgin Islands	US\$1	100	–	Investment holding
Apex Digital, LLC	United States of America	US\$200,000	–	100	Trading of consumer electronic products and the related parts and components
Apex Digital Inc. Limited	Hong Kong	HK\$2	–	100	Trading of consumer electronic products and the related parts and components

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

15. INVENTORIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Merchandise goods for sale	<u>625</u>	<u>–</u>

16. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months. Overdue balances are reviewed regularly by senior management.

An aged analysis of trade and bills receivables at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 3 months	17,514	78,279
4 to 6 months	71	–
7 to 12 months	128	–
Over 1 year	–	1,475
	<u>17,713</u>	<u>79,754</u>
Less: Provision for doubtful debts	–	(1,286)
	<u>17,713</u>	<u>78,468</u>

Comparative figures have been restated to present aged analysis of bills receivables to conform with the current year's presentation.

17. AMOUNT DUE FROM A SUBSTANTIAL SHAREHOLDER – GROUP

The amount due from a substantial shareholder of the Company, Apex Digital Inc. (“ADI”) is unsecured, interest-free and has no fixed terms of repayment.

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank and cash balances	17,133	8,097	14	141
Time deposits	61	2,195	61	61
	17,194	10,292	75	202
Less: Pledged deposits	180	2,134	–	–
Time deposit with original maturity of more than three months	56	56	56	56
Cash and cash equivalents	16,958	8,102	19	146

As at 31 December 2004, the Group has banking facility to the extent of HK\$60,000 which was secured by the deposits of the Group totalling HK\$180,000.

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

19. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 3 months	13,871	66,455
Over 1 year	—	27
	<u>13,871</u>	<u>66,482</u>

Comparative figures have been restated to present aged analysis of bills payables to conform with the current year's presentation.

20. SHARE CAPITAL

Shares

	2004 HK\$'000	2003 HK\$'000
<i>Authorised:</i>		
1,200,000,000 ordinary shares of HK\$0.025 each	<u>30,000</u>	<u>30,000</u>
<i>Issued and fully paid:</i>		
318,000,000 ordinary shares of HK\$0.025 each	<u>7,950</u>	<u>7,950</u>

Share options

Details of the Company's share option schemes are included in Note 21.

21. SHARE OPTIONS

On 11 January 2000, the Company approved the share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to full-time employees ("Employees") of the Company and its subsidiaries (including executive directors of the Company and its subsidiaries) to subscribe for shares in the Company. The scheme became effective upon the listing of the Company's shares on the GEM on 24 January 2000.

The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time other than: (i) shares issued pursuant to this Scheme; and (ii) any pro rata entitlements to further issues in respect of any shares mentioned in (i) during a period of 10 years from the date when the Scheme is adopted. The subscription price shall be determined by the board of directors of the Company. The subscription price shall be a price determined by the board of directors at its absolute discretion and notified to Employees and shall be no less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheets issued by the GEM on the offer date; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the GEM for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

The following share options were outstanding under the Scheme during the year:

Category of participant	Number of share options			At 31 December 2004	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
	At 1 January 2004	Exercised during the year	Lapsed during the year				
Employees	12,000,000	-	-	12,000,000	3 February 2000	3 February 2000 to 3 February 2007	1.775

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

22. RESERVES

Group

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	PRC reserve fund <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	28,537	-	-	-	-	(20,151)	8,386

Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	28,537	885	(20,775)	8,647
Net profit for the year	-	-	1,285	1,285
At 31 December 2003 and 1 January 2004	28,537	885	(19,490)	9,932
Reserves realised upon disposal of subsidiaries	-	(885)	-	(885)
Net loss for the year	-	-	(271)	(271)
At 31 December 2004	28,537	-	(19,761)	8,776

The contributed surplus of approximately HK\$885,000 previously arising from the acquisition of Verified Solutions by the Company was released upon the disposal of Verified Solutions during the year.

Further details about the capital reserve are included in Note 2(i).

23. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of subsidiaries

Net liabilities disposed of:

	<i>HK\$'000</i>
Fixed assets	132
Intangible assets	28
Trade receivables	39
Prepayments, deposits and other receivables	18
Bank and cash balances	20
Trade payables	(240)
Other payables and accruals	(4,555)
Amounts due to related companies	(145)
Amounts due to the Group	(9,467)
	<hr/>
Net liabilities disposed of	(14,170)
Amounts due to the Group written off	9,467
Reserves realised upon disposal of subsidiaries	(1,909)
Gain on disposal of subsidiaries attributable to discontinued operations	6,612
	<hr/>
Total consideration – satisfied by cash	–
	<hr/>
Net cash outflow arising on disposal of subsidiaries:	

	<i>HK\$'000</i>
Cash consideration	–
Bank and cash balances disposed of	(20)
	<hr/>
Net outflow of cash and cash equivalents	(20)
	<hr/>

The subsidiaries disposed of during the year ended 31 December 2004 contributed approximately HK\$243,000 to the Group's turnover and a loss of approximately HK\$1,392,000 to the Group's profit before tax.

Notes to the Financial Statements

CHINA DATA BROADCASTING HOLDINGS LIMITED

31 December 2004

24. OPERATING LEASE ARRANGEMENTS

The Group and the Company entered into non-cancellable operating lease arrangement in respect of its office premise. The term of the lease was one year.

At 31 December 2004, the Group and the Company had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	254	444	254	435
In the second to fifth years, inclusive	–	313	–	313
	254	757	254	748

25. RELATED PARTY TRANSACTIONS

(a) In addition to the balance detailed in Note 17, the Group had the following material transactions with related parties during the year:

	Notes	2004 HK\$'000	2003 HK\$'000
Handling charge paid to ADI	(i)	930	–
Sales to ADI	(ii)	24	–
Sales to Apex Digital (Shanghai) Co., Ltd.	(ii)	48	–
Rental paid to Tianjin Tianda Tiancai Co. Ltd.	(iii)	–	44
		–	44

(b) During the year, ADI provided support regarding human resources, sales and purchasing, logistics, customer services to a subsidiary of the Group, Apex Digital Inc. Limited, for no consideration.

25. RELATED PARTY TRANSACTIONS *(Continued)*

- (c) Tianjian AVD was granted by Tianjin Tianda Tinacai Co. Ltd. the right to use the “Tiancai” trademark in the normal course of business for no consideration. Tianjin Tianda Tiancai Co. Ltd. is a joint stock limited company which holds a 30% interests in Tianjin AVD.

Notes:

- (i) ADI provided support regarding human resources, sales and purchasing, logistics, customer services to a subsidiary of the Group, Apex Digital, LLC. The handling charge was charged at 0.75% of the sales of Apex Digital, LLC.
- (ii) The transactions were based on terms as agreed between the Group and the related parties. Apex Digital (Shanghai) Co., Ltd. is a wholly owned subsidiary of ADI.
- (iii) The rental charge was charged at mutually agreed amounts.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 November 2005.

THIS PAGE IS INTENTIONALLY LEFT BLANK