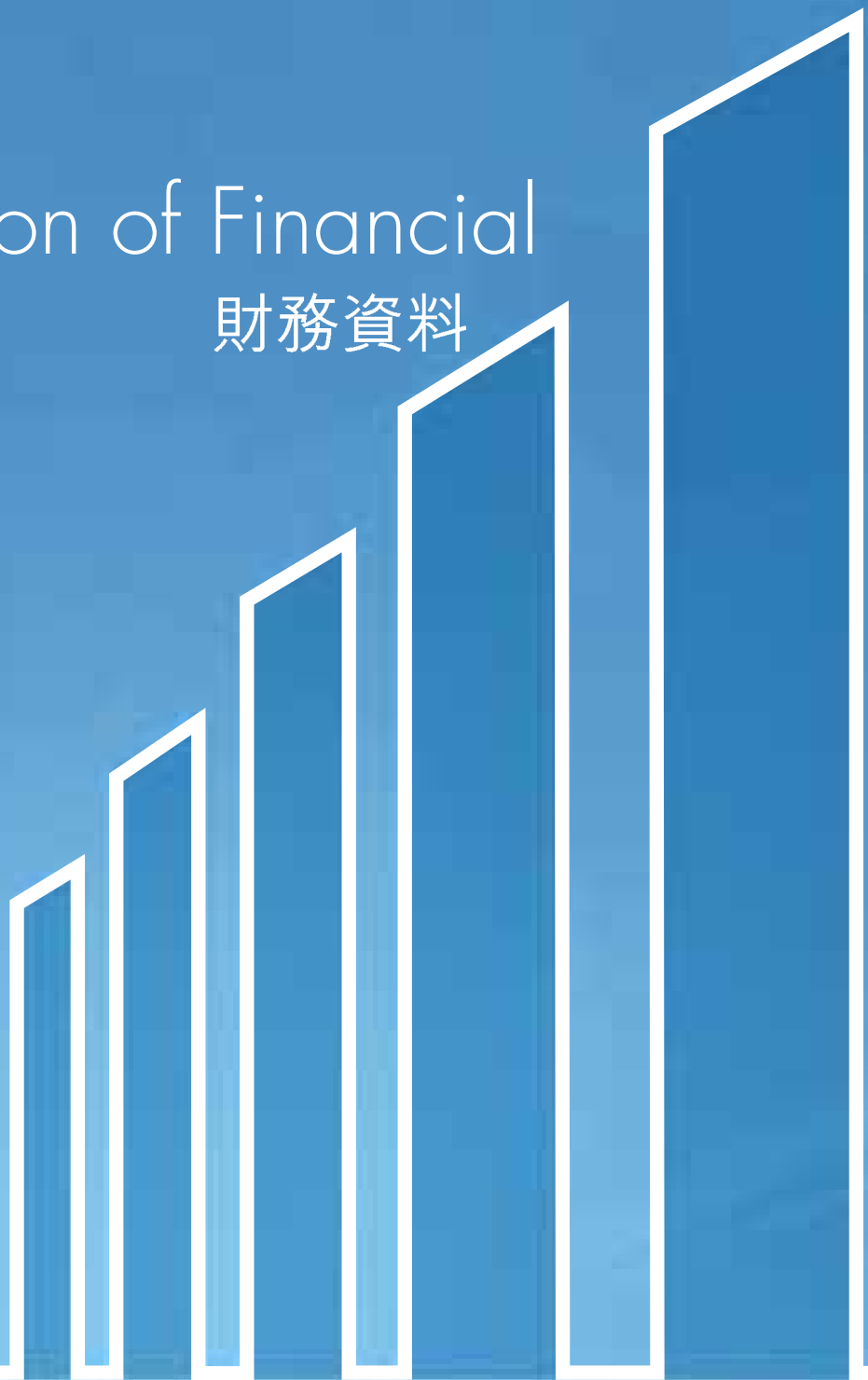


Discussion of Financial 財務資料



Year Ended 31 December 2003 Detailed Discussion of Financial

Turnover

Turnover of the Company for the year ended 31st December 2003 increased by 47% from HK\$49.9 million in 2002 to HK\$73.3 million in 2003, with the net loss declining from HK\$142.3 million for 2002 to a net loss of HK\$140.1 million for 2003. The net operating loss before provisions and exceptional items declined by 13% from HK\$62.2 million in 2002 to HK\$54.1 million this year.

The Company's revenues for 2003 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.

Turnover 營業額

Headend sales
前端設備銷售
Set top boxes sales, subscriptions and sundry
機頂盒銷售、用戶費及其他
Provision of financial and consumer data
提供金融及消費者數據

截至二零零三年十二月三十一日止年度 詳細財務資料分析

營業額

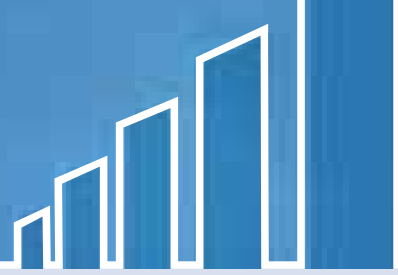
本公司截至二零零三年十二月三十一日止年度之營業額由二零零二年之4,990萬港元上升47%至二零零三年之7,330萬港元，淨虧損由二零零二年之1億4,230萬港元減至二零零三年之1億4,010萬港元。本年度扣除撥備及特殊項目前之經營虧損淨額為5,410萬港元，而二零零二年則為6,220萬港元，即經營虧損收窄13%。

本公司於二零零三年之收益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。

	2003 二零零三年	2002 二零零二年
	HK\$'000 千港元	HK\$'000 千港元
Headend sales 前端設備銷售	23,275	22,845
Set top boxes sales, subscriptions and sundry 機頂盒銷售、用戶費及其他	35,730	14,549
Provision of financial and consumer data 提供金融及消費者數據	14,247	12,485
	<u>73,252</u>	<u>49,879</u>

Revenue rise by 47% in 2003 as STB sales surge

營業額在2003年的47%增長主要來自機頂盒銷售的倍增。



Sale of Digital Headend Equipment

Headend sales increased slightly by 2% from HK\$22.9 million for year 2002 to HK\$23.3 million for year 2003. As digital broadcasting is becoming more widely adopted in China, more CATV operators are seeking to purchase digital headends.

Set Top Box Sales & Subscription Income

The turnover from STB sales increased significantly by over 128% from HK\$11.7 million in 2002 to HK\$26.7 million in 2003. As DVN expanded its rollout to additional locations in 2003, and as SARFT issued new circulars to promote digital cable TV, demand for STBs increased. As a result, towards the end of 2003, the number of STB supply contracts increased significantly.

However, subscription revenues declined slightly by 4% from HK\$2.8 million in 2002 to HK\$2.7 million. A major reason for the discrepancy with STB sales is that most of the increase in set top box sales were in areas where DVN has not made an investment, and is therefore not allowed to share in the subscription revenues. For example, in Qingdao, DVN makes a profit from sales of set top boxes, but does not share in the subscription revenues.

Going forwards, DVN expects subscription revenues to grow only modestly as most of DVN's projected growth will be from areas where the analog signal is to be cutoff. In most of these areas, DVN will not share in the subscription revenues.

Provision of financial and consumer data

Provision of financial and consumer data increased by 14% from approximately HK\$12.5 million last year to HK\$14.3 million this year. This reflects the gradual recovery of the financial markets towards end of 2003 resulting in increased sales of financial data services. This line of business accounted for 19% of this year's turnover.

Cost of Sales & Gross Profit

Cost of sales increased by 63% from HK\$32.9 million in 2002 to HK\$53.5 million in 2003. This increase was expected and consistent with the relative increase in total turnover. However, gross profit margins declined slightly from 34% to 27%. This reduction was primarily caused by increased competition among headend suppliers, resulting in reduced gross margins for headend equipment. Given the lower margins, DVN has decided to emphasize integration contracts instead of headend contracts. Integration contracts reduce DVN's capital commitments, while still enabling DVN to receive future revenues from the sale of its software and applications.

Gross margin on STBs improved from a loss in 2002 to a positive margin of approximately 8% on average in 2003. Margins increased substantially as the old, high cost inventory manufactured in 2000 was sold out by the first quarter of 2003. Newer STBs were manufactured at substantially reduced cost, resulting in significantly improved margins. 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 a stable margin.

Other Revenue and Other Operating Income

Other revenue and other operating income decreased by 53% from HK\$1.9 million in 2002 to HK\$0.9 million in 2003. Other revenue comprised mainly of interest income. As a result of a lower cash balance maintained due to working capital needs and a significant reduction in interest rate in 2003, less interest income was generated during the year.

數碼前端設備之銷售

前端設備銷售額由二零零二年的2,290萬港元輕微上升2%至二零零三年的2,330萬港元。隨著數碼業務在中國日益風行，尋求購買數碼前端設備的有線電視營運商數目亦見上升。

機頂盒銷售及用戶費收入

機頂盒銷售之營業額由二零零二年之1,170萬港元大幅增長128%至二零零三年之2,670萬港元。隨著天地數碼於二零零三年擴展推廣服務至其他地區，加上廣電總局發出新通告推廣有線電視數碼化，對於機頂盒之需求亦隨之上升。故此，於接近二零零三年底，機頂盒供應合約數目亦大幅增加。

然而，用戶費收益由二零零二年之280萬港元輕微下跌4%至270萬港元。主要由於大部份機頂盒銷售額增加之地區均並非為天地數碼作出投資之地區，故天地數碼未能分佔其用戶費收入。以青島為例，天地數碼於銷售機頂盒獲利，但未能分佔用戶費收入。

展望將來，天地數碼預期由於其大部份預計業務有所增長之地區，為將切斷模擬訊號但天地數碼將不會分佔用戶費之地方，故用戶費收入之增長僅屬輕微。

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1,250萬港元上升14%至本年度的1,430萬港元。這反映出金融市場於邁向二零零三年底同時逐漸復甦，刺激金融數據服務的銷售上升。此方面的業務佔本年度營業額的19%。

銷售成本及毛利

銷售成本由二零零二年的3,290萬港元上升63%至二零零三年的5,350萬港元。此上升乃預期所得，並與總營業額之增加一致。然而，毛利率由34%輕微下跌至27%，主要由於前端設備供應商之競爭加劇，導致前端設備之毛利下降。由於利潤下降，天地數碼已決定將前端設備合約之注意力轉移至系統集成合約。系統集成合約可減低天地數碼之承擔，並有助天地數碼日後獲取自銷售軟件及應用程式而產生收入。

機頂盒之毛利由二零零二年之虧損轉虧為盈，於二零零三年之毛利率平均約為8%。毛利率大幅上升主要由於二零零零年製造之高成本存貨已於二零零三年第一季售出。較新型號之機頂盒乃按大幅節省成本之方式製造，因而令毛利顯著增加。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，而仍然能夠保持銷售利潤。

其他收益及經營收入

其他收益及經營收入由二零零二年之190萬港元下降53%至二零零三年之90萬港元。其他收益主要包括利息收入。由於營運資金需要，故此維持之現金結餘水平較往年為低，加上二零零三年之銀行利率大幅下調，本年度產生之利息收入亦相對較少。



Operating Expenses

Sales and Marketing Expenses

Sales and marketing expenses increased by 12% from HK\$12.8 million to HK\$14.3 million. The increase in marketing and selling expenses reflected the increased marketing activities of the digital broadcasting business, resulting in a substantial increase in turnover of set top box sales. To significantly increase sales, DVN expects that the marketing costs will continue to rise.

Administrative Expenses

Administrative expenses decreased by 10% from HK\$61.5 million to HK\$55.2 million. This was a result of management's continuous stringent cost control measures implemented during 2003, carrying forward from the major cost reduction exercise in 2002. Measures to control administrative expenditure continue in 2004.

Other Operating Expenses before Provisions and Exceptional Expenses

Other operating expenses before provisions and exceptional items include losses from amortization of development cost and intangible assets and provisions for stock loss. Such expenses declined 22% from HK\$6.8 million in 2002 to HK\$5.3 million in year 2003. The reduction was mainly due to the decrease in amortization expenses as a number of the intangible assets had been completely amortized in 2002.

Provisions and Exceptional Expenses

Provisions and Exceptional items totaled HK\$81.6 million in 2003, as compared to HK\$73.0 million in 2002. Due to exceptional items, the two years' figures are unrelated to each other as they are independent events. In 2003, the major provisions are:

(1) Provision for potential obsolescence of a suite of French films and documentary film rights, as its marketability was doubtful and its valuation not able to be objectively ascertained. Full provision is made for the French film and documentary film rights amounting to a total value of HK\$18.7 million and HK\$31.9 million respectively. (2) A provision was made against the preference shares of an investee company which was subject to conversion to ordinary shares or redemption as of September 2003. As the investee was not able to raise funds to continue its activities, DVN has decided not to exercise its conversion nor redemption right. For prudent treatment, full provision was made against this investment value of HK\$20.3 million.

Operating Loss

Despite significant provisions made in the accounts this year, losses from operating activities before finance cost and share of results of jointly controlled entity increased slightly from HK\$135.1 million in 2002 to HK\$135.7 million. The net loss before provisions and exceptional items amounted to HK\$54.1 million in 2003 compared to HK\$62.2 million in 2002. Therefore, despite significant exceptional provisions made in 2003 for accounting prudence, DVN has been able to improve the operating results by increasing turnover and reducing operating expenditure, with net losses in 2003 declining by 13% before provisions and exceptional items.

經營開支

銷售及市場推廣開支

銷售及市場推廣開支由1,280萬港元增加12%至1,430萬港元。市場推廣及銷售開支上升，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

由於秉承二零零二年之主要削減成本措施，管理層於二零零三年繼續實行嚴格的削減成本措施，行政開支由6,150萬港元下降10%至5,520萬港元。二零零四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遞延開發成本及無形資產的攤銷及庫存虧損撥備。該等開支由二零零二年的680萬港元減少22%至二零零三年的530萬港元，主要由於眾多無形資產已於二零零二年攤銷完畢，令本年攤銷開支減少。

撥備及特殊開支

二零零三年之撥備及特殊項目合共為8,160萬港元，而二零零二年則為7,300萬港元。由於屬特殊項目，兩個年度之數字乃關乎獨立事項而並無關連。於二零零三年，重大撥備包括：

(1)有關一系列的法國片及紀錄片權利之潛在撥備，原因是影片市場銷售及其價值未能以客觀因素而確定。就法國片及紀錄片權利作出之全數撥備總值分別為1,870萬港元及3,190萬港元。(2)被投資公司優先股港幣20,280,000之撥備。在優先股到期日並沒有轉換至被投資公司之普通股或被贖回。在考慮被投資公司之財務狀況，依董事意見將全數投資作出減值撥備。

經營虧損

儘管於本會計年度作出巨額撥備，惟扣除融資成本及分佔共同控制實體業績前之經營虧損由二零零二年之1億3,510萬港元輕微上升至1億3,570萬港元。二零零三年未計撥備及特殊項目前虧損淨額為5,410萬港元，而二零零二年則為6,220萬港元。據此，儘管二零零三年就審慎會計起見作出重大特殊撥備，惟天地數碼仍因營業額增加及削減經營開支得以改善經營業績，導致業績淨額整體改善，而二零零三年之未計撥備及特殊項目虧損亦減少13%。



Liquidity and Capital Resources

DVN has financed its growth primarily through the issuance of new shares, short to medium term bank borrowings and internally generated cash. During the year, DVN completed a private placement, issuing 75 million new shares and raising approximately HK\$57.5 million. At the end of year 2003, DVN had bank borrowings of Renminbi ("RMB") 45 million of which a RMB40 million bank loan was guaranteed by an independent third party company. As at 31st December 2003, its current ratio which is the ratio of current assets to current liabilities was 1.44 (1.86 in 2002) and its cash and bank balances amount to HK\$62.0 million (HK\$17.5 million in 2002). Save as above said, DVN had no material long-term debt outstanding, no bank overdrafts, nor any contingent liabilities outstanding as at year end.

Charge on Group Assets

As at 31st December 2003, DVN pledged the digital broadcasting system located at Suzhou as the security for the guarantee provided by an independent third party company in relation to a RMB40 million bank loan.

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.

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、短期至中期銀行借貸及內部衍生現金。於本年度，天地數碼完成私人配售新股，發行7,500萬股新股，籌集淨資金約5,750萬港元。截至二零零三年年底，天地數碼之銀行借貸為人民幣4,500萬元。其中人民幣4,000萬元之銀行借貸乃由獨立第三方公司作擔保。於二零零三年十二月三十一日，天地數碼之流動比率（即流動資產與流動負債比率）為1.44（二零零二年：1.86），現金及銀行結餘為6,200萬港元（二零零二年：1,750萬港元）。除上文所述者外，天地數碼於年終時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。

本集團資產抵押

於二零零三年十二月三十一日，天地數碼將位於蘇州之數碼廣播系統作抵押，作為獨立第三方公司就銀行貸款人民幣4,000萬人民幣提供之擔保。

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。