



**CHINA DATA  
BROADCASTING**

**CHINA DATA BROADCASTING  
HOLDINGS LIMITED**

**( 中 華 數 據 廣 播 控 股 有 限 公 司 ) \***

*(incorporated in Bermuda with limited liability)*

**FIRST QUARTER REPORT 2000**

\* *For identification purposes only*

**The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”) has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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## **HIGHLIGHTS**

The Group has sufficient financial resources to implement its plans following the public listing of the Company’s shares in January this year.

The Group’s new products — TV set top boxes, which enable customers who do not have a personal computer to receive our service contents through their television sets, are going to be launched to the market.

On 21st February, 2000, the Group entered into an agreement with Heilongjiang Securities Company Ltd (黑龍江省證券有限公司) “HSC” pursuant to which HSC undertakes to distribute 10,000 units of the Group’s financial TV set top boxes during a period of one year from the date of the agreement.

We have been invited as the sole industrial representative of the Data Broadcasting Industry Standard Drafting Committee by the State Administration of Radio, Film and Television of the PRC.

As at 31st March, 2000, we had alliance with 118 TV network operators out of which we have signed cooperative agreements with 16 for the sharing of subscriptions derived from our data broadcasting service contents.

Through the Group's strategically allied Cable TV network operators, the Group's market reach has covered more than 50% out of the total 80 million Cable TV subscribers in the PRC, i.e. approximately 40 million subscribers.

### QUARTERLY RESULTS (unaudited)

The directors of China Data Broadcasting Holdings Limited ("the Company") announce the unaudited results of the Group for the period from 1st January, 2000 to 31st March, 2000 (the "Period") with the comparative figures for the corresponding period in 1999.

		<b>1st January, 2000 to 31st March, 2000</b>	1st January, 1999 to 31st March, 1999
		<i>(Note 1)</i>	<i>(Note 1)</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	<u><u>4,212</u></u>	<u><u>598</u></u>
OPERATING PROFIT/ (LOSS) BEFORE TAX		<b>136</b>	(429)
Tax	3	<u>—</u>	<u>—</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		<b>136</b>	(429)
Minority Interests		<u>(101)</u>	<u>129</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u><u>35</u></u>	<u><u>(300)</u></u>
Earnings/(Loss) per share	4	<u><u>0.06 cents</u></u>	<u><u>(0.67 cents)</u></u>

Notes:

## **1. Group reorganisation and basis of preparation**

The Company was incorporated in Bermuda on 22nd September, 1999 and remained inactive until 11th January, 2000 when the reorganisation (the “Reorganisation”) of the Group was completed and the Company became the holding company of the Group. The Reorganisation has been accounted for by the Company using the merger accounting method in accordance with Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions”.

The comparative figures for the corresponding period in 1999, which are provided for information purposes only, have been prepared as if the Reorganisation had been completed on 1st January, 1999.

## **2. Turnover**

Turnover represents the invoiced value of goods sold and services rendered, net of value-added tax, business tax and government surcharges, and after allowance for goods returned and trade discounts.

## **3. Tax**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the periods.

Under the Income Tax Law of the People’s Republic of China (“PRC”), the Group’s operation in PRC is subject to state income tax of 30% and local income tax of 3%. Pursuant to an approved document issued by Tianjin High-tech Industry Park State Tax Bureau, the Group is exempted from state income tax for the first two years of operation starting from the year when it first becomes profitable and thereafter, is entitled to a 50% relief from state income tax for the third to fifth years, inclusive. The Group is also exempted from local income tax for the first five years of operation, starting from the year when it first becomes profitable.

## **4. Earnings/(Loss) per share**

The earnings per share is calculated based on the profit attributable to shareholders for the period ended 31st March, 2000 of HK\$35,000 and on the weighted average of approximately 59,071,000 shares in issue during the period.

The loss per share is calculated based on the loss attributable to shareholders for the period ended 31st March, 1999 of HK\$300,000 and on the weighted average of 45,000,000 shares in issue and issuable pursuant to a capitalisation issue in connection with the Company’s share offering in January 2000.

## **DIVIDENDS**

The directors do not recommend the payment of any dividend for the Period (1999: Nil).

## **BUSINESS REVIEW AND OUTLOOK**

This has been the Group's first published unaudited quarterly results since the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The Group saw significant growth in turnover and other performance indicators over the same period last year, which together indicate that the Group's business has entered into its fast growing phase.

The Group carried on its business solely in the PRC. Although the first quarter is a traditional low sales season due to the relatively long period of holidays, the Group managed to sell approximately 16,000 units of PC plug-in boards and the ancillary software, which represents an increase of 963% over that of last year.

In order to secure our customer base, we continue to establish alliance with TV network operators. As at 31st March, 2000, we had alliance with 118 TV network operators out of which we have signed cooperative agreements with 16 for the sharing of subscriptions derived from our data broadcasting service contents. The number of our service content subscribers has grown to 7,045, representing an increase of 21% over the same period last year.

On 21st February, 2000, the Group entered into an agreement with Heilongjiang Securities Company Ltd. ("HSC") pursuant to which the Group engages HSC as the sole authorized distributor of the Group's financial TV set top box in the Heilongjiang Province of the PRC and HSC undertakes to distribute 10,000 units of the Group's financial TV set top boxes during a period of one year from the date of the agreement.

In March this year, we were invited by the State Administration of Radio, Film and Television of the PRC as the sole industry representative to join the Data Broadcasting Industry Standard Drafting Committee. The Committee is responsible for the drafting of the data broadcasting industrial standard in the PRC and also to make recommendation to and assist the relevant authority to execute the standard. It is expected that the release of the "Data Broadcasting Standard" in the PRC towards the end of this year may have a significant bearing on the industry as a whole. In this regard, we are

in a very good position to anticipate the standard and are confident that our products will be able to meet the industrial standard.

## **PROSPECTS**

The Group will continue to focus on the PRC market and make use of our established market lead to expand our alliance network with TV network operators and also to enrich our data broadcasting service contents in order to further secure and broaden our market share.

Manufacturing and selling of data broadcasting reception modules remain profitable in the current PRC market situation. Accordingly, the Group will continue to produce reception modules for the market. In addition to the well-known brand name “Tiancai” PC plug-in board, we will launch our TV set top boxes in the near future. The TV set top boxes enable customers who do not have a personal computer to receive our service contents through their television sets. We expect that selling of TV set top boxes will become one of our main revenue because there are 350 million TV owners in the PRC, a number which is approximately 17 times the number of PC owners in the PRC.

To meet the market demand and in anticipation of the new data broadcasting standard mentioned above, we have revisited the design of our current products and have revised the timing of the launch our new products i.e. TV set top boxes. The Group has begun the production of the first generation financial TV set top boxes and envisages that they can be launched to the market before the end of the second quarter. The design of the first generation multimedia TV set top boxes has been completed and they can be launched to the market in the months ahead.

It is the Group’s strategy to build up our subscriber base for our service contents. In light of the 216 million primary and secondary students in the PRC plus the one-child policy and also the lack of quality teachers in the PRC, the Group considers that long distance education program for these students has a very good market potential. Substantial resources will be put to enrich and to market our education program to meet the enormous demand.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st March, 2000, the interests of the directors and their associates in the share capital of the Company and the shares of its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as set out below:

Directors	Number of issued ordinary shares of HK\$0.10 each in the Company			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
Mr. Dong Jian Xin	—	—	—	4,297,500 (a)
Prof. Li Min Qiang	—	—	—	4,297,500 (b)
Mr. Yao Xiao Dong	—	—	—	4,297,500 (c)

Notes:

- (a) These 4,297,500 shares, together with another 38,677,500 shares, are held by Ultra Challenge Limited ("Ultra Challenge"), the shares of which are in turn held by the HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Prof. Li Min Qiang, Mr. Yao Xiao Dong and certain employees of the Group. Accordingly, Mr. Dong Jian Xin is deemed to be interested in 4,297,500 shares by virtue of his 10% interest under the trust.
- (b) These 4,297,500 shares, together with another 38,677,500 shares, are held by Ultra Challenge, the shares of which are in turn held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Prof. Li Min Qiang, Mr. Yao Xiao Dong and certain employees of the Group. Accordingly, Prof. Li Min Qiang is deemed to be interested in 4,297,500 shares by virtue of his 10% interest under the trust.
- (c) These 4,297,500 shares, together with another 38,677,500 shares, are held by Ultra Challenge, the shares of which are in turn held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Prof. Li Min Qiang, Mr. Yao Xiao Dong and certain employees of the Group. Accordingly, Mr. Yao Xiao Dong is deemed to be interested in 4,297,500 shares by virtue of his 10% interest under the trust.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

The Company has a share option scheme under which, the directors of the Company may, at their discretion, invite any employee of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. No options had been granted to the directors during the Period or outstanding as at 31st March, 2000.

Apart from the foregoing, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31st March, 2000, the following was interested in 10% or more of the share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

<b>Name</b>	<b>Number of shares held</b>	<b>%</b>
Ultra Challenge Limited	42,975,000	54.1

The shares in Ultra Challenge Limited are held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong, Mr. Tang Bin, Mr. Wang Guangxin, Mr. Zhang Renli, Mr. Li Jiancheng, Ms. Yue Shishuang, Mr. Li Yongchao, Mr. Sun Lianwen, Mr. Ji Songqiao and Ms. Cai Zhipei.

## **COMPETING INTEREST**

None of the directors or the substantial shareholders, management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.



## **SPONSOR'S INTEREST**

As at 31st March, 2000, Pacific Top Holding Limited, a fellow subsidiary of the Company's sponsor Oriental Patron Asia Limited ("Oriental Patron") were interested in 2,025,000 shares of the Company. Save as disclosed herein, none of Oriental Patron, its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had any interest in the shares of the Company as at 31st March, 2000.

Pursuant to the agreement dated 27th September, 1999 entered into between the Company and Oriental Patron, Oriental Patron have received and will receive a fee of acting as the Company's retained sponsor for the period from 24th January, 2000 to 31st December, 2003.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **YEAR 2000 COMPLIANCE**

All of the internal computer systems have not experienced any major Year 2000 problems. As at the date of this report, the Group has not received any complaint relating to the Year 2000 issue from customers who had purchased our products.

**Professor Kou Jisong**  
*Chairman*

Hong Kong, 12th May, 2000