



Discussion of
Financials
財務資料

Detailed Discussion of Financials

Turnover

Turnover of the Company for the year ended 31st December 2002 dropped from HK\$65.1 million for 2001 to HK\$49.9 million for 2002, with the net loss widening from HK\$41.4 million for 2001 to a net loss of HK\$142.3 million for 2002. The increased loss is mainly due to provision and exceptionals of HK\$73.0 million this year.

The Company's revenues for 2002 were mainly derived from the digital broadcasting business comprising of sales of digital headend equipment, set top boxes ("STB") and subscription income, and partly from the provision of financial and consumer data.

	2002	2001
Turnover	HK\$'000	HK\$'000
Headend sales	22,845	41,771
Set top boxes sales, subscriptions and sundry	14,549	8,499
Provision of financial and consumer data	12,485	14,778
	<u>49,879</u>	<u>65,048</u>

詳細財務資料分析

營業額

本公司截至二零零二年十二月三十一日止年度之營業額由二零零一年之6,510萬港元下降至二零零二年之4,990萬港元，淨虧損由二零零一年之4,140萬港元增至二零零二年之1億4,230萬港元。虧損增加主要由於本年度作出7,300萬港元之撥備及特殊項目開支。

本公司於二零零二年之收入主要來自數碼廣播業務，包括銷售數碼前端設備、機頂盒及用戶費收入，以及部份來自提供金融及消費者數據服務之收入。

	二零零二年	二零零一年
營業額	千港元	千港元
前端設備銷售	22,845	41,771
機頂盒銷售、用戶費及其他	14,549	8,499
提供金融及消費者數據	12,485	14,778
	<u>49,879</u>	<u>65,048</u>

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Sale of Digital Headend Equipment

Headend sales declined from HK\$41.8 million for year 2001 to HK\$22.9 million for year 2002. A large portion of 2001 turnover came from sales of headend to an investee company which is now undergoing restructuring. Sales to third parties showed an increase in 2002. DVN expects turnover for headends to rise in 2003 as more localities seek to purchase digital headends.

Set Top Box Sales & Subscription Income

The turnover from STB sales and subscription income increased significantly in 2002. STB sales increased 49% to HK\$11.7 million, while subscription revenues increased 317% to HK\$2.8million. Most of this increase is a result of digital rollouts in Suzhou, Wuxi, and Zhongshan. As DVN transforms from a headend supplier to a provider of services, DVN expects that STB sales and subscriptions will increase sharply over the next year as DVN expands its rollout to additional locations.

Provision of financial and consumer data

Provision of financial and consumer data decreased by 15% from approximately HK\$14.8 million last year to HK\$12.5 million this year. This reflects increased competition, resulting in lower prices. This line of business accounted for 25% of this year's turnover.

Cost of Sales & Gross Profit

Cost of sales increased by 30% from HK\$25.3 million in 2001 to HK\$32.9 million in 2002. In 2002, DVN sold high cost STB that were manufactured in 2000; while at the same time, the price of STB was reduced in order to stimulate demand. As a result, DVN's gross profit from set top boxes were reduced. This inventory has now been cleared. For first quarter 2003, production and sales of lower cost set top boxes have resulted in significantly improved margins. Cost of sales was also impacted by a one-off charge of HK\$4.4 million on the unrealised profit on a headend sale to a jointly controlled entity of DVN. DVN expects the cost of STB will continue to fall, enabling DVN to cut the sales price in order to stimulate demand, while still maintaining or increasing margins.

Other Revenue and Other Operating Income

Other revenue and other operating income decreased by 92% from HK\$25.0 million in 2001 to HK\$1.9 million in 2002. This is primarily due to the absence of large one-off exceptional gain of HK\$21.2 million that were taken in 2001. Other revenue comprised mainly of interest income. As a result of a lower cash balance, less interest income was generated during the year, hence resulting in the decrease of other revenue in 2002.

數碼前端設備之銷售

前端設備銷售額由二零零一年的4,180萬港元下降至二零零二年的2,290萬港元。二零零一年營業額之一大部份來自向一間被投資公司銷售前端設備，該被投資公司現正進行重組。二零零二年，向第三方之銷售則有所增長。由於越來越多地區尋求購買數碼前端設備，天地數碼預計二零零三年前端設備之營業額將穩步上升。

機頂盒銷售及用戶費收入

於二零零二年，機頂盒銷售及用戶費收入之營業額大幅增長。機頂盒銷售額上升49%至1,170萬港元，用戶費則上升317%至280萬港元。大多數增長之原因於在蘇州、無錫及中山開展數碼服務。隨著天地數碼從一家前端設備供應商轉型為服務供應商，並在其他地區開展數碼服務，其預計機頂盒銷售額及用戶費將於下年大幅增長。

提供金融及消費者數據

提供金融及消費者數據之收入從上年的約1,480萬港元下降15%至本年度的1,250萬港元。這反映出市場競爭加劇導致價格下降。此方面的業務佔本年度營業額的25%。

銷售成本及毛利

銷售成本由二零零一年的2,530萬港元上升30%至二零零二年的3,290萬港元。此上升是由於二零零二年，天地數碼正在銷售於二零零零年製造之高成本機頂盒；同時，為刺激需求，機頂盒之價格下調。因此，天地數碼銷售機頂盒之毛利下降。該存貨現已售空。於二零零三年第一季度，由於製造及銷售較低成本之機頂盒使得利潤大增。天地數碼於本年向一家合營企業出售一前端設備，其中440萬港元利潤因屬於未變現利潤，需在毛利撇除，故此引致本年的成本上升及毛利下降。天地數碼預計機頂盒之成本將在來年繼續下降，從而使天地數碼能夠將價格下調，以達到刺激需求之作用，而仍然能夠保持或甚至增加銷售利潤。

其他收入及經營收入

其他收入及經營收入由二零零一年之2,500萬港元下降92%至二零零二年之190萬港元。這主要由於二零零二年並無重大一次性2,120萬港元特殊項目收入。其他收入主要包括利息收入。由於現金結餘較往年低，本年度產生較少之利息收入，因此導致二零零二年之其他收入下降。

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Operating Expenses

Marketing and Selling Expenses

Marketing and selling expenses increased by 36% from HK\$9.4 million to HK\$12.8 million. Marketing and selling expenses increased in 2002, reflecting the increased marketing activities of the digital broadcasting business, resulting in an increase in turnover of set top box sales and subscription income. To significantly increase sales, DVN expects that the marketing costs will continue to rise.

Administrative Expenses

Administrative expenses decreased by 11% from HK\$69.0 million to HK\$61.5 million. This was a result of management's stringent cost reduction measures during 2002. Measures to control administrative expenditure continue in 2003.

Other Operating Expenses before Provisions and Exceptional Expenses

Other operating expenses before provisions and exceptional items include losses from disposals of fixed assets and amortisation of deferred development cost and intangible assets. Such expenses decreased 31% from HK\$9.7 million in 2001 to HK\$6.7 million in year 2002. The reduction was mainly due to the decrease in amortisation expenses as a number of the film licenses have been completely amortised in 2001.

Provisions and Exceptional Expenses

Provisions and exceptional items increased by approximately 8 times from HK\$7.8 million in 2001 to HK\$73.0 million in 2002. This was mainly due to the provision of HK\$35.0 million in relation to impairment of an investment in an investee company which is undergoing restructuring, and due to a write off of HK\$33.1 million in relation to receivables from the investee company for prudence purposes as the repayment period lapsed. DVN will assist the investee company to seek strategic partners to restore the business to profitability. Other exceptional items related to a stock loss on headend equipment of HK\$3.6 million and a general provision on doubtful debt of HK\$1.3 million.

Operating Loss

Although losses from operating activities increased from HK\$33.2 million in 2001 to HK\$135.1 million in 2002, a large part of the losses was due to the large provision and write off in relation to the investee company. The net loss before provisions and exceptional items amounted to HK\$62.1 million in 2002, compared to HK\$46.6 million before exceptional expenses and gain in 2001. Therefore, despite a lower turnover in 2002, DVN has been able to prevent a wider operating loss before provisions and exceptional items by significantly reducing costs.

Liquidity and Capital Resources

DVN has financed its growth primarily through the issuance of new shares and internally generated cash. During the year, DVN completed a placement with Zoran Corporation, a strategic investor, issuing 18.6 million new shares and raising approximately HK\$39 million. At the end of 2002, its current ratio which is the ratio of current assets to current liabilities was 1.86 and its cash and bank balances amount to HK\$17.5 million. DVN had no long term debt outstanding, no bank overdrafts, nor any contingent liabilities outstanding as at year end.

經營開支

市場推廣及銷售開支

市場推廣及銷售開支由940萬港元增加36%至1,280萬港元。該項開支上升，反映出數碼廣播業務的市場推廣活動增加，令機頂盒銷售的營業額及用戶費收入增加。為大幅增加未來的銷售額，天地數碼預計市場推廣開支將會繼續增加。

行政開支

由於管理層於二零零二年實行嚴格的削減成本措施，行政開支由6,900萬港元下降11%至6,150萬港元。二零零三年天地數碼將繼續採取嚴格措施控制行政開支。

未計撥備及特殊項目前之其他經營開支

未計撥備及特殊項目前之其他經營開支包括出售固定資產的虧損，及開發成本及無形資產攤銷。該等開支由二零零一年的970萬港元減少31%至二零零二年的670萬港元，主要由於眾多電影播放權已於二零零一年攤銷完畢，令本年攤銷開支減少。

撥備及特殊開支

撥備及特殊項目增加約8倍，由二零零一年的780萬港元上升至二零零二年的7,300萬港元，主要由於天地數碼就於一項投資減值作出3,500萬港元的撥備，該被投資公司現正在進行重組。及因於償還期屆滿為慎重起見就應收該被投資公司款項作出撇銷3,310萬港元。天地數碼將協助該被投資公司尋求策略合夥人，以重振業務至盈利狀態。其他特殊項目包括前端設備之存貨虧損360萬港元及呆賬撥備總額130萬港元。

經營虧損

儘管經營業務虧損由二零零一年的3,320萬港元增加至二零零二年的1億3,510萬港元，但大部份虧損均由於本公司就該被投資公司作出大筆撥備及撇銷所致。二零零二年未計撥備及特殊項目前虧損淨額為6,210萬港元，而二零零一年未計特殊支出及收入前則為4,660萬港元。因此，儘管二零零二年營業額減少，但透過大幅削減成本，天地數碼仍得以阻止未計撥備及特殊項目前之虧損進一步擴大。

流動資金及資本來源

天地數碼用於業務發展之資金主要來自發行新股及內部衍生資本。於本年度，天地數碼完成與一策略投資者Zoran Corporation配售新股，發行1,860萬股新股，籌集資金約3,900萬港元。截至二零零二年底，天地數碼之流動比率(即流動資產與流動負債比率)為1.86，現金及銀行結餘為1,750萬港元。於年底，天地數碼概無任何未清償之長期債項、銀行透支，亦無任何未清償之或然負債。

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Charges on Group Assets

US dollar deposits with an aggregate carrying value of HK\$1.95 million have been pledged to secure Renminbi ("RMB") denominated short term bank loans totaling HK\$1.90 million used to fund operations in China. This back to back arrangement limits DVN's exposure to RMB fluctuations.

Investment

During the year, DVN and Jiangsu Hongtu High Technology Co., Ltd. ("Hongtu"), a Shanghai Stock Exchange listed company, entered into a joint venture agreement ("JV Agreement") to establish a joint venture ("JV") in the PRC. Pursuant to the JV agreement, the total registered capital of the JV will be RMB90 million and each party holds 50% interest and profit sharing. Both DVN and Hongtu will each contribute RMB45 million (approximately HK\$42.7 million) into the JV. The JV has a 15-year term and will focus on developing digital broadcasting and related business in the PRC. DVN has already contributed HK\$14.2 million into the JV in the first round of funding in 2002 and the capital verification process of the JV has already been completed. The JV has been put into operation.

Exposure to Fluctuations on Exchange Rates and Related Hedges

DVN's borrowings are primarily denominated in RMB. DVN has no significant exposure to foreign exchange fluctuations.

本集團資產抵押

本集團已將帳面總值195萬港元之美元銀行存款抵押，作為中國業務所需人民幣短期銀行貸款合共190萬港元之擔保。上述對銷安排可減低天地數碼有關人民幣匯率波動之風險。

投資

於本年度，天地數碼與上海股票交易所之上市公司江蘇宏圖高科技股份有限公司（「宏圖」）簽訂一份合營公司協議（「合營協議」），以於中國設立合營公司。根據該合營協議，該合營公司之總註冊資本將為9,000萬元人民幣，雙方各持50%權益及利潤分成。天地數碼與宏圖將各自注資4,500萬元人民幣（約4,270萬港元）入該合營公司。該合營公司為期15年，將以於中國發展數碼廣播及相關業務為主。天地數碼已在第一輪融資中注資1,420萬港元入該合營公司，而有關之驗資程序亦已於年度內完成並開始營運。

匯率波動風險及有關對沖

天地數碼借貸主要以人民幣為單位。天地數碼並無重大外匯波動風險。