

THIRD QUARTER REPORT 2002



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)

** For identification purposes only*

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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.

HIGHLIGHTS

The Group's consolidated turnover for the nine months ended 30 September 2002 was increased by 10 times to HK\$58.4 million and the Group's operating loss before tax for the period was decreased by 75% to HK\$1.3 million, with the satisfactory results from the procurement and sales of parts and components of digital versatile disc players.

The Group's financial position is strong and its cash and bank balance was approximately HK\$30 million as at 30 September 2002.

QUARTERLY RESULTS (UNAUDITED)

The directors of China Data Broadcasting Holdings Limited (the "Company") announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 30 September 2002 with the comparative figures for the corresponding periods in 2001.

	Notes	For the three months ended 30 September,		For the nine months ended 30 September,	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	1	34,344	999	58,404	5,271
OPERATING LOSS BEFORE TAX		(389)	(3,308)	(1,298)	(5,151)
TAX	2	—	—	—	—
LOSS BEFORE MINORITY INTERESTS		(389)	(3,308)	(1,298)	(5,151)
Minority Interests		65	750	188	743
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(324)	(2,558)	(1,110)	(4,408)
Loss per share	3	(0.1 cents)	(0.8 cents)	(0.3 cents)	(1.4 cents)

Notes:

1. Turnover

Turnover represents the invoiced value of (i) data broadcasting hardware and software sold and related services rendered, net of value-added tax, business tax and government surcharges and after allowance for goods returned and trade discounted, and (ii) the parts and components of digital versatile disc players sold.

2. Tax

No provision for the income tax of the People's Republic of China (the "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 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 documents 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 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 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 2000 when it first became profitable.

The Group did not have any significant unprovided deferred tax liabilities in respect of the period.

3. Loss per share

The calculation of basic loss per share for the three months and nine months ended 30 September 2002 were based on the loss attributable to shareholders of HK\$324,000 (2001: HK\$2,558,000) for the three months ended 30 September 2002 and the loss attributable to shareholders of HK\$1,110,000 (2001: HK\$4,408,000) for the nine months ended 30 September 2002 and on 318,000,000 shares (2001: 318,000,000 shares) in issue during the three months and nine months ended 30 September 2002.

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

During the period, the Group continues to be engaged in the data broadcasting business in the PRC. In addition, the Group acts as a technical consultant and sourcing agent for parts and components of digital versatile disc players for a connected party (the "Services").

For the nine months period ended 30 September 2002, the Group's consolidated turnover was approximately HK\$58.4 million, representing a substantial increase by 10 times compared with the corresponding period last year. Loss attributable to shareholders amounted to HK\$1.1 million while the last corresponding period's loss was HK\$4.4 million. The improved Group's performance was mainly contributed by the broadened income base and considerable profits achieved in the provision of the Services - the related turnover and gross profit amounted to HK\$55.8 million and HK\$2.3 million, respectively.

As regards the data broadcasting business in the PRC, the Group faced the prevailing stagnant PRC stock market and the fierce market competition which resulted in the unsatisfactory results attained during the nine months ended 30 September 2002. The turnover derived from the sales of data broadcasting hardware and software and the provision of data broadcasting and related services decreased by 51% to HK\$2.6 million for the period, compared with the corresponding period in 2001, leading to the operating loss incurred for the period in this business segment.

The Group's financial position was strong as at 30 September 2002 - the cash balance was HK\$30 million whereas the total liabilities were HK\$7 million.

However, 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. In view of the technological advancement of the system in application for individual and commercial usages, the Group believe that the system will offer business opportunities to the Group in the near future.
2. The Group has begun the research and development of the high-speed broadband data broadcasting system based on the DVB technology.

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

In view of the broadened income base and considerable profits achieved by the provision for the Services during the period, the management is confident that it will build up a steady and considerable income stream to the Group in the coming months. In addition, the management is actively exploring another business opportunities for capitalization of our expertise on the digital information technology field to further broaden the income base for the interest of the Group.

As regards the data broadcasting business in the PRC, the management believes that the research and development is important in the long-term development. 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. 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 and to further consolidate its leading position in the data broadcasting industry.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 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	Number of issued ordinary shares of HK\$0.025 each in the Company				
	Personal Interests	Family Interests	Corporate Interests	Others Interests	Total Interests
Prof. Li Min Qiang	—	—	—	5,157,000(a)	5,157,000
Mr. Wang Guang Xin	—	—	—	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 and Madam Bu Dongmei. On 30 September 2002, Professor Li Min Qiang, Mr. Wang Guang Xin, and Madam Bu Dongmei are deemed to be interested in 5,157,000, 17,190,000, 17,190,000 shares, respectively, by virtue of their respective 3%, 10% and 10% interest under the trust.

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 24 October 2002, Professor Kou Jisong was appointed to be one of the successor trustee of the fixed trust after the cessation of HSBC International Trustee Limited to be the trustee on the same date. By virtue of this, Professor Kou Jisong is taken to be interested in 171,900,000 shares in the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Under the terms of the Company's share option scheme approved by the shareholders on 11 January 2000, the board of directors 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 be 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 24 January 2000. No options have been granted to the directors during the period under review or outstanding as at 30 September 2002.

Apart from the foregoing 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 30 September 2002, the following interests in the shares were recorded:

Name	Number of shares held	%
Ultra Challenge (note 1)	171,900,000	54.06%
HSBC International Trust Limited (note 1)	171,900,000	54.06%
HSBC Holdings plc (note 2)	171,900,000	54.06%
HSBC Finance (Netherlands) (note 2)	171,900,000	54.06%
HSBC Holdings B.V. (note 2)	171,900,000	54.06%
HSBC Investment Bank Holdings B.V. (note 2)	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. On 30 September 2002, the beneficiaries of the trust are Mr. Dong Jian Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong, Mr. Tang Bin, Mr. Wang Guang Xin, Mr. Zhang Renli, Mr. Li Jiancheng, Madam Bu Dongmei, Mr. Yue Shishuang, Mr. Li Yangchao, Mr. Sun Lianwen, Mr. Xiong Kai, Mr. Ye Ting, Mr. Han Tao, Mr. Ne Yue, Mr. Wang Chaowen, Mr. Cheng Ze and Ms Lu Yan Hong. 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" 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 17 October 2002, Apex Digital Inc. held 80,000,000 shares in the Company, representing 25.16% of the issued shares of the Company. On 24 October 2002, Professor Kou Jisong and Mr. Choi Kwok Yat were appointed as the successor trustees of the fixed trust after the cessation of HSBC International Trustee Limited to be the trustee on the same date. Since then, the shares in Ultra Challenge are held by Professor Kou Jisong and Mr. Choi Kwok Yat on terms of the fixed trust.

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 30 September 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 30 September 2002.

Pursuant to the agreement dated 27 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 24 January 2000 to 31 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, 13 November 2002