



CHINA DATA BROADCASTING HOLDINGS LIMITED

(中華數據廣播控股有限公司)*

(incorporated in Bermuda with limited liability)

FIRST QUARTERLY REPORT 2002

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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

The management firmly believes that research and development is crucial to the long-term success of the Group. The Group continues to focus on the R&D activities during the period under review.

As a result of the persistent stagnant PRC stock market and fierce market competitions, the Group's turnover dropped by 82% down to HK\$461,000, which led to a loss for the Group of HK\$1,202,000 for the period.

The Group's cash balance was over HK\$23 million as at 31st March 2002 whereas its total liabilities were less than HK\$5 million as at that date.

QUARTERLY RESULTS (UNAUDITED)

The directors of China Data Broadcasting Holdings Limited ("the Company") announce the unaudited results of the Group for the three months ended 31st March 2002 with the comparative figures for the corresponding period in 2001.

		For the three months ended 31st March	
	<i>Notes</i>	2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	1	<u>461</u>	<u>2,509</u>
OPERATING LOSS BEFORE TAX		(1,325)	(299)
TAX	2	<u>—</u>	<u>—</u>
LOSS BEFORE MINORITY INTERESTS		(1,325)	(299)
Minority Interests		<u>123</u>	<u>(137)</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u>(1,202)</u>	<u>(436)</u>
Loss per share	3	<u>(0.38 cents)</u>	<u>(0.14 cents)</u>

1. **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 discounted.

2. **Tax**

No provision for the income tax of the People's Republic of China ("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 review.

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 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 2000 when it first becomes profitable and thereafter, is entitled to a 50% relief from the 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 becomes profitable.

3. **Loss per share**

The calculation of loss per share for the three months ended 31st March 2002 were based on net loss attributable to shareholders of HK\$1,202,000 for the three months ended 31st March 2002 (2001: HK\$436,000) and on the 318,000,000 shares in issue for the three months ended 31st March 2002 (2001: 318,000,000 shares).

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 (2001: Nil).

BUSINESS REVIEW

The Group continues to be engaged in the business of data broadcasting in the PRC. Its principal activities include the research, development and sales of data broadcasting hardware and software, the related system integration, technical support and consultancy service, the planning, sourcing and production of multimedia contents for data broadcasting, and the sale of software.

The Group's results continued to be affected by the prevailing stagnant PRC stock market and also the fierce market competition. The turnover arising from the sales of data broadcasting hardware and software, the related system integration, technical

support and consultancy service dropped by 82% down to HK\$461,000 for the period. Despite of the unsatisfactory results, the Group's financial position remains strong. The Group's cash balance was over HK\$23 million as at 31st March 2002 whereas the total liabilities were less than HK\$5 million as at that date.

The Group continues to focus on the R&D activities in the following area:

1. The Group has secured the know-how of the Conditional Access system which greatly strengthens the Group's technological capability in the development of dynamic encryption system. The system could allow the transmission of real time stock information directly from the PRC Stock Exchanges to the individual user under an encrypted channel and hence, allows the transmission of data in greatly security and reliability. During the period under review, the Group actively promotes and develops the application of the system and is negotiating with several potential clients in this aspect. In view of the technological advancement of the system in application for individual and commercial usages, the Group believes that the system will offer business opportunities to the Group in near future.
2. With regard to the research of the high-speed broadband data broadcasting system based on the DVB technology, the Group has begun the development of the respective transmission and reception modules.
3. The Group commenced to develop the more advanced data broadcasting transmission model and reception model.

In addition to the above R&D activities, the Group continued in its customer-oriented services and is actively developing a nationwide sales distribution network for its products.

OUTLOOK

Capitalising on its technical capability of the digital world, the Group is very confident that it could build up steady income stream by providing technical services in this area. On 25th April 2002, the Group entered into a conditional agreement with a connected party for acting a technical consultant and sourcing agent for parts and components of digital versatile disc players of the connected party (the "Service") the details of which are set out in the Company's announcement dated 25th April 2002. The Services will be subject to the approval of the independent shareholders at the special general meeting to be held.

The management believes that the research and development is important in the long-term development of the Group's business. Accordingly, the Group will continue to invest resources to develop sophisticated products. Focus is on the high-speed broadband data broadcasting system and also the related multimedia products and mechanics such as the portable multimedia voice and video recording devices.

The Group will also capitalize on its brand name advantage, stressing on the establishment of its sale and after-sale network in order to further enlarge the Group's market share.

The Group will pursue its established strategies. Based on its solid foundation built, the Group will surpass its competitors by its sophisticated technology and marketing technique. Looking ahead, the management believes that the Group can further consolidate its leading position in the data broadcasting industry.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st March 2002, 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	Personal Interests	Number of issued ordinary shares of HK\$0.025 each in the Company			Total Interests
		Family Interests	Corporate Interests	Others Interests	
Prof. Li Min Qiang	—	—	—	17,190,000 ^(a)	17,190,000
Mr. Wang Guang Xin	—	—	—	17,190,000 ^(a)	17,190,000
Mr. Yao Xiao Dong	—	—	—	17,190,000 ^(a)	17,190,000
Madam Bu Dongmei	—	—	—	17,190,000 ^(a)	17,190,000

Note:

(a) 171,900,000 of the Company's shares are held by Ultra Challenge Limited ("Ultra Challenge") which are in turn held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust include Mr. Wang Guang Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong and Madam Bu Dongmei. Each of Mr. Wang Guang Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong and Madam Bu Dongmei is deemed to be interested in 17,190,000 shares by virtue of their 10% interest under the trust.

(b) Mr. Yao Xiao Dong ceased to be a director of the Company on 26th April 2002.

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.

Subsequent to the period end, on 13th May, 2002, 70% of the entire beneficial interest under the trust held by Professor Li Min Qiang was disposed of to Mr. Wang Chaowen, Mr. Chang Ze and Ms. Lu Yan Hong.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Under the terms of the Company's share option scheme approved by the shareholders on 11th January 2000, the board of 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. The scheme became effective upon the listing of the Company's shares on GEM on 24th January 2000. No options have been granted to the directors during the period under review or outstanding as at 31st March 2002.

Apart from the foregoing, and other than as disclosed under the section "Directors' interests in share capital" above, 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.

SUBSTANTIAL SHAREHOLDERS

According to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance as at 31st March 2002, the following interests in the shares were recorded:

Name	Number of shares held	%
Ultra Challenge (<i>note 1</i>)	171,900,000	54.06%
HSBC International Trust Limited (<i>note 1</i>)	171,900,000	54.06%
HSBC Holdings plc (<i>note 2</i>)	171,900,000	54.06%
HSBC Finance (Netherlands) (<i>note 2</i>)	171,900,000	54.06%
HSBC Holdings B. V. (<i>note 2</i>)	171,900,000	54.06%
HSBC Investment Bank Holdings B. V. (<i>note 2</i>)	171,900,000	54.06%

Notes:

- (1) The shares in Ultra Challenge 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, Madam Bu Dongmei, Mr. Yao Xiao Dong, Mr. Tang Bin, Mr. Wang Guang Xin, Mr. Zhang Renli, Mr. Li Jiancheng, Ms. Yue Shishuang, Mr. Li Yongchao and Mr. Sun Lianwen. None of these beneficiaries had an effective interest amounting to 10% or more of the issued share capital of the Company.

- (2) HSBC Holding plc, HSBC Finance (Netherlands), HSBC Holdings B.V., HSBC Investment Bank Holdings B. V. are holding companies of HSBC International Trust Limited and they are therefore interested and/or deemed to be interested through HSBC International Trustee Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests in shares capital” above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Subsequent to the period end, on 13th May, 2002, 70% of the entire beneficial interest under the trust held by Professor Li Min Qiang was disposed of to Mr. Wang Chaowen, Mr. Cheng Ze and Ms. Lu Yan Hong. On the same date, 90% of the entire beneficial interest under the trust held by Mr. Yao Xiao Dong was disposed of to Mr. Xiong Kai, Mr. Ye Ting, Mr. Han Tao and Mr. Ni Yue.

COMPETING INTEREST

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.

SPONSOR’S INTEREST

As at 31st March 2002, Pacific Top Holding Limited (“Pacific Top”), a fellow subsidiary of the Company’s sponsor, Oriental Patron Asia Limited (“Oriental Patron”), was interested in 8,100,000 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 interests in the share capital of the Company as at 31st March 2002.

Pursuant to the agreement dated 27th September 1999 entered into between the Company and Oriental Patron, Oriental Patron has received and will receive fees for acting as the Company’s retained sponsor for the period from 24th January 2000 to 31st December 2002.

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
Professor Kou Jisong
Chairman

Hong Kong, 14th May 2002

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* *For identification purposes only*