



**CHAIRMAN'S
STATEMENT**
主席報告



FOR 2005, DVN'S STB UNIT SALES CONTINUE TO ACCELERATE, RESULTING IN SUBSTANTIALLY IMPROVED FINANCIAL PERFORMANCE.

DVN's STB unit sales continued to accelerate during the year, as more localities executed on SARFT's development plans to migrate the country's cable television system to digital. The number of DVN produced boxes and DVN licensed boxes increased over 3x compared to 2004, to 1,010,128 set top boxes. As a result, during 2005, DVN's revenue increased 80% to HK\$304.6 million, total gross profit increased 52% to HK\$74.6 million, while EBITDA reversed to a positive HK\$9.0 million. Net losses declined 35% to HK\$39.7 million. With continual acceleration of its STB distribution, DVN is optimistic that its financial outlook will continue to improve.

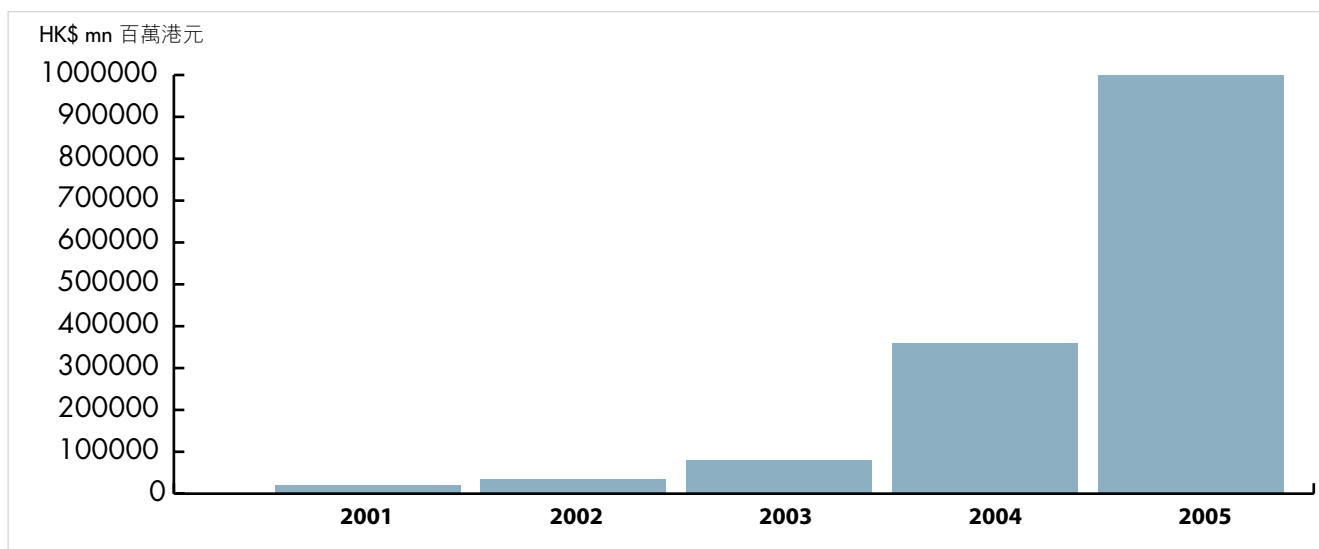
二零零五年，天地數碼之機頂盒銷量持續攀升，令財務表現顯著改善

隨著更多國內公司跟隨廣電總局之發展計劃，將國內之有線電視系統數碼化，天地數碼所分銷之機頂盒銷量持續攀升。天地數碼所生產之機頂盒及由天地數碼授權生產之機頂盒數目比二零零四年增加三倍至 1,010,128 台。故此，於二零零五年，天地數碼的收入上升 80% 至 304,600,000 港元，毛利總額上升 52% 至 74,600,000 港元，同時，EBITDA 亦轉虧為盈，達到 9,000,000 港元。淨虧損則下降 35% 至 39,700,000 港元。由於機頂盒之分銷數量持續上升，天地數碼對其財務前景持續改善感到樂觀。

**NUMBER OF STBS DISTRIBUTED SURGED OVER
3X YEAR ON YEAR.**

售出之機頂盒數目按年急升三倍

STBs Sold
已售出之機頂盒數目



**DVN IS RAPIDLY BUILDING ITS SUBSCRIBER BASE IN
ORDER TO ESTABLISH AN OPEN DIGITAL CABLE
PLATFORM FOR VALUE ADDED SERVICES (“VAS”), AND
WILL LOOK FOR PARTNERS TO FURTHER ITS EXPANSION.**

DVN has now distributed approximately 1.3 million STBs to cable subscribers, and is the PRC's market leading provider of set top boxes. For 2006 and the next several years, DVN will continue to expand this base, both organically and through partnerships as it believes that size is an important competitive advantage. DVN's goal, however, is to not just be the leading provider of set top boxes, but to also be the leading provider of value added services for China's digital cable industry. DVN is dedicated to building an open cable platform for value added services such as interactive advertising, games, shopping, etc.—a platform that will be open to any service provider seeking to access the China market. This platform only becomes of value once the digital subscriber base reaches a critical mass. As the platform provider, DVN will be able to share in the revenues generated.

**天地數碼正急速發展其用戶基礎以發展其增值服
務的有線電視公開平台，並尋找合作伙伴進一步
擴展**

天地數碼已經向有線電視用戶售出約 1,300,000 台機頂盒，亦為中國市場中提供機頂盒的前列公司。於二零零六年及往後數年，天地數碼將繼續發展其基礎，天地數碼將自行及透過伙伴發展來擴展其市場及競爭優勢。然而，天地數碼的目標，不但要成為機頂盒的首要供應商，更爭取成為中國有線電視行業增值服務的領導供應商。天地數碼致力於有線電視上發展一個增值服務的公開平台，包括互動廣告、遊戲及購物等，向任何有意進入中國市場的服務供應商提供一個公開平台。該平台只有在數碼電視用戶人數達到一定數量方有價值。作為平台供應商，天地數碼將可以分享平台產生的收入。此外，所產生的收入是循

Moreover, the revenues generated are recurrent, and could be substantially greater than that generated by the sale of set top boxes alone. And once DVN is entrenched as the platform provider for an area, competitors will face a strong barrier of entry.

While DVN is growing rapidly, management believes that to attain the critical mass of digital subscribers, it will need to work with other partners. Therefore, DVN is actively looking for partners that can accelerate its growth.

HAVING PIONEERED THE MASS DIGITALIZATION OF AN ENTIRE CITY – QINGDAO, DVN IS NOW PIONEERING DIGITALIZATION OF AN ENTIRE PROVINCE – GUANGXI.

DVN's success in winning contracts is a direct result of its unique system integration role and its pioneering role in promoting the digitalization of the cable industry. Whereas most competitors are focused only on selling equipment, DVN is focused on aligning its interests with the operator. DVN's system integration contracts are a complete end to end solution for the cable operator, providing not only hardware, but also software, applications, and support services. DVN is particularly focused on providing value added services applications, and is rewarded only when the cable operator begins to generate profits.

As a direct result of this business model, DVN won the contract for Qingdao. Working closely with the city, DVN pioneered the mass digitalization model, resulting in the complete migration of the city to digital in less than two years. Qingdao is now in the process of launching VAS on a trial basis.

And, because of its success in Qingdao, DVN won a contract to provide digital cable services to Guangxi Province—a contract that will result in the sale of three million STBs. SARFT (China's State Administration for Radio Film and Television) approved on April 7, 2005 the designation of Guangxi as the country's first provincial trial site. With this designation, all cable users in Guangxi will be migrated to digital TV. As Guangxi TV Network's sole technology partner, DVN

環性的，故此可能比只銷售機頂盒所產生的顯著增大。而當天地數碼確立成為某一地區的平台供應商，競爭對手要取代天地數碼將會更困難。

當天地數碼正急速發展時，管理層相信若要取得一定數量的數碼用戶人數，天地數碼須要與其他伙伴合作。故此，天地數碼正在積極認識可以使其加速成長的合作伙伴。

天地數碼率先在青島為全市推行大規模數碼化，繼而為廣西省進行全省數碼化

天地數碼之所以贏得合約，是基於其獨特的系統整合及其率先為有線電視行業大規模數碼化角色的直接效果。當大部份競爭對手均集中於出售設備時，天地數碼已專注於將其利益與營運商融合。天地數碼的系統為營運商提供完整端到端解決方案，不單提供硬件，亦提供軟件、應用程式及支援服務。天地數碼尤其專注於提供應用增值服務，亦只有在營運商開始產生溢利時方得到報酬。

基於以上的業務模式，天地數碼取得青島合約。透過與青島市緊密合作，天地數碼率先開發為全市大規模數碼化的模式，使全市在少於兩年的時間內進行全面數碼化。

隨後，由於青島的成功，天地數碼獲得為廣西省提供有線電視數碼化服務的合約，合約將為本集團帶來 3,000,000 台機頂盒的銷量。國家廣播電影電視總局（「廣電總局」）於二零零五年四月七日批准廣西省成為全國首個試點省份。因為該項指示，廣西所有有線電視用戶將轉制為數碼電視（「平移」）。天地數碼作為廣西電視網絡的唯一技

provides technological support and STBs for Guangxi's TV mass digitization program, and participates in the building of its digital TV platform based on which TV-commerce, interactive games, e-government, TV-SMS and other VAS can be applied.

So far, the rollout in Guangxi Province has been a success, with DVN currently distributing well over 150,000 STBs a month. With the success of this provincial rollout, a number of other provinces have now expressed an interest in DVN's mass digitalization model, and are likely to sign contracts with DVN.

DVN'S STRATEGY TO PARTNER WITH LARGE ELECTRONIC GOODS MANUFACTURERS IS HELPING IT TO ACCELERATE SALES AND INCREASE THE RETURN ON CAPITAL; WHILE RETAINING THE FOCUS ON ITS CORE STRENGTH OF SOFTWARE DEVELOPMENT AND SYSTEM INTEGRATION.

DVN believes it is far better to cooperate rather than compete with China's abundant electronics goods manufacturers. While DVN will receive less profit per box than if it manufactured the box itself, it will be able to sell more boxes in more territories by cooperating with manufacturers that have strong relationships in the territory. With this greater access, DVN will be able to generate more long-term profits through software licensing and profit sharing of VAS. Moreover, by outsourcing the manufacturing of the STB, DVN is increasing its emphasis on STB design and software development, capitalizing on DVN's strengths in designing and implementing solutions for the conversion to digital television. Also, free of the heavy burden of STB manufacturing, DVN is able to use its working capital much more effectively.

For 2006, DVN expects to increase its cooperation with Motorola. The jointly designed Motorola STB is now in production. These jointly designed STBs will be priced higher than DVN's own STB and are targeted at the high-end market, where enhanced features and brand recognition play a more important role.

術伙伴，將為廣西的大規模數碼化提供技術支援及機頂盒，並參與建設其數碼電視平台，包括電視廣告、互動遊戲、電子政府服務、電視短訊及其他增值服務。

直到目前為止，廣西省的發展非常成功，天地數碼現時正每月銷售超過150,000台機頂盒。由於該省的發展成功，現已有數個其他省份表示對天地數碼的大規模數碼化模式感興趣，並有機會和天地數碼簽訂合約。

天地數碼與大型電子產品生產商結成夥伴之策略，有助提升銷量及增加股本回報；同時亦可繼續專注於其軟件開發及系統集成的主要強項

天地數碼相信，與中國眾多電子商品生產商合作擴大市場佔有率，遠較與之競爭有利。儘管天地數碼之每個機頂盒溢利將較自行生產之溢利少，但天地數碼可透過地區關係穩固之生產商，在更多地區銷售更大量機頂盒。打入更多市場後，天地數碼將可透過授出其軟件使用許可，及透過由提供增值服務而產生之利潤分成，帶來更多長遠利潤。另外，透過將機頂盒的生產外判，天地數碼可更專注於機頂盒的設計及軟件開發方面，以發揮天地數碼在設計及實施電視數碼化方案之優勢。此外，因授權生產而減少了生產機頂盒的沉重負擔，天地數碼將可更有效地使用其營運資金。

於二零零六年，天地數碼預期將會深化與Motorola的合作。一款和Motorola共同開發的機頂盒現已投入生產。新機頂盒將較天地數碼自行生產之機頂盒昂貴但具有更多功能，加上Motorola的品牌效應，將會吸引追求高知名度品牌之機頂盒的用戶為銷售目標。

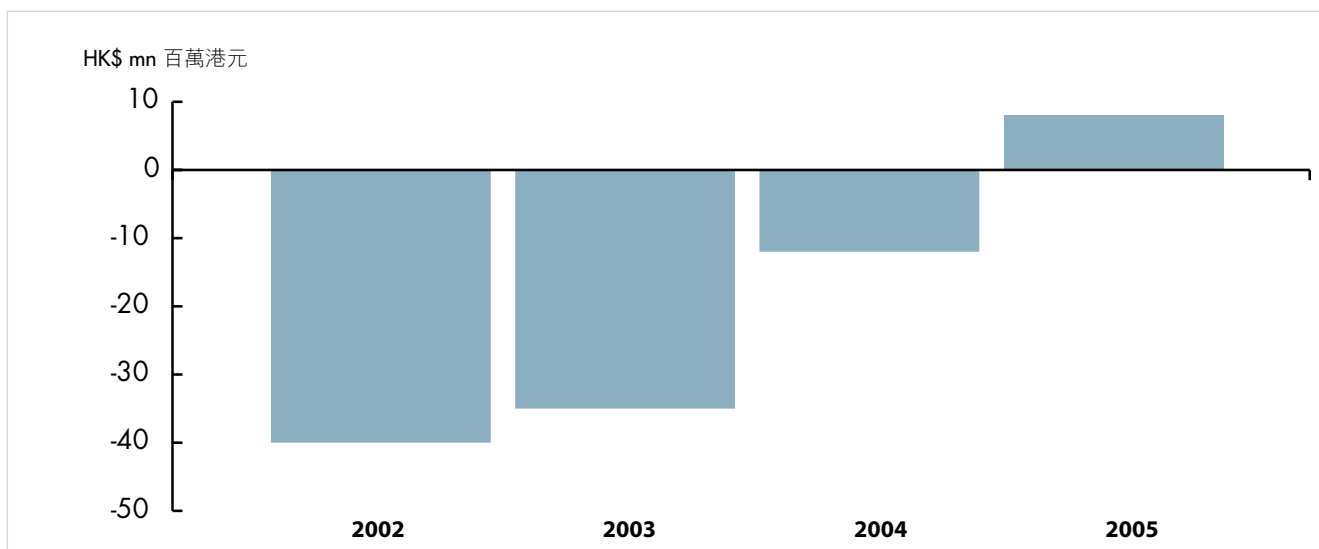
DVN IS NOW EBITDA POSITIVE.

With DVN's increased revenue and gross profits, the company has now become EBITDA positive before provisionals. From the chart below, it is clear that DVN's cash earnings potential has improved significantly.

天地數碼錄得未計利息、稅項、折舊及攤銷盈利
隨著天地數碼收入及毛利增長，本公司現已錄得未計利息、稅項、折舊及攤銷盈利。下表明確顯示天地數碼之潛在現金盈利潛力取得重大改進。

EBITDA Shows Positive Trend

EBITDA顯示正面趨勢



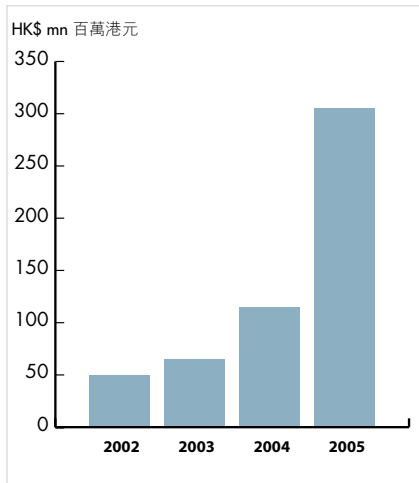
POSITIVE REVENUE AND GROSS MARGIN TRENDS OVER THE LAST FOUR YEARS INDICATE THAT DVN'S FINANCIAL OUTLOOK IS IMPROVING.

DVN's revenue has increased sharply since 2002 – over 5x during the period. Meanwhile, DVN's gross profits have also increased over 5x since 2002, while the net loss has declined 73% during the same period.

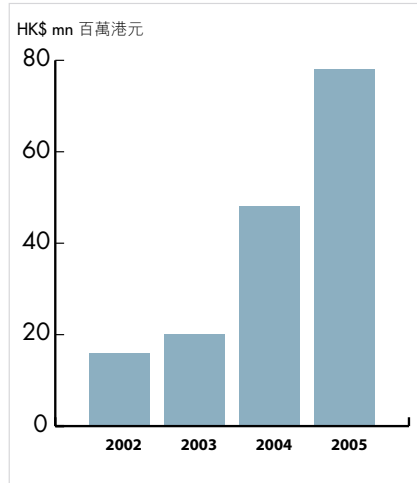
過往四年的正面收入及溢利率趨勢顯示天地數碼的財務前景逐漸改善

天地數碼之收入於期內較二零零二年大幅上升，升幅超逾五倍。同時，天地數碼於期內之毛利亦比二零零二年升逾五倍，而同期內虧損淨額則下跌 73%。

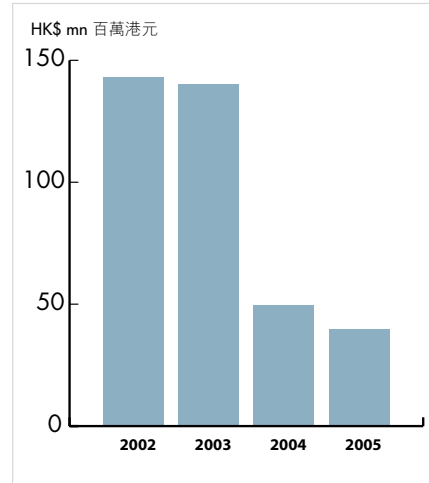
Revenues and ...
收入上升...



gross profits rise, while ...
毛利上升...



... net losses continue to decline
...虧損淨額持續收窄



DVN RECEIVES ADDITIONAL INVESTMENT FROM MOTOROLA.

Reflecting the strong relationship between Motorola and DVN, Motorola at the beginning of the year invested an additional US\$7.5 million into DVN. Motorola had already invested US\$7.5 million in June 2004. The net proceeds from Motorola's investment was used for research and development, particularly for application software and services; and for working capital.

天地數碼獲得 Motorola 額外投資

Motorola 於年初向天地數碼注入 7,500,000 美元之額外投資，反映 Motorola 及天地數碼之鞏固關係。Motorola 於二零零四年六月已投資 7,500,000 美元。Motorola 投資之所得款項淨額將用於研究及開發用途，特別是應用軟件及服務方面，以及用作營運資金。

PROSPECTS

With the PRC government's continued push towards digitalization of the nation's cable system, DVN expects sales of STBs to continue to increase. For the first three months of 2006, DVN has already sold over 400,000 STBs. DVN expects significant sales from Guangxi as the province migrates its entire 3 million cable subscribers to digital. In addition, Foshan will continue its rollouts in which it is cutting off the analog service to their users. Moreover, DVN expects to win contracts with other cities and provinces.

During 2006, DVN expects the installed based on digital STB to reach an "inflection point" where certain VAS such as TV Post and interactive advertising can be introduced. DVN is expecting to introduce some of these services on an experimental basis in 2006. These types of services create recurrent annual income for DVN, and if the services are well received, could be a major source of future revenue for the company.

DVN continues to look for new partners, particularly those that could help it expand its geographic coverage. DVN believes that the opportunities are enormous and that it makes more sense to partner with other companies that can complement DVN's core strength as a system integrator and provider of software for digital television. In addition, DVN is looking for partners that can help it generate revenue from VAS.

GRATITUDE TO SHAREHOLDERS, MANAGEMENT AND STAFF

I would like to thank all of DVN's staff for their hard work and commitment, which gives the Group the dynamism to succeed in this cutting edge industry. DVN has made considerable progress over the last several years, progress which would not have been made without DVN's dedicated employees. I would also like to extend my appreciation to the other Board members for their invaluable contribution and to our shareholders for their continued support.

前景

隨著中國政府繼續推行數碼化，天地數碼預期機頂盒之銷量將持續上升。二零零六年首三個月，天地數碼已售出超過400,000台機頂盒。天地數碼預期由於廣西將使其3,000,000名有線電視用戶數碼化，將會錄得可觀銷售。此外，佛山亦會繼續發展並終止給予用戶的模擬服務。此外，天地數碼亦預期可以獲得其他省市的合約。

於二零零六年，天地數碼預計會透過安裝數碼機頂盒以達到「調節點」，以引入包括TV Post及互動廣告等增值服務。天地數碼預定會於二零零六年以實驗型式引入以上部份服務。此項服務為天地數碼帶來週期性每年收入，若服務反應良好，將成為未來收入主要來源。

天地數碼仍在不斷尋求新合作夥伴，尤其是有助其擴大業務範圍的合作夥伴。天地數碼相信業內商機龐大，而且與能補足天地數碼作為系統集成商及數碼電視軟件供應商之核心力量之其他公司合作以抓緊巨大商機乃屬明智。此外，本公司亦尋找可以協助其透過增值服務產生收入的合作夥伴。

向股東、管理層及員工致謝

本人謹向天地數碼全體員工致謝，感謝彼等的努力及承擔，令本公司得以在尖端行業中成功。於過往數年，天地數碼有可觀的發展，全靠本公司員工的付出。本人亦謹此為其他董事會成員的貢獻及股東長期的支持致以衷心的感謝。