

## STATEMENT OF BUSINESS OBJECTIVES

Set out below is the statement of business objectives of the Group for the period commencing from the Latest Practicable Date to 31st December, 2002:

	Latest Practicable Date – 30/6/2000	1/7/2000 – 31/12/2000	1/1/2001 – 30/6/2001	1/7/2001 – 31/12/2001	1/1/2002 – 30/6/2002	1/7/2002 – 31/12/2002
<b>SALES</b>	<ul style="list-style-type: none"> <li>Launch FC data broadcasting PC plug-in board model VI</li> <li>Launch financial TV set top box model I and model II</li> <li>Launch multimedia TV set top box model I</li> </ul>	<ul style="list-style-type: none"> <li>Launch FC data broadcasting PC plug-in board model VII</li> <li>Launch financial TV set top box model III</li> <li>Launch multimedia TV set top box model II</li> </ul>	<ul style="list-style-type: none"> <li>Launch FC data broadcasting PC plug-in board model VIII</li> <li>Launch financial TV set top box model V</li> <li>Launch multimedia TV set top box model III</li> </ul>	<ul style="list-style-type: none"> <li>Launch FC data broadcasting PC plug-in board model IX</li> <li>Launch financial TV set top box model VI</li> <li>Launch multimedia TV set top box model V</li> </ul>	<ul style="list-style-type: none"> <li>Launch new model(s) of PC plug-in board</li> <li>Launch new model(s) of financial TV set top box</li> <li>Launch new model(s) of multimedia TV set top boxes</li> </ul>	<ul style="list-style-type: none"> <li>Launch new model(s) of PC plug-in board</li> <li>Launch new model(s) of financial TV set top box</li> <li>Launch new model(s) of multimedia TV set top boxes</li> </ul>
Reception modules (target sales volume)						
<ul style="list-style-type: none"> <li>PC plug-in boards</li> <li>TV set top boxes                             <ul style="list-style-type: none"> <li>Financial</li> <li>Multimedia</li> </ul> </li> <li>Total number of TV set top boxes</li> </ul>	60,000 units	60,000 units	80,000 units	90,000 units (Note)	(Note)	(Note)
Software (target sales volume)	24,000 sets	24,000 sets	32,000 sets	36,000 sets	(Note)	(Note)
Income derived from data broadcasting subscription (target accumulated no. of subscribers)	50,800 subscribers	98,800 subscribers	180,800 subscribers	267,800 subscribers	(Note)	(Note)
<b>STRATEGIC ALLIANCE</b>	<ul style="list-style-type: none"> <li>Sign cooperative agreements with cable TV network operators in well developed cities or which have installed the Group's VBI data broadcasting transmission modules</li> <li>Concentrate efforts on procuring strategic alliance with cable TV network operators in major coastal cities and medium to large cities</li> <li>Target cable TV networks operators with over 0.3 million cable TV subscribers each</li> <li>Establish strategic alliance with 25 new content providers including electronic newspapers and magazines, and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to establish strategic alliance with TV network operators</li> <li>Concentrate efforts on procuring strategic alliance with cable TV network operators in coastal cities and developed, small to medium cities</li> <li>Target cable TV network operators with over 0.3 million cable TV subscribers each</li> <li>Establish strategic alliance with 25 new content providers including electronic newspapers and magazines, and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to establish strategic alliance with TV network operators</li> <li>Concentrate efforts on procuring strategic alliance with cable TV network operators in developed, small to medium cities and residential areas of large enterprise</li> <li>Target cable TV network operators with over 0.2 million cable TV subscribers each</li> <li>Establish strategic alliance with 20 new content providers including electronic newspapers and magazines, and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to establish strategic alliance with TV network operators</li> <li>Concentrate efforts on procuring strategic alliance with cable TV network operators in developed, small to medium cities and residential areas of large enterprise</li> <li>Target cable TV network operators with over 0.15 million cable TV subscribers each</li> <li>Establish strategic alliance with 20 new content providers including electronic newspapers and magazines, financial information providers, and renowned ISPs and ICPs in the PRC or overseas</li> </ul>	<ul style="list-style-type: none"> <li>Continue to establish strategic alliance with TV network operators</li> <li>Concentrate efforts on procuring strategic alliance with cable TV network operators in developed, small to medium sized cities</li> <li>Continue to establish strategic alliance with content providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to establish strategic alliance with TV network operators</li> <li>Concentrate efforts on procuring strategic alliance with cable TV network operators in developed, small to medium cities</li> <li>Continue to establish strategic alliance with content providers</li> </ul>

Note: No target sales volume or number of subscribers is provided for the year ending 31st December, 2002 in view of the increasing degree of uncertainty involved.

	Latest Practicable Date – 30/6/2000	1/7/2000 – 31/12/2000	1/1/2001 – 30/6/2001	1/7/2001 – 31/12/2001	1/1/2002 – 30/6/2002	1/7/2002 – 31/12/2002
Number of strategically allied TV network operators:						
• New (with and without cooperative agreements)	50	50	70	70	75	75
• Total (with and without cooperative agreements)	153	203	273	343	418	493
• Under cooperative agreements which provides for sharing of data broadcasting service subscription	39	79	139	199	274	349
<b>MARKETING</b>						
Sales and after sales network	<ul style="list-style-type: none"> <li>Engage 50 new authorised distributors</li> <li>Engage 5 authorised distributors to be the sales and after sales services representatives of the Group in major cities</li> </ul>	<ul style="list-style-type: none"> <li>Engage 50 new authorised distributors</li> </ul>	<ul style="list-style-type: none"> <li>Engage 70 new authorised distributors</li> </ul>	<ul style="list-style-type: none"> <li>Engage 70 new authorised distributors</li> </ul>	<ul style="list-style-type: none"> <li>Engage 75 new authorised distributors</li> </ul>	<ul style="list-style-type: none"> <li>Engage 75 new authorised distributors</li> </ul>
Promotion activities	<ul style="list-style-type: none"> <li>Advertise on TV and in popular newspapers, periodicals or magazines</li> </ul>	<ul style="list-style-type: none"> <li>Advertise on TV and in popular newspapers, periodicals or magazines</li> </ul>	<ul style="list-style-type: none"> <li>Advertise on TV and in popular newspapers, periodicals or magazines</li> </ul>	<ul style="list-style-type: none"> <li>Advertise on TV and in popular newspapers, periodicals or magazines</li> </ul>	<ul style="list-style-type: none"> <li>Advertise on TV and in popular newspapers, periodicals or magazines</li> </ul>	<ul style="list-style-type: none"> <li>Advertise on TV and in popular newspapers, periodicals or magazines</li> </ul>
Market research	<ul style="list-style-type: none"> <li>Conduct research on market response to TV set top boxes to draw up the Group's sales and marketing program</li> </ul>	<ul style="list-style-type: none"> <li>Conduct market research on overseas interactive broadband transmission system to keep abreast of any development in data broadcasting technology</li> </ul>	<ul style="list-style-type: none"> <li>Conduct market research on PRC interactive broadband transmission system</li> </ul>	<ul style="list-style-type: none"> <li>Conduct market research on products for PRC interactive broadband transmission system</li> </ul>	<ul style="list-style-type: none"> <li>Conduct research on market response to TV set top boxes to evaluate the Group's sales and marketing program</li> </ul>	
<b>OPERATION &amp; PRODUCTION</b>						
Transmission modules	<ul style="list-style-type: none"> <li>Provide 25 new transmission modules for FC data broadcasting to TV network operators</li> <li>Contribute 50 new transmission modules for VBI data broadcasting to TV network operators</li> </ul>	<ul style="list-style-type: none"> <li>Provide 40 new transmission modules for FC data broadcasting to TV network operators</li> <li>Contribute 50 new transmission modules for VBI data broadcasting to TV network operators</li> </ul>	<ul style="list-style-type: none"> <li>Provide 60 new transmission modules for FC data broadcasting to TV network operators</li> <li>Contribute 70 new transmission modules for VBI data broadcasting to TV network operators</li> </ul>	<ul style="list-style-type: none"> <li>Provide 60 new transmission modules for FC data broadcasting to TV network operators</li> <li>Contribute 70 new transmission modules for VBI data broadcasting to TV network operators</li> </ul>	<ul style="list-style-type: none"> <li>Provide 75 new transmission modules for FC data broadcasting to TV network operators</li> </ul>	<ul style="list-style-type: none"> <li>Provide 75 new transmission modules for FC data broadcasting to TV network operators</li> </ul>
Reception modules						
• PC plug-in board	60,000 units	60,000 units	80,000 units	90,000 units	(note)	(note)
• TV set top box						
— Financial	30,000 units	60,000 units	60,000 units	90,000 units		
— Multimedia	30,000 units	30,000 units	60,000 units	60,000 units		
Contents for data broadcasting	<ul style="list-style-type: none"> <li>Start to produce distance education contents for 7 subjects of each of the 6 grades of secondary education</li> <li>Produce new contents by sourcing the same from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to produce distance education contents for 7 subjects of each of the 6 grades of secondary education</li> <li>Produce new contents by sourcing the same from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Start to produce distance education contents for 3 subjects of each of the 5 grades of primary education, and for further education and/or professional examination</li> <li>Produce new contents by sourcing the same from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to produce distance education contents for 3 subjects of each of the 5 grades of primary education, and for further education and/or professional examination</li> <li>Produce new contents by sourcing the same from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Produce distance education contents for secondary education</li> <li>Produce new contents by sourcing the same from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Produce distance education contents for secondary education</li> <li>Produce new contents by sourcing the same from electronic newspapers and magazines publishers and financial information providers</li> </ul>

Note: No target production volumes for reception modules is provided for the year ending 31st December, 2002 in view of the increasing degree of uncertainty involved.

	Latest Practicable Date – 30/6/2000	1/7/2000 – 31/12/2000	1/1/2001 – 30/6/2001	1/7/2001 – 31/12/2001	1/1/2002 – 30/6/2002	1/7/2002 – 31/12/2002
<b>RESEARCH &amp; DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>Acquire computer hardware and software for product development</li> <li>Acquire facilities for product testing</li> </ul>	<ul style="list-style-type: none"> <li>Acquire computer hardware and software for product development</li> <li>lease new operating site to accommodate expanding research and development department</li> </ul>	<ul style="list-style-type: none"> <li>Acquire computer hardware and software for product development</li> </ul>	<ul style="list-style-type: none"> <li>Acquire computer hardware and software for product development</li> </ul>	<ul style="list-style-type: none"> <li>Acquire computer hardware and software for product development</li> <li>Acquire facilities for product testing</li> </ul>	<ul style="list-style-type: none"> <li>Acquire computer hardware and software for product development</li> </ul>
Transmission modules	<ul style="list-style-type: none"> <li>Develop FC data broadcasting transmission module model III</li> <li>Develop VBI data broadcasting transmission module model VI</li> </ul>	<ul style="list-style-type: none"> <li>Develop FC data broadcasting transmission module model V</li> <li>Develop VBI data broadcasting transmission module model VII</li> <li>Research and develop high-speed broadband data broadcasting systems</li> </ul>	<ul style="list-style-type: none"> <li>Develop FC data broadcasting transmission module model VI</li> <li>Develop VBI data broadcasting transmission module model VIII</li> <li>Continue to research and develop high-speed broadband data broadcasting systems</li> </ul>	<ul style="list-style-type: none"> <li>Develop FC data broadcasting transmission module model VII</li> <li>Develop VBI data broadcasting transmission module model IX</li> <li>Continue to research and develop high-speed broadband data broadcasting systems</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop new models of transmission modules</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop new models of transmission modules</li> </ul>
Reception modules	<ul style="list-style-type: none"> <li>Continue to research and develop financial TV set top box model II</li> <li>Research and develop financial TV set top box model II</li> <li>Research and develop multimedia TV set top box model II</li> </ul>	<ul style="list-style-type: none"> <li>Develop financial TV set top box model II</li> <li>Continue to research and develop second generation multimedia TV set top boxes</li> </ul>	<ul style="list-style-type: none"> <li>Develop multimedia TV set top box model II</li> </ul>		<ul style="list-style-type: none"> <li>Continue to develop new models of reception modules</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop new models of reception modules</li> </ul>
Software	<ul style="list-style-type: none"> <li>Research and develop application software for TV set top boxes</li> </ul>	<ul style="list-style-type: none"> <li>Continue to research and develop application software for TV set top boxes</li> </ul>	<ul style="list-style-type: none"> <li>Develop application software for TV set top boxes</li> </ul>		<ul style="list-style-type: none"> <li>Continue to develop new application software for TV set top boxes</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop new application software for TV set top boxes</li> </ul>
<b>SOURCING OF CONTENT</b>	<ul style="list-style-type: none"> <li>Acquire education contents for 7 subjects of each of the 6 grades of secondary education</li> <li>Source or acquire new contents from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to acquire education contents for 7 subjects of each of the 6 grades of secondary education</li> <li>Continue to source or acquire new contents from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Acquire education contents for 3 subjects of each of the 5 grades of primary education and contents for further education and professional examinations</li> <li>Continue to source or acquire new contents from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to acquire education contents for 3 subjects of each of the 5 grades of primary education and contents for further education and professional examinations</li> <li>Continue to source or acquire new contents from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to acquire education contents for primary, secondary and further education, and professional examination</li> <li>Continue to source or acquire new contents from electronic newspapers and magazines publishers and financial information providers</li> </ul>	<ul style="list-style-type: none"> <li>Continue to acquire education contents for primary, secondary and further education, and professional examination</li> <li>Continue to source or acquire new contents from electronic newspapers and magazines publishers and financial information providers</li> </ul>

	Latest Practicable Date – 30/6/2000	1/7/2000 – 31/12/2000	1/1/2001 – 30/6/2001	1/7/2001 – 31/12/2001	1/1/2002 – 30/6/2002	1/7/2002 – 31/12/2002
<b>HUMAN RESOURCE</b>					(Note)	<ul style="list-style-type: none"> <li>Total headcount amount to over 200, of which not Less than 50% are research and development personnel as at the end of year 2002</li> </ul>
Management	5	5	7	8		
Research & development						
• Hardware	25	25	50	50		
• Software	20	30	40	50		
Information Services	30	35	50	50		
Sales & marketing	15	18	25	25		
Finance & administration	3	3	3	3		
Total headcount	98	116	175	186		
<b>BASES &amp; ASSUMPTIONS</b>	<ul style="list-style-type: none"> <li>Target to sign 25 new cooperative agreements with TV network operators (representing approximately 1.8% of the 1,403 cable TV network operators at county level in the PRC for the year 1998)</li> <li>Sales of reception modules is the minimum target of the Group, estimated on the basis of the expected new potential subscribers brought in as a result of the additional cooperative agreements. 1.6% of TV subscribers of new strategically allied TV network operators under cooperative agreements will purchase the Group's reception modules</li> <li>The sales volume of reception modules are allocated among PC plug-in board, financial TV set top box and multimedia set top box in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>	<ul style="list-style-type: none"> <li>Target to sign 40 new cooperative agreements with TV network operators (representing approximately 2.9% of the 1,403 cable TV network operators at county level in the PRC for the year 1998)</li> <li>Sales of reception modules is the minimum target of the Group, estimated on the basis of the expected new potential subscribers brought in as a result of the additional cooperative agreements. 1.3% of TV subscribers of new strategically allied TV network operators under cooperative agreements will purchase the Group's reception modules</li> <li>The sales volume of reception modules are allocated among PC plug-in board, financial TV set top box and multimedia set top box in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>	<ul style="list-style-type: none"> <li>Target to sign 60 new cooperative agreements with TV network operators (representing approximately 4.3% of the 1,403 cable TV network operators at county level in the PRC for the year 1998)</li> <li>Sales of reception modules is the minimum target of the Group, estimated on the basis of the expected new potential subscribers brought in as a result of the additional cooperative agreements. 1.7% of TV subscribers of new strategically allied TV network operators under cooperative agreements will purchase the Group's reception modules</li> <li>The sales volume of reception modules are allocated among PC plug-in board, financial TV set top box and multimedia set top box in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>	<ul style="list-style-type: none"> <li>Target to sign 60 new cooperative agreements with TV network operators (representing approximately 4.3% of the 1,403 cable TV network operators at county level in the PRC for the year 1998)</li> <li>Sales of reception modules is the minimum target of the Group, estimated on the basis of the expected new potential subscribers brought in as a result of the additional cooperative agreements. 2.7% of cable TV subscribers of new strategically allied TV network operators under cooperative agreements will purchase the Group's reception modules</li> <li>The sales volume of reception modules are allocated among PC plug-in board, financial TV set top box and multimedia set top box in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>	<ul style="list-style-type: none"> <li>Target to sign 75 new cooperative agreements with TV network operators (representing approximately 5.3% of the 1,403 cable TV network operators at county level in the PRC for the year 1998)</li> <li>Sales of reception modules is the minimum target of the Group, estimated on the basis of the expected new potential subscribers brought in as a result of the additional cooperative agreements. 2.7% of cable TV subscribers of new strategically allied TV network operators under cooperative agreements will purchase the Group's reception modules</li> <li>The sales volume of reception modules are allocated among PC plug-in board, financial TV set top box and multimedia set top box in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>	<ul style="list-style-type: none"> <li>Target to sign 75 new cooperative agreements with TV network operators (representing approximately 5.3% of the 1,403 cable TV network operators at county level in the PRC for the year 1998)</li> </ul>

Note: No target total headcount as at the end of 30th June, 2002 is provided. Instead, target total headcount as at the end of 31st December, 2000 is provided.

Latest Practicable Date – 30/6/2000	1/7/2000 – 31/12/2000	1/1/2001 – 30/6/2001	1/7/2001 – 31/12/2001	1/1/2002 – 30/6/2002	1/7/2002 – 31/12/2002
<ul style="list-style-type: none"> <li>20% of PC plug-in board users, 10% of financial TV set top box users and 100% of multimedia TV set top box users will subscribe to the Group's data broadcasting services in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's strategically allied TV network operators. During the Track Record Period, the Group only cooperated with Tianjin Cable TV Network to provide data broadcasting services in Tianjin. The Directors confirm that almost all the customers PC plug-in board users in Tianjin subscribed for the Group's data broadcasting services.</li> </ul>	<ul style="list-style-type: none"> <li>20% of PC plug-in board users, 10% of financial TV set top box users and 100% of multimedia TV set top box users will subscribe to the Group's data broadcasting services in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's strategically allied TV network operators.</li> </ul>	<ul style="list-style-type: none"> <li>20% of PC plug-in board users, 10% of financial TV set top box users and 100% of multimedia TV set top box users will subscribe to the Group's data broadcasting services in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's strategically allied TV network operators.</li> </ul>	<ul style="list-style-type: none"> <li>20% of PC plug-in board users, 10% of financial TV set top box users and 100% of multimedia TV set top box users will subscribe to the Group's data broadcasting services in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's strategically allied TV network operators.</li> </ul>	<ul style="list-style-type: none"> <li>20% of PC plug-in board users, 10% of financial TV set top box users and 100% of multimedia TV set top box users will subscribe to the Group's data broadcasting services in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's strategically allied TV network operators.</li> </ul>	<ul style="list-style-type: none"> <li>20% of PC plug-in board users, 10% of financial TV set top box users and 100% of multimedia TV set top box users will subscribe to the Group's data broadcasting services in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's strategically allied TV network operators.</li> </ul>
<ul style="list-style-type: none"> <li>40% of the PC plug-in board users will also purchase ancillary software in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors. During each of the three semi annual periods from 1st July, 1998 to the Latest Practicable Date as set out in the section headed "Statement of active business pursuits", the relevant ratios of the number of sets of software to the number of PC plug-in boards are about 58%, 47% and 40% respectively.</li> </ul>	<ul style="list-style-type: none"> <li>40% of the PC plug-in board users will also purchase ancillary software in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>	<ul style="list-style-type: none"> <li>40% of the PC plug-in board users will also purchase ancillary software in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>	<ul style="list-style-type: none"> <li>40% of the PC plug-in board users will also purchase ancillary software in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>	<ul style="list-style-type: none"> <li>40% of the PC plug-in board users will also purchase ancillary software in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>	<ul style="list-style-type: none"> <li>40% of the PC plug-in board users will also purchase ancillary software in accordance with the Group's sales target which the Directors consider achievable, after consulting with the Group's authorised distributors.</li> </ul>