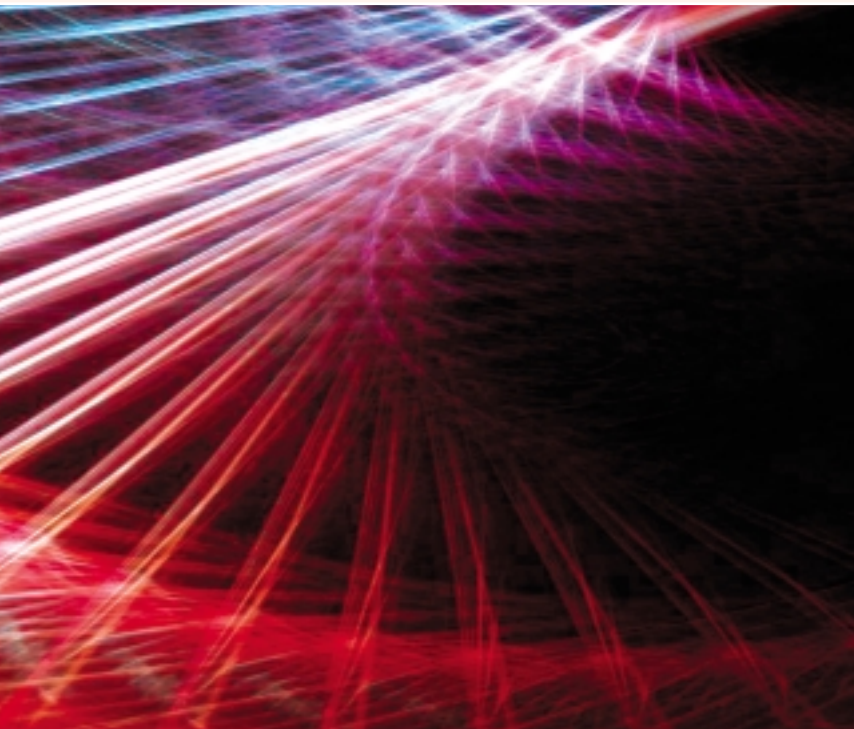




**DISCUSSION OF
FINANCIALS**
財務資料



FINANCIAL RESULTS

The Company's turnover for the year ending 31st December 2005 increased by 80% to HK\$305 million from HK\$169 million in 2004.

財務業績

本公司截至二零零五年十二月三十一日止年度之營業額由二零零四年年度之169,000,000港元上升80%至305,000,000港元。

Turnover (HK\$'mil) 營業額 (百萬港元)		2005 二零零五年	2004 二零零四年	% Change %變動
Set Top Box (STB) revenues	機頂盒收入	119.3	111.6	6.9%
licensing fees	機頂盒授權費	17.0	1.9	9 times 倍
Headend revenues	前端設備收入	12.1	28.3	-57.2%
Subscriptions	用戶費	4.7	4.2	11.9%
STB raw materials, smart cards and others	機頂盒部件、智能卡及其他	133.3	6.9	19 times 倍
Telequote	電資訊	18.2	16.4	11.0%
Total	總計	304.6	169.3	80.0%
STBs shipped by DVN	天地數碼已付運機頂盒	321,755	242,198	32.8%
STBs licensed by DVN	天地數碼已授權機頂盒	688,373	81,055	8.5 times
Total Set Top Boxes distributed	已分銷機頂盒總計	1,010,128 units 台	323,253 units 台	3.1 times 倍

The increase in revenue comes primarily from increased licensing fee income and income from the sale of STB raw materials and smart cards. The licensing fee income is mainly generated from localities where DVN designed STBs are produced by local manufacturers for supply to the local cable operators. Many of these cable operators are purchasing set top boxes for mass distribution to their subscribers. Nationwide, set top box sales are accelerating as China begins the implementation of its migration towards digital. Therefore, as the licensing model becomes increasingly popular, the portion of income generated from licensing arrangements will increase relative to revenue from the sale of DVN's own STBs.

For quality control and to obtain bulk discounts on STB component parts for itself and its manufacturing partners, DVN has taken responsibility for the bulk purchase of key STB components. Therefore, as DVN has increased the number of STBs that are sold through licensing arrangements, its sales of STB raw materials and smart cards has increased.

收入增加主要因授權費收入及機頂盒原料和智能卡銷售收入增加。授權費收入主要來自地方製造商產由天地數碼設計之機頂盒供應予地方有線電視營運商之地區。此等有線電視營運商大多數購買機頂盒大量分派給用戶。由於有線電視將會進行全面數碼化，故全國之機頂盒銷售額有上升之勢。因此，隨著授權生產模式日益普及，來自授權生產安排之收入跟隨天地數碼本身之機頂盒銷售收入相應增加。

為控制質量及為天地數碼本身及其製造合作夥伴取得大量購機頂盒零件之折扣，天地數碼已負責大量採購主要機頂盒零件。此外，由於天地數碼增加透過授權生產安排出售之機頂盒數量，其機頂盒原料及智能卡之銷售額亦相應提升。

DVN continues to sell its own branded STBs, with the number increasing from 242K units last period to 322K units. However, due to competition, and the pressure to keep prices low in order to make the mass distribution of free STBs affordable for cable operators, the average selling price has dropped, resulting in only a 6.9% increase in sales revenue from STBs despite the 32.8% increase in unit sales.

Headend sales revenues declined by half from HK\$28.3 million in 2004 to HK\$12.1 million for 2005, as smaller, cheaper units were sold to Qingdao, Guangxi and Motorola. DVN's headend sales are decreasing as it makes the transition from selling headends to selling STBs and software.

Subscription revenues increased slightly from HK\$4.2 million in 2004 to HK\$4.7 million in 2005. DVN expects the subscription income to remain steady until the cities where DVN has signed revenue sharing agreements roll out digitization on a larger scale.

Telequote is DVN's wholly owned subsidiary. The subsidiary's primary business is providing online financial data over the Internet in Hong Kong and other parts of Asia. Sales turnover increased 11% compared to 2004.

COST OF SALES & GROSS PROFIT

With the increase in turnover, cost of sales for 2005 increased from HK\$120 million in 2004 to HK\$230 million. Gross profit for 2005 increased by 52.2% year on year, from approximately HK\$49.0 million to HK\$74.6 million. The gross profit margin for the year was 24.5% as compared to 29.0% for the same period of 2004 because competition has driven down margins. However, the margin reduction was more than compensated by the revenues generated by a large volume increase in STB licensing fees and raw material sales.

天地數碼繼續出售其本身品牌的機頂盒，數目由去年之242,000台增至322,000台。然而，由於競爭激烈及承受低價格壓力，務求讓有線電視營運商可負擔大量免費派發機頂盒，平均售價因而下跌，因此即使銷售數量上升32.8%，銷售收入亦僅增加6.9%。

前端設備收入由二零零四年之28,300,000港元下降一半至二零零五年之12,100,000港元，乃由於向青島、廣西及Motorola出售小型較低銷售額的裝置。由於天地數碼之銷售業務重點正由銷售前端設備轉為銷售機頂盒及軟件，因此天地數碼之前端設備銷售額有所下降。

用戶費由二零零四年之4,200,000港元微升至二零零五年之4,700,000港元。天地數碼預期用戶收入將維持穩定，直至與天地數碼簽訂收入攤分協議之城市完成大規模數碼化。

電資訊為天地數碼之全資附屬公司。該附屬公司之主要業務為在香港及亞洲其他地區透過互聯網提供網上財經數據。銷售營業額較二零零四年上升11%。

銷售成本及毛利

隨著營業額上升，銷售成本由二零零四年之120,000,000港元上升至二零零五年之230,000,000港元。二零零五年之毛利較去年同期上升52.2%，由約49,000,000港元增加至74,600,000港元。本年度之毛利率為24.5%，二零零四年同期之毛利率則為29.0%，乃由於競爭拖累毛利率所致。然而，毛利下降已由機頂盒授權費及機頂盒部件銷售量增加之收入抵銷。

OTHER GAIN (NET)

Other gain (net) consists mainly of interest income and other sundry income, rising slightly from HK\$1.3 million in 2004 to HK\$2.5 million for 2005 as DVN maintained a higher bank balance and additional income was derived from receipt of free samples from a component supplier.

MARKETING, SELLING AND DISTRIBUTION COSTS

Despite the large increase in turnover, marketing, selling and distribution costs increased only 18.6% from HK\$17.2 million in 2004 to HK\$20.4 million in 2005. This can be attributed to the fact that once delivery of services have commenced for an operator, significant additional marketing costs are no longer needed. As most of DVN's localities have already been acquired during previous periods, marketing costs for these locations are relatively low. However, marketing costs will still be incurred for newly acquired localities. Furthermore, part of the increase in turnover was derived from sale of raw materials that do not require marketing expenses.

ADMINISTRATIVE EXPENSES

Despite an increase in turnover, total administrative expenses were relatively stable with only a slight increase of 3.5% from HK\$59.8 million (restated) in 2004 to HK\$61.9 million in 2005. The administrative expenses include salaries of research and development engineers and administration staff, depreciation and general administration expenses. Despite an increase in overall headcount, salary cost was reduced slightly by 1.6%. Because of the increase in DVN projects, a higher amount of salary cost was capitalized, hence causing an overall reduction in total salary cost. Other reduction includes depreciation as more assets have been fully depreciated with no significant addition of new assets. Professional fees this year were also reduced since there was no major investment acquisition compared to 2004 when Motorola was making the investment requiring substantial professional fees of its first tranche in DVN.

其他收益（淨額）

其他收益（淨額）主要包括利息收入及其他雜項收入，由二零零四年之1,300,000港元微升至二零零五年之2,500,000港元，主要由於天地數碼的銀行結餘增加及收到零件供應商免費貨版產生的額外收入。

銷售、市場推廣及分銷成本

儘管營業額大幅上升，但市場推廣、銷售及分銷成本只輕微上升18.6%，由二零零四年之17,200,000港元上升至二零零五年之20,400,000港元，主要由於營運商開始提供服務後，就無須投入重大之額外市場推廣成本。由於天地數碼之大部分地區於過往期間獲得，故該等地區之市場推廣成本相對較低。然而，新打入的地區仍將產生市場推廣成本。此外，營業額的部分增幅來自原部件銷售，而無須市場推廣開支。

行政開支

儘管營業額上升，但總行政開支大致維持平穩，只有約3.5%輕微上升，由二零零四年（經重列）59,800,000港元微升至二零零五年之61,900,000港元。行政開支包括研發工程師及行政職員之薪酬、折舊及一般行政開支。雖然整體員工數目增加，但薪酬總額輕微減少1.6%，由於天地數碼項目增加，薪酬開支中更大的款項獲得資本化，導致總薪酬整體減少。其他減少包括由於部份資產已全面折舊而無添置新資產所產生之折舊開支減少。因本年並無可與二零零四年Motorola向天地數碼進行第一期投資相比之大額專業顧問費，故此本年度之專業顧問費亦有所減少。

OTHER OPERATING EXPENSES

Other operating expenses were increased slightly from approximately HK\$27.0 million in 2004 to HK\$28.3 million in 2005. Provision of doubtful debt this year includes a provision on outstanding receivables that are over 1 year old.

LIQUIDITY AND CAPITAL RESOURCES

DVN has financed its growth primarily through the issuance of new shares and internally generated cash and short term bank loans. As of 31st December 2005, its current ratio was 1.47 and its cash and bank balances (including pledged deposits) amounted to HK\$102.6 million. This is compared to a current ratio of 1.55 and cash and bank balances amounting to HK\$63.9 million as of 31st December 2004. The increased bank balances at 31st December 2005 was due to funds received from Motorola's second tranche investment of US\$7.5 million during the year. DVN had no material long long-term debt liability nor any contingent liabilities outstanding as at 31st December 2005.

CHARGE ON GROUP ASSETS

As at 31st December 2005, DVN had bank deposits of HK\$21.0 million (2004: HK\$7.8 million) which was pledged as securities for bank credit facilities.

其他經營開支

其他經營開支由二零零四年之 27,000,000 港元輕微上升至二零零五之 28,300,000 港元。本年呆賬撥備中包括一筆超過一年之撥備。

流動資金及資本來源

天地數碼業務發展之主要資金主要來自發行新股、內部資金及短期銀行貸款。於二零零五年十二月三十一日本集團的流動比率為 1.47，現金及銀行結餘（包括已抵押債款）為 102,600,000 港元，而於二零零四年十二月三十一日之流動比率及現金及銀行結餘則分別為 1.55 及 63,900,000 港元。於二零零五年十二月三十一日之銀行結餘有所增加，原因是收取 Motorola 於年內進行第二期投資注入 7,500,000 美元。天地數碼於二零零五年十二月三十一日並無重大長期債務負債或任何或然負債。

本集團資產抵押

於二零零五年十二月三十一日，天地數碼已抵押 21,000,000 港元（二零零四年：7,800,000 港元）銀行存款作為銀行貸款之擔保。

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES AND RELATED HEDGES

The Group mainly operates in China and Hong Kong. The major exchange rate risks arise from fluctuations in the USD, HKD and Renminbi ("RMB"). For the majority of transactions conducted in Hong Kong, both sales and costs of sales are denominated in the same currency. For operations in China, all revenues are denominated in RMB, while part of the purchases are denominated in USD or HKD. Given the appreciation of RMB against USD announced in July 2005, the Directors expect the appreciation will have a positive impact on the Group's future financial performance. The Group's bank deposits are predominately denominated in USD, HKD and RMB. The Group did not have any borrowings since it repaid the RMB bank loan during the reporting period. During the year ended 31st December 2005, the Group has not entered into any hedging arrangements relating to foreign currency exchange risk.

匯率波動風險及有關對沖

本集團主要於中國及香港經營業務。主要匯率風險來自美元、港元及人民幣(「人民幣」)波動。就於香港進行之大部份交易而言，銷售額及銷售成本均以相同貨幣列值。就中國的業務而言，所有收入均以人民幣列值，部分採購則以美元或港元列值。由於人民幣已於二零零五年七月升值，董事預期升值將有利於本集團之未來財務表現。本集團之銀行存款絕大部分以美元、港元及人民幣列值。本集團已於報告期間償還其人民幣貸款後未有任何借貸。於截至二零零五年十二月三十一日止年度，本集團並無作出任何有關外匯風險之對沖安排。

EMPLOYEE AND OFFICES

As of 31st March 2006, DVN's digital business had 327 employees, including 94 in engineering and research and development. Of the 327 employees, 20 are stationed in Hong Kong and are responsible for corporate activities, capital management, research and development strategy and planning, financial control and policy, operational strategy, marketing direction and business development. DVN currently has offices in Beijing, Shanghai, Suzhou, Jinan, Qingdao, Zhongshan, Hangzhou and Zhoushan, Shenzhen, Shijiazhuang, Wuzhou, Guangzhou, Foshan and Hunan Province and in Wuxi, Jiangsu Province. Dynamic Network is DVN's wholly-owned subsidiary in the business of providing international financial market information and selective consumer data. The Company had 31 employees as of 31st March 2006.

僱員及辦公室

於二零零六年三月三十一日，天地數碼之電子業務擁有327名僱員，其中包括94名從事工程及研發之僱員。在327名僱員當中，其中20名駐於香港，這批僱員負責企業活動、資本管理、研發策略及計劃、財務管理及政策、營運策略、市場定位及業務發展。天地數碼目前在北京、上海、蘇州、濟南、青島、中山、杭州及舟山、深圳、石家莊、梧州、廣州、佛山及湖南省及江蘇省無錫市設有辦公室。天地數碼全資附屬公司Dynamic Network從事提供國際金融市場資訊及精選客戶資料的業務，該附屬公司於二零零六年三月三十一日擁有31名員工。