



**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 **2003**

** For identification purposes only*

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This report, 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 report 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 report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

The Group's consolidated turnover for the nine months ended 30 September 2003 was decreased by 67% to HK\$19.2 million and the Group's operating loss before tax for the period was increased by 2.3 times to HK\$4.3 million.

The Group's financial position is strong and its cash and bank balance was approximately HK\$13 million as at 30 September 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 and nine months ended 30 September 2003 with the comparative figures for the corresponding periods in 2002.

		For the three months ended 30 September		For the nine months ended 30 September	
	Notes	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	1	<u>18,456</u>	<u>34,344</u>	<u>19,187</u>	<u>58,404</u>
OPERATING LOSS BEFORE TAX		(381)	(389)	(4,288)	(1,298)
TAX	2	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LOSS BEFORE MINORITY INTERESTS		(381)	(389)	(4,288)	(1,298)
Minority Interests		<u>182</u>	<u>65</u>	<u>374</u>	<u>188</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(199)</u>	<u>(324)</u>	<u>(3,914)</u>	<u>(1,110)</u>
Loss per share (HK cents) Basic	3	<u>(0.06 cents)</u>	<u>(0.10 cents)</u>	<u>(1.23 cents)</u>	<u>(0.35 cents)</u>

Notes:

1. Turnover

Turnover represents the invoiced value of (i) 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, and (ii) the consumer electronic items sold.

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 in accordance with relevant accounting principles generally accepted in the PRC and the relevant Income Tax Law of the PRC 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 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 and nine months ended 30 September 2003 were based on the loss attributable to shareholders of HK\$199,000 (2002: HK\$324,000) for the three months ended 30 September 2003 and the loss attributable to shareholders of HK\$3,914,000 (2002: HK\$1,110,000) for the nine months ended 30 September 2003 and on 318,000,000 shares (2002: 318,000,000 shares) in issue during the three months and nine months ended 30 September 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

During the period, the Group continues to engage in the sourcing and procurement business in the consumer electronic industry (the "Procurement Business") and the data broadcasting business in the PRC.

In the first half of 2003, the Group had no revenue generated from the Procurement Business as no renewal of agreement with the connected party was made after its expiry on 31 December 2002. The related turnover and contribution achieved for the nine months ended 30 September 2002 were HK\$55.8 million and HK\$2.3 million, respectively. However, in the third quarter of 2003, with the new management team in place the Group secured transactions for the Procurement Business with independent manufacturers and customers and the derived turnover and contribution approximated to HK\$18.2 million and HK\$0.9 million, respectively.

As regards the data broadcasting business in the PRC, the prolonged depression of the PRC stock market, the intense competition and the not-yet-released National Standard created uncertain market of data broadcasting business in the PRC. The Group adopted a prudent attitude towards the market demand and had scaled down certain of business activities such as launching and provision of certain new products and systems, signing co-operative agreements with TV network operations and content providers, etc. The turnover derived from the data-broadcasting business for the nine months ended 30 September 2003 was decreased by 62% to HK\$1 million, compared with the corresponding period in 2002, leading to the operating loss incurred for the period.

The Group's financial position was strong as at 30 September 2003 – the cash and bank balance was HK\$13 million approximately.

OUTLOOK

In coming months, the board of directors (the "Board") is going to conduct detailed reviews on the Group's existing operations as it did so as to formulate appropriate business strategies and streamline the Company's businesses. Possessing the extensive experience and knowledge in the consumer electronic industry and recognising the satisfactory performance of the Procurement Business in 2002 and the third quarter of 2003, the Board believes that the development of the Procurement Business is indeed an appropriate approach to building up a steady and considerable income stream of the Group and hence, more resources are invested in these aspects for exploring business opportunities. The Board is also confident that more Procurement Business will be brought into the Group in the coming quarters.

As regards the data broadcasting business in the PRC, the management realized that the Group indeed experiences the deteriorating market demand and encounters severe difficulties in the market, especially the fierce competitions and the uncertainty in release of the relevant National Standard. Accordingly, the Board will continue to adopt the prudent attitude towards investing resources to develop products, to capitalize on its brand name advantage and to stress on establishment of its sale and after-sale network in attempt to enlarge the Group's market share in the data broadcasting industry.

DISCLOSURE OF INTERESTS

(a) Interests of the Directors in the Company

As at 30 September 2003, the interests and short positions of the Directors in the ordinary Shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Number of Shares	Capacity	Type of Interest	Approximate percentage of interest %
Mr. David Ji Long Fen ("Mr. Ji") (notes 1 and 2)	118,250,000	Interest of a controlled corporation	Corporate	37.19
	47,700,000	Beneficial owner	Personal	15.00
Mr. Anle Hsu Ann Keh ("Mr. Hsu") (note 1)	118,250,000	Interest of a controlled corporation	Corporate	37.19
Ms. Bu Dongmei	15,900,000	Beneficial owner	Personal	5.00

Notes:

- (1) Apex Digital Inc., ("Apex Digital") is beneficially owned as to 65% by Mr. Ji and 35% by United Delta Inc., ("United Delta"), a private corporation incorporated in the USA and which is equally owned by Mr. Ji and Mr. Hsu. Accordingly, each of Mr. Hsu and Mr. Ji is deemed to be interested in the 118,250,000 Shares owned by Apex Digital.
- (2) In addition to Mr. Ji's deemed interest in the 118,250,000 Shares held by Apex Digital, Mr. Ji is interested in another 47,700,000 Shares held by him directly, and is therefore interested in a total of 165,950,000 Shares.

Save as disclosed in this paragraph, as at 30 September 2003, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

(b) Interests of the Substantial Shareholders in the Company

So far as was known to any Director or chief executive of the Company, as at 30 September 2003, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in

all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interest %
Apex Digital (note 1)	Beneficial owner	118,250,000	37.19
United Delta (note 11)	Interest of a controlled corporation	118,250,000	37.19
Mr. Ji (notes 1 and 2)	Interest of a controlled corporation	118,250,000	37.19
	Beneficial owner	47,700,000	15.00
Mr. Hsu (note 1)	Interest of a controlled corporation	118,250,000	37.19
Ms. Liu Ruying (note 3)	Family interest	165,950,000	52.19
Ms. Susan Chang (note 4)	Family interest	118,250,000	37.19
Mr. Xu Gaohui	Beneficial owner	22,350,000	7.03
Mr. Mark Lau	Beneficial owner	15,900,000	5.00
Ms. Bu Dongmei	Beneficial owner	15,900,000	5.00
Mr. Guo Hui Qin (note 5)	Family interest	15,900,000	5.00
Mr. Wang Guangxin	Beneficial owner	15,900,000	5.00
Ms. Kou Mei Qin (note 6)	Family interest	15,900,000	5.00
Mr. Wang Zi Jian (note 7)	Family interest	15,900,000	5.00
Ms. Kou Yue	Beneficial owner	15,900,000	5.00

Notes:

- (1) Apex Digital is beneficially owned as to 65% by Mr. Ji and 35% by United Delta, a private corporation incorporated in the USA and which is equally owned by Mr. Ji and Mr. Hsu. Accordingly, each of Mr. Hsu and Mr. Ji is deemed to be interested in the 118,250,000 Shares owned by Apex Digital.
- (2) In addition to Mr. Ji's deemed interest in the 118,250,000 Shares held by Apex Digital, Mr. Ji is interested in another 47,700,000 Shares held by him directly, and is therefore interested in a total of 165,950,000 Shares.
- (3) Ms. Liu Ruying is the spouse of Mr. Ji and, under section 316 of the SFO, is therefore deemed to be interested in all 165,950,000 Shares in which Mr. Ji is interested.

- (4) Ms. Susan Chang is the spouse of Mr. Hsu and, under section 316 of the SFO, is therefore deemed to be interested in all 118,250,000 Shares in which Mr. Hsu is interested.
- (5) Mr. Guo Hui Qin is the spouse of Ms. Bu Dongmei and, under section 316 of the SFO, is therefore deemed to be interested in all 15,900,000 Shares in which Ms. Bu Dongmei is interested.
- (6) Ms. Kou Mei Qin is the spouse of Mr. Wang Guangxin and, under section 316 of the SFO, is therefore deemed to be interested in all 15,900,000 Shares in which Mr. Wang Guangxin is interested.
- (7) Mr. Wang Zi Jian is a son under the age of 18 years of Mr. Wang Guangxin and, under section 316 of the SFO, is therefore deemed to be interested in all 15,900,000 Shares in which Mr. Wang Guangxin is interested.

Save as disclosed above, as at 30 September 2003, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARE

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 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 30 September 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.

COMPETING INTEREST

Apex Digital was founded by Mr. Ji and Mr. Hsu, the executive directors of the Company, and is beneficially owned as to 65% by Mr. Ji and the remaining 35% by United Delta, which is equally owned by Mr. Ji and Mr. Hsu. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of “APEX Digital”.

Save as disclosed above, 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
David Ji Long Fen
Chairman

Hong Kong, 12 November 2003