



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)

(Stock Code: 8016)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”) has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of The Stock Exchange of Hong Kong Limited and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by The Stock Exchange of Hong Kong Limited. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.*

* for identification purposes only

RESULTS

The board of directors of China Data Broadcasting Holdings Limited (the “Company”) is pleased to announce the audited financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
TURNOVER	<i>1</i>	22,928	28,927
Cost of goods sold		<u>(28,496)</u>	<u>(28,185)</u>
GROSS (LOSS)/PROFIT		(5,568)	742
Other income	<i>2</i>	22,426	144
Selling expenses		(1,087)	(956)
Administrative expenses		(6,256)	(8,547)
Other operating expenses		<u>(25,385)</u>	<u>(395)</u>
LOSS FROM OPERATIONS		(15,870)	(9,012)
Finance costs – interest expenses		<u>(251)</u>	<u>(354)</u>
LOSS BEFORE TAX		(16,121)	(9,366)
Tax	<i>4</i>	<u>(74)</u>	<u>16</u>
LOSS FOR THE YEAR	<i>5</i>	<u>(16,195)</u>	<u>(9,350)</u>
LOSS PER SHARE			
Basic	<i>6</i>	<u>(5.09 cents)</u>	<u>(2.94 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (Restated)
Non-current assets			
Fixed assets		<u>86</u>	<u>125</u>
Current assets			
Inventories		–	22,180
Trade receivables		–	4,666
Service deposits paid		–	5,616
Prepayments, deposits and other receivables		778	377
Due from substantial shareholders		67	–
Due from a director		–	390
Due from a subsidiary of a substantial shareholder		–	1,624
Bank and cash balances		<u>674</u>	<u>7,244</u>
		<u>1,519</u>	<u>42,097</u>
Current liabilities			
Trade payables		1,560	5,095
Accruals and other payables		4,303	3,366
Due to a director		23	–
Due to a substantial shareholder		–	21,847
Current tax liabilities		<u>4,928</u>	<u>4,928</u>
		<u>10,814</u>	<u>35,236</u>
Net current (liabilities)/assets		<u>(9,295)</u>	<u>6,861</u>
NET (LIABILITIES)/ASSETS		<u><u>(9,209)</u></u>	<u><u>6,986</u></u>
Capital and reserves			
Share capital		7,950	7,950
Reserves	7	<u>(17,159)</u>	<u>(964)</u>
TOTAL EQUITY		<u><u>(9,209)</u></u>	<u><u>6,986</u></u>

DISCLAIMER OF OPINION

An extract of the independent auditor's report to the shareholders is set out below:

“Basis for disclaimer of opinion

(1) Prior year's audit scope limitations

Our opinion on the financial statements of the Group for the year ended 31 December 2005 (the “2005 Financial Statements”) was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit, details of which are set out in our report of the auditors dated 31 August 2006. Accordingly, we were then unable to form an opinion as to whether the 2005 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2005 and of the results and cash flows of the Group for the year then ended.

Those scope limitations of last year which may affect the opening balances as at 1 January 2006 include insufficient information and explanation that we considered necessary for our audit and our limitation to determine whether proper books of accounts have been kept regarding the following items:

- (i) valuation of defective inventories;
- (ii) validity of professional fee and service deposits;
- (iii) recoverability of unsettled service deposit;
- (iv) validity of expenses charged by Apex Digital (Shanghai) Co., Ltd. (“Apex (Shanghai)”);
- (v) recoverability of amount due from Apex (Shanghai); and
- (vi) disclosure of contingent liabilities and, the completeness of expenses and amount due to Apex Digital Inc. (“ADI”) and related liabilities.

Any adjustments found to be necessary to the opening balances of the financial statements of the Group for the year ended 31 December 2006 would have a consequential effect on the net assets of the Group as at 31 December 2005, and of the results of the Group for the current year and prior year and the related disclosures thereof in the financial statements.

(2) Waiver of an amount due to a substantial shareholder

Pursuant to a waiver agreement (“Waiver Agreement”) among the substantial shareholders, Sichuan Changhong Electric Co., Limited (“Changhong”) and ADI, and an executive director of the Company, ADI agreed to waive an amount under the Waiver Agreement, of approximately HK\$22,254,000, due by the Group and a claim for a freight charge paid by ADI on behalf of the Group of approximately HK\$23.5 million which was disclosed as contingent liabilities in the Group’s financial statements of 2005. As the consideration of the aforesaid waivers, Changhong, in return, agreed to waive a receivable of approximately HK\$22,254,000 due from ADI as a partial settlement of a legal claim filed by Changhong against ADI to the United States District Court for certain disputed receivables. In view of the above, the Group recognised an income from waiver of the amount due to a substantial shareholder for the year ended 31 December 2006 and concluded no disclosures regarding the relevant contingent liabilities as at 31 December 2006 is required. The Waiver Agreement is governed by and construed in accordance with the Hong Kong law. We have not been provided with a legal opinion as to whether this agreement is enforceable in the United States of America regarding the clause of partial settlement of a legal claim filed in the United States District Court. As a result, we are unable to satisfy ourselves as to the proper recognition and disclosure of the income from the waiver of the amount due to a substantial shareholder for the year ended 31 December 2006 and the completeness of the disclosure of the contingent liabilities and amount due to the substantial shareholder as at 31 December 2006.

(3) Inventories written off

Included in the inventories written off of approximately HK\$10,822,000 for the year ended 31 December 2006 is an amount of approximately HK\$2,431,000 which represented short-shipped defective goods which could not be traced. We have not been provided with sufficient evidence for them to verify the completeness and existence of these short-shipped defective goods prior to the writing off of the inventories. As a result, we are unable to satisfy ourselves that the inventories of approximately HK\$2,431,000 written off and the inventories are properly recognised and disclosed and we are also unable to determine whether there are any unrecorded sales for the year ended 31 December 2006 and related receivables as at 31 December 2006.

(4) Agency fee expenses

Included in the selling expenses of the consolidated income statement for the year ended 31 December 2006 are agency fees paid to three sales agents with an aggregate amount of approximately HK\$942,000. We have not been provided with sufficient evidence to substantiate the validity of these expenses. As a result, we are unable to satisfy ourselves that the expenses are properly recognised and disclosed.

(5) Contingent liabilities

The Group had contingent liabilities relating to a claim for patent infringement. As the amount of damages claimed was not stated in the writ and the directors of the Company are unable to determine the extent of the claim and the related costs therefore, we have not been provided with sufficient evidence to determine the extent and possibility of the claim against the Group and whether any legal and professional fees should be provided for the year then ended. As a result, we are unable to satisfy ourselves as to the proper disclosure of the contingent liabilities and the completeness of expenses for the year ended 31 December 2006 and related liabilities as at 31 December 2006.

(6) Going concern

The Group incurred a loss of approximately HK\$16,195,000 for the year ended 31 December 2006 and had net current liabilities and net liabilities of approximately HK\$9,295,000 and HK\$9,209,000 respectively as at 31 December 2006. In addition, as a result of the limitation as set out in point (5) above concerning the uncertain outcome of the contingent liabilities relating to a claim for patent infringement, the future settlement of this claim may have an effect on the net liabilities of the Group as at 31 December 2006, and the results of the Group for the year then ended. However, it is not possible at this stage to quantify the effects, if any, of the resolution of this uncertainty.

The above-mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon financial support of a substantial shareholder of the Company, Changhong, at a level sufficient to finance the working capital requirements of the Group. Changhong has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The financial statements do not include any adjustments that would result from the failure to the going concern basis. We consider that the material uncertainty has been adequately disclosed in the financial statements.

However, we have not been provided with sufficient evidence to satisfy ourselves as to whether the going concern basis made by the directors in preparing the financial statements on a going concern basis are appropriate. Accordingly, we were unable to satisfy ourselves as to the appropriateness of the going concern basis, which may have a consequential significant effect on the results of the Group for the year and the net liabilities of the Group as at 31 December 2006.

Any adjustments or changes relating to the above matters may affect the Group's ability to continue to operate as going concern.

We have not been able to carry out alternative procedures to satisfy ourselves as to the matters set out above.

Any adjustments to the above matters might have a significant consequential effect on the net liabilities as at 31 December 2006, the net results for the year and the related disclosures in the financial statements.

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2006 and the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards, In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

CORPORATE GOVERNANCE REPORT

The Company has applied most of the Principles and complied with most of the Code Provisions as far as possible and practicable. An explanation for any deviations is adhered.

CHAIRMAN AND MANAGING DIRECTOR

Code Provision A.2.1 stipulates that the roles of Chairman and Managing Director should be separated and should not be performed by the same individual.

Mr. David JI Long Fen held both positions before 11 November 2006. After that Mr. YU Xiao was appointed as chairman and Mr. TANG Yun was appointed as managing director. Despite the aforesaid, the Board will review such arrangement from time to time.

INDEPENDENT NON-EXECUTIVE DIRECTORS

There is no independent non-executive director appointed up to 31 December 2006. On 12 February 2007, the Company appointed Mr. Jonathan CHAN Ming Sun, Mr. Robert IP Chun Chung and Mr. SUN Dongfeng as independent non-executive directors to comply with Rule 5.05 of the GEM Listing Rules.

The term of appointment is a twelve month service agreement with a fixed amount per annum.

REMUNERATION COMMITTEE

The Code Provision B.1.1 requires the establishment of a remuneration committee with specific written terms of reference.

The Company has not established a remuneration committee up to 31 December 2006, the board of the directors was authorised by the shareholders at annual general meeting to fix the remuneration of the directors whereas a director shall abstain from voting in respect of any remuneration and fees paid to his interest. On 14 February 2007, the Company has set up a remuneration committee in order to comply with the Code Provision.

Note:

1. TURNOVER

Turnover represents the invoiced value of goods sold and after allowances for goods returned and trade discounts. Revenue recognised during the year is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Gross amount	23,563	53,466
Less: Goods returned	<u>(635)</u>	<u>(24,539)</u>
Net amount	<u>22,928</u>	<u>28,927</u>

2. OTHER INCOME

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest income	121	138
Waiver of an amount due to a substantial shareholder	22,254	–
Others	<u>51</u>	<u>6</u>
	<u>22,426</u>	<u>144</u>

3. SEGMENT INFORMATION

(a) Business segments

The Group has been operating in a single business segment, that is trading of consumer electronic products and the related parts and components.

(b) Geographical segments

The following is an analysis of the Group's sales by geographical location of customers:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Europe	12,826	6,389
United States of America ("USA")	5,237	19,593
India	3,128	–
Hong Kong	906	552
People's Republic of China ("PRC")	<u>831</u>	<u>2,393</u>
Total	<u>22,928</u>	<u>28,927</u>

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located:

	Segment assets	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,484	13,504
USA	121	28,718
	<hr/>	<hr/>
Total	1,605	42,222
	<hr/> <hr/>	<hr/> <hr/>

The following is an analysis of capital expenditure, analysed by the geographical area in which the assets are located:

	Capital expenditure	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	4	2
	<hr/> <hr/>	<hr/> <hr/>

4. TAX

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current tax	58	–
– Under/(Over)-provision in prior years	10	(16)
Elsewhere		
– Current	<u>6</u>	<u>–</u>
	<u>74</u>	<u>(16)</u>

Hong Kong Profits Tax has been provided at a rate of 17.5% on the estimated assessable profit for the year ended 31 December 2006. No Provision for Hong Kong Profits Tax has been made for the year ended 31 December 2005 as the Group did not generate any assessable profits arising in Hong Kong during that year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof for the year ended 31 December 2006. No provision for elsewhere Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2005.

A reconciliation of the tax expense/(credit) applicable to loss before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	Hong Kong		USA		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
(Loss)/Profit before tax	<u>(16,231)</u>		<u>110</u>		<u>(16,121)</u>	
Tax at the statutory tax rate	(2,841)	(17.5)	47	42.8	(2,794)	(17.3)
Income not subject to tax	(3,899)	(24.0)	–	–	(3,899)	(24.2)
Expenses not deductible for tax	4,914	30.2	2	1.8	4,916	30.5
Deferred tax assets not recognised	62	0.4	–	–	62	0.4
Tax losses not recognised	1,822	11.2	–	–	1,822	11.3
Under-provision in prior year	10	0.1	–	–	10	0.1
Utilisation of tax losses not previously recognised	<u>–</u>	<u>–</u>	<u>(43)</u>	<u>(39.0)</u>	<u>(43)</u>	<u>(0.3)</u>
Income tax expense	<u>68</u>	<u>0.4</u>	<u>6</u>	<u>5.6</u>	<u>74</u>	<u>0.5</u>

2005

	Hong Kong		USA		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Loss before tax	<u>(6,383)</u>		<u>(2,983)</u>		<u>(9,366)</u>	
Tax at the statutory tax rate	(1,117)	(17.5)	(1,278)	(42.8)	(2,395)	(25.6)
Income not subject to tax	(5)	(0.1)	–	–	(5)	(0.1)
Expenses not deductible for tax	515	8.1	1,239	41.5	1,754	18.7
Deferred tax assets not recognised	27	0.4	–	–	27	0.3
Tax losses not recognised	580	9.1	39	1.3	619	6.7
Overprovision in prior years	<u>(16)</u>	<u>(0.3)</u>	<u>–</u>	<u>–</u>	<u>(16)</u>	<u>(0.2)</u>
Income tax credit	<u>(16)</u>	<u>(0.3)</u>	<u>–</u>	<u>–</u>	<u>(16)</u>	<u>(0.2)</u>

At the balance sheet date, the following unused tax losses have not been recognised as deferred tax assets:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unused tax losses	<u>16,727</u>	<u>6,424</u>

Deferred tax assets have not recognised in respect of the above item due to the unpredictability of future profit streams. Included in the above unused tax losses are losses of HK\$ Nil (2005: HK\$115,000) that will expire after ten years from the year of assessment they relate to. Other unused tax losses may be carried forward indefinitely.

5. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Cost of inventories sold	28,496	28,185
Depreciation	43	575
Exchange losses, net	33	18
Minimum lease payments under operating leases in respect of land and buildings	683	463
Auditor's remuneration	800	600
Staff costs (including directors' remuneration):		
Salaries and related staff costs	2,636	1,882
Pension scheme contributions	36	51
	<u>2,672</u>	<u>1,933</u>

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of approximately HK\$16,195,000 (2005: HK\$9,350,000), and the weighted average number of ordinary shares of 318,000,000 (2005: 318,000,000) in issue during the year.

No diluted loss per share is presented for the year ended 31 December 2006 as the Company did not have any dilutive potential ordinary shares in existence during the year.

No diluted loss per share has been presented for the year ended 31 December 2005 because the trading of the Company's shares on the Stock Exchange of the Hong Kong Limited (the "Stock Exchange") has been suspended since 28 December 2004 and there is no market price of the Company's shares during the year ended 31 December 2005 and the directors considered there is no appropriate basis to ascertain the fair value of the Company's shares.

7. RESERVES

	Share premium	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2005	28,537	(20,151)	8,386
Loss for the year	<u>—</u>	<u>(9,350)</u>	<u>(9,350)</u>
At 31 December 2005 and at 1 January 2006	28,537	(29,501)	(964)
Loss for the year	<u>—</u>	<u>(16,195)</u>	<u>(16,195)</u>
At 31 December 2006	<u><u>28,537</u></u>	<u><u>(45,696)</u></u>	<u><u>(17,159)</u></u>

8. CONTINGENT LIABILITIES

On 12 June 2006, Koninklijke Philips Electronics N.V. and United States Philips Corporation issued a writ of summons ("Summons") to the United States District Court, Central District of California, against eight parties, including the Company, two subsidiaries of the Company Apex Digital Inc. Limited and Apex Digital, LLC, an executive director of the Company, Mr. David Ji Long Fen, an ex-executive director of the Company, Mr. Anle HSU Ann Keh, a substantial shareholder, ADI, a beneficial shareholder, United Delta Inc., and an individual (collectively known as the "Defendants"). ADI verbally agreed to appoint a legal representative and handle the legal claim on behalf of the Group. The Defendants were claimed against damages for patent infringement for the distribution of unlicensed DVD products within the USA. Nevertheless, the amount of the claim was not stated in the Summons. Up to the date of this report, the directors of the Company are not aware of the extent of the claim and any legal and professional fees incurred and paid by ADI on its behalf. Therefore, the directors are unable to estimate the liability under the claim and the relevant costs at this stage.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Company and its subsidiaries (the “Group”) engaged in sourcing and procurement business in the consumer electronic industry (the “Procurement Business”). Due to fierce competition in the consumer electronic market and the decrease in confidence of the economy of the USA for the products, the Group has accomplished revenue of approximately HK\$22.9 million and a net loss of approximately HK\$16.2 million for the year ended 31 December 2006.

The Group’s financial position was still good as at 31 December 2006 and the cash and bank balance was approximately HK\$674,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s financial and liquidity positions are not as well as prior year but still fairly healthy and stable. As at 31 December 2006, the Group has no borrowings and its cash and bank balances amounted to approximately HK\$674,000. The Group’s net current liabilities approximate to HK\$9.3 million and the Group does not have any charges on its assets. The management is confident that the Group’s financial resources are sufficient to finance the daily operation.

The Group’s monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is pegged, together with the minimal fluctuation in the exchange rate between Hong Kong dollars and Renminbi, the Group believes its exposure to exchange risk is minimal.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2006, the total number of the Group’s staff was 10. The total staff costs amounted to approximately HK\$2.7 million for the year under review. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund.

The Group established a Share Options Scheme to reward its employees for their individual performance. As at 31 December 2006, there were no outstanding share options. During the year under review, no share option had been granted nor exercised.

OUTLOOK

The Board believes that when the business set back on the track, the Procurement Business in the consumer electronic industry will build up a steady and considerable income stream of the Group. As the economy of Hong Kong becomes well, the management put more resources to explore further business opportunities in the consumer electronic industry, such as trading of finished goods/parts and components of televisions, DVD players, digital cameras, game consoles and other products. The Board is confident that the business relating to the consumer electronic products will be better in the near future.

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2006, the interests and short positions of the Directors in the ordinary Shares of the Company (the “Shares”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Number of Shares	Capacity	Type of Interest	Approximate percentage of interest
Mr. David Ji Long Fen (“Mr. Ji”) (notes a, b and c)	69,829,340	Interest of a controlled corporation	Corporate	21.96
	57,700,000	Beneficial owner	Personal	18.14

Notes:

- (a) Apex Digital Inc., (“Apex Digital”) is controlled by Mr. Ji and United Delta Inc., (“United Delta”), a private corporation incorporated in the USA which is wholly owned by Mr. Ji as at 31 December 2006. Accordingly, Mr. Ji is deemed to be interested in the 69,829,340 shares owned by Apex Digital.
- (b) In addition to Mr. Ji’s deemed interest in the 69,829,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 127,590,340 shares.
- (c) On 2 March 2007, Sichuan Investment Management Company Limited bought 69,829,340 shares and 13,180,000 shares from Apex Digital and Mr. Ji representing approximately 21.96% and 4.14% respectively at the consideration of HKD0.72 per share. After that, the total number of shares held by Mr. Ji has decreased to 44,520,000 representing approximately 14% of the Company’s shares.

Save as disclosed in this paragraph, as at 31 December 2006, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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 minor children, 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. No options have been granted to the directors up to the date of this report.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

So far as was known to any Director or chief executive of the Company, as at 31 December 2006, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholder	Capacity	Number of Shares	Approximate percentage of interest %
Sichuan Changhong Electric Co. Limited	Beneficial owner	95,368,000	29.99
Apex Digital (<i>note (a) and (d)</i>)	Beneficial owner	69,829,340	21.96
United Delta (<i>note (a) and (d)</i>)	Interest of a controlled corporation	69,829,340	21.96
Mr. Ji (<i>notes (a), (b) and (d)</i>)	Interest of a controlled corporation	69,829,340	21.96
	Beneficial owner	57,700,000	18.14
Ms. Liu Ru Ying (<i>note (c) and (d)</i>)	Family interest	127,529,340	40.10
Mr. Xu Gao Hui	Beneficial owner	22,350,000	7.03

Notes:

- (a) Apex Digital is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA which is wholly owned by Mr. Ji as at 31 December 2006. Accordingly, Mr. Ji is deemed to be interested in the 69,829,340 shares owned by Apex Digital.
- (b) In addition to Mr. Ji's deemed interest in the 69,829,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 127,529,340 shares.
- (c) Ms. Liu Ru Ying is the spouse of Mr. Ji. and, under Section 316 of the SFO, is therefore deemed to be interested in all 127,529,340 shares in which Mr. Ji is interested.

- (d) On 2 March 2007, Sichuan Investment Management Company Limited bought 69,829,340 shares and 13,180,000 shares from Apex Digital and Mr. Ji representing approximately 21.96% and 4.14% respectively at the consideration of HKD0.72 per share. After that, the total number of shares held by Mr. Ji has decreased to 44,520,000 representing approximately 14% of the Company's shares.

Save as disclosed above, as at 31 December 2006, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTEREST

Apex Digital was founded by Mr. Ji and Mr. Hsu Ann Keh ("Mr. Hsu"), a present executive director and a former director of the Company, and is controlled by Mr. Ji and United Delta, which is equally owned by Mr. Ji and Mr. Hsu before 10 April 2006. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital".

On 10 April 2006, Mr. Hsu disposed all interest in Apex Digital and United Delta to Mr. Ji.

Save as disclosed above, 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 year under review.

AUDIT COMMITTEE

There is no independent non-executive director appointed up to 31 December 2006. On 12 February 2007, the Company appointed 3 candidates as audit committee members to comply with the GEM Listing Rules.

All of independent non-executive directors resigned on 20 December 2004 due to personal reasons and at the date of this report, the Company still has no independent non-executive directors. Therefore, the Company does not have an audit committee to review and supervise the Group's financial reporting procedures and internal control since their resignation.

COMPLIANCE WITH CODE OF BEST PRACTICE

To the best knowledge of the Board, the Company had complied with the Code of Best Practice as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited except for the insufficient independent non-executive directors and the absence of the audit, nomination and remuneration committees.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTING SECURITIES

During the year 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

Yu Xiao

Chairman

Hong Kong, 25 July 2007

As at the date of this announcement, the Company's executive directors are Mr. David Ji Long Fen, Mr. Xiang Chao Yang, Mr. Du Jun, Mr Tang Yun, Mr Yu Xiao and Mr Wang Zhenhua and the independent non-executive directors of the Company are Mr. Jonathan Chan Ming Sun, Mr. Robert Jp Chun Chung and Mr. Sun Dongfeng.

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