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**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)

- (1) CONNECTED TRANSACTION AND VERY SUBSTANTIAL ACQUISITION**
- (2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION**
- (3) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE SHARES**
- (4) APPLICATION FOR WHITEWASH WAIVER**
- (5) POSSIBLE CONTINUING CONNECTED TRANSACTIONS**
- (6) PROPOSED CHANGE OF COMPANY NAME**
- (7) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**
- (8) PROPOSED ADOPTION OF NEW BYE-LAWS**
- (9) RESUMPTION OF TRADING**

**Financial adviser to the Company**



**招商證券(香港)有限公司**  
**CHINA MERCHANTS SECURITIES (HK) CO., LTD.**

\* For identification only

## SUMMARY

### **Conditional sale and purchase of the entire issued share capital of Target Co BVI**

On 28 March 2012 (after trading hours), the Company as purchaser, Fit Generation as vendor and Changhong (Hong Kong) Trading as guarantor entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase from Fit Generation, and Fit Generation has conditionally agreed to sell to the Company, the entire issued share capital of Target Co BVI, at a total consideration of HK\$2,012,868,000, to be settled in full by the allotment and issue of the New Ordinary Shares and the New Convertible Preference Shares. Changhong (Hong Kong) Trading, being the holding company of Fit Generation, has agreed to guarantee the obligations of Fit Generation under the Acquisition Agreement.

Through the acquisition of the entire issued share capital of Target Co BVI, the Company will indirectly (through its 100 per cent. shareholding of Target Co BVI which in turn holds 100 per cent. of Changhong (Hong Kong) Enterprises, the parent company of Changhong IT) acquire 90 per cent. of the equity interest of Changhong IT. The Target Group is a key player in the IT products distribution business in the PRC, principally engaged in the distribution of IT consumer and corporate products in the PRC. The Target Group distributes a variety of IT enterprise and IT consumer hardware and software in the PRC. IT consumer products distributed by the Target Group mainly include personal computers, digital products and information technology accessories while IT corporate products distributed by the Target Group mainly include storage products, minicomputers, networking products, personal computer servers, IBMS Products and UC&CC Products. The Target Group also provides ancillary IT services to its customers in association with the distribution of IT corporate products. Apart from IT consumer and corporate products, the Target Group is also engaged in the distribution of smartphones and development of its own brand products including but not limited to mobile location-based service products and provision of IT technical support services.

The New Ordinary Shares will be issued as fully paid and will rank pari passu in all respects with the Ordinary Shares in issue at the date of completion of the Acquisition. The Conversion Shares will be issued upon conversion of the New Convertible Preference Shares as fully paid and will rank pari passu in all respects with the Ordinary Shares in issue as at the date of conversion. The conversion rights of Fit Generation shall only be exercised to the extent that immediately following the conversion of the New Convertible Preference Shares, the Company is able to meet the public float requirement under the GEM Listing Rules.

The New Ordinary Shares will represent approximately 40.42 per cent. of the existing issued share capital of the Company and approximately 5.75 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of the New Ordinary Shares and the Conversion Shares.

Upon conversion of all the New Convertible Preference Shares, an aggregate of 1,877,868,000 Conversion Shares, representing approximately 562.24 per cent. of the existing issued share capital of the Company and approximately 80.02 per cent. of the issued share capital of the Company as enlarged by the allotment and issue of the New Ordinary Shares and the Conversion Shares.

The total market value of the New Ordinary Shares and the New Convertible Preference Shares is HK\$3,502,390,320, by reference to the closing price of HK\$1.74 per Ordinary Share as quoted on the Stock Exchange on 28 March 2012, being the last trading day immediately prior to the suspension of trading in the Ordinary Shares.

Completion of the sale and purchase of the entire issued share capital of Target Co BVI is conditional upon fulfillment of a number of conditions precedent.

### **Connected transaction and very substantial acquisition**

The transaction contemplated in the Acquisition Agreement constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules as Fit Generation is an indirect wholly-owned subsidiary of Sichuan Changhong (which is a substantial shareholder of the Company) and hence a connected person of the Company.

The transaction contemplated in the Acquisition Agreement also constitutes a very substantial acquisition by the Company under Chapter 19 of the GEM Listing Rules as the calculation of the assets, profits, revenue and consideration ratios (as defined in the GEM Listing Rules) are all over 100 per cent.

The transaction contemplated in the Acquisition Agreement is therefore subject to the approval of the Independent Shareholders (by way of poll) under the GEM Listing Rules. Sichuan Changhong and its associates will abstain from voting on the resolution for approving the Acquisition Agreement at the SGM.

### **Reverse takeover and new listing application**

**In addition, the transaction contemplated in the Acquisition Agreement constitutes a reverse takeover for the Company under Rule 19.06(6)(b) of the GEM Listing Rules** as such transaction constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and at the same time involves an acquisition of assets from Fit Generation (an indirect wholly-owned subsidiary of Sichuan Changhong) within 24 months of Sichuan Changhong gaining control (as defined under the Takeovers Code) of the Company.

Accordingly, under Rule 19.54 of the GEM Listing Rules, the Company will be treated as if it were a new listing applicant. Such transaction is therefore also subject to the approval by the Listing Committee of the Stock Exchange of the New Listing Application to be made by the Company. The New Listing Application must comply with all the requirements under the GEM Listing Rules, in particular, the requirements under Chapters 11 and 12 of the GEM Listing Rules. None of the relevant materials regarding the New Listing Application have, as at the date of this announcement, been submitted to the Stock Exchange, and the Company will initiate the new listing application process as soon as practicable. **The Listing Committee of the Stock Exchange may or may not grant its approval of the New Listing Application. If such approval is not granted, the Acquisition Agreement will lapse and the sale and purchase of the entire issued share capital of Target Co BVI will not proceed.**

### **Proposed grant of specific mandate to issue Shares**

Under the Acquisition Agreement, the Company will issue a total of 135,000,000 New Ordinary Shares and 1,877,868,000 New Convertible Preference Shares to Fit Generation as full settlement of the consideration of the purchase of the entire issued share capital of Target Co BVI.

The Company will seek the grant of a specific mandate from the Independent Shareholders to allot and issue new Ordinary Shares to satisfy the allotment and issue of the New Ordinary Shares, the New Convertible Preference Shares and the Conversion Shares.

### **Takeovers Code implications and application for Whitewash Waiver**

As at the date of this announcement, the Sichuan Changhong Concert Party Group owns approximately 33.34 per cent. of the existing issued share capital of the Company. Immediately following the allotment and issue of the New Ordinary Shares to Fit Generation, the shareholding of the Sichuan Changhong Concert Party Group will increase from 33.34 per cent. to approximately 52.53 per cent. of the enlarged issued share capital of the Company (after issuance of the New Ordinary Shares but before the conversion of the New Convertible Preference Shares). Immediately following the allotment and issue of the Conversion Shares, the shareholding of the Sichuan Changhong Concert Party Group will further increase to approximately 90.51 per cent. of the enlarged issued share capital of the Company (upon conversion of the New Convertible Preference Shares and the issuance of the Conversion Shares).

Under Rule 26.1 of the Takeovers Code, the Sichuan Changhong Concert Party Group would be required to make an unconditional mandatory general offer for all the issued Ordinary Shares not already owned or agreed to be acquired by the Sichuan Changhong Concert Party Group, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

An application will therefore be made by the Sichuan Changhong Concert Party Group to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, amongst others, the approval of the Independent Shareholders by way of poll. The Sichuan Changhong Concert Party Group and associates (as defined under the Takeovers Code) of Sichuan Changhong and Shareholders who are involved in, or interested in the Acquisition and the Whitewash Wavier will abstain from voting on the resolutions for approving the Acquisition and the Whitewash Waiver at the SGM.

**The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Acquisition Agreement will lapse and the sale and purchase of the entire issued share capital of Target Co BVI will not proceed.**

### **Possible Continuing Connected Transactions**

Upon completion of the Acquisition, members of the Target Group will become subsidiaries of the Company. The Target Group has historically been involved and will continue to be involved in transactions with the Sichuan Changhong Group, which transactions will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules as Sichuan Changhong will continue to be a connected person of the Company upon completion of the Acquisition.

The Company may (on behalf of the Enlarged Group) enter into the Framework Agreement(s) with Sichuan Changhong in order to set out the basis upon which members of the Enlarged Group will, after completion of the Acquisition, continue to engage in transactions with the Sichuan Changhong Group as part of the Enlarged Group's business.

Accordingly, if the percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the caps for any of the Continuing Connected Transactions do not fall under the exemptions in Rules 20.33 and 20.34 of the GEM Listing Rules, such Continuing Connected Transactions will be subject to the approval of the Independent Shareholders under the GEM Listing Rules.

Sichuan Changhong and its associates will abstain from voting on the resolution for approving those Continuing Connected Transactions which are subject to the approval of the Independent Shareholders at the SGM. Details of the Continuing Connected Transactions and the Framework Agreement(s) (which are expected to be entered into on or around the time before the Circular is to be despatched) will be disclosed in the Circular. The Company will also make the necessary announcement in compliance with the GEM Listing Rules when it has entered into the Framework Agreement(s).

### **Proposed change of name**

The Directors propose that conditional upon completion of the Acquisition, the English name of the Company be changed to "Changhong Jiahua Holding Limited" and the Chinese name of the Company (adopted for identification only) be changed to "長虹佳華控股有限公司".

### **Proposed increase in authorised share capital**

As at the date of this announcement, the authorised share capital of the Company is HK\$30,000,000, consisting of 1,200,000,000 Ordinary Shares of HK\$0.025 each, of which 334,000,000 Ordinary Shares are in issue. The Board proposes to increase the authorised share capital of the Company to HK\$200,000,000, comprising 5,000,000,000 Ordinary Shares of HK\$0.025 each and 3,000,000,000 New Convertible Preference Shares of HK\$0.025 each.

## **Proposed adoption of a new set of Bye-Laws**

The Board proposes to adopt a new set of Bye-Laws of the Company for the following reasons: (1) to incorporate the rights, privileges and restrictions of the New Convertible Preference Shares, which are summarised in the section headed “The New Convertible Preference Shares” in this announcement; (ii) to take into account amendments to the GEM Listing Rules introduced by the Stock Exchange, some of which took effect on 1 January 2012 and on 1 April 2012; and (iii) to take into account amendments of the Companies Act 1981 of Bermuda pursuant to the Companies Amendment (No. 2) Act 2011 in Bermuda which became operative on 18 December 2011. Further details of the proposed new Bye-Laws will be set out in the Circular to be despatched to the Shareholders.

## **General**

China Merchants Securities (HK) Co., Limited has been appointed as the financial adviser to the Company in relation to the Acquisition.

The appointment of TC Capital as the independent financial adviser has been approved by the Independent Board Committee and TC Capital will advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated in the Acquisition Agreement, the Whitewash Waiver and the possible non-exempt Continuing Connected Transactions and voting recommendation on the resolutions regarding these matters.

**The sale and purchase of the entire issued share capital of Target Co BVI is conditional and may or may not proceed. In particular, the Listing Committee of the Stock Exchange may or may not approve the New Listing Application, and the Executive may or may not grant the Whitewash Waiver. Accordingly, Shareholders and prospective investors are reminded to exercise extreme caution when trading in the securities of the Company.**

## **EXPECTED DATE OF DESPATCH OF THE CIRCULAR AND APPLICATION FOR WAIVER FROM STRICT COMPLIANCE WITH THE TAKEOVERS CODE AND THE GEM LISTING RULES**

Under Rule 8.2 of the Takeovers Code, the Company is required to despatch to Shareholders a circular in respect of, amongst others, the terms of the Acquisition and the Whitewash Waiver within 21 days from the date of publication of this announcement, that is, on or before 14 May 2012.

In view of the process that is required in connection with the New Listing Application and given that additional time is required for the preparation of, among other things, the unaudited proforma consolidated financial statements of the Enlarged Group as a result of completion of the Acquisition for inclusion in the Circular, it is expected that more time may be needed for the preparation of the Circular.



As such, the Company will apply to the Executive pursuant to Rule 8.2 of the Takeovers Code for its consent to extend the time limit for the despatch of the Circular and the Company will make further announcement on the expected date of despatch of the Circular.

### **Suspension and resumption of trading**

At the request of the Company, trading in the Ordinary Shares on the Stock Exchange was suspended from 9.00 a.m. on 29 March 2012 pending the release of this announcement. The Company has made an application to the Stock Exchange for a resumption of trading in the Ordinary Shares on the Stock Exchange with effect from 9:00 a.m. on 24 April 2012.

## **(I) THE ACQUISITION AGREEMENT**

### **(1) The Acquisition Agreement**

#### ***Date***

28 March 2012 (after trading hours)

#### ***Parties***

- 1 The Company, as purchaser;
- 2 Fit Generation, as vendor; and
- 3 Changhong (Hong Kong) Trading, as guarantor.

#### ***Subject matter***

The Acquisition Agreement sets out the terms and conditions upon which the Company has conditionally agreed to purchase from Fit Generation, and Fit Generation has conditionally agreed to sell to the Company, the entire issued share capital of Target Co BVI, at a total consideration of HK\$2,012,868,000, to be settled as to HK\$135,000,000 by the allotment and issue of 135,000,000 New Ordinary Shares at an issue price of HK\$1.00 per New Ordinary Share and as to HK\$1,877,868,000 by the allotment and issue of 1,877,868,000 New Convertible Preference Shares at an issue price of HK\$1.00 per New Convertible Preference Share to Fit Generation. Changhong (Hong Kong) Trading, being the holding company of Fit Generation, has agreed to guarantee the obligations of Fit Generation under the Acquisition Agreement.

The consideration has been arrived at after arms' length negotiations between the parties having regard to, amongst others, the price-to-earnings ratio of approximately 10 times (which is similar to the average price-to-earnings ratio of approximately 11.04 times of companies listed in Hong

Kong whose principal activities are similar to the present business of the Group and the Target Group) based on the audited consolidated net profit of Changhong IT and its subsidiaries after taxation and extraordinary items for the financial year ended 31 December 2011, the financial and operational track record of the Target Group, the prospects of the industry in which the Target Group operates in, the rationale for the Acquisition, and the benefits to the Group following the completion of the Acquisition as mentioned in the paragraph headed “Reasons for and benefits of the Acquisition” below.

## **(2) Conditions**

Completion of the Acquisition is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) each of the covenants, agreements and obligations of Fit Generation to be performed and complied with on or prior to the Completion Date in accordance with the Acquisition Agreement having been duly performed or complied with in all respects on or before Completion Date;
- (ii) the warranties given by Fit Generation and the Company under the Acquisition Agreement being true and accurate and not misleading in all material respects on and as of the Completion Date, as though they had been given and made on such date by reference to the facts and circumstances then subsisting;
- (iii) the approval by the Independent Shareholders at the SGM by way of a poll of (i) the Acquisition; (ii) the proposal for grant of the specific mandate to allot and issue the New Ordinary Shares, the New Convertible Preference Shares and the Conversion Shares; (iii) the Whitewash Waiver; and (iv) the non-exempt Continuing Connected Transactions and the proposed annual caps on the value of such transactions in accordance with the requirements of the GEM Listing Rules;
- (iv) if applicable, the approval of the transaction contemplated in the Acquisition Agreement being obtained from the sole shareholder of the Guarantor in accordance with the applicable laws and the requirements of the Shanghai Stock Exchange or other supervisory or regulatory body to which the Guarantor is subject;
- (v) in respect of the Target Group, all necessary licences, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications (if any) which are required and appropriate for the execution and performance of the Acquisition Agreement and the transaction contemplated under the Acquisition Agreement having been obtained or made from or to relevant third parties and/or governmental or regulatory authorities or bodies, and not having been revoked prior to completion of the Acquisition;
- (vi) the approval in principle of the Listing Committee of the Stock Exchange of the New Listing Application and the grant of the Whitewash Waiver by the Executive being obtained by the Company;

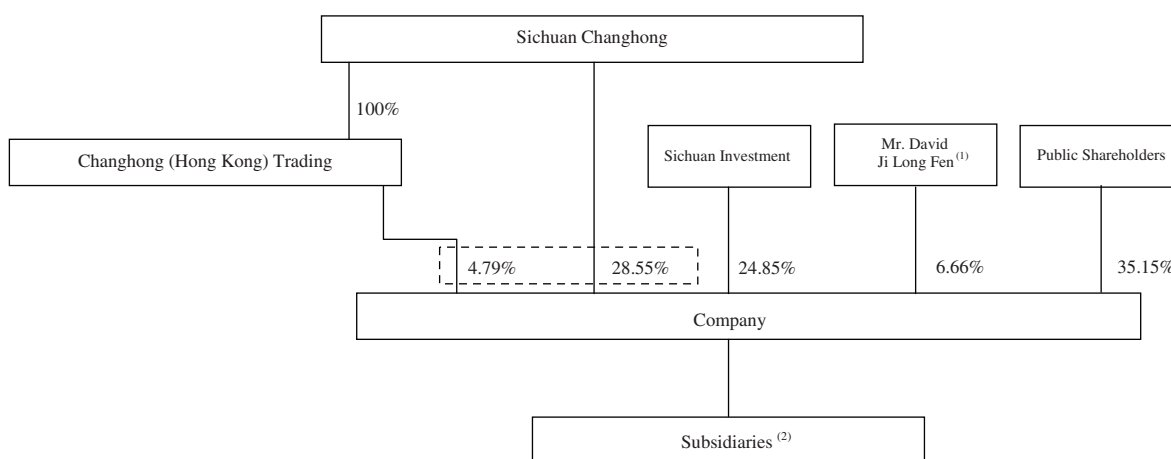


- (vii) the Listing Committee of the Stock Exchange agreeing to grant (subject to allotment) the listing of, and permission to deal in, the New Ordinary Shares and the Conversion Shares (and such permission and listing not subsequently being revoked);
- (viii) between the date of the Acquisition Agreement and the Completion Date, no event or series of events shall have occurred which has had or would reasonably be expected to have a material adverse effect (as defined in the Acquisition Agreement) on the Target Group; and
- (ix) no person having instituted or threatened any action or investigation to restrain, prohibit or otherwise challenge the transaction contemplated by the Acquisition Agreement.

The above conditions are required to be fulfilled (or, waived as the case may be) on or before the Long Stop Date. The Company may waive conditions (i), (ii) (in respect of the warranties given by Fit Generation only), (v) and (viii) and Fit Generation may waive condition (ii) (in respect of warranties given by the Company only). If the above conditions have not been satisfied or waived on or before such date, save as expressly provided in the Acquisition Agreement, the Acquisition Agreement shall lapse, and neither the Company nor Fit Generation shall have any claim against the other, save for any claim arising from the breach by any party of its obligation to fulfill the relevant conditions precedent. None of the above conditions has been satisfied as at the date of this announcement.

### (3) Shareholding Structure

**Chart 1: The shareholding structure of the Group before completion of the Acquisition**



*Notes:*

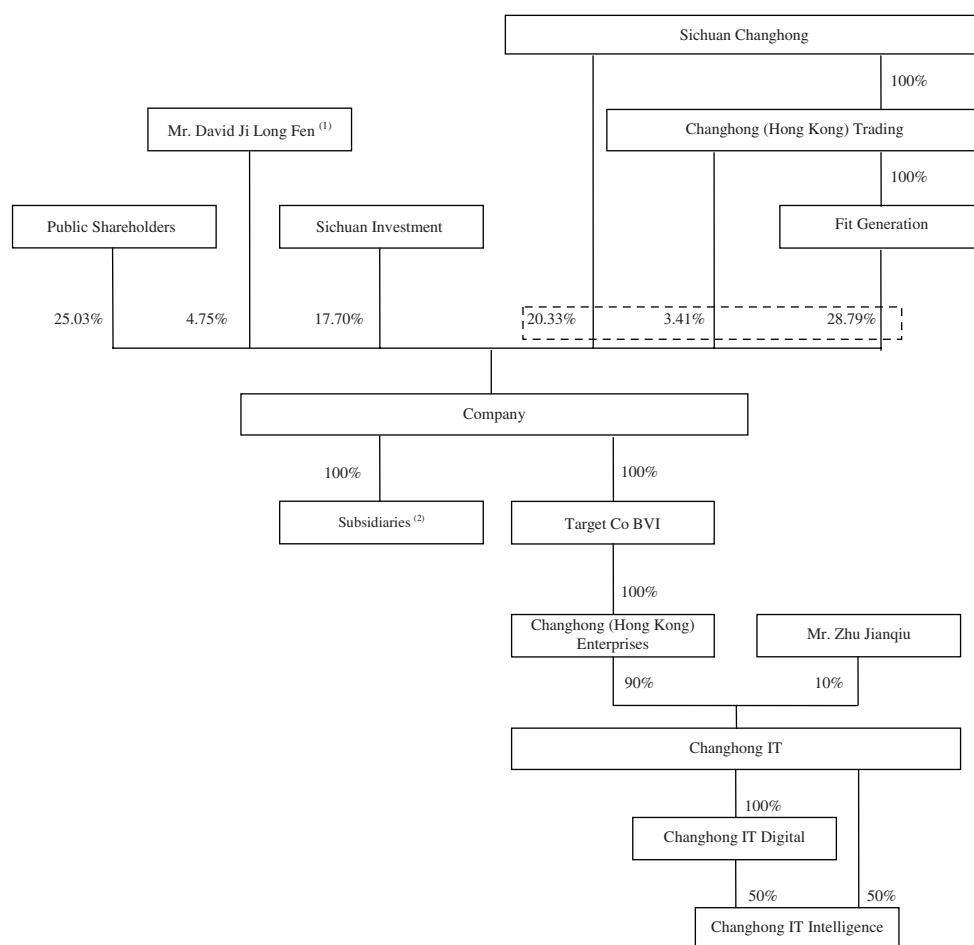
- (1) Mr. David Ji Long Fen is an executive Director of the Company.
- (2) As at the date of this announcement, the subsidiaries of the Company comprise Apex Honour Resources Limited (investment holding), Apex Digital Inc. (inactive), Changhong Overseas Development Limited (trading of consumer electronic products and related parts and components), Apex Digital, LLC (inactive) and Apex Digital Inc. Limited (trading of consumer electronic products and related parts and components).

#### (4) Completion

Completion of the Acquisition is expected to take place on the fifth Business Day from and excluding the day on which the last of the conditions set out in sub-paragraph (2) above have been satisfied or waived (as the case may be) or such time, date and place as may be mutually agreed by the Company and Fit Generation.

Following completion of the Acquisition, Target Co BVI will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group. The shareholding structure of the Group and the Target Group immediately after completion of the Acquisition is illustrated below:

**Chart 2: Assuming that the New Ordinary Shares have been issued but none of the New Convertible Preference Shares has been converted into the Conversion Shares**

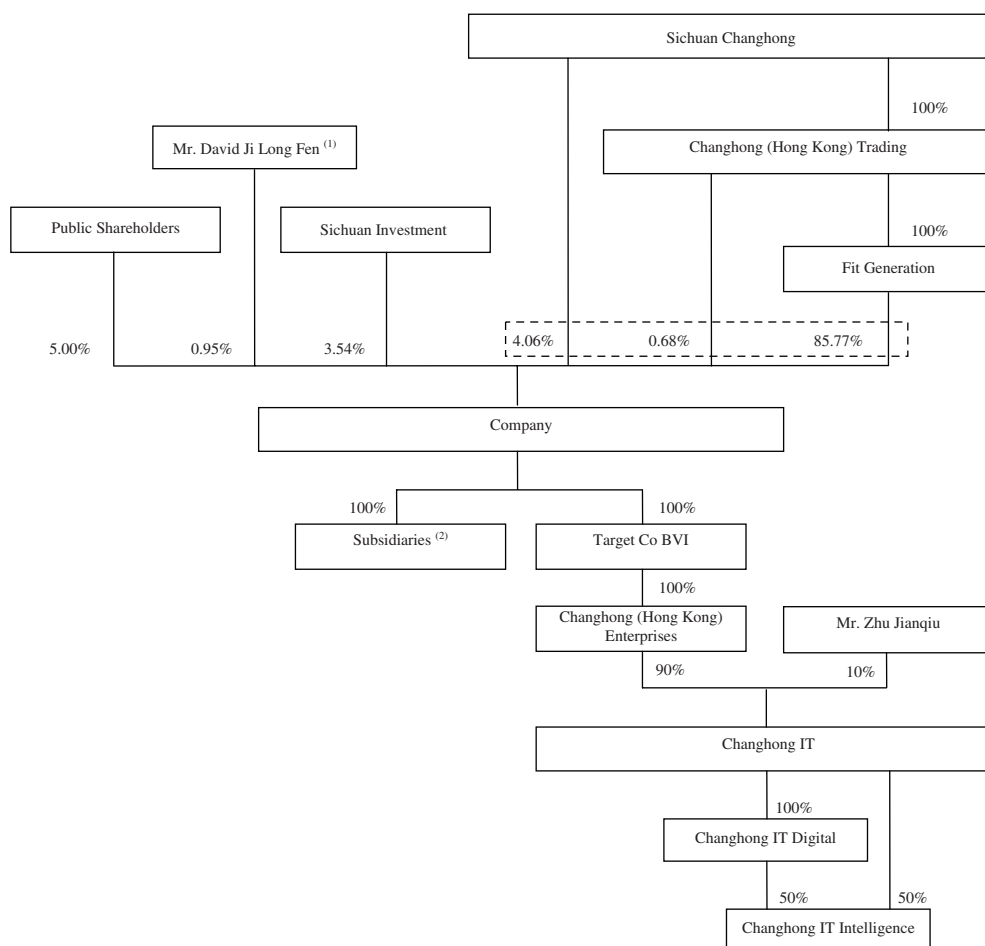


*Notes:*

(1) Please refer to note (1) under Chart 1 above.

(2) Please refer to note (2) under Chart 1 above.

**Chart 3: Assuming that the New Ordinary Shares have been issued and all the New Convertible Preference Shares have been converted into the Conversion Shares**



*Notes:*

(1) Please refer to note (1) under Chart 1 above.

(2) Please refer to note (2) under Chart 1 above.

**The sale and purchase of the entire issued share capital of Target Co BVI is conditional and may or may not proceed. Accordingly, Shareholders and prospective investors are reminded to exercise extreme caution when trading in the securities of the Company.**

## **(II) INFORMATION ON THE NEW ORDINARY SHARES AND THE NEW CONVERTIBLE PREFERENCE SHARES**

### **(1) The New Ordinary Shares**

The New Ordinary Shares will be issued as fully paid and will rank pari passu in all respects with the Ordinary Shares in issue at the Completion Date. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Ordinary Shares.

The price at which the New Ordinary Shares are to be issued to satisfy part of the total consideration under the Acquisition Agreement was determined after arm's length negotiations between the Company and Fit Generation with reference to, among other factors, the financial position of the Group, the historical trading volume of the Ordinary Shares on GEM, the historical trading prices of the Ordinary Shares on GEM and the consolidated net asset value of the Group per Ordinary Share as at 31 December 2011. The issue price of HK\$1.00 per New Ordinary Share represents:

- (i) a discount of approximately 42.53 per cent. to HK\$1.74, the closing price of the Ordinary Shares on the Stock Exchange on 28 March 2012, being the last trading day immediately prior to the suspension of trading in the Ordinary Shares;
- (ii) a discount of approximately 42.53 per cent. to HK\$1.74, the average closing price of the Ordinary Shares on the Stock Exchange for the last 10 full trading days prior to the suspension of trading in the Ordinary Shares;
- (iii) a discount of approximately 42.86 per cent. to approximately HK\$1.75, the average closing price of the Ordinary Shares on the Stock Exchange for the last 30 full trading days prior to the suspension of trading in the Ordinary Shares; and
- (iv) a premium of approximately 614.29 per cent over approximately HK\$0.14, the audited consolidated net asset value of the Group per Ordinary Share as at 31 December 2011.

The total market value of the New Ordinary Shares is HK\$234,900,000 by reference to the closing price per Ordinary Share quoted on the Stock Exchange of HK\$1.74 per Ordinary Share as at 28 March 2012, being the last trading day immediately prior to the suspension of trading in the Ordinary Shares.

## **(2) The New Convertible Preference Shares**

The key terms of the New Convertible Preference Shares are as follows:

“Par Value”	HK\$0.025
“Issue Price”	HK\$1.00 per New Convertible Preference Share
“Ranking”	Save as expressly provided in the Bye-laws, each New Convertible Preference Share shall have the same rights as each Ordinary Share. The Company may issue, without obtaining the consent of the holder(s) of the New Convertible Preference Shares, shares ranking senior and in priority to or pari passu with the New Convertible Preference Shares as regards order of the participation in profits or assets and carrying such rights as to rates of dividend, voting, redemption, conversion, exchange or otherwise as the Directors may determine, or as the Company may by ordinary resolution determine.
“Dividend”	Each New Convertible Preference Share shall confer on the holder thereof the right to receive dividend pari passu with holders of shares of any other class in the capital of the Company which rank pari passu with the New Convertible Preference Shares in regard to the right to receive dividends but otherwise in priority to any other class of shares in the capital of the Company from time to time.
“Redemption”	The New Convertible Preference Shares shall be non-redeemable.
“Conversion Right”	<p>The holder(s) of the New Convertible Preference Shares shall have the right to convert any New Convertible Preference Shares into Conversion Shares at any time during the Conversion Period at the Conversion Price.</p> <p>If the issue of Conversion Shares following the exercise of the conversion rights relating to any of the New Convertible Preference Shares held by such holder would result in the Company not meeting the public float requirement under the GEM Listing Rules immediately after the conversion, then the number of Conversion Shares to be issued pursuant to such conversion shall be reduced to the maximum number of Conversion Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of</p>

such public float requirement and the balance of the conversion rights attached to the New Convertible Preference Shares which the holder sought to convert shall be suspended until such time when the Company is able to issue additional Conversion Shares in satisfaction of the exercise of the said balance of conversion rights and at the same time comply with the public float requirement. In the event that the foregoing shall affect the exercise of the conversion right of any holder, the Company shall use reasonable endeavours to procure that there will be a sufficient number of Ordinary Shares in public hands so that all New Convertible Preference Shares suspended from conversion may be converted to the fullest extent as soon as practicable without causing the Company to breach the public float requirement.

Each holder of the New Convertible Preference Shares exercising its conversion right thereunder shall comply with all applicable provisions of the Takeovers Code.

“Conversion Period”

Any time after the date of issue of the New Convertible Preference Shares.

“Conversion Price”

The Conversion Price is the issue price of each New Convertible Preference Share, subject to adjustment upon the occurrence of certain prescribed events (including the consolidation, sub-division or reclassification of shares in the capital of the Company, and the capitalization of profits or reserves), but provided that the Conversion Price shall not be less than the then subsisting nominal value of the Conversion Share into which the relevant New Convertible Preference Shares is converted. If any adjustment is required to be made to the Conversion Price, an announcement will be made by the Company.

The holder of the New Convertible Preference Shares is not required to pay any additional consideration for the conversion of the New Convertible Preference Shares on top of the issue price of HK\$1.00.

“Transferability”

The New Convertible Preference Shares may be assigned or transferred by the holder thereof provided that the holder thereof shall give prior written notice to the Company and the Stock Exchange in accordance with applicable rules and regulations where the assignee or transferee is a connected person of the Company.



“Voting rights”

The holder(s) of the New Convertible Preference Shares will not be entitled to attend or vote at any general meeting of the Company by reason only of his/her being the holder(s) of New Convertible Preference Shares, unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the New Convertible Preference Shares.

The Company will, subject to Shareholders’ approval, adopt a new set of Bye-laws to, amongst others, incorporate the terms of the New Convertible Preference Shares. The new Bye-laws will be in compliance with the relevant laws of Bermuda, and the new Bye-laws will also comply with the requirements under Appendix 3 and Appendix 11 to the GEM Listing Rules.

The price at which the New Convertible Preference Shares are to be issued was determined after arm’s length negotiations between the Company and Fit Generation with reference to, among other factors, the financial position of the Group, the historical trading volume of the Ordinary Shares on GEM, the historical trading prices of the Ordinary Shares on GEM and the consolidated net asset value of the Group per Ordinary Share as at 31 December 2011. The issue price of HK\$1.00 per New Convertible Preference Share represents:

- (i) a discount of approximately 42.53 per cent. to HK\$1.74, the closing price of the Ordinary Shares on the Stock Exchange on 28 March 2012, being the last trading day immediately prior to the suspension of trading in the Ordinary Shares;
- (ii) a discount of approximately 42.53 per cent. to HK\$1.74, the average closing price of the Ordinary Shares on the Stock Exchange for the last 10 full trading days prior to the suspension of trading in the Ordinary Shares;
- (iii) a discount of approximately 42.86 per cent. to approximately HK\$1.75, the average closing price of the Ordinary Shares on the Stock Exchange for the last 30 full trading days prior to the suspension of trading in the Ordinary Shares; and
- (iv) a premium of approximately 614.29 per cent over approximately HK\$0.14, the audited consolidated net asset value of the Group per Ordinary Share as at 31 December 2011.

The total market value of the New Convertible Preference Shares is HK\$3,267,490,320 by reference to the closing price per Ordinary Share quoted on the Stock Exchange of HK\$1.74 per Ordinary Share as at 28 March 2012, being the last trading day immediately prior to the suspension of trading in the Ordinary Shares.

No application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of the New Convertible Preference Shares. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

### (3) Effects of the issue of the New Ordinary Shares and Conversion Shares on the shareholding structure of the Company

Details of the shareholding structure of the Company under different scenarios before and after completion of the Acquisition are set out below (assuming that the issued share capital of the Company will remain unchanged before the completion of the Acquisition):

	As at the date of this announcement		Immediately after the allotment and issue of the New Ordinary Shares but before conversion of any New Convertible Preference Shares		Immediately after the allotment and issue of the New Ordinary Shares and after the conversion of the New Convertible Preference Shares with a minimum public float of 25% (Note 3)		Immediately after full conversion of the New Convertible Preference Shares (This scenario will never happen and this column is set out for illustration purpose only) (Note 3)	
	Number of Ordinary Shares held	Approximate percentage of total issued share capital	Number of Ordinary Shares held	Approximate percentage of total issued share capital	Number of Ordinary Shares held	Approximate percentage of total issued share capital	Number of Ordinary Shares held	Approximate percentage of total issued share capital
Sichuan Changhong (Note 5)	95,368,000	28.55%	95,368,000	20.33%	95,368,000	20.32%	95,368,000	4.06%
Changhong (Hong Kong) Trading	16,000,000	4.79%	16,000,000	3.41%	16,000,000	3.41%	16,000,000	0.68%
Fit Generation	–	–	135,000,000	28.79%	135,450,640	28.85%	2,012,868,000	85.77%
Sichuan Changhong Concert Party Group (including Fit Generation) (Note 4)	111,368,000	33.34%	246,368,000	52.53%	246,818,640	52.58%	2,124,236,000	90.51%
Sichuan Investment (Note 6)	83,009,340	24.85%	83,009,340	17.70%	83,009,340	17.68%	83,009,340	3.54%
Mr. David Ji Long Fen (Notes 1 and 2)	22,260,000	6.66%	22,260,000	4.75%	22,260,000	4.74%	22,260,000	0.95%
Public	117,362,660	35.15%	117,362,660	25.02%	117,362,660	25.00%	117,362,660	5.00%
<b>Total</b>	<b>334,000,000</b>	<b>100%</b>	<b>469,000,000</b>	<b>100%</b>	<b>469,450,640</b>	<b>100%</b>	<b>2,346,868,000</b>	<b>100%</b>

Notes:

1. Mr. David Ji Long Fen is an executive Director of the Company.
2. Ms. Liu Rui Ying is the spouse of Mr. David Ji Long Fen and under Section 316 of the SFO, is therefore deemed interested in all the 22,260,000 Ordinary Shares in which Mr. David Ji Long Fen is interested.
3. The holder(s) of the New Convertible Preference Shares shall have the right to convert any New Convertible Preference Shares into Conversion Shares at any time during the Conversion Period at the Conversion Price. If the issue of Conversion Shares following the exercise of the conversion rights relating to any of the New Convertible Preference Shares held by such holder would result in the Company not meeting the public float requirement under the GEM Listing Rules immediately after the conversion, then the number of Conversion Shares to be issued pursuant to such conversion shall be reduced to the maximum number of Conversion Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of such public float requirement and the balance of the conversion rights attached to the New Convertible Preference Shares which the holder sought to convert shall be suspended until such time when the Company is able to issue additional Conversion Shares in satisfaction of the exercise of the said balance of conversion rights and at the same time comply with the public float requirement under the GEM Listing Rules.
4. In view of the concert party presumption between Sichuan Changhong and Sichuan Investment, an application was made to the SFC and on 17 April 2012, the SFC confirmed that the ruling issued on 18 March 2011 regarding the successful rebuttal of the presumption under the Takeovers Code that Sichuan Investment is a party acting in concert with Sichuan Changhong remain unchanged.

In view of the confirmation from the SFC, Sichuan Investment should not be regarded as a party presumed to be acting in concert with Sichuan Changhong for purposes of the Acquisition.

5. As of the date of this announcement, Sichuan Changhong, the issued A-shares of which are listed on the Shanghai Stock Exchange (stock code: 600839.SH), was held as to 23.19 per cent. by 四川長虹電子集團有限公司 (Sichuan Changhong Electric Group Co., Ltd) (“SCEG”). The entire interest in SCEG in turn is held by 綿陽市國有資產監督管理委員會 (Mianyang Municipality State-owned Assets Supervision and Administration Commission) which is also the administrative authority for SCEG. The members of the Mianyang Municipality State-owned Assets Supervision and Administration Commission are appointed by the Mianyang Municipality People’s Government.

Sichuan Changhong has confirmed that there has not been any business dealings, financial or otherwise, between itself and Sichuan Investment.

Each of the Company and Sichuan Changhong has also confirmed that Sichuan Investment was not involved nor consulted in the negotiations in relation to or in connection with the Acquisition save that Sichuan Investment is aware of the Acquisition through Ms. Shi Ping, its nominee on the Board. Ms. Shi Ping is an executive Director.

Save as disclosed above, there is no relationship between Sichuan Changhong, Sichuan Investment and their respective ultimate beneficial owners.

6. Sichuan Investment is an asset management company and is principally engaged in investment in technology-related business. As at the date of this announcement, Sichuan Investment is wholly owned by 四川省投資集團有限公司 (Sichuan Provincial Investment Group Co., Ltd) (“SPIG”). The entire interest in SPIG is owned by 四川省國有資產監督管理委員會 (Sichuan Province State-owned Assets Supervision and Administration Commission) which is also the administrative authority for SPIG. The members of the Sichuan Province State-owned Assets Supervision and Administration Commission are appointed by the Sichuan Province People’s Government.

Sichuan Investment has also confirmed that there has not been any business dealings, financial or otherwise, between itself and Sichuan Changhong.

Save as disclosed above, there is no relationship between Sichuan Changhong, Sichuan Investment and their respective ultimate beneficial owners.

#### (4) Dilution effect

Given that the issue of the Conversion Shares will have a dilutive effect on the shareholding interest of the Shareholders, the Company will keep the Shareholders informed of all relevant details relating to any conversion of the New Convertible Preference Shares through the next day disclosure return(s) and monthly return(s) announcement(s) as required under Rule 17.27A and Rule 17.27B of the GEM Listing Rules respectively as and when required.

### (III) INFORMATION ON THE TARGET GROUP

#### Shareholding structure

Fit Generation is an investment holding company incorporated with limited liability in the BVI on 28 March 2011. As at the date of this announcement, Fit Generation has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each and an issued share capital of US\$2.00 comprising 2 ordinary shares of US\$1.00 each.

Target Co BVI is an investment holding company incorporated with limited liability in the BVI on 28 March 2011. As at the date of this announcement, the Target Co BVI has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each and an issued share capital of US\$2.00 comprising 2 ordinary shares of US\$1.00 each.

As at the date of this announcement, Target Co BVI owns the entire issued share capital of Changhong (Hong Kong) Enterprises which is an investment holding company incorporated in Hong Kong on 1 June 2011. As at the date of this announcement, Changhong (Hong Kong) Enterprises has an authorised share capital of HK\$20,000 divided into 20,000 ordinary shares of HK\$1.00 each and an issued share capital of HK\$10,001 comprising 10,001 ordinary shares of HK\$1.00 each.

As at the date of this announcement, Changhong (Hong Kong) Enterprises holds 90 per cent. of the equity interest of Changhong IT with the remaining 10 per cent. held by Mr. Zhu Jianqiu, the managing director of Changhong IT.

Save as disclosed above, none of Target Co BVI and Changhong (Hong Kong) Enterprises have any other material assets or business.

The 10 per cent. equity interest of Changhong IT held by Mr. Zhu Jianqiu is subject to an employee dividend incentive plan that was approved by 綿陽市國有資產監督管理委員會 (Mianyang Municipality State-Owned Assets Supervision and Administration Commission) and was implemented by Changhong IT in 2006 (the “**Incentive Plan**”) pursuant to which certain members of the management team and employees of Changhong IT approved by the board of Changhong IT are entitled to receive dividends and distributions, declared, paid or made, if any, on such 10 per cent. of the equity interest of Changhong IT (the “**Management and Employees’ Interest**”).

As at 31 December 2011, there are 298 beneficiaries (including Mr. Zhu Jianqiu) under the Incentive Plan, who are entitled to receive dividends declared, paid or made, if any, on 9.8055 per cent. of the equity interest of Changhong IT. Changhong IT has reserved the right to use the dividends declared, paid or made on the remaining 0.1945 per cent. equity interest for future use under the Incentive Plan.

Under the terms of the Incentive Plan, Mr. Zhu Jianqiu has undertaken that: (a) in the event of the initial public offering or listing of Changhong IT on any stock exchange in the PRC or overseas, and (b) the Management and Employees' Interest is permitted to be transferred without limitations by the applicable laws and regulations, he shall transfer such equity interest of Changhong IT to the relevant members of the management team and employees of Changhong IT, in accordance with the existing applicable PRC laws and regulations.

Mr. Zhu Jianqiu is a director of Sichuan Changhong Electric (Group) Limited which has an approximate 23 per cent equity interest in Sichuan Changhong as at the date of this announcement.

Other than Mr. Zhu Jianqiu, the beneficiaries under the Incentive Plan do not have any prior business or other relationship with the Company and its connected persons.

Changhong IT (formerly known as Sichuan Changhong Zarva Information Technology Products Co., Ltd.) is a company established under the laws of the PRC on 13 October 2004 with limited liability and its paid-up registered capital as at the date of this announcement is RMB200,000,000.

Changhong IT holds two subsidiaries, namely Changhong IT Digital and Changhong IT Intelligence. Changhong IT Digital is a company established under the laws of the PRC with limited liability on 12 August 2008 and its paid-up registered capital as at the date of this announcement is RMB50,000,000. Changhong IT Intelligence is a company established under the laws of the PRC with limited liability on 3 November 2010 and its paid-up registered capital as at the date of this announcement is RMB50,000,000 which was contributed by Changhong IT and Changhong IT Digital in equal proportion.

The original purchase cost paid by the Sichuan Changhong Group for Changhong IT is RMB180,000,000.

### **Business of the Target Group**

The Target Group is a key player in the IT products distribution business in the PRC, principally engaged in the distribution of IT consumer and corporate products in the PRC. The Target Group distributes a variety of IT enterprise and IT consumer hardware and software in the PRC. IT consumer products distributed by the Target Group mainly include personal computers, digital products and information technology accessories while IT corporate products distributed by the Target Group mainly include storage products, minicomputers, networking products, personal

computer servers, IBMS Products and UC&CC Products. The Target Group also provides ancillary IT services to its customers in association with the distribution of IT corporate products. Apart from IT consumer and corporate products, the Target Group is also engaged in the distribution of smartphones and development of its own brand products including but not limited to mobile location-based service products and provision of IT technical support services.

The Target Group's major customers include sub-distributors. The Target Group also sells IT corporate products to end-users, such as enterprises, government authorities, financial institutions, health authorities, and railway companies in the PRC.

The Target Group has been the authorized distributor of certain IT products in the PRC for up to 7 years. As of 31 December 2011, the Target Group had 28 authorized distributorships of IT products in the PRC, mainly on a non-exclusive basis.

As of 31 December 2011, the Target Group has presence in over 15 cities in the PRC, such as Beijing, Shanghai and Chengdu. This coupled with its network of sub-distributors built up over the years in the PRC enabled the Target Group to benefit from having access to a larger base of end-users for the IT products that it sells.

In the IT products market in the PRC, competition follows a surge in popularity for a certain IT product. Once a certain IT product is rapidly gaining in popularity, various brand owners would follow the trend and produce functionally identical or slightly differentiated products. This causes problems of homogeneity and fierce competition in: pricing, advertising, promotions in distribution and at the end-user market.

Competition is not represented solely by product and technology portfolios. IT products distributors regard service differentiation as a strategy to build a distinguished brand image and achieve a competitive advantage. The underlying changes and development of IT services present a great opportunity for differentiation.

Cost control is critical to every IT products distributor because prices are transparent and end customers are price sensitive, especially for IT consumer products. Relationships or bargaining power with the brand owner, order management, inventory management, logistics management and channel resources can directly affect their capability for cost control.

### **Financial Information of Changhong IT and its subsidiaries**

According to the audited consolidated accounts of Changhong IT and its subsidiaries for the financial year ended 31 December 2011 which were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, the audited consolidated net asset value of Changhong IT and its subsidiaries as at 31 December 2011 was approximately RMB504,504,000. According to the audited consolidated accounts of Changhong IT and its subsidiaries prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, for the two financial



years ended 31 December 2010 and 31 December 2011, the audited consolidated net profit of Changhong IT and its subsidiaries before taxation and extraordinary items were approximately RMB179,805,000 and approximately RMB257,783,000, respectively, and the audited combined net profit of Changhong IT and its subsidiaries after taxation and extraordinary items were approximately RMB128,463,000 and approximately RMB182,416,000, respectively.

**Shareholders and potential investors are reminded to exercise extreme caution in interpreting the financial information of the Target Group and when trading in the securities of the Company in reliance on the financial information set out in this announcement.**

#### **(IV) INFORMATION ABOUT THE GROUP**

The Company is an investment holding company. It was incorporated under the laws of Bermuda on 22 September 1999. The Ordinary Shares have been listed on GEM of the Stock Exchange from 24 January 2000 (stock code: 8016).

The existing principal business activity of the Group is the trading of consumer electronic products and related parts and components.

#### **(V) REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Group is a key player in the IT products distribution business in the PRC, principally engaged in the distribution of IT consumer and corporate products. The Target Group is an authorised distributor of IT consumer and corporate products for certain renowned brands suppliers in the PRC. These authorized distributorship enables the Target Group to have a stable supply of IT products for its distribution to sub-distribution and end-user customers.

The Group is expected to benefit from the Acquisition in the following principal aspects:

- (i) increase the scale of operations and strengthen its business and financial strength, thereby better positioning the Group for future business development and operations;
- (ii) expand the business segments and products distributed by the Group to reach more diversified markets, in order to reduce its business fluctuations; and
- (iii) increase the Group's competitiveness in the information technology industry.

For the above reasons, the Directors (excluding all the independent non-executive Directors, who will give their opinion based on the recommendation from TC Capital) are of the view that the terms under the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

## **(VI) INTENTIONS OF SICHUAN CHANGHONG REGARDING THE ENLARGED GROUP**

Upon completion of the Acquisition, Sichuan Changhong Concert Party Group as a whole will remain the controlling shareholder of the Company. Sichuan Changhong intends to continue the principal businesses of the Enlarged Group after completion of the Acquisition and to maintain the listing status of the Company on GEM.

Upon completion of the Acquisition, Sichuan Changhong will conduct a review on the business operations and financial position of the Enlarged Group for the purpose of formulating business plans and strategies for the future business development of the Enlarged Group. Subject to the results of the review and should suitable investment or business opportunities arise, Sichuan Changhong may consider diversifying the business of the Enlarged Group with the objectives of broadening its income source and achieving accretion in returns to Shareholders.

As at the date of this announcement, Sichuan Changhong does not have any plan or target for the diversification of the business of the Enlarged Group nor has it or any of its subsidiaries entered into any agreement or fixed any terms with the Enlarged Group in relation to any possible diversification of the Enlarged Group's businesses.

Neither Fit Generation (the vendor) nor Sichuan Changhong has any intention to appoint any new Directors to the Company or change the board composition upon completion of the Acquisition. As at the date of this announcement, Sichuan Changhong has no intention to re-deploy the employees or the fixed assets of the Enlarged Group and the Company has no intention of nor has it entered into any agreement, undertaking or arrangement to dispose of or discontinue its existing business. Sichuan Changhong and the Company will comply with the relevant requirements under the GEM Listing Rules and the Takeovers Code in the event any possible diversification of the Enlarged Group's business operations materializes after completion of the Acquisition.

## **(VII) GEM LISTING RULES IMPLICATIONS**

### **Connected transaction and very substantial acquisition**

The entire issued share capital of Target Co BVI is held by Fit Generation which is an indirect wholly-owned subsidiary of Sichuan Changhong (which is a substantial shareholder of the Company) and hence a connected person of the Company.

The transaction contemplated in the Acquisition Agreement constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules as the calculation of the assets, profits, revenue and consideration ratios (as defined under the GEM Listing Rules) are all over 100 per cent.

The transaction contemplated in the Acquisition Agreement is therefore subject to the approval of the Independent Shareholders (by way of poll) under the GEM Listing Rules. Sichuan Changhong and its associates will abstain from voting on the resolution for approving the Acquisition.

## **Reverse takeover and new listing application**

**In addition, the transaction contemplated in the Acquisition Agreement constitutes a reverse takeover for the Company under Rule 19.06(6)(b) of the GEM Listing Rules**, as such transaction constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and at the same time involve an acquisition of assets from Fit Generation (an indirect wholly-owned subsidiary of Sichuan Changhong) within 24 months of Sichuan Changhong gaining control (as defined under the Takeovers Code) of the Company.

The entire issued share capital of Target Co BVI is held by Fit Generation whose entire issued share capital is held by Changhong (Hong Kong) Trading. The entire issued share capital of Changhong (Hong Kong) Trading is in turn held by Sichuan Changhong. On 12 May 2011, Sichuan Changhong (through its wholly-owned subsidiary Changhong (Hong Kong) Trading) increased its shareholding in the Company from 29.99 per cent. to 33.34 per cent. following Changhong (Hong Kong) Trading's subscription of 16,000,000 Ordinary Shares in the Company and would for purposes of the Takeovers Code be taken to have gained control of the Company following such subscription.

Accordingly, under Rule 19.54 of the GEM Listing Rules, the Company will be treated as if it were a new listing applicant. The Acquisition is therefore also subject to the approval of the Listing Committee of the Stock Exchange in view of the New Listing Application to be made by the Company. The New Listing Application is required to comply with all the requirements under the GEM Listing Rules, in particular the requirements under Chapters 11 and 12 of the GEM Listing Rules. None of the relevant materials regarding the New Listing Application have, as at the date of this announcement, been submitted to the Stock Exchange, and the Company will initiate the new listing application process as soon as practicable.

**The Listing Committee of the Stock Exchange may or may not grant its approval of the New Listing Application. If such approval is not granted, the Acquisition Agreement will lapse and the sale and purchase of the entire issued share capital of Target Co BVI will not proceed.**

## **(VIII) TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER**

As at the date of this announcement, the Sichuan Changhong Concert Party Group owns approximately 33.34 per cent. of the existing issued share capital of the Company.

Given that Sichuan Changhong Concert Party Group and Sichuan Investment each owns more than 20 per cent. of the voting rights in the Company, Sichuan Investment and Sichuan Changhong were presumed to be parties acting in concert as they are associated companies in relation to the Company for purposes of the Takeovers Code.

In view of the concert party presumption between Sichuan Changhong and Sichuan Investment, an application was made to the SFC and on 17 April 2012, the SFC confirmed that the ruling issued on 18 March 2011 regarding the successful rebuttal of the presumption under the Takeovers Code that Sichuan Investment is a party acting in concert with Sichuan Changhong remain unchanged.

In view of the confirmation from the SFC, Sichuan Investment should not be regarded as a party presumed to be acting in concert with Sichuan Changhong for purposes of the Acquisition.

Accordingly, Sichuan Investment will be entitled to vote on the resolutions approving the Acquisition, the possible non-exempt Continuing Connected Transactions and the Whitewash Waiver at the SGM.

Immediately following the allotment and issue of New Ordinary Shares to Fit Generation (an indirect wholly-owned subsidiary of Sichuan Changhong), the shareholding of the Sichuan Changhong Concert Party Group will increase from 33.34 per cent. to approximately 52.53 per cent. of the enlarged issued share capital of the Company (after issuance of the New Ordinary Shares, but before conversion of the New Convertible Preference Shares) and further to 90.51 per cent. of the enlarged issued share capital of the Company (upon conversion of the New Convertible Preference Shares and issuance of the Conversion Shares).

Under Rule 26.1 of the Takeovers Code, the Sichuan Changhong Concert Party Group would be required to make an unconditional mandatory general offer for all the issued Ordinary Shares not already owned or agreed to be acquired by the Sichuan Changhong Concert Party Group, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

An application will therefore be made by the Sichuan Changhong Concert Party Group to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders by way of poll. The Sichuan Changhong Concert Party Group and its associates (as defined under the Takeovers Code) and Shareholders who are interested in or involved in the Acquisition and the Whitewash Waiver will abstain from voting on the resolutions for approving the Acquisition and the Whitewash Waiver.

Since the Sichuan Changhong Concert Party Group will hold more than 50 per cent. of the issued share capital of the Company immediately after completion of the Acquisition, it would be able to acquire additional Ordinary Shares without triggering an obligation to make a mandatory general offer under the Takeovers Code if the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the SGM.

**The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Acquisition Agreement will lapse and the sale and purchase of the entire issued share capital of Target Co BVI will not proceed.**

Sichuan Changhong has confirmed that as at the date of this announcement:

- (a) neither itself nor persons acting in concert with it has dealt in any Ordinary Shares, options, warrants or convertible securities of the Company or any derivatives in respect of such securities in the six months prior to the date of this announcement;
- (b) neither itself nor persons acting in concert with it has entered into any outstanding derivative in respect of securities in the Company;
- (c) neither itself nor persons acting in concert with it has entered into any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Ordinary Shares or shares of any of the members of the Sichuan Changhong Concert Party Group which might be material to the Acquisition or the Whitewash Waiver;
- (d) neither itself nor persons acting in concert with it has entered into any agreements or arrangements which relate to the circumstances in which it or persons acting in concert with it may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition or the Whitewash Waiver;
- (e) neither itself nor persons acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (f) save for its 33.34% interest in the issued share capital of the Company as at the date of this announcement (held as to 28.55% directly and as to 4.79% indirectly, through Changhong (Hong Kong) Trading), neither itself nor persons acting in concert with it owns, controls or directs the voting rights and rights over any Ordinary Shares nor holds any convertible securities, warrants or options in the Company; and
- (g) neither itself nor persons acting in concert with it has received any irrevocable commitment from any Independent Shareholders that they will vote in favour of the resolutions approving the Acquisition and the Whitewash Waiver at the SGM.

#### **(X) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE SHARES**

Under the Acquisition Agreement, the Company will issue a total 135,000,000 New Ordinary Shares and 1,877,868,000 New Convertible Preference Shares to Fit Generation in full settlement of the total consideration for the purchase of the entire issued share capital of Target Co BVI. The Company will seek the grant of a specific mandate from the Independent Shareholders to allot and issue the New Ordinary Shares, the New Convertible Preference Shares and the Conversion Shares.

## **(XI) POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

Upon completion of the Acquisition, members of the Target Group will become subsidiaries of the Company. The Target Group has historically been involved and will continue to be involved in transactions with the Sichuan Changhong Group.

On-going provision of research and development services, sale and purchase of products and leasing of premises (collectively, the “**Continuing Connected Transactions**”) which are expected to continue to take place between certain members of the Sichuan Changhong Group and the Enlarged Group (including the Target Group) will constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules as Sichuan Changhong is and will continue to be a connected person of the Company upon completion of the Acquisition.

The Company may (on behalf of the Enlarged Group) enter into the Framework Agreement(s) with Sichuan Changhong in order to set out the basis upon which members of the Enlarged Group will, after completion of the Acquisition, continue to engage in transactions with the Sichuan Changhong Group as part of the Enlarged Group’s business.

Accordingly, if the percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the caps for any of the Continuing Connected Transactions do not fall under the exemptions in Rules 20.33 and 20.34 of the GEM Listing Rules, such Continuing Connected Transactions will be subject to the approval of the Independent Shareholders under the GEM Listing Rules.

Sichuan Changhong and its associates will abstain from voting on the resolution for approving those Continuing Connected Transactions which are subject to the approval of the Independent Shareholders at the SGM.

Details of the Continuing Connected Transactions and Framework Agreement(s) (which are expected to be entered into on or around the time before the Circular is to be despatched) will be disclosed in the Circular to be despatched by the Company to its Shareholders in compliance with the requirements of the GEM Listing Rules if and when required. The Company will also make the necessary announcement in compliance with the GEM Listing Rules when it has entered into the Framework Agreement(s).

Sichuan Changhong has agreed to give non-compete undertakings customarily required of controlling shareholders in the context of new listing applications on the Stock Exchange, further details of which will be set out in the Circular.

## **(XII) PROPOSED CHANGE OF NAME**

The Directors propose that conditional upon completion of the Acquisition, the English name of the Company be changed to “Changhong Jiahua Holding Limited” and the Chinese name of the Company (adopted for identification only) be changed to “長虹佳華控股有限公司”. Upon the change of name becoming effective, the Company will cease to use its Chinese name “中



華數據廣播控股有限公司” for identification purposes only. The Company will issue a further announcement in relation to the change of the stock short name. The proposed change of the Company’s name is subject to, among others, passing of the special resolution by the Shareholders at the SGM and the issue of the relevant certificate of change of name with regard to the above by the Registrar of Companies in Bermuda to the Company approving such change.

The change of the Company’s name will not affect any rights of the holders of securities of the Company. All the existing certificates of securities in issue bearing the present name of the Company shall, after the proposed change of the Company’s name becoming effective, continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of existing Ordinary Share certificates for new Ordinary Share certificates under the Company’s new name. Once the change of the Company’s name becomes effective, new share certificates will be issued only in the new name of the Company.

### **(XIII) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The authorised share capital of the Company is HK\$30,000,000, consisting of 1,200,000,000 Ordinary Shares of HK\$0.025 each, of which 334,000,000 Ordinary Shares of HK\$0.025 each are in issue as at the date of this announcement. The Board proposes to increase the authorised share capital of the Company to HK\$200,000,000, comprising 5,000,000,000 Ordinary Shares of HK\$0.025 each and 3,000,000,000 New Convertible Preference Shares of HK\$0.025 each.

### **(XIV) PROPOSED ADOPTION OF NEW BYE-LAWS**

The Board proposes to adopt a new set of Bye-Laws of the Company for the following reasons: (1) to incorporate the rights, privileges and restrictions of the New Convertible Preference Shares, which are summarised in the section headed “The New Convertible Preference Shares” in this announcement, (ii) to take into account amendments to the GEM Listing Rules introduced by the Stock Exchange, some of which took effect on 1 January 2012 and on 1 April 2012 and (iii) to take into account amendments of the Companies Act 1981 of Bermuda pursuant to the Companies Amendment (No. 2) Act 2011 in Bermuda which became operative on 18 December 2011.

The new Bye-laws will be in compliance with the relevant laws of Bermuda and the requirements under the GEM Listing Rules, and will also comply with the requirements under Appendix 3 and Appendix 11 to the GEM Listing Rules. Further details of the proposed new Bye-laws will be set out in the Circular.

### **(XV) GENERAL**

China Merchants Securities (HK) Co., Limited has been appointed as the financial adviser to the Company in relation to the Acquisition.

An independent committee of the Board (comprising all independent non-executive Directors, namely Mr. Chan Ming Sun, Jonathan, Mr. Ip Chun Chung, Robert and Mr. Sun Dongfeng) has been constituted to consider the terms of the Acquisition Agreement, the proposal for grant of the specific mandate to issue Shares, the Whitewash Waiver and the possible non-exempt Continuing Connected Transactions and to make a recommendation on these matters to the Independent Shareholders.

The appointment of TC Capital as the independent financial adviser has been approved by the Independent Board Committee and TC Capital will advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated in the Acquisition Agreement, the Whitewash Waiver and the possible non-exempt Continuing Connected Transactions and voting recommendations on the resolutions regarding these matters.

The Directors confirm that: (i) apart from Sichuan Changhong, through Fit Generation, none of the other Shareholders have any interest or involvement in the Acquisition, the Continuing Connected Transactions and/or the Whitewash Waiver, and (ii) save for Mr. Tang Yun (an executive Director of the Company) and Mr. Yu Xiao (the executive chairman of the Company) whose interests are mentioned below, no Director has any interest or involvement in the Acquisition, the Continuing Connected Transactions and/or the Whitewash Waiver.

Mr. Tang Yun is an executive director in Changhong (Hong Kong) Trading, Changhong (Hong Kong) Enterprises and the Target Co BVI while Mr. Yu Xiao is the financial controller in a substantial shareholder of Sichuan Changhong. In the interests of good corporate governance, Mr. Yu Xiao and Mr. Tang Yun will not vote (or be counted in the quorum) on any resolution of the Board approving, amongst others, the Acquisition.

Accordingly, as at the date of this announcement, none of the Shareholders (other than the Sichuan Changhong and its concert parties and their respective associates) and no Director (who is also a Shareholder) is required to abstain from voting on the resolutions to be proposed at the SGM as regards the Acquisition, the Whitewash Waiver and the possible non-exempt Continuing Connected Transactions.

**The sale and purchase of the entire issued share capital of Target Co BVI is conditional and may or may not proceed. In particular, the Listing Committee of the Stock Exchange may or may not approve the New Listing Application, and the Executive may or may not grant the Whitewash Waiver. Accordingly, Shareholders and prospective investors are reminded to exercise extreme caution when trading in the securities of the Company.**

#### **(XVI) EXPECTED DATE OF DESPATCH OF THE CIRCULAR AND APPLICATION FOR WAIVER FROM STRICT COMPLIANCE WITH THE TAKEOVERS CODE AND THE GEM LISTING RULES**

The Company will despatch the Circular in accordance with the applicable requirements under the GEM Listing Rules and the Takeovers Code.

Under Rule 8.2 of the Takeovers Code, the Company is required to despatch to Shareholders a circular in respect of, amongst others, the terms of the Acquisition and the Whitewash Waiver within 21 days from the date of publication of this announcement, that is, on or before 14 May 2012.

In view of the process that is required in connection with the New Listing Application and given that additional time is required for the preparation of, among other things, the unaudited proforma consolidated financial statements of the Enlarged Group as a result of completion of the Acquisition for inclusion in the Circular, it is expected that more time may be needed for the preparation of the Circular.

As such, the Company will apply to the Executive pursuant to Rule 8.2 of the Takeovers Code for its consent to extend the time limit for the despatch of the Circular and the Company will make further announcement on the expected date of despatch of the Circular.

## **(XVII) SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Ordinary Shares on the Stock Exchange was suspended from 9.00 a.m. on 29 March 2012 pending the release of this announcement. The Company has made an application to the Stock Exchange for a resumption of trading in the Ordinary Shares on the Stock Exchange with effect from 9:00 a.m. on 24 April 2012.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Acquisition”	the conditional acquisition by the Company of the entire issued share capital of Target Co BVI from Fit Generation for a total consideration of HK\$2,012,868,000.00, to be settled in full by the allotment and issue of 135,000,000 New Ordinary Shares and 1,877,868,000 New Convertible Preference Shares
“Acquisition Agreement”	the conditional sale and purchase agreement dated 28 March 2012 made between the Company as purchaser, Fit Generation as vendor in respect of the sale and purchase of the entire issued share capital of Target Co BVI and Changhong (Hong Kong) Trading as guarantor of the obligations of Fit Generation under the said agreement
“associates”	has the meaning as defined in the GEM Listing Rules
“Board”	The board of Directors of the Company
“BVI”	British Virgin Islands

“Bye-laws”	the Bye-laws of the Company
“Changhong (Hong Kong) Trading” or “Guarantor”	Changhong (Hong Kong) Trading Limited (長虹(香港)貿易有限公司), a company incorporated in Hong Kong (a wholly-owned subsidiary of Sichuan Changhong) and which holds approximately 4.79 per cent. of the existing issued ordinary share capital of the Company as at the date of this announcement
“Changhong (Hong Kong) Enterprises”	Changhong (Hong Kong) Enterprises Limited (港虹實業有限公司), a company incorporated in Hong Kong (a wholly-owned subsidiary of the Target Co BVI) and which holds 90 per cent. of the equity interest of Changhong IT as at the date of this announcement
“Changhong IT Digital”	Changhong IT Digital Technology Co., Ltd. (四川長虹佳華數字技術有限公司), a company established under the laws of the PRC and which is a wholly-owned subsidiary of Changhong IT as at the date of this announcement
“Changhong IT”	Changhong IT Information Products Co., Ltd (四川長虹佳華信息產品有限責任公司) (formerly known as Sichuan Changhong Zarva Information Technology Products Co., Ltd.), a company established under the laws of the PRC and 90 per cent. of the equity interest of which is held by Changhong (Hong Kong) Enterprises, a wholly-owned subsidiary of Fit Generation
“Changhong IT Intelligence”	Beijing Changhong IT Intelligence System Co., Ltd. (北京長虹佳華智能系統有限公司), a company established under the laws of the PRC and 50 per cent. of the equity interest of which is held by Changhong IT and the remaining 50 per cent. by Changhong IT Digital
“Circular”	The circular to be issued by the Company to the Shareholders containing, inter alia, details of (i) the Acquisition Agreement; (ii) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Acquisition, the possible non-exempt Continuing Connected Transactions and the Whitewash Waiver; (iii) a letter from TC Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its advice to the Independent Board Committee of the Company and the Independent Shareholders in respect of the Acquisition, the possible non-exempt Continuing Connected Transactions and the Whitewash Waiver; and (iv) the notice of the SGM; and (v) other information as required by the GEM Listing Rules

“Company”	China Data Broadcasting Holdings Limited (中華數據廣播控股有限公司), a company incorporated in Bermuda with limited liability and whose Ordinary Shares are listed on GEM (stock code: 8016 )
“Completion Date”	the date of completion of the Acquisition under the terms of the Acquisition Agreement
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Continuing Connected Transactions”	has the meaning ascribed to it in Section XI titled “Possible Continuing Connected Transactions” of this announcement
“Conversion Period”	any time after the date of issue of the relevant New Convertible Preference Shares
“Conversion Price”	the price per Conversion Share at which the New Convertible Preference Shares are to be converted into Conversion Shares
“Conversion Shares”	the Ordinary Shares to be issued by the Company upon the conversion of the New Convertible Preference Shares which shall upon issue rank pari passu with the other existing Ordinary Shares
“Directors”	the Directors of the Company
“Enlarged Group”	the Group and the Target Group
“Executive”	the Executive Director of the Corporate Finance Division of the Hong Kong Securities and Futures Commission in Hong Kong from time to time and any delegate of such executive director
“Fit Generation”	Fit Generation Holding Limited (安健控股有限公司), an investment holding company incorporated under the laws of BVI with limited liability and which is a wholly-owned subsidiary of Changhong (Hong Kong) Trading as at the date of this announcement
“Framework Agreement(s)”	agreement(s) to be entered into between the Company and Sichuan Changhong, which will set out the basis upon which members of the Enlarged Group will, after completion of the Acquisition, continue to transact with the Sichuan Changhong Group
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IBMS Product”	Intelligent building management service products refer to IT hardware products applied to a control system installed in buildings, that automatically controls and monitors the building’s mechanical, electrical and other equipment
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung and Mr. Sun Dongfeng, which has been constituted to make recommendations to the Independent Shareholders in respect of the Acquisition, the Whitewash Waiver, the proposal for grant of the specific mandate to issue Shares, and the possible non-exempt Continuing Connected Transactions
“Independent Shareholders”	Shareholders, other than the Sichuan Changhong Concert Party Group, who are not interested nor involved in the transactions contemplated in the Acquisition Agreement, the Whitewash Waiver and the possible non-exempt Continuing Connected Transactions, and accordingly, not required to abstain from voting at the SGM to be convened to approve, amongst others, such transactions
“IT”	Information technology
“Long Stop Date”	the date falling on the expiry of six months from the date of the Acquisition Agreement or at such later date as may be agreed between the Company and Fit Generation in writing
“New Convertible Preference Shares”	1,877,868,000 new non-redeemable convertible preference shares to be allotted and issued at an issue price of HK\$1.00 per non-redeemable convertible preference share to settle part of the consideration (such part being HK\$1,877,868,000) for the Acquisition
“New Listing Application”	the new listing application to be submitted by the Company to the Stock Exchange in view of the Acquisition constituting a reverse takeover for the Company under Rule 19.06(6)(b) of the GEM Listing Rules and the Company being treated as a new listing applicant



“New Ordinary Shares”	135,000,000 new Ordinary Shares to be allotted and issued at an issue price of HK\$1.00 per new Ordinary Share to settle part of the consideration (such part being HK\$135,000,000) for the Acquisition
“Ordinary Shares”	ordinary shares of HK\$0.025 each in the share capital of the Company
“PRC”	People’s Republic of China, which for the purposes of this announcement excludes Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Acquisition, the possible non-exempt Continuing Connected Transactions, the Whitewash Waiver and the adoption of a new set of Bye-laws
“Shares”	Ordinary Shares and New Convertible Preference Shares
“Shareholders”	holders of Ordinary Shares
“Sichuan Changhong”	Sichuan Changhong Electric Co., Limited, a company established under the laws of the PRC and listed on the Shanghai Stock Exchange and which holds approximately 28.55 per cent. of the existing issued ordinary share capital of the Company as at the date of this announcement
“Sichuan Changhong Concert Party Group”	Sichuan Changhong and parties acting in concert with it (as defined under the Takeovers Code) (which exclude Sichuan Investment)
“Sichuan Changhong Group”	Sichuan Changhong and its subsidiaries
“Sichuan Investment”	Sichuan Investment Management Company Limited, a company established under the laws of the PRC and which holds approximately 24.85 per cent. of the existing issued share capital of the Company as at the date of this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target Co BVI”	Sufficient Value Group Limited (高益集團有限公司), a company incorporated under the laws of BVI with limited liability and the entire issued share capital of which is held by Fit Generation as at the date of this announcement
“Target Group”	Target Co BVI and its subsidiaries including Changhong IT and its subsidiaries
“TC Capital”	TC Capital Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO
“Whitewash Waiver”	a waiver in respect of the obligation of the Sichuan Changhong Concert Party Group to make a mandatory offer to the Independent Shareholders in respect of the issued Ordinary Shares of the Company not already owned or agreed to be acquired by the Sichuan Changhong Concert Party Group as a result of the issue of the New Ordinary Shares to Fit Generation in accordance with Note 1 on dispensation from Rule 26 of the Takeovers Code
“UC&CC Products”	Unified communication & contact center products refers to IT hardware products applied as a unified communication solution and a contact center solution, involving the integration of real-time communication services to create a set of products that provides a consistent unified user interface and user experience across multiple devices and media types

By order of the board  
**China Data Broadcasting Holdings Limited**  
**Yu Xiao**  
*Chairman*

Hong Kong, 23 April, 2012

*As at the date of this announcement, the executive Directors are Mr. David Ji Long Fen, Mr. Yu Xiao, Mr. Tang Yun, Mr. Xiang Chao Yang, Mr. Wu Xiangtao, Mr. Rong Dong and Ms. Shi Ping and the independent non-executive Directors are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung and Mr. Sun Dongfeng.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*This announcement will appear on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the day of its posting thereon and on the website of the Company at <http://www.cdb-holdings.com.hk>.*

*The names of PRC established companies or entities which have been included in this announcement in both Chinese and English are for ease of reference only. In case of inconsistency, the Chinese version of such names shall prevail.*