



**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)



China Data Broadcasting China Data Br



Interim Report **2004**

* 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of The Stock Exchange of Hong Kong Limited and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by The Stock Exchange of Hong Kong Limited. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

RESULTS

The board of directors of China Data Broadcasting Holdings Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively the "Group").

The unaudited condensed interim accounts of the Group for the three months and six months ended 30 June 2004, together with the comparative figures for the corresponding period of last year, as follows:

Consolidated profit and loss account

	Note	For three months ended 30 June		For six months ended 30 June	
		2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		92,110	408	179,867	731
Cost of sales		(85,168)	(406)	(167,187)	(708)
Gross profit		6,942	2	12,680	23
Other revenue		321	5	323	10
Selling and distribution costs		-	(63)	-	(123)
Administrative expenses		(2,693)	(2,142)	(4,940)	(3,817)
Operating profit/(loss) before tax	3	4,570	(2,198)	8,063	(3,907)
Tax	4	(206)	-	(229)	-
Profit/(Loss) before minority interests		4,364	(2,198)	7,834	(3,907)
Minority interests		-	111	-	192
Profit/(Loss) attributable to shareholders		<u>4,364</u>	<u>(2,087)</u>	<u>7,834</u>	<u>(3,715)</u>
Earnings/(Loss) per share					
Basic (HK cents)	5	<u>1.37</u>	<u>(0.66)</u>	<u>2.46</u>	<u>(1.17)</u>
Diluted (HK cents)	5	<u>1.36</u>	<u>N/A</u>	<u>2.44</u>	<u>N/A</u>

Consolidated balance sheet

		(Unaudited) 30 June 2004	(Audited) 31 December 2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets		625	754
Intangible assets		–	28
		<u>625</u>	<u>782</u>
CURRENT ASSETS			
Inventories		4,320	–
Trade and bills receivables	6	32,894	78,468
Prepayments, deposits and other receivables		4,114	342
Pledged deposits		–	2,134
Cash and cash equivalents		13,353	8,158
		<u>54,681</u>	<u>89,102</u>
CURRENT LIABILITIES			
Trade and bills payables	7	24,016	66,482
Tax payable		273	44
Other payables and accruals		5,143	5,331
Amounts due to related companies		145	145
		<u>29,577</u>	<u>72,002</u>
NET CURRENT ASSETS		<u>25,104</u>	<u>17,100</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		25,729	17,882
MINORITY INTERESTS			
		–	–
		<u>25,729</u>	<u>17,882</u>
CAPITAL AND RESERVES			
Issued capital		7,950	7,950
Reserves		17,779	9,932
		<u>25,729</u>	<u>17,882</u>

Consolidated summary statement of changes in equity

	For the six months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Total equity at 1 January	17,882	16,597
Exchange realignment	<u>13</u>	<u>–</u>
Exchange losses not recognised in the profit and loss account	13	–
Net gains/(losses) for the period attributable to shareholders	<u>7,834</u>	<u>(3,715)</u>
Total equity at 30 June	<u><u>25,729</u></u>	<u><u>12,882</u></u>

**Condensed consolidated cash flow statements –
Unaudited**

	For the six months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>3,290</u>	<u>(3,706)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(229)	(623)
Decrease in time deposits with original maturity of more than three months	<u>2,134</u>	<u>–</u>
Net cash inflow/(outflow) from investing activities	<u>1,905</u>	<u>(623)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital reduction to minority shareholder of a subsidiary	<u>–</u>	<u>(6,082)</u>
Net cash outflow from financing activities	<u>–</u>	<u>(6,082)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,195	(10,411)
Cash and cash equivalents at beginning of year	<u>8,158</u>	<u>26,366</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>13,353</u></u>	<u><u>15,955</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>13,353</u></u>	<u><u>15,955</u></u>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the "Interim Accounts") are prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("HKSSAP") NO.25 "Interim Financial Reporting" and the requirements of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the trading of consumer electronic products and the relevant parts and components;
- (b) the manufacture and sale of the data broadcasting hardware and software; and
- (c) the provision of data broadcasting and related services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

No intersegment sales and transfers were transacted during the year (2003: Nil).

(a) Business segments

The following tables present revenue and profit/(loss) information for the Group's business segments.

Group

	Trading of consumer electronic products and the related parts and components		Manufacture and sale of data broadcasting hardware and software		Provision of data broadcasting and related services		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	179,643	-	196	238	28	493	179,867	731
Segment results	12,487	-	(76)	(513)	(19)	(128)	12,392	(641)
Interest income and unallocated gains							323	10
Unallocated corporate expenses							(4,652)	(3,276)
Operating profit/(loss) before tax							8,063	(3,907)
Tax							(229)	-
Profit/(loss) before minority interests							7,834	(3,907)
Minority interests							-	192
Net profit/(loss) from ordinary activities attributable to shareholders							7,834	(3,715)

(b) Geographical segments

The following tables present revenue information for the Group's geographical segments:

Group

	Hong Kong		Mainland China		United States of America		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	122,130	-	224	731	57,513	-	179,867	731

3. OPERATING PROFIT/(LOSS) BEFORE TAX

The Group's operating profit/(loss) before tax is arrived at after charging:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	167,187	708
Depreciation	100	76
Amortisation of an intangible asset	<u>45</u>	<u>51</u>

4. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

Under the Income Tax Law of the PRC, the Company's subsidiary, Tianjin AVD Electron Co., Ltd. ("Tianjin AVD") is subject to state income tax of 12%. Pursuant to an approval document issued by Tianjin High-tech Industry Park State Tax Bureau, Tianjin AVD is exempt from state income tax for the first two years of operation and thereafter, is entitled to a 50% relief from state income tax for the third to fifth years inclusive, starting 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. Tianjin AVD is also exempt 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.

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the three months and six months ended 30 June 2004 were based on the net profit attributable to shareholders of HK\$4,364,000 (2003: net loss of HK\$2,087,000) for the three months ended 30 June 2004 and the net profit attributable to shareholders of HK\$7,834,000 (2003: net loss of HK\$3,715,000) for the six months ended 30 June 2004 and on 318,000,000 (2003: 318,000,000) ordinary shares in issue during the three months and six months ended 30 June 2004.

The calculation of diluted earnings per share for the three months and six months ended 30 June 2004 were based on the net profits attributable to shareholders for the three months ended 30 June 2004 of HK\$4,364,000 and for the six months ended 30 June 2004 of HK\$7,834,000. The weighted average number of ordinary shares used in the calculation is the 318,000,000 ordinary shares in issue during the three months and six months ended 30 June 2004, as used in the basic earnings per share calculation; and the respective weighted average of 2,203,113 and 2,989,390 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the three months and six months ended 30 June 2004.

Diluted loss per share amounts for the three months and six months ended 30 June 2003 has not been disclosed as no diluting events existed during those periods.

6. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	–	7,640
4 to 6 months	–	–
7 to 12 months	7,632	–
Over 1 year	1,335	1,475
	<u>8,967</u>	<u>9,115</u>
<i>Less: Provision for doubtful debts</i>	<u>(1,281)</u>	<u>(1,286)</u>
	7,686	7,829
Bills receivables	<u>25,208</u>	<u>70,639</u>
	<u><u>32,894</u></u>	<u><u>78,468</u></u>

Bills receivables have maturity dates within two months.

7. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Within 3 months	1,290	212
7 to 12 months	212	–
Over 1 year	27	27
	<u>1,529</u>	<u>239</u>
Bills payables	<u>22,487</u>	<u>66,243</u>
	<u>24,016</u>	<u>66,482</u>

Bills payables have maturity dates within two months.

8. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 August 2004.

DIVIDENDS

The directors do not recommend the payment of any dividend for the year (2003: Nil).

BUSINESS REVIEW

During the period, the Group engaged in trading of consumer electronic products and the relevant parts and components and the data broadcasting business in the PRC. The Group has achieved a substantial growth in the operational results for the six months ended 30 June 2004 in which the Group has accomplished a revenue of approximately HK\$179.9 million and a net profit of approximately HK\$7.8 million.

As regards the Consumer electronic products Business, the Group actively deployed more resources to develop the existing business and explore further business opportunities during the period. The turnover and profit contribution derived from such business during the period amounted to HK\$179.6 million and HK\$12.5 million. In the first half of 2003, the Group had no revenue generated from the such business as no renewal of agreement with the connected party was made after its expiry on 31 December 2002. The rapid

growth in such business enlarge income stream of the Group and make the Group achieve profit in this period.

As regards the data broadcasting business in the PRC, the prolonged depression of the PRC stock market, and the intense competition created deteriorating market of data broadcasting business in the PRC. During the period, the Group adopted the 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 period was decreased by 70% to HK\$0.2 million, compared with last year, which led to the operating loss in this business for the period.

The Group's financial position was strong as at 30 June 2004 and the cash and bank balance was HK\$13.4 million approximately.


LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 30 June 2004, the Group is debt-free and its cash and bank balances amount to HK\$13.4 million. Net current assets of the Group was approximately HK\$25.1 million. The management is confident that the Group's financial resources sufficient to finance its day-to-day operation.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is pegged, together with the minimal fluctuation in the exchange rate between Hong Kong dollar and Renminbi, the Group believes its exposure to exchange risk to be minimal.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2004, the total number of staff of the Group in the Mainland and Hong Kong was about 20. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its



employees in Hong Kong in form of mandatory provident fund and provides similar schemes for its employees in the mainland. Details of retirement benefit scheme are set out in the Group's 2003 Annual Report.

The Group established a Share Option Scheme to reward its employees for their individual performances. For the six months ended 30 June 2004, the Group has granted a total of 12,000,000 share options to its employees. Further details of the Scheme were disclosed in 2003 Annual Report. During the period under review, no share option had been granted nor exercised.

OUTLOOK

As regards the Consumer electronic products Business, the Board believes that the development of such business is indeed an appropriate approach to building up a steady and considerable income stream of the Group. In addition, the management possess extensive experience and knowledge in the consumer electronic industry which is a vital and beneficial to further develop the existing business and explore further business opportunities in the consumer electronic industry, such as trading of finished goods/parts and components of televisions, DVD players, digital cameras, game consoles and other products. The Board determines to put more resources to develop such business and explore further business opportunities in the consumer electronic industry and is confident that more revenue from the business relating to the consumer electronic products will be brought to the Group this year.

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, which is believed to persist in near future. Accordingly, the Board will continue to adopt the prudent attitude towards investing resources to develop products and its sale and after-sale network. Moreover, the Board may consider to take measures to extract values of the Group's data broadcasting business, not excluding the possible disposal, for the best interest of the Group.

DIRECTORS' INTEREST IN THE COMPANY


At 30 June 2004, the interests and short positions of the Directors in the ordinary share 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 Division 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)	149,297,340	Interest of a controlled corporation	Corporate	47.0
	57,700,000	Beneficial owner	Personal	18.1
Mr. Anle Hsu Ann Keh ("Mr. Hsu") (note 1)	149,297,340	Interest of a controlled corporation	Corporate	47.0

Notes:

- (a) 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 149,297,340 shares owned by Apex Digital.
- (b) In addition to Mr. Ji's deemed interest in the 149,297,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 206,997,340 shares.



Save as disclosed above, as at 30 June 2004, none of the Directors had interest 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Division 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 minor children, 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. No options have been granted to the directors up to the date of this report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

At 30 June 2004, 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 Division 2 and 3 of Part XV of the SFP 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 meeting of any member of the Group were as follows:

Long positions in Shares:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interest %
Apex Digital (note 1)	Beneficial owner	149,297,340	47.0
United Delta (note 1)	Interest of a controlled corporation	149,297,340	47.0
Mr. Ji (notes 1 and 2)	Interest of a controlled corporation	149,297,340	47.0
Mr. Hsu (note 1)	Beneficial owner	57,700,000	18.1
	Interest of a controlled corporation	149,297,340	47.0
Ms. Liu Ru Ying (note 3)	Family interest	206,997,340	65.1
Ms. Susan Chang (note 4)	Family interest	149,297,340	47.0
Mr. Xu Gao Hui	Beneficial owner	22,350,000	7.0
Mr. Mark Lau	Beneficial owner	15,900,000	5.0

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 149,297,340 shares owned by Apex Digital.
2. In addition to Mr. Ji's deemed interest in the 149,297,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 206,997,340 shares.
3. Ms. Liu Ru Ying is the spouse of Mr. Ji. and, under Section 316 of the SFO, is therefore deemed to be interested in all 206,997,340 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 149,297,340 shares in which Mr. Hsu is interested.

Save as disclosed above, 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.

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.

COMPLIANCE WITH RULES 5.34 TO 5.45 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 5.34 to 5.45 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, 10 August 2004

At the date of this report, the executive directors of the Company are Mr. David Ji Long Fen, Mr. Anle Hsu Ann Keh, Prof. Kou Ji Song and Ms. Alice Hsu Chu Yun and the independent non-executive directors are Mr. Li Shan Hai and Mr. Wang Fu Sun.