



**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**

**2003**

\* For identification purposes only

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## HIGHLIGHTS

The Group's consolidated turnover for the three months ended 31 March 2003 was decreased by 30% to HK\$323,000 and the Group's operating loss before tax for the period was increased by 29% to HK\$1,709,000.

The Group's financial position is strong and its cash and bank balance was over HK\$17.9 million as at 31 March 2003.

## QUARTERLY RESULTS (UNAUDITED)

The directors of China Data Broadcasting Holdings Limited (the "Company") announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2003 with the comparative figures for the corresponding period in 2002.

		<b>For the three months ended 31 March</b>	
	<i>Notes</i>	<b>2003</b>	<b>2002</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	1	<u>323</u>	<u>461</u>
OPERATING LOSS BEFORE TAX		(1,709)	(1,325)
TAX	2	<u>—</u>	<u>—</u>
LOSS BEFORE MINORITY INTERESTS		(1,709)	(1,325)
Minority Interests		<u>81</u>	<u>123</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(1,628)</u>	<u>(1,202)</u>
Loss per share	3	<u>(0.51 cents)</u>	<u>(0.38 cents)</u>

*Notes:*

### 1. Turnover

Turnover represents the invoiced value of data broadcasting hardware and software sold and related services rendered, net of value-added tax, business tax and government surcharges and after allowance for goods returned and trade discounted.

**2. Tax**

No provision for the income tax of the People's Republic of China (the "PRC") and Hong Kong profits tax has been made as the Group had no assessable profits arising in the PRC and Hong Kong during the period.

Under the Income Tax Law of the PRC, the Group's operation in the PRC is subject to state income tax of 30% and local income tax of 3%. Pursuant to an approved documents 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 from 2000 when it first became profitable and thereafter, is entitled to a 50% relief from state income tax for the third to fifth years inclusive, in accordance with relevant accounting principles generally accepted in the PRC and the relevant Income Tax Law of the PRC. The Group is also exempted from local income tax for the first five years of operation, starting from 2000 when it first became profitable.

The Group did not have any significant unprovided deferred tax liabilities in respect of the period.

**3. Loss per share**

The calculation of basic loss per share for the three months ended 31 March 2003 were based on the loss attributable to shareholders of HK\$1,628,000 (2002: 1,202,000) and on 318,000,000 (2002: 318,000,000) shares in issue during the three months ended 31 March 2003.

**4. Reserves**

During the period under review, there is no movement to and from any reserves.

**DIVIDENDS**

The directors do not recommend the payment of any dividend for the period under review (2002: Nil).

**BUSINESS REVIEW**

For the three months period ended 31 March 2003, the Group's consolidated turnover was approximately HK\$323,000, representing a decrease by 30% compared with the corresponding period last year. Loss attributable to shareholders amounted to HK\$1,628,000 while the last corresponding period's loss was HK\$1,202,000.

During the period, the Group continues to be engaged in the data broadcasting business in the PRC and act as a technical consultant and sourcing agent for parts and components of digital versatile disc players (the "Services"). However, as the initial terms of the Services for a connected party expired on 31 December 2002 and the management is considering to extend the Services with the connected party, the Group did not provide the Services during the period. Up to the date of this report, no agreement is entered into between the Company and the connected party.

As regards the data broadcasting business in the PRC, the prolonged depression of the PRC stock market and the intense competition created uncertain market of data broadcasting business in the PRC, In addition, as the National Standard for the data broadcasting industry has not formally been released, the Group adopted a prudent attitude towards the market demand and had scaled down certain of its business activities such as launching and provision of certain new products and systems, signing cooperative agreements with TV network operators and content providers, etc. As such, the Group had an unsatisfactory results attained in this business during the period.

The Group's financial position was strong as at 31 March 2003 - the cash balance was HK\$17.9 million whereas the total liabilities were HK\$5.0 million.

As regards the research and development activities, the Group has secured the know-how of the Conditional Access system which greatly strengthens the Group's technological capability in the development of dynamic encryption system. In view of the technological advancement of the system in application for individual and commercial usages, the Group believe that the system will offer business opportunities to the Group in the near future. In addition, the Group continued in its customer-oriented services and is actively develop a nationwide sales distribution network for its products.

**OTHER**

On 23 December 2002 and 17 February 2003, the Board announced that there has been discussion between Apex Digital Inc. ("Apex Digital"), a substantial shareholder of the Company, and Ultra Challenge Limited ("Ultra Challenge"), the controlling shareholder of the Company which holds 171,900,000 shares, representing 54.06% interests in the Company, in respect of the intended transfer of the shares held by Ultra Challenge to Apex Digital (the "Proposal"). As at the date of this report, the discussion between Apex Digital and Ultra Challenge is still in progress and the terms of the Proposal are being finalized. If the Proposal materializes, it will result in a change of control of the Company and will trigger an obligation on the part of Apex Digital to make a general offer in compliance with Rule 26 of the Code on Takeovers and Mergers (the "Takeovers Code") to acquire all the issued shares (other than those already owned by Apex Digital or parties acting in concert with it).

As at the date of this report, no legally binding contract and/or agreement in relation to the Proposal has been entered into. Accordingly, the Proposal may or may not materialize and such discussion may or may not result in a change of control.

**OUTLOOK**

In view of the broadened income base and considerable profits achieved by the provision for the Services during 2002, the management is confident that it will build up a steady and considerable income stream to the Group. In addition, the management is actively exploring another business opportunities for capitalization of our expertise on the digital information technology field to further broaden the income base for the interest of the Group.

As regards the data broadcasting business in the PRC, the management believes that the research and development is important in the long-term development. Accordingly, the Group is cautious about the fierce competitions in uncertain market and the development of the National Standard for the data broadcasting industry and will continue to invest resources to develop products. The Group will also capitalize on its brand name advantage, stressing on the establishment of its sale and after-sale network in order to further enlarge the Group's market share and to further consolidate its leading position in the data broadcasting industry.

**DIRECTORS' INTERESTS IN SHARE CAPITAL**

As at 31 March 2003, 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	Others Interests	
Prof. Li Min					
Qiang ( <i>note</i> )	—	—	—	5,157,000	5,157,000
Mr. Wang Guang					
Xin ( <i>note</i> )	—	—	—	17,190,000	17,190,000
Madam Bu					
Dongmei ( <i>note</i> )	—	—	—	17,190,000	17,190,000

*Note:*

As at 1 January 2003, 171,900,000 of the Company's shares are held by Ultra Challenge Limited ("Ultra Challenge") which are in turn held by Professor Kou Jisong and Mr. Choi Kwok Yat as the trustees on terms of a fixed trust. The beneficiaries of the trust include Professor Li Min Qiang, Mr. Wang Guang Xin and Madam Bu Dongmei who were deemed to be interested in 5,157,000, 17,190,000, 17,190,000 shares, respectively, by virtue of their respective 3%, 10% and 10% interest under the trust. Being one of the trustees of the trust, Professor Kou Jisong was taken to be interested in 171,900,000 shares of the Company.

On 14 March 2003, the fixed trust was terminated and the shares in Ultra Challenge were distributed to the then beneficiaries according to their respective pro-rata entitlements. Accordingly, Professor Li Min Qiang, Mr. Wang Guang Xin and Madam Bu Dongmei are deemed to be interested in 5,157,000, 17,190,000, 17,190,000 shares, respectively, by virtue of their respective 3%, 10% and 10% interest in Ultra Challenge and Professor Kou Jisong ceased to have the deemed interest in 171,900,000 shares of the Company.

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' RIGHT TO ACQUIRE SHARES

Under the terms of the Company's share option scheme approved by the shareholders on 11 January 2000, the board of directors 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 be exceed 10% of the issued share capital of the Company. The scheme became effective upon the listing of the Company's shares on GEM on 24 January 2000. No options have been granted to the directors during the period under review or outstanding as at 31 March 2003.

Apart from the foregoing, and other than as disclosed under the heading "Directors' interests in shares" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in 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 31 March 2003, the following interests in the shares were recorded:

Name	Number of shares held	%
Ultra Challenge ( <i>note 1</i> )	171,900,000	54.06%
Apex Digital Inc. ( <i>note 2</i> )	80,000,000	25.16%
Mr. David Ji ( <i>note 2</i> )	66,000,000	20.75%



*Notes:*

- (1) As at 1 January 2003, the shares in Ultra Challenge are held by Professor Kou Jisong and Mr. Choi Kwok Yat as the trustees on terms of a fixed trust and the beneficiaries of the trust are Mr. Dong Jian Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong, Mr. Tang Bin, Mr. Wang Guang Xin, Mr. Zhang Renli, Mr. Li Jiancheng, Madam Bu Dongmei, Ms. Yue Shishuang, Mr. Li Yongchao, Mr. Sun Lianwen, Mr. Xiong Kai, Mr. Ye Ting, Mr. Han Tao, Mr. Ne Yue, Mr. Wang Chaowen, Mr. Cheng Ze and Ms Lu Yan Hong. None of these beneficiaries had an effective interest amounting to 10% or more of the issued share capital of the Company. On 14 March 2003, the fixed trust was terminated and the shares in Ultra Challenge were distributed to the then beneficiaries according to their respective pro-rata entitlements. Accordingly, Professor Kou Jisong was ceased to have the deemed interest in 171,900,000 shares of the Company.
- (2) Apex Digital Inc. is owned as to 82.5% by Mr. David Ji. The interest disclosed under Mr. David Ji represents his deemed interests in the shares capital of the Company.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

### **COMPETING INTEREST**

None of the directors or the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on GEM) had an interest in a business which competes or may compete with the business of the Group during the period under review.

### **COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES**

The Company had complied throughout the period under review the minimum standards of good practice concerning the general management responsibilities of the board of directors as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

### **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTING 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, 12 May 2003