

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.



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)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that the Company has entered into the Master Supply Agreement and the Master Purchase Agreement with Changhong in respect of the supply and purchase of various electronic products and components on 18 April 2007 and 9 May 2007, respectively. These agreements set out the framework within which the relevant electronic products and components to be supplied or purchased by the Group and in particular the key terms and conditions and general principles to be adopted by the Group when they place or accept specific orders from time to time with or from Changhong or any of its subsidiaries for the supply or purchase of the relevant electronic products and components.

As Changhong is a substantial shareholder interested in 29.99% of the issued share capital of the Company, it is a connected person of the Company as defined under Rule 20.11 of the GEM Listing Rules. Accordingly, transactions under the Master Supply Agreement and the Master Purchase Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

As each of the relevant percentage ratios (under Rule 19.07 of the GEM Listing Rules) for the annual caps of the Continuing Connected Transaction Agreements is more than 2.5%, the transactions contemplated under Continuing Connected Transaction Agreements constitute non-exempt continuing connected transactions under Rule 20.35 of the GEM Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 20.45 to 20.48 of the GEM Listing Rules. Changhong and its associates will abstain from voting at the EGM and the vote to be taken at the EGM with respect to the Continuing Connected Transactions shall be conducted by poll.

A circular containing information relating to the Continuing Connected Transactions, a letter from the Independent Board Committee, a letter setting out the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the EGM to approve the Continuing Connected Transactions and the respective annual caps under each of the Continuing Connected Transaction Agreements will be issued to the Shareholders as soon as practicable.

The Shares were suspended from trading on the Stock Exchange with effect from 9:31 a.m. on 28 December 2004 and remain suspended pending further notice.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions comprise transactions carried out by the Group with Changhong and its subsidiaries under the Master Supply Agreement and the Master Purchase Agreement.

MASTER SUPPLY AGREEMENT

Date:	18 April 2007
Parties:	(i) the Company (as the supplier) (ii) Changhong (as the purchaser)
Subject:	Supply of electronic products and components including but not limited to LCD screens, PDP screens, Cathode Ray Tube and various parts and components such as Integrated Circuit, plugs, sockets and voltage regulators etc which may be required by Changhong and its subsidiaries and which the Group may be able to supply in circumstances which are of commercial benefit to the Group.
Term:	With effect from the date of approval by Independent Shareholders up to 31 December 2009.
Price:	To be determined by reference to the prevailing market price and demand of the relevant electronic products and components and no less favorable to the Group than those available to Independent Third Parties.
Payment terms:	Depends on the products to be supplied and volume and time of delivery for each transaction, it is generally expected that payment shall be made by telegraphic transfer within 35 days to 45 days from the date of delivery or by irrevocable letter of credit.

The annual caps of the relevant electronic products and components to be supplied by the Group to Changhong and its subsidiaries for the period from the date on which the Master Supply Agreement becomes effective until the end of the financial year ending 31 December 2007, and each of the years ending 31 December 2008 and 31 December 2009 will not exceed HK\$903,357,000 (HK\$2,150,850,000 multiplied by 42%), HK\$2,106,000,000 and HK\$2,184,000,000 respectively.

The proposed annual cap for 2007 has been determined after discussions between Changhong and the Company by reference to the estimated value of overseas purchase by Changhong in 2007 as Changhong may rely on the Company for its overseas purchase and assuming that the Company will only supply approximately 42% (having regard to the five remaining months in 2007 from August 2007) of the estimated value of overseas purchase by Changhong in 2007 in the amount of approximately US\$275,750,000 (approximately HK\$2,150,850,000), which is the average of Changhong's actual overseas purchase in 2005 and 2006 of US\$254,000,000 and US\$297,500,000, respectively.

Although Changhong and its subsidiaries have been purchasing various electronic products and components from the Group during the period from 31 January 2007 to present of HK\$4,305,481 only, the purchase by Changhong and its subsidiaries for the period from 31 January 2007 to present is only a trial period for the Group to test the business and financial procedures of the relevant transactions. Once the Master Supply Agreement has been approved by the Independent Shareholders, the relevant continuing connected transactions will run in full gear and the amounts will increase.

The proposed annual cap for 2008 has been determined after discussions between Changhong and the Company by reference to Changhong's expected needs and the estimated value of overseas purchase by Changhong in 2008 assuming that the Company will supply all of the estimated value of overseas purchase by Changhong in 2008 in the amount of approximately US\$270,000,000 (approximately HK\$2,106,000,000) based on the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its overseas purchase in the future.

As to the proposed annual cap for 2009, it represents approximately a 5% increment over the 2008 annual cap based on Changhong's projected increase in revenue and projected growth of its business in view of the increase in demand and the expansion of customer base in the consumer electronic products market, in line with the overall growth of the PRC economy.

MASTER PURCHASE AGREEMENT

Date:	9 May 2007
Parties:	(i) Changhong (as the supplier) (ii) the Company (as the purchaser)
Subject:	Purchase of consumer electronic products such as colour televisions, air-conditioners and fridges etc which may be required by the Group and which Changhong and its subsidiaries may be able to supply in circumstances which are of commercial benefit to the Group
Term:	With effect from the date of approval by Independent Shareholders to 31 December 2009
Price:	To be determined by reference to the prevailing market price and demand of the relevant consumer electronic products and no less favourable to the Group than those available from Independent Third Parties.
Payment terms:	Depends on the products to be purchased and volume and time of delivery for each transaction, it is generally expected that payment shall be made by telegraphic transfer payable within 35 days to 45 days from the date of delivery or by transferable letter of credit

The annual caps of the relevant consumer electronic products to be purchased by the Group from Changhong and its subsidiaries for the period from the date on which the Master Purchase Agreement becomes effective until the end of the financial year ending 31 December 2007, and each of the years ending 31 December 2008 and 31 December 2009 will not exceed HK\$239,538,995 (HK\$1,713,270,000 multiplied by approximately 13.98%), HK\$468,000,000 and HK\$526,500,000 respectively.

The proposed annual cap for 2007 has been determined after discussions between Changhong and the Company by reference to the proportion of total export sales of Changhong attributable to America and Australia of approximately 27.18% which is the average of Changhong's actual sales proportion to America and Australia in 2004, 2005 and 2006 respectively and the estimated overseas sales of Changhong between August to December in 2007 of approximately 51.44%, which is based on the average of Changhong's actual overseas sales for the period from August to December in 2005 and 2006 and assuming that the Company will purchase and in turn only export approximately 13.98% (i.e. 27.18% multiplied by 51.44%) of the estimated value of Changhong's overseas sales in 2007 in the amount of US\$219,650,000 (approximately HK\$1,713,270,000), which is the average of Changhong's actual overseas sales in 2005 and 2006 of US\$229,000,000 (approximately HK\$1,786,200,000) and US\$210,300,000 (approximately HK\$1,640,340,000), respectively.

Although Changhong and its subsidiaries have been supplying various consumer electronic products to the Group during the period from 31 January 2007 to present of HK\$2,157,521 only, the supply by Changhong and its subsidiaries for the period from 31 January 2007 to present is only a trial period for the Group to test the business and financial procedures of the relevant transactions. Once the Master Purchase Agreement has been approved by the Independent Shareholders, the amount of the relevant Continuing Connected Transactions will increase depending on the actual level of the Group's customer demand and general market conditions. The Company believes that with a committed source of supply of products through the Master Purchase Agreement, the Company would now be able to source for more customer orders and improve its sales level for its financial year ending 31 December 2007 and to build on such improved sales in the future. On this basis, the Company hopes that it can restore and build up and return its sales level to its 2004 level as soon as practicable, which would then require a corresponding source of products and accommodate the purchases from Changhong under the Proposed Annual Caps. The Company believes the 2004 sales level is achievable for the reasons stated below in the section headed "Reasons For The Continuing Connected Transactions".

The proposed annual cap for 2008 has been determined after discussions between Changhong and the Company by reference to the estimated value of sales by Changhong to America and Australia in 2008 assuming that the Company will purchase and in turn export all of Changhong's estimated value of sales to America and Australia in 2008 in the total amount of approximately US\$60,000,000 (approximately HK\$468,000,000) based on the following: (i) the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its export sales to America and Australia in the future; (ii) that approximately 28% of Changhong's total overseas sales are attributable to its sales to Australia and America; and (iii) the average annual total overseas sales of Changhong for the year ended 31 December 2006 and the year ending 31 December 2007 of approximately US\$215,000,000.

As to the proposed annual cap for 2009, it represents approximately a 10% increment over the 2008 annual cap based on Changhong's projected growth and its estimated increase in the level of business in the America and Australia markets assuming that the Company will continue to purchase and in turn export all of the estimated value of sales by Changhong to America and Australia in 2009.

In determining the proposed annual caps, the Company has also taken into account its past sales figures. However, the Company wishes to state that the sales performance of the Group has not been consistent in the past: HK\$578,000,000 (2004), HK\$28,900,000 (2005) and HK\$22,000,000 (2006). The sales figures of the Group in 2005 and 2006 were significantly lower than 2004 as the Group's key management at that time dedicated a significant amount of time in settling certain legal disputes. Nevertheless, the Company is of the view that sales can reach its 2004 sales level under normal operations. The litigation disputes which the Group's key management had dedicated a significant amount of time in settling have since been resolved. With a more focused management and given that Changhong (being an entity with strong financial standing) is now as a substantial shareholder of the Company, the Company would be able to focus on business development, attract more customer orders and improve its sales level. In the circumstances, the Company believes that it can achieve its 2004 sales level for the remaining period of 2007 (on a proportionate basis) and for the two financial years ending 31 December 2009.

The risks and rewards in connection with purchase of electronic products from Changhong and resale to customers in America and Australia will belong to the Company.

The Group is not contractually committed to purchase any minimum amount of goods under the Master Purchase Agreement. The actual amount of purchases under the Master Purchase Agreement will depend on the actual level of the Group's customer demand and other general market conditions.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the trading of consumer electronic products and the related parts and components. The Group has been engaged in the business of trading of electronic products since 2001. Especially during 2003 to 2004, the Group has purchased huge amount of consumer electronic products such as DVD players, CRT TVs etc from suppliers in China and sold those products to retailers and other customers in the US market and the European market. At the same time, the Group also purchased electronic parts and components or solutions which were used in the production of consumer products from overseas such as the US and sold those parts and components to manufacturers of consumer electronic products in China.

Changhong and its subsidiaries are principally engaged in manufacturing, sales and marketing of consumer electronic products globally. Annually, Changhong and its subsidiaries import more than US\$200 million worth of electronic parts and components from overseas via independent agents. The Company has established good relationship with various original suppliers of parts and components that are required by Changhong. The Directors believe that the Group can capitalize on such relationships to procure the parts and components required by Changhong, and in turn increase the income of the Group. The Directors also believe that with a committed source of purchase orders from Changhong through the Master Supply Agreement, the Company would be able to increase its sales level and consolidate and extend its existing supply and sourcing network.

As an established manufacturer of consumer electronic products, Changhong can supply a range of popular consumer electronic products at a very competitive basis. Annually, Changhong and its subsidiaries export more than US\$200 million worth of consumer electronic products overseas. The arrangement with Changhong under the Master Purchase Agreement facilitates the Group's future expansion of its business, as it gives the Group access to a source of competitively priced products.

In view of the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its export sales to America and Australia in the future and the Company's continued efforts to expand its business and sales, the Directors believe that its sales level will increase and it will need to ensure that it has access to a source of products which are competitively priced. The Directors believe that pursuant to the Master Purchase Agreement, it can leverage on Changhong's retail distribution networks in Australia, to expand its own international sales network, which has been mainly focused in the America markets. The Company is using Changhong's retail distribution network only in Australia. The Company has its own distribution network in America. The Company considers the Australian market to be a stable and growing market for electronic products and is keen to expand its sales in Australia. The business arrangement therefore benefits Changhong and the Company mutually, allowing Changhong to have access to the Group's strong experience and retail distribution network in America and to increase the sales of Changhong's products in the America market; and the Group to access Changhong's retail distribution network in Australia and to develop and expand the Group's network in Australia. To the extent required by customers, the Company will provide after-sales and logistics support in relation to the products the Company supplies its customers. Through the arrangement with Changhong and the Company's own business development efforts, the Group will be able to increase its number of customers and some of these customers may include customers which have formerly been dealing with Changhong, prior to the implementation of the Master Purchase Agreement.

The Company believes that it has a very strong knowledge of the America markets and the three executive Directors of the Company, Mr. Ji Long Fen, Mr. Tang Yun and Mr. Jun Du, who are responsible for the sales and marketing activities of the Company, possess extensive experience in trading of electronic products. The Group has established good relationship with customers within its own existing customer network. The Group has a strong sales and marketing team that can resell the consumer electronic products it has purchased and it will continue to recruit people with relevant experience so as to strengthen the Company's ability and capacity to resell such products. The Company believes that it offers quicker response time and its operations in a free trade and international legal environment in Hong Kong, may be attractive factors preferred by overseas customers (instead of dealing with Changhong, a PRC company). The Directors believe that the Company adds value in relation to the transactions contemplated under the Master Purchase Agreement through the experience of its Directors, its sales team and its established international customer network in the America market and it would be able to successfully distribute and sell the consumer electronic products in a comparatively more efficient manner benefiting both Changhong and the Group.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of an independent financial adviser) consider that the Master Supply Agreement and the Master Purchase Agreement were entered into in the ordinary and usual course of business of the Company and that the terms of the Master Supply Agreement and the Master Purchase Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As Changhong is a substantial shareholder interested in 29.99% of the issued share capital of the Company, it is a connected person of the Company as defined under Rule 20.11 of the GEM Listing Rules. Accordingly, transactions under the Master Supply Agreement and the Master Purchase Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

As each of the relevant percentage ratios (under Rule 19.07 of the GEM Listing Rules) for the annual caps of the Continuing Connected Transaction Agreements is more than 2.5%, the transactions contemplated under Continuing Connected Transaction Agreements constitute non-exempt continuing connected transactions under Rule 20.35 of the GEM Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 20.45 to 20.48 of the GEM Listing Rules. Changhong and its associates will abstain from voting at the EGM and the vote to be taken at the EGM with respect to the Continuing Connected Transactions shall be conducted by a poll.

A circular containing information relating to the Continuing Connected Transactions, a letter from the Independent Board Committee, a letter setting out the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the EGM to approve the Continuing Connected Transactions and the respective annual caps under each of the Continuing Connected Transactions will be issued to the Shareholders as soon as practicable.

NON-COMPLIANCE WITH THE GEM LISTING RULES

Changhong became a substantial shareholder of the Company on 8 September 2006. During the period from 8 September 2006, being the date when Changhong became a substantial shareholder of the Company, to 30 January 2007, there was no transaction between the Company and Changhong nor its subsidiaries. However, for the period from 31 January 2007 up to the present, Changhong and its subsidiaries have been supplying and purchasing various electronic products and components to and from the Group in the sum of HK\$2,157,521 and HK\$4,305,481, respectively. The intention of the Company as at 31 January 2007 when it initially supplied/purchased various electronic products and components and consumer electronic products to/from Changhong was to test the business and financial procedures of the relevant transactions. There was no clear intention between the Company and Changhong at the time that the parties would carry out the relevant transactions on an ongoing basis. It transpired that some sale/purchase orders involved a comparatively larger amount which the Company failed to monitor immediately, and as a result led to the de minimis thresholds set out under the GEM Listing Rules being breached.

Given that the relevant percentage ratios for the annual caps is more than 2.5% but less than 25% and the aggregate consideration for the transactions is less than HK\$10,000,000, such transactions with Changhong and its subsidiaries constitute continuing connected transactions and should have complied with the relevant reporting and announcement requirements of the GEM Listing Rules pursuant to Rule 20.34 of the GEM Listing Rules and enter into written agreements and set out the maximum aggregate annual caps pursuant to Rules 20.35(1) and (2) of the GEM Listing Rules. The Board has noted such non-compliance with the GEM Listing Rules. However, the Board is of the view that (i) the transactions were conducted in the ordinary and usual course of business of the Company, (ii) the terms of the transactions were on arms length

basis and on normal commercial terms; and (iii) having considered the circumstances and the commercial interests of the Company, the transactions were fair and reasonable in the interests of the shareholders of the Company as a whole. As Rule 20.34 of the GEM Listing Rules does not require the Company's independent shareholders' approval, the Board has set out details on such non-compliant transactions in the present announcement.

In view of the entering into of the Master Supply Agreement and the Master Purchase Agreement on 18 April 2007 and 9 May 2007 respectively and the subsequent submission of the draft announcement in late May 2007, the Board also recognizes that it has breached the announcement requirements of GEM Listing Rule 20.47, namely (i) to notify the Stock Exchange the terms of the Continuing Connected Transactions and (ii) to send the Stock Exchange a draft announcement as soon as possible after the terms of the Continuing Connected Transaction Agreements were agreed. As the Company took some time to prepare the draft announcement and consider and determine the annual caps, it did not notify the Stock Exchange and submit the draft announcement as soon as possible after the Master Supply Agreement and the Master Purchase Agreement were signed. The Board will ensure appropriate disclosures, prompt notifications and full compliance with the GEM Listing Rules as regards its connected and continuing connected transactions in the future.

SUSPENSION OF TRADING

The Shares were suspended from trading on the Stock Exchange with effect from 9:31 a.m. on 28 December 2004 and remain suspended pending further notice.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Changhong”	Sichuan Changhong Electric Co. Limited, a company incorporated in the PRC and whose shares are listed on the Shanghai Stock Exchange
“Company”	China Data Broadcasting Holdings Limited, a company incorporated in Bermuda with limited liabilities and whose shares are listed on GEM
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions under the Continuing Connected Transaction Agreements, which constitute continuing connected transactions as defined under Chapter 20 of the GEM Listing Rules

“Continuing Connected Transaction Agreements”	the Master Supply Agreement and the Master Purchase Agreement
“Directors”	the director of the Company
“EGM”	an extraordinary general meeting of the Company to be held to approve the Continuing Connected Transactions
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising Chan Ming Sun, Jonathan, Ip Chun Chung, Robert and Sun Dongfeng, independent non-executive Directors which will be established to advise the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than Changhong and its associates
“Independent Third Party(ies)”	as defined in the GEM Listing Rules
“Master Purchase Agreement”	the purchase agreement entered into between the Company and Changhong on 9 May 2007 in relation to the purchase of certain consumer electronic products by the Group from Changhong and its subsidiaries on an ongoing basis
“Master Supply Agreement”	the supply agreement entered into between the Company and Changhong on 18 April 2007 in relation to the supply of certain electronic products and components by the Group to Changhong and its subsidiaries on an ongoing basis
“PRC”	the People’s Republic of China

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For and on behalf of
China Data Broadcasting Holdings Limited
Yu Xiao
Chairman

Hong Kong, 26 July 2007

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

This announcement, for which the directors of the Company 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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

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.

* *For identification purposes only*