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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)

UPDATE ANNOUNCEMENT IN RELATION TO PROLONGED SUSPENSION OF TRADING IN THE SHARES OF THE COMPANY ON THE GROWTH ENTERPRISE MARKET

Reference is made to the Announcement made by the Company on 27 March 2009. Pursuant to the Resumption Conditions, the Company is required, among other things, to disclose actions taken to address issues pertaining to the suspension of trading in the Shares. The purpose of this announcement is to disclose those actions taken by the Company as mentioned above.

Trading in the Shares on GEM has been suspended since 28 December 2004 and will continue to be suspended until further notice. The release of this announcement does not necessarily indicate that the resumption of trading in the Shares on GEM has been or will be approved by the Stock Exchange. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares. Further announcement(s) will be made when material developments take place.

INTRODUCTION

On 28 December 2004, trading in the Shares on GEM was suspended pending the release of an announcement in relation to certain price sensitive information on the Company. In order to resume trading in the Shares on GEM, the Company has applied for the resumption of trading in the Shares and has made various submissions to the Stock Exchange in this connection.

By a letter dated 18 March 2009, the approval-in-principle for the resumption of trading in the Shares was granted by the Stock Exchange subject to the fulfillment of the Resumption Conditions. Details of the Resumption Conditions were already disclosed in the Announcement.

Pursuant to the Resumption Conditions, the Company is required, among other things, to disclose actions taken to address issues pertaining to the suspension of trading in the Shares.

ACTIONS TAKEN TO ADDRESS THE ISSUES PERTAINING TO THE SUSPENSION OF TRADING IN THE SHARES

The following actions have been taken to address the issues pertaining to the suspension of trading in the Shares:

(1) Publication of an announcement to clarify certain news articles in relation to the legal claims against the Company's then controlling shareholder, Apex Digital, and the rumors of the arrest of the executive Director and the former chairman of the Company, Mr. Ji

In December 2004, various articles appeared in the local newspapers in relation to legal claims against Apex Digital, the Company's then controlling shareholder, as regards certain long outstanding indebtedness due to Changhong, Genius and Hongtu from Apex Digital and rumors that the executive Director and the former chairman of the Company, Mr. Ji, had been arrested by the authorities in the PRC. It was a result of these articles and rumors that trading in the Shares was suspended on 28 December 2004 pending the release of further announcement in relation these matters.

On 25 January 2005, the Company issued an announcement to clarify that: (a) Mr. Ji had not been arrested by the authorities in the PRC and was at all times accessible by the Company and its management and Mr. Ji's duties as an executive Director and the chairman of the Company were then not interrupted; (b) the legal disputes between the then controlling shareholder of the Company, Apex Digital, and Changhong, Genius and Hongtu reported in various news articles had no material bearing on the financial and business operations of the Group and; (c) the Group did not then have any outstanding trade payables due to Changhong, Genius and Hongtu. Further details of the above issues were set out in the Company's announcement dated 25 January 2005.

(2) Equity Transfer to Changhong and Sichuan Investment

In December 2004, Changhong instituted a legal claim against Apex Digital, the then controlling shareholder of the Company, in the State of California, United States in relation to certain amounts due from Apex Digital to Changhong. In January 2005, Apex Digital counterclaimed against Changhong for damage of its business reputation.

The matter was eventually settled. Changhong and Apex Digital reached a settlement agreement in 2006. As part of the settlement arrangement between Apex Digital, Changhong and Mr. Ji, Apex Digital transferred 95,368,000 Shares to Changhong representing approximately 29.99% of the issued share capital of the Company at HK\$0.72 per Share on 8 September 2006. Following completion of the said transfer, Changhong became a substantial shareholder of the Company. Further details of the above equity transfer were set out in the Company's announcement dated 11 October 2006.

In addition, Apex Digital and Mr. Ji sold 69,829,340 Shares and 13,180,000 Shares, representing approximately 21.96% and 4.14% of the issued share capital of the Company respectively to Sichuan Investment on 13 February 2007 at a consideration of HK\$0.72 per Share. Subsequent to the completion of the transaction, Sichuan Investment also became a substantial shareholder of the Company and Apex Digital ceased to be a shareholder of the Company (assuming it has not made other acquisitions and/or disposals of Shares thereafter). Details of the above equity transaction were set out in the Company's announcement dated 2 May 2007.

Changhong is one of the largest Chinese consumer electronics providers specializing in R&D, manufacturing and marketing of consumer electronics products. It became a public traded company with shares listed on The Shanghai Stock Exchange in 1994.

Sichuan Investment is an asset management company incorporated in the PRC and is wholly-owned by 四川省投資集團有限責任公司 (Sichuan Provincial Investment Group Co., Ltd.); which is in turn wholly-owned by, and subject to the administrative authority of, 四川省國有資產監督管理委員會 (Sichuan Province State-owned Assets Supervision and Administration Commission).

The Directors believe that with the experience and background of Changhong and Sichuan Investment, their participation as substantial shareholders of the Company are beneficial to the Group's overall business operations.

(3) Strengthening the supervision and internal control of the Company

(i) Appointment of new Directors, members of the audit committee, remuneration committee and nomination committee and compliance officer

Since the suspension of trading in the Shares, the Company has appointed (i) seven executive Directors, namely Mr. Yu Xiao, Mr. Tang Yun, Mr. Xiang Chaoyang, Mr. Wang Zhenhua, Ms. Shi Ping, Mr. Wu Xiangtao and Mr. Du Jun (who did not offer himself for re-election at the Company's annual general meeting on 28 April 2008); (ii) three independent non-executive Directors namely Mr. Chan Ming Sun, Jonathan, Mr. Ip Chun Chung, Robert and Mr. Sun Dongfeng; (iii) members of the audit committee, remuneration committee and nomination committee; and (iv) compliance officer to strengthen the supervision and internal control of the Group. Among these Directors, three of them namely, Mr. Xiang Chaoyang, Mr. Ip Chun Chung, Robert and Mr. Sun Dongfeng have legal background, two of them namely, Mr. Yu Xiao and Mr. Chan Ming Sun, Jonathan have accounting background and three of them namely, Mr. Tang Yun, Mr. Du Jun and Mr. Wu Xiangtao have business development and operation related experience whereas Ms. Shi Ping has investment and business related experience. The board of Directors now consists of seven executive Directors and three independent non-executive Directors.

(ii) Adoption of new internal control manual and the implementation of new internal control measures by the Company

The Company appointed Shine Wing (HK) CPA Limited (“**ShineWing**”) to review its internal control procedures and modify the internal control manual for the Group. The Company has taken suitable remedial actions and formulated a modified internal control manual covering all aspects of the daily operations of the Group based on the recommendations by ShineWing. A follow-up review on the effectiveness of the internal control procedures of the Group was conducted by ShineWing in February 2008 and the findings were set out in the Company’s annual report for the year ended 31 December 2008. In the Company’s 2008 annual report, ShineWing confirmed that the Group has an adequate financial reporting system and internal control procedures.

(4) Settlement of litigations and disputes in relation to patent infringement claim by Koninklijke Philips Electronics N. V. and United States Philips Corporation against the Group and other parties, including Apex Digital

In 2006, Koninklijke Philips Electronics N. V. and United States Philips Corporation instituted legal proceedings in the United States against eight defendants, including Apex Digital, the Company and two other subsidiaries of the Company, in respect of distribution by the eight defendants of unlicensed DVD products in the United States. On 2 August 2007, a settlement was reached and signed between the plaintiffs and the defendants and the proceedings have been dismissed. Pursuant to the terms of the settlement, a total amount of US\$3,280,000 would be payable to the plaintiffs by Apex Digital by instalments. The Group has subsequently entered into an agreement with Apex Digital whereby Apex Digital assumed responsibility to pay all the legal and professional fees incurred by the plaintiffs as a result of the proceedings.

(5) The entering into of the Master Supply Agreement and the Master Purchase Agreement

Since 2004, the Group has continued to be focused on trading of electronic products. In order to generate revenue and cash flow to improve the Group’s business and financial position, the Group signed the Master Supply Agreement and the Master Purchase Agreement with Changhong on 18 April 2007 and 9 May 2007 respectively, which will continue to be effective until 31 December 2009. The Continuing Connected Transactions and the relevant annual caps were approved by the independent shareholders of the Company at a special general meeting on 18 September 2007.

For the year ended 31 December 2007 and 31 December 2008, sales by the Group made under the Master Supply Agreement amounted to HK\$290,732,515 and HK\$1,075,991,679, respectively and the purchases by the Group made under the Master Purchase Agreement amounted to HK\$47,274,813 and HK\$308,833,349, respectively.

(6) Annual review of the Company's continuing connected transactions in 2007 and 2008

Due to an inadvertent omission, the Company did not include the review of the Company's continuing connected transactions in its annual report for the year ended 31 December 2007. As a remedy, the Company's auditors has provided a letter to the Company in respect of the Company's continuing connected transactions for the year ended 31 December 2007 as required under Rule 20.38 of the GEM Listing Rules and the independent non-executive directors of the Company have reviewed such continuing connected transactions under Rule 20.37 of the GEM Listing Rules. The annual review of the Company's continuing connected transactions for the year ended 31 December 2007 and 31 December 2008 has been included in the Company's annual report for the year ended 31 December 2008.

The Company has taken measures to improve its compliance procedures to avoid a similar event from happening in the future.

(7) Proposed issuance of the Convertible Preference Shares

In order to improve its net liabilities position to a net assets position, the Company has been in discussion with Changhong with respect to a possible capitalization of an amount of HK\$15 million currently due from the Company to Changhong or its affiliate into convertible preference shares of the Company. Before the proposed capitalization, the audited consolidated net liabilities as at 31 December 2008 amounted to approximately HK\$7.4 million. As a result of such proposed capitalization, it is estimated that the consolidated net asset value of the Group would become positive.

The proposed issue of the Convertible Preference Shares to Changhong, a connected person of the Company (under the GEM Listing Rules), will constitute a connected transaction (as defined in the GEM Listing Rules) and will be subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. A separate announcement with respect to the Convertible Preference Shares will be issued by the Company once the relevant subscription agreement is entered into.

STEPS TO BE TAKEN BY THE COMPANY TO FULFILL THE OTHER CONDITIONS FOR RESUMPTION

The Company has taken and is taking the following steps to satisfy the Resumption Conditions as imposed by the Stock Exchange (details of which were set out in the Announcement):

- (1) this announcement has been published to disclose actions to address the issues pertaining to the suspension of the trading in the Shares;
- (2) the Company will issue the Convertible Preference Shares to Changhong after the relevant subscription agreement has been entered into and the relevant conditions precedent to the issue have been fulfilled;

- (3) the Company will include an unaudited consolidated pro forma balance sheet of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules in the circular to be sent to Shareholders relating to the proposed issue of the Convertible Preference Shares; and
- (4) the Company is working with its auditors with regards to the comfort letter to be issued by the auditors on the Directors' statement on the sufficiency of working capital for the Group for at least 12 months from the date of resumption, both of which will be submitted to the Stock Exchange in due course.

CONTINUED SUSPENSION OF TRADING IN SHARES

Trading in the Shares on GEM will continue to be suspended until further notice. The release of this announcement does not necessarily indicate that the resumption of trading in the Shares on GEM has been or will be approved by the Stock Exchange. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares. Further announcement(s) will be made when material developments take place.

DEFINITIONS

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

“Announcement”	the announcement made by the Company dated 27 March 2009 which included, among other things, the Resumption Conditions
“Apex Digital”	Apex Digital, Inc., a company incorporated in California, United States of America and the then controlling shareholder of the Company
“Board”	the board of the Directors
“Changhong”	Sichuan Changhong Electric Co. Limited, a company incorporated in the PRC and whose shares are listed on The Shanghai Stock Exchange. Its controlling shareholder is Sichuan Changhong Electronics Group Co., Ltd.
“Company”	China Data Broadcasting Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares (stock code: 8016) are listed on GEM
“Continuing Connected Transactions”	the continuing connected transactions under the Master Purchase Agreement and the Master Supply Agreement, which constitute continuing connected transactions as defined under Chapter 20 of the GEM Listing Rules

“Convertible Preference Shares”	the convertible preference shares in the capital of the Company proposed to be issued by the Company, on such terms as set out in a subscription agreement to be entered into between the Company and Changhong (or such other affiliate of Changhong as it may nominate)
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended from time to time
“Genius”	Genius Co., Limited, a company incorporated in the PRC and whose shares are listed on The Shenzhen Stock Exchange
“Group”	the Company and its subsidiaries from time to time
“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
“Hongtu”	Jiangsu Hongtu High-Technology Co. Ltd., a company incorporated in the PRC and whose shares are listed on The Shanghai Stock Exchange
“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
“Mr. Ji”	Mr. David Ji Long Fen, the co-founder and president of Apex Digital and the controlling shareholder of Apex Digital. Mr. Ji is also a director of the Company and is directly interested in 14% of the issued share capital of the Company

“PRC”	the People’s Republic of China, which, solely for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China, and Taiwan
“Resumption Conditions”	the conditions imposed by the Stock Exchange subject to which trading of the Shares may be allowed and details of which have been disclosed in the Announcement
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Sichuan Investment”	四川川投資產管理有限責任公司(Sichuan Investment Management Company Limited*), a limited liability company established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 8 May 2009

As at the date of this announcement, the Company’s executive directors are Mr. David Ji Long Fen, Mr. Xiang Chao Yang, Mr. Wu Xiangtao, Mr. Tang Yun, Mr. Yu Xiao, Ms. Shi Ping and Mr. Wang Zhenhua and the Company’s independent non-executive directors are Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung, Robert and Mr. 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