

總裁報告

PRESIDENT'S REPORT



DVN and Qingdao have proven the feasibility of the mass digitalization model.

DVN's success in promoting the analog cutoff model in Qingdao demonstrates the feasibility of this model and the potential for this model to quicken the pace of digitalization in China. So far, including sales in 2005, DVN has sold 220,000 digital STBs in Qingdao. The city's goal is to have a total of 600,000 subscribers on digital by the end of 2005.

Qingdao is the first city to implement the analog cutoff model where the cable operator acquires the STB and gives it to the subscriber for free. The analog service is cut off, forcing the subscriber to use the operator's digital TV services. The subscription fee is increased by about RMB10/month. The cost of the STBs is recovered through the higher subscription fees and through value added service fees.

In this model, a win-win situation has been created, with the digital TV operator in Qingdao doubling its revenues in 2004. Subscribers do not need to pay for the STB and have access to more programs and information. The broadcaster is able to charge higher fees, and potentially has the opportunity to generate substantial revenues from value added services. In addition, operators are more easily able to deal with defaulters. DVN, the supplier, generates significant revenues from the sales of STBs and has the potential to share in revenues generated from value added services.

STBs transform the TV into both a home entertainment system and a government to citizen communication platform.

Through DVN's STB, DVN is able to transform the TV set into a home entertainment platform with PC functions as well as a service for providing government information to citizens. In addition to viewing an expanded variety of programs, subscribers are able to use the STB to receive SMS; obtain weather and real time stock quotes; and play games.

天地數碼及青島已證明大規模數碼化模式的可行性。

天地數碼成功於青島推行停止模擬模式，足證此模式的可行性，以及其加快全國數碼化步伐的潛力。目前，天地數碼於青島已出售220,000台數碼機頂盒，當中包括二零零五年的銷售數字。天地數碼計劃於二零零五年底在該市擁有合共600,000名數碼有線電視用戶。

青島乃首個推行停止模擬模式的城市，即由有線電視營運商購買機頂盒，並免費供用戶使用。其後用戶的模擬服務將被停止，且僅可使用營運商的數碼電視服務。用戶費按每月約人民幣10元增長。機頂盒的成本乃從增長的用戶費及增值服務費用中收回。

此模式亦帶來雙贏局面。青島數碼電視營運商於二零零四年的收入錄得雙倍的佳績，而用戶毋須支付機頂盒的費用亦已可收看更多節目及資訊。電視台更可提高收費，從而帶來藉增值服務而產生可觀收入的潛在機遇。此外，營運商可更輕易處理拖欠用戶費的用戶。天地數碼作為供應商，透過銷售機頂盒賺取豐厚收入，並有機會分佔來自增值服務的收入。

機頂盒將電視轉變為家庭娛樂平台，及政府面向人民的通訊平台。

透過天地數碼的機頂盒，天地數碼可將電視組合轉變為具備個人電腦功能的家庭娛樂平台，並可向人民提供政府資訊。除收看各式各樣的節目外，用戶更可利用機頂盒接收SMS、天氣資訊、實時股票報價以及網上遊戲。

With DVN's STB, the television is also used as a "Government to Citizen" communication platform. Given television is the most commonly accessible platform in China, television is the most cost effective means to communicate information and services from the government to citizens. By enhancing this platform through digital, the government is able to more effectively get its message across to its citizens.

DVN introducing a STB that can work on both cable and IP networks.

DVN has introduced a STB that is capable of receiving both IPTV and DVB. This dual mode box is particularly innovative in that it taps into the fact that a significant portion of China's urban population now has access to broadband networks. However, most of the broadband networks have been underutilized as many potential subscribers do not feel there is sufficient content to justify the higher fees. DVN believes that a STB that provides users with both video content and IP interactivity will solve this problem. This dual mode STB represents true convergence between cable and telecoms.

DVN has therefore signed an agreement with Orient Network TV, a subsidiary of Shanghai Media Group, to supply boxes capable of both IPTV and DVB broadcasting for subscribers who have access to broadband in Shanghai. DVN will also supply the video server and service platform. Through DVN's STB, subscribers will be able to watch video programs over IP.

此外，電視亦通過天地數碼的機頂盒用作「政府面向人民」的通訊平台。由於電視為國內最普及的平台，故電視亦為政府向人民提供資訊及服務的最具成本效益渠道。此平台隨著數碼化而得以提升，使政府能更有效地將資訊帶給人民。

天地數碼引入可用於有線電視及IP網路的機頂盒。

天地數碼已引入可接收IPTV及DVB兩者的機頂盒。鑑於中國市區的大部分人口可使用寬頻網絡，故此雙制式機頂盒的創新意念便使其處於有利位置。然而，由於不少準用戶均認為寬頻網絡的高收費與其內容不符，故大部分寬頻網絡均未獲廣泛使用。天地數碼相信，為用戶提供影像內容及互動IP的機頂盒將解決此項問題。此雙制式機頂盒將使有線電視及電訊公司間取得真正平衡。

故此，天地數碼已與上海文廣新聞傳媒集團附屬公司Orient Network TV簽訂協議，為上海之寬頻用戶提供可同時支援IP及DVB廣播之機頂盒。天地數碼亦將提供影像伺服器及服務平台。利用天地數碼之機頂盒，用戶將能夠在IP網絡觀看節目。

DVNs revenues rise sharply, primarily because of the cutoff of the analog signal in Qingdao and Foshan.

With the 7x increase in unit STB sales, DVN's revenues have risen sharply to HK\$169.2 million, compared to HK\$73.3 million in 2003. Subscription revenues increased from HK\$2.7 million in 2003 to HK\$4.2 million in 2004. The increase did not rise as much as STB sales as most of the STBs were sold in areas, like Qingdao, where DVN has not made a direct investment, and therefore, is not allowed to share in the subscription revenues. DVN expects subscription revenues to increase once the cities it has invested in, make the decision to adopt the full digitalization model. Headend sales increased slightly from HK\$23.3 million in 2003 to HK\$28.3 million in 2004. DVN's biggest headend sale was in Foshan.

Reduced working capital needs as DVN licenses out its technology.

DVN has licensed out its technology to several manufacturers, including Haier and Hisense. Through these licensing arrangements, DVN will sharply reduce its working capital needs as the manufacturer will be responsible for inventory, purchase of parts, and manufacturing. For 2005, DVN has also entered into a licensing arrangement with Motorola in which Motorola will manufacture and brand the STB with the Motorola name, while DVN will act as the distributor.

DVN and Motorola will promote a new Motorola branded STB.

After half a year of collaboration, Motorola and DVN have announced the introduction of a jointly design STB – The Motorola Digital Video 800 ("MDV800"). Designed specifically for the Chinese market, the MDV800 offers multiple applications, including a programming guide and advanced middleware that supports gaming, VOD, Internet access, and local weather service. DVN believes that a Motorola branded box will be very attractive in the China market.

天地數碼的收入躍升，主要由於青島及佛山停止使用模擬信號。

天地數碼的收入隨著機頂盒的銷售台數增加7倍而躍升至169,200,000港元，而二零零三年則為73,300,000港元。用戶費收入由二零零三年的2,700,000港元增至二零零四年的4,200,000港元。由於大部分的機頂盒均於青島等地區售出，而天地數碼於有關地區並無直接投資，未能分佔有關用戶費收入，故此用戶費收入的增幅未如機頂盒銷售額般理想。天地數碼預期，倘其投資的城市決定全面採用數碼模式，其於當地的用戶費收入將因而增加。前端設備的銷售額由二零零三年的23,300,000港元微升至二零零四年的28,300,000港元。佛山乃天地數碼前端設備銷售額的最大來源。

天地數碼授出其技術的牌照以削減營運資金所需。

天地數碼已將其技術的牌照授予若干製造商，包括海爾及海信。通過此等牌照安排，製造商將負責存貨、採購零件及生產，故天地數碼將大幅削減其營運資金所需。二零零五年，天地數碼亦與Motorola訂立授權安排，據此，Motorola將以「Motorola」的品牌製造及命名機頂盒，而天地數碼則為分銷商。

天地數碼與Motorola將推廣Motorola品牌的新機頂盒。

經過半年的合作，Motorola與天地數碼宣佈推出共同設計的機頂盒—The Motorola Digital Video 800 (「MDV800」)。MDV800專門為中國市場而設，提供多種應用軟件，包括程式指南及進階中介軟件用以支援遊戲、VOD、互聯網接收及本地天氣服務等。天地數碼相信，Motorola品牌的機頂盒在中國市場將極具吸引力。

DVN has also entered into an agreement to license Motorola's MediaCipher® conditional access technology. The agreement will allow DVN to expand its customer base by creating new opportunities with network operators that support the Motorola MediaCipher conditional access technology. Currently deployed in more than two thousand headends worldwide, Motorola MediaCipher is one of the industry's most robust and secure conditional access technologies.

New contract signed with Baotou

Motorola and DVN have jointly signed an agreement with Baotou Municipality of Inner Mongolia to enable the provision of digital television broadcasting to 400,000 households. Baotou will be one of the first cities in northwestern China to migrate to digital, and signifies the progress that China is making in its plans to migrate all its cities to digital over the next decade. DVN will introduce its dual mode STB, supporting both cable and IP networks.

Motorola and DVN will provide software and technological support for Baotou Cable TV to upgrade its existing network; and to expand and transform its broadcasting platform to host new information services. Through these enhancements, the Baotou government will better be able to disseminate information over digital channels to its citizens; and is therefore in line with Baotou's policy to increase transparency and communication with citizens. It is expected that 400,000 families will migrate to digital TV under the project.

DVN selected to be one of only four companies that will provide conditional access for CCTV's digital content.

Given the "must have" nature of content from CCTV, DVN was pleased to be selected as one of only four companies that will be allowed to provide conditional access ("CA") for CCTV's digital content. This means that any cable operator that wants to receive CCTV digital content must use either DVN's CA or one of the other three selected companies' CA if it wants to receive this content. As a result, DVN will have a competitive advantage in winning future contracts from local cable operators.

天地數碼另訂立有關發出 Motorola's MediaCipher® 有條件接收系統技術牌照的協議。該協議將准許天地數碼通過與支持 Motorola MediaCipher 有條件接收系統技術的網絡營運商建立新商機，從而拓展其客戶基礎。目前全球已有超過二千台安裝有 Motorola MediaCipher 前端設備，為業內其中一種最可靠及安全的有條件接收系統技術。

與包頭簽訂新合約

Motorola及天地數碼共同與內蒙古包頭市政府簽訂協議，授權向400,000戶家庭提供數碼電視廣播。包頭將為中國西北部首批數碼化城市之一，標誌著中國計劃於未來十年將其全國城市數碼化的進程。天地數碼將會引進支援有線電視及IP網絡的雙制式機頂盒。

Motorola及天地數碼將向包頭有線電視提供軟件及技術支援，以將其現有網絡升級，以及將其廣播平台擴展及轉型至播放新資訊服務。包頭政府將可藉升級而通過數碼渠道向其人民更有效地發放資訊，在符合包頭市向人民增加透明度及加強溝通的政策。預期該項目將有400,000戶家庭轉用數碼電視。

天地數碼獲選為四間為中央電視台數碼化節目提供有條件接收技術的公司之一。

中央電視台之節目乃每個電視台「不可或缺」之要素，天地數碼欣然獲選為四間獲准提供有條件接收系統（「CA」）去接收中央電視台數碼節目之公司之一，即表示任何有線電視營辦商如欲播放中央電視台之數碼化節目，必須使用數碼天地之CA或另外三間指定公司之CA。因此，天地數碼日後與當地有線電視營辦商競爭合約時將享有優勢。

SARFT names DVN as one of the country's "Top Ten Broadcasting Enterprises for 2004"

DVN continues to win awards for its technology and services. In 2004, it won an award from SARFT as one of China's Top Ten broadcasting Enterprises. In addition, DVN's President was elected as one of the ten "Most powerful executives in China broadcasting". The following describes awards won by DVN in 2004.

1. In February 2004, DVN's in-house developed Conditional Access System (CAS) is certified by SARFT and awarded Grade A certificate.
2. In May 2004, DVN received the "Best Set Top Box Award" from Sohu and the Committee of China Broadcasting Network (CCBN).
3. In June 2004, based on consumer responses, DVN received the "Best Digital STB Quality & STB Brand" in China from People's Daily Market & Media Centre.
4. In March 2005, DVN named by SARFT as one of the country's "Top Ten Broadcasting Enterprises 2004".
5. DVN's President, Mr Terry Lui, was also elected as one of the "Most Powerful Entrepreneurs in Broadcasting in China". The election was conducted by HC International, Inc. and China TV Broadcasting Equipment Industries Association.

廣電總局將天地數碼名列國內「二零零四年中國廣電十大品牌企業」之一。

天地數碼的技術及服務屢獲殊榮。二零零四年，天地數碼獲廣電總局列為中國廣電十大品牌企業之一。此外，天地數碼行政總裁更獲選為二零零四年「中國廣電十大最具影響力企業人物」。以下為二零零四年天地數碼獲取的殊榮。

1. 二零零四年二月，天地數碼自行研發之有條件接收系統，獲廣電總局認證發給「A」級證書。
2. 二零零四年五月，天地數碼獲搜狐與中國國際廣播電視信息網絡展覽會(CCBN)組委會頒發「最佳機頂盒」獎。
3. 二零零四年六月，根據向消費者調查所得，天地數碼獲人民日報Market & Media Centre選為中國「數字電視機頂盒市場產品質量用戶滿意品質信譽第一品牌」。
4. 二零零五年三月，天地數碼榮獲廣電總局名為國內「二零零四年中國廣電十大品牌企業」之一。
5. 天地數碼總裁呂品亦獲選為「中國廣電十大最具影響力企業人物」。此次評選活動由北京慧聰國際資訊有限公司與中國廣播電視設備工業協會聯合舉辦。

CCTV establishes new company to create more digital content.

DVN's prospects are also likely to improve as more digital content becomes available. At the beginning of this year, CCTV established a new company called DTV Media Co., Ltd. Set up with an investment of RMB300 million (US\$36 million), the company's mandate is to create content for digital channels. The company has been given more freedom than regular, tightly controlled networks. For example, its channels will be allowed to show popular western police dramas that are currently banned due to their violent content. DTV is also looking at establishing joint ventures to bring in western content on to its digital channels. In a survey conducted by media research company CSM and the Beijing Broadcasting Institute, 74% of participants said they were willing to pay for digital TV channels. So far, SARFT has given almost 130 TV production companies permission to produce digital TV programs and to cooperate with more than 30 digital TV channel operators.

Large potential for digital terrestrial television.

In China, there are currently 330 million TV users, of which 110 million are cable TV users. Most of the non cable users are in rural areas, where it does not make sense to install an expensive cable system. To reach these users, SARFT is pushing to implement digital terrestrial television.

中央電視台成立新公司製作更多數碼化節目。

隨著市場上有更多數碼化節目，天地數碼之前景亦可望改善。於本年初，中央電視台成立一間名為DTV Media Co., Ltd.之新公司，投資額約人民幣300,000,000元（36,000,000美元），負責製作數碼頻道之節目。該公司較一般受嚴謹監管之網絡享有更大自由度，該公司之頻道獲准播放收視率高之西方警匪電視劇，此類劇集目前因內容暴力仍未可自由播放。DTV Media現正計劃成立合營企業，為其數碼頻道引入西方節目。根據調查公司CSM及北京廣播學院進行之研究，74%受訪者表示願意付費收看數碼電視頻道。目前，廣電總局向約130間電視製作公司發出許可證，以製作數碼化電視節目的電視製作公司許可證，並與超過30間數碼電視頻道營運商合作。

數碼地面電視的龐大潛力。

中國現有330,000,000名電視用戶，其中110,000,000戶為有線電視用戶。大部分非有線用戶均位於郊區，並不適宜安裝昂貴的有線系統。廣電總局為使有線電視遍及此等用戶，現正加緊推行實施地面數碼廣播。

Through terrestrial broadcasting, real time entertainment and news programs can be broadcast through the airwaves directly to any location within range. The immediate appeal for terrestrial broadcasting is the ability to receive advertising revenues for programs broadcast on public transportation networks. LCD panels on buses showing the programs capture the attention of the passengers. As a result, advertisers essentially have a "captive" audience to broadcast their messages. The outdoor advertising market is a huge growth industry in China. Several companies have successfully used this model to capture advertising revenues for advertising broadcast on television screens placed strategically near elevators in office buildings throughout China's major cities, expecting to generate almost RMB1 billion in advertising revenues in 2005.

Subscription revenues to individual users are expected to be substantial as digital terrestrial makes it possible to broadcast to rural subscribers. SARFT's goal is to convert 100 million rural subscribers to digital. These markets are particularly interesting in that unlike the more developed urban areas, where the average resident is able to view 20-30 heavily subsidized analog channels, rural residents generally only have available to them 2-3 analog terrestrial channels. Therefore, although rural residents are clearly less well off than urban residents, there is a clear incentive for rural residents to pay extra for the additional TV channels broadcast over digital terrestrial.

DVN intends to explore opportunities in this market by providing digital terrestrial STBs and software.

地面廣播可於透過大氣電波向某範圍內的任何地點廣播實時娛樂及新聞節目。地面廣播的即時優點乃其收取於公共交通網絡廣播的節目的廣告收入。公共汽車上的LCD屏幕所播放的節目吸引乘客的注意。故此，廣告商實質擁有一群「目標」乘客接收其訊息。國內的室外廣告市場乃增長甚般的行業。不少公司已成功利用此模式，在全國各主要城市的辦公室大樓的升降機旁裝置播放廣告的電視屏幕，賺取廣告收入，預期二零零五年將產生約人民幣10億元的廣告收入。

由於地面數碼接收能夠令郊區用戶接收廣播，故預期將錄得可觀的用戶費收入。廣電總局的目標是將一億戶郊區用戶轉用數碼有線電視。此等市場有別於發展較佳的城區，其有趣之處在於此等市場的居民平均可收看20至30個主要由政府資助的模擬頻道，而郊區居民一般僅收看2至3個地面模擬頻道。故此，雖然郊區居民顯然不如城區居民般富庶，惟郊區居民仍願意支付額外費用透過地面數碼廣播收看其他電視頻道。

天地數碼擬於此市場開拓商機，提供數碼地面數碼廣播機頂盒及軟件。