



Chairman's Statement  
主席報告

### DVN's set top box revenues surge, but provisions adversely affect results.

In 2003, DVN's set top box revenues surged 129% year on year as more cable operators began the migration to digital cable TV. However, DVN's 2003 results was impacted by provisions made on the company's previous investments in BCC and film rights. BCC has not been able to roll out digital services, forcing DVN to make a provision. In addition, DVN is taking a provision on film rights that it has not been able to utilize over the last several years given the Pay TV model did not develop as fast as initially anticipated.

### In 2003, SARFT announces plan to accelerate the migration to digital through the cutoff of the analog signal.

DVN expects 2004 to show considerable improvement as the government is now aggressively promoting digital TV. After making the announcement at the end of 2002 that it intended to migrate 30 million cable subscribers to digital, there was much anticipation on how to implement this plan. As a result, rollouts were still relatively slow throughout the 3rd quarter and most of the 4th quarter.

However, in November 2003, SARFT announced that it would like cable television stations to accelerate the migration to digital by considering the cutoff of the analog signal and forcing subscribers to upgrade to digital as reflected in the Qingdao model. Qingdao's digital platform was provided by DVN. In this model, the government and banks finance the distribution of the set top boxes. Use of government funds would be justified by the fact that the digital TV platform would be used as a 'Government to Citizen' communication platform and would improve the profitability of cable television stations. This message was again reinforced at a higher level meeting by relevant departments under the State Council at the end of March 2004. Success of this financing model will provide a business model for cable television stations to adopt throughout the country, and will accelerate the migration from analog to digital cable.

### 天地數碼之機頂盒銷售躍升，但撥備影響總業績

二零零三年度，由於更多的有線電視台營運商進入數碼化的運作，天地數碼的機頂盒銷售量比去年躍升129%。但天地數碼之二零零三年度業績受BCC的投資及電影權之撥備所影響。由於BCC不能籌集資金而繼續業務，故已就其於BCC之投資價值虧損作出撥備。此外，由於收費電視模式發展比預期中緩慢，故天地數碼須就過去多年來未能使用之電影權作撥備。

### 廣電總局推廣切斷模擬訊號，數碼機頂盒之銷量將提升

基於政府積極推廣有線電視數碼化，天地數碼預期二零零四年之業績將有明顯改善。廣電總局較早前宣佈，計劃在未來數年將三千萬用戶轉為數碼用戶，為此引來不少對此計劃如何推行之揣測，從而導致二零零三年度下半年整體的用戶發展速度放緩。

廣電總局於二零零三年十一月於青島舉行之會議上，政府官員致力推動全國的有線電視營運商採納青島模式，模擬訊號將被切斷，而用戶則須提升設施以改用轉碼轉播，以觀賞更多頻道的節目，務求落實有線電視「數碼化平移」計劃。青島數碼平台是由天地數碼提供。在此模式下，政府及銀行會對分銷機頂盒作出融資。將有關數碼電視平台用作「政府向人民」溝通之平台，從而有效地推動及加速有線電視數碼化平移的進程。

## **SARFT is highly motivated to develop a profitable Pay TV platform.**

The major reason for the push to digital is SARFT's recognition that China's cable assets should be better utilized—that the assets should not only be used for propaganda, but should also be used to generate revenues that will make the industry more healthy and robust. Only if the cable networks are operating as a true "business" will it be able to function properly.

Given this recognition, SARFT now recognizes the cable industry cannot be sustained by advertising revenues alone. Under the current advertising based system, additional channels that are developed only take away advertising revenues from existing channels, as the size of the advertising pie is limited. As a result, growth in the industry is restricted. A better model, SARFT recognizes, is to expand the pie by creating Pay TV and Video on Demand, and value added service products. SARFT notes that in many other countries, the cable industry receives more money from pay-TV revenues than from advertising. This vision is in line with DVN's strengths as DVN has been at the forefront in developing products such as TV shopping, video on demand, and online gaming.

## **Given the new opportunities, DVN raised additional funds through placement of shares on the capital markets.**

With the government's push to promote digital cable, new opportunities have emerged as cable operators begin implementing their digital rollouts. Therefore, in order to finance these opportunities, in September 2003, DVN placed 75 million new shares in a share placement at gross value of HK\$61.5 million.

## **As the digital cable TV industry expands, DVN expects competition to increase. In this environment, DVN will focus on its core strengths...**

With SARFT's support, the digital cable industry is expected to grow rapidly. However, with growth, DVN expects competition to increase. Under DVN's current business model, DVN is involved in all aspects of digital technologies—including both hardware and software. DVN needed to be in all these areas at the beginning stages of China's development of digital cable. Cable operators, who were unfamiliar with digital technology, were looking for a company that could provide the entire digital solution for them.

However, as the industry evolves, and cable operator's sophistication increases, DVN anticipates that it will need to work with strategic partners that will complement DVN's existing strengths. DVN believes that its core strengths are in its extensive presence in China, its local knowledge, its software, and its services.

### 廣電總局致力發展有利可圖之收費電視平台

中國有線電視業向數碼化發展的主要原因是廣電總局認識到應更加善用中國的有線網絡資產—即不僅用於宣傳，而應用於產生收益，從而促進該行業健康發展。只有將有線網絡作為一門真正的「生意」運作，才能發揮相應效益。

因此，廣電總局認識到有線電視業不能僅靠廣告收入維持。在目前基於廣告收入的體系下，開發其他頻道只會分薄現有頻道的廣告收入，因為廣告市場的規模是有限的。因此，限制了電視行業的發展。廣電總局認為，更理想的模式是增加收費電視、視頻點播（VOD）及其他增值服務，以擴大收入來源。廣電總局留意到許多國家有線電視業的收費電視收入大多超過廣告收入。此運作模式亦正是天地數碼的強項。

### 天地數碼為掌握新商機，透過在資本市場配售股份而集資

由於政府致力推動有線電視數碼化，有線電視營運商已逐漸開展數碼電視業務，故而商機湧現。天地數碼有見及此，已於二零零三年九月進行股份配售，配售75,000,000股新股份，共籌得總額61,500,000港元，以作發展有關商機提供資金。

### 面對業務上的競爭，天地數碼將專注現有實力，發揮所長，建立更多策略夥伴關係

在廣電支持下，中國的有線電視數碼業務將迅速增長。隨著業界發展，競爭亦會熾熱。在天地數碼之現有業務模式下，天地數碼參與所有技術的發展，包括硬件及軟件。在中國發展數碼廣播的初期階段，各項工作均需要天地數碼參與。對數碼技術認識不足的有線電視營運商，均會物識一間能為其提供完整數碼解決方案的公司。

然而，隨著業界發展，加上有線電視營運商所需技術日趨複雜，天地數碼預期需要與策略夥伴合作，從而與天地數碼在軟件開發及服務方面之現有實力，發揮相輔相承之效。天地數碼相信其強項在於它在中國廣泛的覆蓋、當地的認知、軟件開發的技術及多元化的服務。

*DVN believes that now is the time to aggressively enter the china digital TV market as China has announced its intentions to migrate 30 million analog subscribers to digital and to cutoff the analog signal completely by 2015.*

天地數碼相信現時是積極進軍中國數碼電視市場之最佳良機，中國宣佈其計劃將三千萬有線電視用戶從模擬轉為數碼，並於二零一五年完成完全終斷模擬的工作。

## ... while relying on partners to complement its strengths.

DVN is actively talking to an international strategic investor, and is in the final stages of completing an investment from the strategic investor. In looking for a potential partner, DVN is looking to cooperate with a strategic partner that has strengths in hardware and manufacturing. While DVN has significant current market share in China, it would like to find a partner who also has a strong reputation in technology and with the requisite experience and expertise to help ensure that DVN's digital cable deployments in China are successful.

Also, although DVN's core emphasis is and will remain in China, DVN is seeking to sell its software and applications overseas, and is looking for an international partner to help distribute its products. DVN's base in China, where it has access to a low cost, but highly skilled labor force, enables it to produce middleware and application products at a fraction of the cost it would take to develop in more developed markets.

## The time to invest in China's digital cable industry is now.

DVN believes that now is the time to aggressively enter the China digital TV market. This year, SARFT announced a list of 33 cities that will emphasize digitalization. These 33 cities have about 30 million analog subscribers. Among these cities, DVN has already established relationships with cities that give DVN access to over 40% of these analog subscribers. The relationships are in the form of investment in digital broadcasting equipment, sales of equipment, or contracts to supply set top boxes.

First mover advantages are extremely important in the cable industry as early entrants establish technical standards in the localities, legal commitments, and relationships that make entry for later competitors much more difficult. With this first mover advantage, DVN believes that it has established a strong base to grow its sales.

## China's aggressive push to migrate to digital suggests that 2004 will be an important year for DVN.

DVN feels that 2004 will be an important year for the development of the Pay TV industry in China. With strong government support, and increasing foreign involvement, more cable operators are beginning to implement their plans for the migration to digital cable. As a result, DVN expects demand for its products to increase significantly. We therefore expect 2004 to be an important year for DVN's development.

## Corporate governance

Following the best practice of corporate governance, the Board has established a compensation committee in 2003 consisting of two independent non-executive directors. This committee is chaired by Mr. TK Liu.

## Gratitude to Shareholders, Management and Staff

I would like to thank all of DVN's staff for their hard work and commitment, which gives the Group the dynamism to succeed in this cutting edge industry. I would also like to extend my appreciation to the other Board members for their invaluable contributions and to our shareholders for their continued support.

### ...與策略伙伴合作，增強實力，達到雙贏局面

天地數碼正積極與一國際策略投資者磋商，談判已達最後階段。在條件方面，天地數碼正特別尋求具備硬件及製造方面實力的策略夥伴合作。雖然天地數碼現時在中國的市場佔有率方面高踞首位，但仍希望尋求具備先進技術、擁有所需經驗及專長的夥伴合作，以確保天地數碼在中國的數碼有線業務能取得佳績。

此外，天地數碼正尋求在海外出售軟件及應用，故正選覓國際夥伴協助分銷其產品。天地數碼以中國為基地，可借助低成本但高技術勞工，以遠低於在已發展成熟市場發展之成本，生產中間件及應用產品。可惜，天地數碼的品牌暫未在國際市場上建立聲譽，故未能將產品分銷至外國市場。

### 投資於中國有線數碼電視業之良機

天地數碼相信現時是積極進軍中國數碼電視市場之最佳良機。中國廣播電影電視總局「廣電總局」宣佈，計劃在未來數年將三千萬有線電視用戶轉為數碼用戶，並於二零一五年完成完全終斷模擬的工作。

本年度，廣電總局公佈一份有關33個將加強數碼化工作的城市的名單。該33個城市共有約三千萬模擬用戶。天地數碼已在該等城市中建立關係，可接觸超過40%之模擬用戶，而所建立的關係的形式為在數碼廣播設備之投資、設備銷售或供應機頂盒合約。

在有線電視業佔取先機是成功關鍵，乃因較早進佔市場的業者能建立地區的技術標準、作出法律承擔以及建立關係，使較後進入市場之業者難以取得重大發展。由於天地數碼早佔先機，故相信其已建立穩固基礎，使銷售數字得以增加。

### 中國積極推動數碼化，預期二零零四年對天地數碼之發展舉足輕重

天地數碼相信二零零四年是中國收費電視業發展重要的一年。基於政府大力支持，加上外資參與，故將有更多有線電視營運商開始落實轉為數碼有線廣播之計劃。因此，天地數碼預期其產品之需求將大幅提升。因此，我們相信二零零四年是天地數碼發展的重要一年。

### 企業管治

本公司董事會根據企業管治最佳作業，於二零零三年內成立薪酬委員會。此委員會由兩位獨立非執行董事朱漢邦先生及劉俊基先生組成，而劉俊基先生則為委員會主席。

### 向股東管理層及員工致謝

本人謹對天地數碼所有員工致謝。他們勤奮工作、精誠奉獻，為本集團在這高科技行業之成功做出貢獻。本人亦對其他董事局成員所做的寶貴貢獻，以及股東們不間斷的支持，致以深深謝意。