



**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)

Third

quarter

report

2001

* For identification purposes only

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This announcement, for which the directors of China Data Broadcasting Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Data Broadcasting Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this announcement misleading; and 3. all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The management firmly believes that research and development is crucial to the long-term success of the Group. The Group continues to focus on the R&D activities and had a number of accomplishments during the period under review.

As a result of the stagnant PRC stock market and fierce competition, the Group's turnover dropped by 76% down to HK\$5.3 million, which led to a loss for the Group of HK\$4.4 million for the period.

The Group's cash balance was over HK\$30 million as at 30 September 2001 whereas its total liabilities were less than HK\$5 million as at that date.

QUARTERLY RESULTS (UNAUDITED)

The directors of China Data Broadcasting Holdings Limited ("the Company") announce the unaudited results of the Group for the three months and nine months ended 30th September, 2001 with the comparative figures for the corresponding periods in 2000.

	Notes	For the three months ended 30th September,		For the nine months ended 30th September,	
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	2	<u>999</u>	<u>7,733</u>	<u>5,271</u>	<u>21,898</u>
OPERATING (LOSS)/PROFIT BEFORE TAX		(3,308)	858	(5,151)	1,940
TAX	3	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(LOSS)/PROFIT BEFORE MINORITY INTERESTS		(3,308)	858	(5,151)	1,940
Minority Interests		<u>750</u>	<u>(470)</u>	<u>743</u>	<u>(1,140)</u>
NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>(2,558)</u>	<u>388</u>	<u>(4,408)</u>	<u>800</u>
(Loss)/Earnings per share	4	<u>(0.8 cents)</u>	<u>0.1 cents</u>	<u>(1.4 cents)</u>	<u>0.3 cents</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".

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 period under review.

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. (Loss)/Earnings per share

The calculations of loss per share for the three months and nine months ended 30th September, 2001 were based on the loss attributable to shareholders of HK\$2,558,000 for the three months ended 30th September, 2001 and HK\$4,408,000 for the nine months ended 30th September, 2001 and on 318,000,000 shares in issue during the three months and nine months ended 30th September, 2001.

The calculations of earnings per share for the three months and nine months ended 30th September 2000 were based on the profit attributable to shareholders of HK\$388,000 and HK\$800,000 for the three months and nine months ended 30th September, 2000 respectively and on the weighted average of approximately 318,000,000 and 290,861,315 shares in issue for the three months and nine months ended 30th September, 2000. The number of shares have been adjusted for the Company's Share Subdivision on 24th July, 2000.

DIVIDENDS

The directors do not recommend the payment of any dividend for the periods under review. 2000: (Nil).

BUSINESS REVIEW

The Group's results continued to be affected by the current difficult market environment, which was mainly resulted from the prevailing stagnant PRC stock market and also the fierce market competition, in particular, it was discovered that there were fake PC plug-in boards which were sold under our Group's "Tiancai" brand name. The matter has been reported to the relevant authority in the PRC, which has taken prompt action against the counterfeiting activity. It is believed that the counterfeiting activity has been put to an end.

The Group's turnover dropped by 76% down to HK\$5.3 million, which led to a loss for the Group of HK\$4.4 million for the period. Despite of the unsatisfactory results, the Group's financial position remains strong. The Group's

cash balance was over HK\$30 million as at 30 September 2001 versus its total liabilities of less than HK\$5 million as at that date.

The Group continues to focus on the R&D activities and has made progress in the following area:

- i. Through the cooperation with the reputable Swedish company, Nexus, the Group has secured the know-how of the Conditional Access system. The know-how greatly strengthens the Group's technological capability in the development of dynamic encryption system. The system would allow the transmission of real time stock information directly from the PRC Stock Exchanges to the individual user under an encrypted channel and hence, allows the transmission of data in great security and reliability.
- ii. In regard to the research of the high-speed broadband data broadcasting system basing on the DVB technology, the Group has begun the development of the respective transmission and reception modules.
- iii. Developed the more advanced data broadcasting transmission model V and VI as well as the reception model VIII and IX.
- iv. In regard to the application software, the Group succeeded in the development of the Window-based security analysis software.

In addition to the above R&D activities, the Group continued in its customer-oriented services and is actively developing a nationwide sales distribution network for its products.

OUTLOOK

The Group will continue its determined strategy. In the short term, the Group will focus on the development, production and sale of data broadcasting transmission and reception modules basing on the most advanced encryption technology and assist the PRC Stock Exchanges to build up a portfolio of licensed subscribers for their real time stock information, thereby securing a stable source of regular subscription income for the Group.

The Group will also focus on the development of the high-speed broadband data broadcasting transmission and reception modules and will make use of its leading position in the industry to induce the TV network operators to use the Group's systems.

In order to maintain the long-term sustained growth of the Group, more resources will be put on the high-speed data broadcasting system basing on the Full Channel and DVB broadband technology. The Group will capitalize on the advantage of its well-known brand name, by further strengthening its sale and after-sale services to expand its market share. The Group will also recruit additional quality distributors in major cities of the PRC and advertise on TV, newspapers and magazines to achieve the best results.

The management considers that the year 2001 will be a rather tough year for the Group's operations. However, the management is confident that relying on its solid foundation built, the Group will be able to achieve rewarding operations and maintain its leading position in the data broadcasting industry.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th September, 2001, 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\$0.025 each in the Company				Total Interests
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Prof. Li Min Qiang	-	-	-	17,190,000(a)	17,190,000
Mr. Wang Guangxin	-	-	-	17,190,000(a)	17,190,000
Mr. Yao Xiao Dong	-	-	-	17,190,000(a)	17,190,000

Notes:

- a) These 17,190,000 shares, together with another 154,710,000 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 include Prof. Li Min Qiang, Mr. Wang Guangxin and Mr. Yao Xiao Dong. Accordingly, each of Prof. Li Min Qiang, Mr. Wang Guangxin and Mr. Yao Xiao Dong is deemed to be interested in 17,190,000 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 under review or outstanding as at 30th September, 2001.

Apart from the foregoing, at no time during the period under review 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

According to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance as at 30th September, 2001, the following interests in the Shares were recorded:

Name	Number of shares held	%
Ultra Challenge Limited (<i>note 1</i>)	171,900,000	54.06
HSBC International Trustee Limited (<i>note 1</i>)	171,900,000	54.06
HSBC Holdings plc (<i>note 2</i>)	171,900,000	54.06
HSBC Finance (Netherlands) (<i>note 2</i>)	171,900,000	54.06
HSBC Holdings B.V. (<i>note 2</i>)	171,900,000	54.06
HSBC Investment Bank Holdings B.V. (<i>note 2</i>)	171,900,000	54.06

Notes:

- (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. None of these beneficiaries had an effective interest amounting to 10% or more of the issued share capital of the Company.

- (2) HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B.V. HSBC Investment Bank Holdings B.V. are holding companies of HSBC International Trustee Limited and they are therefore interested and/or deemed to be interested through HSBC International Trustee Limited.

Save as disclosed above, no person has notified the Company that it has an interest amounting to 10% or more of the issued share capital of the Company.

COMPETING INTEREST

During the period under review, none of the directors or the substantial shareholders, management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) have notified to the Company that they had an interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTEREST

As at 30th September, 2001, Pacific Top Holding Limited, a fellow subsidiary of the Company's sponsor Oriental Patron Asia Limited ("Oriental Patron") was interested in 8,100,000 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 30th September, 2001.

Pursuant to the agreement dated 27th September, 1999 entered into between the Company and Oriental Patron, Oriental Patron has received and will receive a fee of acting as the Company's retained sponsor for the period from 24th January, 2000 to 31st December, 2002.

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.

By Order of the Board
Professor Kou Jisong
Chairman

Hong Kong, 13th November, 2001

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the day of its publication.

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