



CHINA DATA BROADCASTING HOLDINGS LIMITED

(中華數據廣播控股有限公司)*

(incorporated in Bermuda with limited liability)

INTERIM REPORT 2000

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

HIGHLIGHTS

It is the Group's mission to establish itself as a leader in the data broadcasting services industry in the PRC and make its data broadcasting technology the industry standard in the PRC. As a key player in the industry, we were invited by the relevant authority of the PRC Government to participate in the National Standard Drafting Committee ("the Committee") for the data broadcasting industry. This National Standard is scheduled to release near the end of the year. It is a mandatory standard and will have a profound effect on the data broadcasting industry. Being the only industrial representative seating in the Committee, we are at a very good position to anticipate this National Standard.

The Group's turnover for the six months ended 30 June 2000 grew by 228% compared to the same period last year, and has already exceeded the last year's total turnover.

The Group has taken a prudent attitude towards the National Standard to which the Group had scaled down certain of its business activities such as postponing the launch and provision of certain new products and systems, signing up of TV network operators and content providers. The scaling down of the Group's business activities has affected the Group's achievement in certain of its business objectives set out in the Prospectus dated 17 January 2000.

The Group's new products-Financial TV set top boxes, which enable customers, who do not have a personal computer, to receive our service contents through television sets, were launched to the market in late June this year.

Sales of the Group's principal products-PC plug-in board increased dramatically by 398% compared to the same period last year and reached 50,589 units. This further strengthens the Group's leading position in the PC-oriented reception modules market.

On 8 June 2000, the Group signed a cooperation agreement with 北京景山遠程教育網絡技術有限公司 ("Beijing Jian Shan Distance Education Net Limited"), which provides a rich and valuable education contents for the Group's distance education programme.

As at 30th June 2000, we had alliance with 155 TV network operators out of which we have agreements with 22 for the sharing of subscriptions derived from our data broadcasting service contents.

QUARTERLY RESULTS (UNAUDITED)

The directors of China Data Broadcasting Holdings Limited (“the Company”) announce the unaudited results of the Group for the three months and six months ended 30th June, 2000 with the comparative figures for the corresponding periods in 1999.

	Notes	For the three months ended 30th June		For the six months ended 30th June	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	2	<u>9,953</u>	<u>3,726</u>	<u>14,165</u>	<u>4,324</u>
OPERATING PROFIT/(LOSS) BEFORE TAX		946	243	1,082	(186)
TAX	3	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		946	243	1,082	(186)
Minority Interests		<u>(569)</u>	<u>(73)</u>	<u>(670)</u>	<u>56</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u>377</u>	<u>170</u>	<u>412</u>	<u>(130)</u>
Earnings/(Loss) per share	4	<u>0.5 cents</u>	<u>0.4 cents</u>	<u>0.6 cents</u>	<u>(0.3 cents)</u>

Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated in Bermuda on 22nd September, 1999 and remained inactive until 11th January, 2000 when the reorganisation the (“Reorganisation”) of the Group was completed and the Company became the holding company of the Group. The Reorganisation has been accounted for by the Company using the merger accounting method in accordance with Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions”.

The comparative figures for the corresponding periods in 1999 have been prepared as if the Reorganisation had been completed on 1st January, 1999.

2. Turnover

Turnover represents the invoiced value of goods sold and services rendered, net of value-added tax, business tax and government surcharges, and after allowance for goods returned and trade discounts.

3. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period ended 30th June 2000.

Under the Income Tax law of the People's Republic of China ("PRC"), the Group's operation in PRC is subject to state income tax of 30% and local income tax of 3%. Pursuant to an approved document 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 starting from the year when it first becomes profitable 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 the year when it first becomes profitable.

4. Earnings/(Loss) per share

The calculations of earnings per share for the three months and six months ended 30th June 2000 were based on the profit attributable to shareholders of HK\$377,000 for the three months ended 30th June 2000 and HK\$412,000 for the six months ended 30th June 2000 and on 79,500,000 shares in issue during the three months ended 30th June 2000 and on the weighted average of approximately 69,285,714 shares in issue during the six months ended 30th June 2000.

The calculations of earnings and loss per share for the three months and six months ended 30th June 1999 respectively were based on the profit attributable to shareholders of HK\$170,000 for the three months ended 30th June 1999 and on the loss of HK\$130,000 for the six months ended 30th June 1999 and on the 45,000,000 shares for the three months and six months ended 30th June 1999 in issue and issuable pursuant to a capitalisation issue in connection with the Company's share offering in January 2000.

DIVIDENDS

The directors do not recommend the payment of any dividend for the periods under review 1999: (Nil).

BUSINESS REVIEW AND OUTLOOK

The Group's turnover for the six months ended 30 June 2000 grew by 228% compared to the same period last year, and has already exceeded the last year's total turnover. The Group's results for the period were affected by its preparation of the forthcoming data broadcasting standard. It is a national, mandatory standard and is scheduled to release near the end of the year.

There has not been an established standard for the data broadcasting technology since its first launch in the PRC in the year 1993. Without an established standard, different suppliers manufactured different data broadcasting transmission and reception modules that were not compatible to each other. As such, TV network operators had to use different, instead of only one single, channel to cater for the different modules provided by different suppliers. In addition, when any of the suppliers failed to provide continual

support, the TV network operator had no choice but to change the reception modules of its customers to another supplier's modules in order that the customers can continue to receive its data broadcasting contents. The Group realized the defects of not having an industry standard. And hence, the Group was established with its mission of making its data broadcasting technology the industry standard in the PRC. In January, 1998, the Group succeeded in producing the first "*open-architecture*" data broadcasting transmission module, which is a module that allows reception modules not manufactured by the Group to receive data transmitted by it. Up to 30 June 2000, the Group has provided a total of 52 sets of such modules to the TV network operators. As of today, the Group remains the only supplier of the "*open-architecture*" transmission modules, and over half of the TV network operators in the industry use data broadcasting transmission modules provided by the Group.

Realizing the importance of an industry standard, the relevant authority of the PRC Government instigated to set up a committee responsible for the drafting of the National Standard for the data broadcasting industry. As a key player in the industry, we were invited to sit, as the only industrial representative, in the National Standard Drafting Committee "(the Committee)". The Group considers that this National Standard ("the National Standard") will have a profound effect on the industry. Positively, the industry will start to develop on a systematic way. On the negative side, the uncertainty created will hinder the business decision of most suppliers in the industry, and certain sub-standard suppliers will certainly be weeded out upon implementation of the National Standard. Although the Group is involved in the drafting of the Standard, it cannot be guaranteed that the products and systems supplied by the Group must meet the yet-to-be-announced standard. The Group has adopted a prudent attitude towards it and has the following plans:

- (1) The Group will closely follow on the work of the Committee in order to ensure that its products will meet the National Standard as soon as it has been finalised.
- (2) Measures are made in order that as soon as the National Standard has been promulgated, necessary upgrade can be made for our customers' systems should the need arises.
- (3) In order to protect the Group's reputation and to minimize any loss that may arise, the Group has revised its original plan by postponing the launch and provision of certain new products and systems that are vulnerable to the National Standard (such as TV set top boxes and FC technology transmission system).

The Group considers that it is now in a very good shape to anticipate the National Standard and a better result in the future.

FUTURE PLAN AND PROSPECTS

The Group considers that the data broadcasting industry is full of potential and opportunities. In the coming periods, the Group will, based on the anticipated standard, manufacture and sell its reception modules, i.e. PC plug-in boards and TV set top boxes. The Group believes that the new products, TV set top boxes, will have significant bearing on the Group's turnover because the number of TV owners in the PRC approximates 350 million, a number which is 17 times that of the PC owners in the PRC.

It is the Group's strategy to build up its subscriber base for its service contents. The cooperation with Beijing Jian Shan Distance Education Net Limited enables the Group to secure a rich and valuable base for its education service contents. The Group will continue to invest resources to enrich its service contents in areas such as distance education, electronic magazines, publications and financial news and information.

The Group believes that research and development is important in the long-term development of the Group's business. Focus will be on the development of data broadcasting TV set top box that also complements the Internets applications. Plan has also been established to develop the high-speed broadband data broadcasting system in preparation for the replacement of VBI and FC data broadcasting technology.

SHARE SUBDIVISION

An ordinary resolution approving the subdivision of the shares of HK\$0.10 each into four shares of HK\$0.025 each in the share capital of the Company was duly passed at the special general meeting of the Company held on 24th July 2000 ("Share Subdivision").

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2000, 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\$0.1 each in the Company			
	Personal Interests	Family Interests	Corporate Interests	Other Interests
Mr. Dong Jian Xin	—	—	—	4,297,500(a)
Prof. Li Min Qiang	—	—	—	4,297,500(b)
Mr. Yao Xiao Dong	—	—	—	4,297,500(c)

Notes:

- a) These 4,297,500 shares, together with another 38,677,500 shares, are held by Ultra Challenge Limited (“Ultra Challenge”), the shares of which are in turn held by the HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Prof. Li Min Qiang, Mr. Yao Xiao Dong and certain employees of the Group. Accordingly, Mr. Dong Jian Xin is deemed to be interested in 4,297,500 shares by virtue of his 10% interest under the trust.
- b) These 4,297,500 shares, together with another 38,677,500 shares, are held by Ultra Challenge, the shares of which are in turn held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Prof. Li Min Qiang, Mr. Yao Xiao Dong and certain employees of the Group. Accordingly, Prof. Li Min Qiang is deemed to be interested in 4,297,500 shares by virtue of his 10% interest under the trust.
- c) These 4,297,500 shares, together with another 38,677,500 shares, are held by Ultra Challenge, the shares of which are in turn held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Prof. Li Min Qiang, Mr. Yao Xiao Dong and certain employees of the Group. Accordingly, Mr. Yao Xiao Dong is deemed to be interested in 4,297,500 shares by virtue of his 10% interest under the trust.

The above mentioned number of shares had not taken into account the Share Subdivision which took effect on 25th July 2000. Had Share Subdivision been effective on 30th June 2000 each of Mr. Dong, Prof. Li and Mr. Yao would be deemed to be interested in 17,190,000 shares of HK\$0.025 each in 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’ RIGHTS TO ACQUIRE SHARES

The Company has a share option scheme under which, the directors of the Company 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. No options had been granted to the directors during the period under review or outstanding as at 30th June, 2000.

Apart from the foregoing, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

According to the register maintained by the Company pursuant to Section 16 of the SDI Ordinance as at 30th June 2000, the following interests in the Shares were recorded:

Name	Number of shares held	%
Ultra Challenge Limited (<i>note 1</i>)	42,975,000	54.06
HSBC International Trustee Limited (<i>note 1</i>)	42,975,000	54.06
HSBC Holdings plc (<i>note 2</i>)	42,975,000	54.06
HSBC Finance (Netherlands) (<i>note 2</i>)	42,975,000	54.06
HSBC Holdings B.V. (<i>note 2</i>)	42,975,000	54.06
HSBC Investment Bank Holdings B.V. (<i>note 2</i>)	42,975,000	54.06

Notes:

- (1) The shares in Ultra Challenge Limited are held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong, Mr. Tang Bin, Mr. Wang Guangxin, Mr. Zhang Renli, Mr. Li Jiancheng, Ms. Yue Shishuang, Mr. Li Yongchao, Mr. Sun Lianwen, Mr. Ji Songqiao and Ms. Cai Zhipei. None of these beneficiaries had an effective interest amounting to 10% or more of the issued share capital of the Company.
- (2) HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B.V. HSBC Investment Bank Holdings B.V. are holding companies of HSBC International Trustee Limited and they are therefore interested and/or deemed to be interested through HSBC International Trustee Limited.

The above mentioned number of shares had not taken into account the Share Subdivision which took effect on 25th July 2000. Had Share Subdivision been effective on 30th June 2000 each of Ultra Challenge Limited, HSBC International Trustee Limited, HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B.V. and HSBC Investment Bank Holdings B.V. would be deemed to be interested in 171,900,000 shares of HK\$0.025 each in the Company.

Save as disclosed above, no person has notified the Company that it has an interest amounting to 10% or more of the issued share capital of the Company.

COMPETING INTEREST

During the period under review, none of the directors or the substantial shareholders, management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTEREST

As at 30th June, 2000, Pacific Top Holding Limited, a fellow subsidiary of the Company's sponsor Oriental Patron Asia Limited ("Oriental Patron") were interested in 2,025,000 shares of the Company. Save as disclosed herein, none of Oriental Patron, its directors, employees or associates as referred to in Note 3 to rule 6.35 of the GEM Listing Rules had any interest in the shares of the Company as at 30th June, 2000.

The above mentioned number of shares had not taken into account the Share Subdivision which took effect on 25th July 2000. Had Share Subdivision been effective on 30th June 2000, the number of shares held by Pacific Top Holding Limited would be deemed to be interested in 8,100,000 shares of HK\$0.025 each in the Company.

Pursuant to the agreement dated 27th September, 1999 entered into between the Company and Oriental Patron, Oriental Patron have received and will receive a fee of acting as the Company's retained sponsor for the period from 24th January, 2000 to 31st December, 2003.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED 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, 11th August, 2000

COMPARISON OF BUSINESS PROGRESS

According to the business objectives as stated in the Prospectus dated 17 January 2000

Actual business progress/change in business objectives (if any)

Sales of PC plug-in boards

- Launch FC data broadcasting PC plug-in board model VI Launched in May 2000.
- Target sales volume 60,000 units Sold 50,589 units as at 30/6/2000.

The failure to achieve target is due to an unexpected shortage of an essential component for the product. The Group has managed to find a substitute for the component. Should the shortage problem continues, the Group should be able to solve the problem by using the substitute.

Sales of TV set top box

- Launch financial TV set top box model I and model II
 - Launch multimedia TV set top box model I
 - Target sales volume
 - Financial 30,000 units
 - Multimedia 30,000 units
- 215 units of Financial TV set top box model I were sold in June 2000. Financial TV set top box model II and multimedia TV set top box have not been launched to market. As mentioned in our First Quarter Report, the National Standard is being drafted and is expected to be released near the end of the year. At that time, it is mandatory for the relevant products to comply with the National Standard. Should any of our relevant products not complying with the National Standard; the Group has to accept return from its customer if it is within the product warranty period, which currently lasts for one year. In light of the foregoing, the Group determined to postpone the launch of the relevant products.

Sales of software

- Target sales volume 24,000 units Sold 36,050 units as at 30/6/2000.

Subscription income

- Target accumulated no. of subscribers 50,800 subscribers Total no. of subscribers was 11,229 as at 30/6/2000. The shortfall was mainly caused by the failure to achieve the target number of cooperative TV network operators. Please see below for the reasons of the shortfall concerning the number of cooperative TV network operators.

Number of strategically allied TV network operators

- Total (with or without cooperative agreements) 153 of which are under cooperative agreements 39 Total number of strategically allied TV network operators was 155 of which 22 are under agreements for sharing of income. The shortfall was due to the fact that under cooperative agreements, the Group used its FC technology to broadcast data. The national standard concerning FC technology remains unclear, and as such, the Group determined to slow down the pace of signing of the cooperative agreement with TV network operators in order to avoid any possible loss that may arise from the release of any new national standard concerning the FC technology.

Strategically allied content provider

- Establish 25 new content providers The Group established 6 new content providers during the period. The Group considered that the content itself instead of the number of the content provider is important. In this respect, the

Group managed to secure valuable education contents from the Beijing Jian Shan Distance Education Net Limited.

Marketing

Sales and after sales network.

- Engage 50 new authorised distributors
- recruited 89 authorised distributors, mainly in large cities and along the coastal region
- engage 5 authorised distributors to be the sales and after sales representatives of the Group in major cities.
- Engaged 5 authorised distributors to be the sales and after sales services representatives of the Group in major cities, like Tianjin, Beijing, Hangzhou, Nanjing and Shenyang

Promotion activities

- Advertise on TV and in popular newspapers, periodicals or magazines
- Advertisements made on TV and in newspapers. A large portion of costs was borne by TV network operators and distributors and hence, the actual costs incurred by the Group is minimal and amounted to only RMB25,000.

Market research

- Conduct research on market response to TV set top boxes to draw up the Group's sales and marketing program
- Market as well as product compatibility research were done on TV set top boxes based on which the Group drew up its sales and marketing plan. The costs incurred amounted to RMB29,000

Operation and Production

Transmission modules

- Provide 25 new transmission modules for FC data broadcasting to TV network operators
- provided 2 new FC data broadcasting modules to TV network operators. The

deviation was due to the uncertainty concerning the new standard regarding FC Technology. Details please refer to the explanation on “Number of strategically allied TV network operators.”

— Contribute 50 new transmission modules for VBI data broadcasting to TV network operators

— provided 52 new VBI data broadcasting modules to TV network operators.

Reception modules

— PC plug-in boards — 60,000 units

— 46,700 units of PC plug-in boards produced. See reason under sale of PC plug-in boards

— TV set top boxes

— Financial — 30,000 units

— 430 units of financial TV set top boxes produced. See reason under sales of TV set top box.

— Multimedia — 30,000 units

— Multimedia TV set top box was not produced. See reason under sales of TV set top box.

Contents for data broadcasting

— Start to produce distance education contents for 7 subjects of each of the 6 grades of secondary education

— Produced distance education contents for 7 subjects of each of the 6 grades of secondary education

— Produce new contents by sourcing the same from electronic newspapers and magazines publishers and financial information providers

— New contents were obtained from existing information providers to enrich the Group’s contents base.

Research and development

— Acquire computer hardware and software for product development

— There was delay on the Group’s plan on new product development as a result of the Group’s prudent attitude towards the National Standard

and hence amount spent on this area was minimal. Costs incurred was RMB90,000

- Acquire facilities for product testing
- No cost was made on acquiring facilities for product testing as a result of the cooperation with 2 established companies engaged in the research and development of new set top boxes. These two companies provided the research and development environment sufficient for the purpose, so that the Group did not need to spend a large amount on facilities.

Transmission modules

- Develop FC data broadcasting transmission module model III
- succeeded in developing FC data broadcasting transmission modules model III.
- Develop VBI data broadcasting transmission module model VI
- succeeded in developing VBI data broadcasting transmission modules model VI.

Reception modules

- Continue to research and develop financial TV set top box model II
- the research and development of financial TV set top box model II was in progress. The work was closely followed on the development of the National Standard.
- Research and develop financial TV set top box model II
- the research and development of financial TV set top box model II was in progress. The work was closely followed on the development of the National Standard.
- Research and develop multimedia TV set top box model II
- research and development of multimedia TV set top box model II was in progress. The

work was closely followed on the development of the National Standard.

Software

- Research and develop application software for TV set top boxes — succeeded in the research and development of application software for financial TV set top box model I and was launched to market in June this year.

Sourcing of contents

- Acquire education contents for 7 subjects of each of the 6 grades of secondary education — acquired education contents for 7 subjects of each of the 6 grades of secondary education from reputable tutors and also cooperated with Beijing Jian Shan Distance Education Net Limited to secure a stable source of education contents.
- Source or acquire new contents from electronic newspapers and magazines publishers and financial information providers — Obtained new contents from existing electronic newspapers and magazines publishers and financial information providers.

Human resources

Management	5	6
R & D		
— software	20	9 (<i>see note 1 below</i>)
— hardware	25	10 (<i>see note 1 below</i>)
Information Services	30	15 (<i>see note 2 below</i>)
Sales and Marketing	15	14
Finance and Administration	3	7
Total	98	61

Note

1. Since cooperation partners for the R & D of new products had provided support which was more than expected, the number of staff required was also less than expected as a result.
2. Cooperation with ICP regarding contents for distance education, and therefore not necessary to recruit more content production staff.

COMPARISON OF USE OF PROCEEDS

Up to 30 June 2000, the Group had only utilised about HK2.9 million of the Placing proceed. This represents approximately 18% utilisation of the HK\$15.85 million stated in the Prospectus.

The under utilisation is mainly due to:

1. Over 60% of the planned use was expected to be utilised as working capital for the production of transmission and reception modules. As a result of the Group's prudent attitude towards the forthcoming National Standard, the production schedule had been delayed accordingly.
2. The Group has also managed to have substantial savings on promotions and advertising costs since the Group was able to utilise free resources of its allied TV network operators and content providers such as newspapers for the Group's promotion and advertising activities.

This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the day of its posting.

* *For identification purposes only*