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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in China Data Broadcasting Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS**

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**



**Grand Vinco Capital Limited**

*(A wholly-owned subsidiary of Vinco Financial Group Limited)*

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A letter from the Independent Board Committee and a letter from the independent financial adviser, Grand Vinco Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders are set out on page 13 and pages 14 to 26 of this circular respectively.

A notice convening the special general meeting of China Data Broadcasting Holdings Limited to be held at Unit 3701, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Tuesday, 29 December 2009 at 10:30 a.m., is set out on pages 32 to 34 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least seven days from the date of its posting.

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context otherwise requires:-*

|                               |  |
|-------------------------------|--|
| “associate(s)”                | has the meaning ascribed to it under the GEM Listing Rules   |
| “Board”                       | the board of Directors   |
| “Bye-Laws”                    | the bye-laws of the Company (as amended from time to time)   |
| “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 GEM Listing Rules   |
| “Directors”                   | the directors of the Company   |
| “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 Revised Cap and the New Continuing Connected Transactions and the relevant annual caps |
| “Independent Shareholders”    | Shareholders other than Changhong and its associates   |

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## DEFINITIONS

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| “Independent Third Party(ies)”                     | as defined in the GEM Listing Rules  |
| “Latest Practicable Date”                          | 7 December 2009, being the latest practicable date for ascertaining certain information for inclusion in this circular   |
| “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 components and products by the Group to Changhong and its subsidiaries on an ongoing basis    |
| “New Continuing Connected Transactions Agreements” | the New Master Supply Agreement and the New Master Purchase Agreement  |
| “New Continuing Connected Transactions”            | the continuing connected transactions under the New Continuing Connected Transaction Agreements, which constitute continuing connected transactions as defined under Chapter 20 of the GEM Listing Rules                           |
| “New Master Purchase Agreement”                    | the purchase agreement entered into between the Company and Changhong on 20 November 2009 in relation to the purchase of certain consumer electronic products by the Group from Changhong and its subsidiaries on an ongoing basis |
| “New Master Supply Agreement”                      | the supply agreement entered into between the Company and Changhong on 20 November 2009 in relation to the supply of certain electronic components and products by the Group to Changhong and its subsidiaries on an ongoing basis |
| “PRC”  | the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)   |
| “Revised Cap”                                      | the increase in the annual cap under the Master Purchase Agreement for the year ending 31 December 2009  |
| “SFO”  | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |

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## DEFINITIONS

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|------------------|---|
| “SGM”            | the special general meeting of the Company to be held on Tuesday, 29 December 2009 at 10:30 a.m. to approve the Revised Cap and the terms and the New Continuing Connected Transactions and the relevant annual caps, notice of which is set out on pages 32 to 34 of this circular   |
| “Shareholders”   | shareholders of the Company   |
| “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  |
| “Vinc Capital”   | Grand Vinc Capital Limited, a wholly-owned subsidiary of Vinc Financial Group Limited (stock code: 8340), a licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, which has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Revised Cap and the New Continuing Connected Transactions and the relevant annual caps |
| “%”              | per cent.   |

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

David Ji Long Fen  
Xiang Chao Yang  
Wu Xiangtao  
Tang Yun  
Yu Xiao  
Shi Ping  
Wang Zhenhua

*Independent non-executive Directors:*

Chan Ming Sun, Jonathan  
Ip Chun Chung, Robert  
Sun Dongfeng

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of business:*

Unit 3701, 37/F,  
West Tower,  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

10 December 2009

*To Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

Reference is made to the announcement issued by the Company on 20 November 2009 whereby the Board announced that (i) the Company proposed to revise the 2009 annual cap in relation to the Master Purchase Agreement from HK\$526,500,000 to HK\$1,250,000,000; and (ii) the Company has entered into the New Master Supply Agreement and the New Master Purchase Agreement with Changhong in respect of the supply and purchase of various electronic components and products on 20 November 2009. The existing Master Supply Agreement and Master Purchase Agreement will expire on 31 December 2009. In order to continue the supply and purchase of various electronic components and products between the Company and Changhong following 31 December 2009, on 20 November

\* *For identification only*

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## LETTER FROM THE BOARD

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2009, the New Master Supply Agreement and the New Master Purchase Agreement were entered into. These agreements set out the framework within which the relevant electronic components and products 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 accept or place specific orders from time to time from or with Changhong or any of its subsidiaries for the supply or purchase of the relevant electronic components and products.

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, the transactions under the New Master Supply Agreement and the New Master Purchase Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

As the applicable percentage ratios in respect of the Revised Cap and each of the relevant percentage ratios for the annual caps of the New Continuing Connected Transactions Agreements are more than 2.5%, the Revised Cap and the transactions contemplated under the New Continuing Connected Transactions Agreements are 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 SGM and the vote to be taken at the SGM with respect to the Revised cap and the New Continuing Connected Transactions and the relevant annual caps shall be conducted by poll.

The purpose of this circular is to provide you with information regarding the Revised Cap and the New Continuing Connected Transactions, to set out the advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee in respect of the Revised Cap and the New Continuing Connected Transactions and to give notice to the Independent Shareholders to convene the SGM to consider and, if thought fit, to approve the Revised Cap and terms and the relevant annual caps under each of the New Continuing Connected Transactions.

### **REVISED CAP FOR EXISTING CONTINUING CONNECTED TRANSACTIONS**

During the course of review of the Company's continuing connected transactions in mid October 2009, the Board noted that the transactions between the Group and Changhong under the Master Purchase Agreement for the period from 1 January 2009 to 30 September 2009 in the amount of HK\$699,668,000 has exceeded the 2009 annual cap under the Master Purchase Agreement approved by the Independent Shareholders at the Company's special general meeting held on 18 September 2007. Accordingly, the Company proposes to revise the 2009 annual cap in relation to the Master Purchase Agreement from HK\$526,500,000 to HK\$1,250,000,000.



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## LETTER FROM THE BOARD

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Due to the global financial crisis in 2008, the Board noted that a significant amount of purchase orders from the Group's customers were put off and only consummated in 2009. As a result of this surge in demand in 2009, the Group needed to purchase more consumer electronic products from Changhong and the transaction amount for 2009 under the Master Purchase Agreement is higher than anticipated. As at 30 September 2009, the Group's transaction amount under the Master Purchase Agreement was HK\$699,668,000. In view of this, the Directors consider it necessary to revise the 2009 annual cap under the Master Purchase Agreement. Based on the value of transactions conducted for the period from 1 January 2009 to 31 October 2009 and the anticipated purchase orders from the Group's customers for the period from 1 November 2009 to 31 December 2009, the Directors expect that the aggregate transaction amount under the Master Purchase Agreement for the year ending 31 December 2009 will not exceed HK\$1,250,000,000. The Directors consider that the Revised Cap will allow the Group to purchase on average approximately HK\$180,000,000 worth of consumer electronic products from Changhong per month for the three months ending 31 December 2009. In view of the purchase orders received so far and the anticipated demand from the Group's customers, the Directors consider that the Revised Cap is adequate.

The Directors (including the independent non-executive Directors after taking into account the advice of an independent financial adviser) consider that the transactions under the Master Purchase Agreement in 2009 were entered into in the ordinary and usual course of business of the Company and that the Revised Cap is based on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

### DETAILS OF THE NEW CONTINUING CONNECTED TRANSACTIONS

The existing Master Supply Agreement and Master Purchase Agreement will expire on 31 December 2009. In order to continue the supply and purchase of various electronic components and products between the Company and Changhong following 31 December 2009, on 20 November 2009, the New Master Supply Agreement and the New Master Purchase Agreement were entered into. The New Continuing Connected Transactions comprise transactions carried out by the Group with Changhong and its subsidiaries under the New Master Supply Agreement and the New Master Purchase Agreement.

### NEW MASTER SUPPLY AGREEMENT

Date: 20 November 2009

Parties: (i) the Company (as the supplier)

(ii) Changhong (as the purchaser)

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## LETTER FROM THE BOARD

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- 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 1 January 2010 to 31 December 2012, subject to the approval by the Independent Shareholders.
- 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 following table sets out the historical amounts and the proposed annual caps of the relevant electronic components and products supplied/to be supplied by the Group to Changhong and its subsidiaries from 2007 to 2012:

| <b>Year</b>  | <b>Approved<br/>Annual Cap<br/>(HK\$'000)</b> | <b>Actual Amount<br/>Supplied by<br/>the Group<br/>(HK\$'000)</b> | <b>Proposed<br/>Annual Cap<br/>(HK\$'000)</b> |
|--|---|---|---|
| 2007 (from 18 September 2007<br>to 31 December 2007) | 903,357                                       | 290,733   | –   |
| 2008   | 2,106,000                                     | 1,085,976   | –   |
| 2009   | 2,184,000                                     | 1,230,545<br>(up to<br>30 September<br>2009)                      | –   |
| 2010   | –   | –   | 2,090,000                                     |
| 2011   | –   | –   | 2,299,000                                     |
| 2012   | –   | –   | 2,528,900                                     |

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## LETTER FROM THE BOARD

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It is proposed that the annual caps of the relevant electronic components and products to be supplied by the Group to Changhong and its subsidiaries for the financial years ending 31 December 2010, 31 December 2011 and 31 December 2012 will not exceed HK\$2,090,000,000, HK\$2,299,000,000 and HK\$2,528,900,000, respectively. The proposed annual caps for 2010, 2011 and 2012 have been determined by reference to the value of electronic components and products supplied by the Group to Changhong and its subsidiaries for the period from 18 September 2007 to 30 September 2009 and the anticipated increase in demand and expansion of customer base in the consumer electronic products market, in line with the overall growth of the PRC economy.

The proposed annual cap for 2010 has been determined by reference to the estimated value of actual supply by the Group to Changhong in 2009 under the Master Supply Agreement in the amount of approximately HK\$1,900,000,000 and the anticipated increase in demand by Changhong assuming that the supply of electronic components and products to Changhong by the Group in 2010 will increase approximately 10% over the expected annual actual supply value in 2009.

The respective proposed annual cap for 2011 and 2012 represents approximately a 10% increment over the previous year's 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.

### NEW MASTER PURCHASE AGREEMENT

|                |  |
|----------------|--|
| Date:          | 20 November 2009   |
| Parties:       | (i) Changhong (as the supplier)<br>(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 1 January 2010 to 31 December 2012, subject to the approval by the Independent Shareholders.  |
| 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. |

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## LETTER FROM THE BOARD

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The following table sets out the historical amounts and the proposed annual caps of the relevant consumer electronic products purchased/to be purchased by the Group from Changhong and its subsidiaries from 2007 to 2012:

| <b>Year</b>  | <b>Approved<br/>Annual Cap<br/>(HK\$'000)</b> | <b>Actual Amount<br/>Purchased by<br/>the Group<br/>(HK\$'000)</b> | <b>Proposed<br/>Annual Cap<br/>(HK\$'000)</b> |
|--|---|--|---|
| 2007 (from 18 September 2007<br>to 31 December 2007) | 239,538                                       | 48,820   | –   |
| 2008   | 468,000                                       | 314,938  | –   |
| 2009   | 526,500                                       | 699,668<br>(up to<br>30 September<br>2009)                         | –   |
| 2010   | –   | –  | 1,375,000                                     |
| 2011   | –   | –  | 1,512,500                                     |
| 2012   | –   | –  | 1,663,750                                     |

It is proposed that the annual caps of the relevant consumer electronic products to be purchased by the Group from Changhong and its subsidiaries for the financial years ending 31 December 2010, 31 December 2011 and 31 December 2012 will not exceed HK\$1,375,000,000, HK\$1,512,500,000 and HK\$1,663,750,000, respectively. The proposed annual caps for 2010, 2011 and 2012 have been determined by reference to the value of consumer electronic products purchased by the Group from Changhong and its subsidiaries for the period from 18 September 2007 to 30 September 2009 and the anticipated increase in customer demand in light of the expected global economic recovery.

The proposed annual cap for 2010 has been determined by reference to the estimated value of actual purchase by the Group from Changhong in 2009 under the Master Purchase Agreement in the amount of approximately HK\$1,250,000,000 and the anticipated increase in demand by the Group's customers due to expected global economic recovery in the following years assuming that the purchase of electronic product from Changhong by the Group in 2010 will increase approximately 10% over the expected annual actual purchase value in 2009.

The respective proposed annual cap for 2011 and 2012 represents approximately a 10% increment over the previous year's annual cap based on the projected growth of the Group's business in view of the increase in demand and the expansion of customer base in the consumer electronic products market, in light of the expected global economic recovery.

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## LETTER FROM THE BOARD

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### REASONS FOR THE NEW CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the trading of consumer electronic products and 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 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\$250 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 continue to 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 New Master Supply Agreement, the Company would be able to maintain 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\$250 million worth of consumer electronic products overseas. In view of the Group's established international customer network in America and its success in distributing and selling the consumer electronic products, the parties would like to continue the purchase of the relevant consumer electronic products by the Group from Changhong and its subsidiaries. The Directors believe that the arrangement with Changhong under the New Master Purchase Agreement will continue to facilitate the Group's future expansion of its business, as it gives the Group access to a source of competitively priced products.

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

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## LETTER FROM THE BOARD

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### GEM 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, the transactions under the New Master Supply Agreement and the New Master Purchase Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules.

Pursuant to Rule 20.36 of the GEM Listing Rules, where a previously announced annual cap is exceeded, the Company must re-comply with the reporting, announcement and/or independent shareholders' approval requirements as set out in Rule 20.35(3) and Rule 20.35(4) of the GEM Listing Rules.

As the applicable percentage ratios in respect of the Revised Cap and each of the relevant percentage ratios for the annual caps of the New Continuing Connected Transactions Agreements are more than 2.5%, the Revised Cap and the transactions contemplated under the New Continuing Connected Transactions Agreements are 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 SGM and the vote to be taken at the SGM with respect to the Revised Cap and the New Continuing Connected Transactions shall be conducted by poll.

### SGM AND PROXY ARRANGEMENT

A notice convening the SGM is set out on pages 32 to 34 of this circular. The SGM is being convened for the purpose of considering and, if thought fit, passing ordinary resolutions to approve the Revised Cap and the New Continuing Connected Transactions and relevant annual caps. Changhong and its associates will abstain from voting at the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the form of proxy to the Company's Registrar in Hong Kong at Hong Kong Registrars Limited, at 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the SGM and voting in person should you so wish.

As indicated above, the chairman of the SGM will demand that a poll be taken in respect of each of the ordinary resolutions to be proposed at the SGM for the approval of the Revised Cap and the terms and the relevant annual caps under each of the New Continuing Connected Transactions.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Independent Board Committee has been established to consider whether the Revised Cap and the terms and the relevant annual caps of the New Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letter of Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 26 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 13.

The Independent Board Committee, having taken into account the opinion of Vinco Capital, considers the Revised Cap and the terms and the relevant annual caps of the New Continuing Connected Transactions to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole and accordingly, recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the SGM.

### FURTHER INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

Yours faithfully,  
By Order of the Board  
**Yu Xiao**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

10 December 2009

*To the Independent Shareholders*

Dear Sir and Madam,

#### **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 10 December 2009 issued to the Shareholders (the “Circular”) of which this letter forms part. Capitalized terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the Revised Cap and the New Continuing Connected Transactions and not having any interest in the transactions contemplated under the Revised Cap and the New Continuing Connected Transactions, we have been appointed by the Board to advise you as to whether, in our opinion, the Revised Cap and the terms and the relevant annual caps of the New Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders as a whole are concerned.

Vinco Capital has been appointed by the Company as the independent financial adviser to advise us regarding the fairness and reasonableness of the Revised Cap and the terms and the relevant annual caps of the New Continuing Connected Transactions. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such opinion, are set out on pages 14 to 26 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 12 of the Circular and the additional information set out in the appendix to the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by Vinco Capital as stated in its letter of advice, we consider that the Revised Cap and the terms and the relevant annual caps of the New Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and its Shareholders. We therefore recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Revised Cap and the New Continuing Connected Transactions and the relevant annual caps to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Chan Ming Sun, Jonathan**  
*Independent Non-executive  
Director*

**Ip Chun Chung, Robert**  
*Independent Non-executive  
Director*

**Sun Dongfeng**  
*Independent Non-executive  
Director*

\* *For identification only*



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## LETTER FROM VINCO CAPITAL

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*The following is the text of a letter of advice from Grand Vinco Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the Revised Cap and the New Continuing Connected Transactions which has been prepared for the purpose of incorporation in this circular:*



**Grand Vinco Capital Limited**  
Units 4909-4910, 49/F., The Center  
99 Queen's Road Central, Hong Kong

10 December 2009

To the Independent Board Committee and the Independent Shareholders of  
*China Data Broadcasting Holdings Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Revised Cap and the New Continuing Connected Transactions Agreements and the transactions contemplated thereunder, details of which are set out in the section headed "Letter from the Board" of the circular issued by the Company to the Shareholders dated 10 December 2009 ("Circular") of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

As the transactions between the Group and Changhong under the Master Purchase Agreement for the period from 1 January 2009 to 30 September 2009 in the amount of HK\$699,668,000 has exceeded the 2009 annual cap under the Master Purchase Agreement approved by the Independent Shareholders at the Company's special general meeting held on 18 September 2007, the Company thus proposed to revise the 2009 annual cap under the Master Purchase Agreement from HK\$526,500,000 to HK\$1,250,000,000.

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## LETTER FROM VINCO CAPITAL

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In addition, as the existing Master Supply Agreement and the Master Purchase Agreement will expire on 31 December 2009 and the Group will continue to supply and purchase of various electronic components and products between the Company and Changhong following 31 December 2009, the Company thus has entered into the New Master Supply Agreement and the New Master Purchase Agreement with Changhong on 20 November 2009. These agreements set out the framework within which the relevant electronic components and products 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 accept or place specific orders from time to time from or with Changhong or any of its subsidiaries for the supply or purchase of the relevant electronic components and products.

Pursuant to Rule 20.36(1) of the GEM Listing Rules, where a previously approved annual cap is exceeded, the Company must re-comply with the reporting, announcement and/or independent shareholders' approval requirements as set out in Rule 20.35(3) and Rule 20.35(4) of the GEM Listing Rules. As such, the Revised Cap is subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules.

As stated in the Letter from the Board, Changhong is a substantial Shareholder interested in 29.99% of the issued share capital of the Company. This renders Changhong as a connected person of the Company under Rule 20.11 of the GEM Listing Rules. Accordingly, the transactions under the New Master Supply Agreement and the New Master Purchase Agreement constitute continuing connected transactions of the Company under Rule 20.35 of the GEM Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) as calculated for the Revised Cap and the proposed annual caps under the New Continuing Connected Transactions exceed 2.5%, the Revised Cap and the transactions contemplated under New Continuing Connected Transaction Agreements will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 20.45 to 20.48 of the GEM Listing Rules. As a result thereof, Changhong and its associates shall abstain from voting at the SGM and the vote to be taken at the SGM with respect to the Revised Cap and the New Continuing Connected Transactions shall be conducted by poll.

The Independent Board Committee comprising Mr. Chan Ming Sun, Jonathan, Mr. Ip Chun Chung, Robert and Mr. Sun Dongfeng, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Revised Cap and the New Continuing Connected Transactions Agreements and the transactions contemplated thereunder. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Cap and the New Continuing Connected Transactions Agreements and the transactions contemplated thereunder. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the Revised Cap and the New Continuing Connected Transactions Agreements and the transactions contemplated thereunder are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM VINCO CAPITAL

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### **BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

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

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Revised Cap and the New Continuing Connected Transactions as referred to in Rule 17.92 (2) of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Revised Cap and the New Continuing Connected Transactions Agreements and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM VINCO CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in relation to the Revised Cap and the New Continuing Connected Transactions, we have considered the following principal factors and reasons:

#### **Background of Revised Cap and the New Continuing Connected Transactions**

##### *Information of the Group*

The Group is principally engaged in the trading of consumer electronic products and related parts and components. Since 2001, the Group has been engaged in the business of trading of electronic products.

According to the annual report 2008 of the Company, the revenue of the Group was amounted to approximately HK\$1,325.0 million (2007: approximately HK\$321 million), representing a significant improvement of approximately 312.77% over the previous year. The Group also recorded a net profit of approximately HK\$5.7 million for the year ended 31 December 2008, representing a significant turnaround after reporting losses for the past three financial years. As advised by the Directors, such significant improvement of the Group's financial performance was mainly attributable to the sale and purchase of various electronic components and products to/from Changhong and its subsidiaries under the Master Supply Agreement and the Master Purchase Agreement.

##### *Information of Changhong*

Changhong and its subsidiaries are principally engaged in manufacturing, sales and marketing of consumer electronic products globally.

#### **Reasons for the Revised Cap and the New Continuing Connected Transactions**

The Company entered into the Master Supply Agreement and the Master Purchase Agreement with Changhong (being a substantial Shareholder) in respect of the supply and purchase of various electronic components and products on 18 April 2007 and 9 May 2007 respectively. The Master Supply Agreement and the Master Purchase Agreement and the relevant annual caps under the continuing connected transactions for the period from 18 September 2007 to 31 December 2007 and for the two financial years ending 31 December 2009 were approved by Independent Shareholders at SGM that held on 18 September 2007. Further details of the continuing connected transactions as contemplated thereunder are set out in the circular of the Company dated 31 August 2007.

During the year ended 31 December 2008, three major customers of the Group were the subsidiaries of Changhong, the sales to such customers accounted for approximately 24.4% of the total sales during the said year. In addition, Changhong was one of the largest customers and suppliers of the Group which accounted for approximately 54.7% and 18.6% of the Group's total sales and purchases respectively.

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## LETTER FROM VINCO CAPITAL

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### *Reasons for the Revised Cap*

As discussed with the Directors, a significant amount of purchase orders from the Group's customers were put off and only consummated in 2009 due to the global financial crisis in 2008. Such surge in demand in 2009 resulted in higher transaction amounts for the purchase of consumer electronic products from Changhong and thus exceeding the existing 2009 annual cap under the Master Purchase Agreement approved by the Independent Shareholders at the Company's special general meeting held on 18 September 2007. As at 30 September 2009, the transactions between the Group and Changhong under the Master Purchase Agreement was HK\$699,668,000, exceeding the existing annual cap of HK\$526,500,000 in 2009 by approximately 32.89%.

### *Reasons for the New Continuing Connected Transactions*

The existing Master Supply Agreement and the Master Purchase Agreement will expire on 31 December 2009. As the Group will continue to supply and purchase various electronic components and products between the Company and Changhong following 31 December 2009, the Company thus has entered into the New Master Supply Agreement and the New Master Purchase Agreement with Changhong on 20 November 2009. The New Continuing Connected Transactions Agreements set out the framework within which the relevant electronic components and products 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 accept or place specific orders from time to time from or with Changhong or any of its subsidiaries for the supply or purchase of the relevant electronic components and products.

Having considered the aforesaid and the business nature of the Group and Changhong, we are of the view that the Revised Cap and the New Continuing Connected Transactions are in the ordinary and usual course of business of the Company.

### **Principal terms of the New Continuing Connected Transactions Agreements**

Pursuant to the terms of the New Continuing Connected Transactions Agreements dated 20 November 2009, the Group will continue to supply and purchase various electronic components and products between the Group and Changhong. Details of the principal terms of the New Continuing Connected Transactions Agreements are set out as follows:

#### ***Duration***

Pursuant to the New Continuing Connected Transactions Agreements, the Group and Changhong agreed to set out the framework within which the relevant electronic components and products to be supplied or purchased by the Group. The terms of the New Continuing Connected Transactions Agreements shall be effective from 1 January 2010 and expire on 31 December 2012 (both dates inclusive) after approval has been obtained from the Independent Shareholders at the SGM.

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## LETTER FROM VINCO CAPITAL

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### *Pricing*

We were advised by the Directors that the prices of the purchase and supply of the relevant various electronic components and products under the New Continuing Connected Transactions Agreements will be determined after arm's length negotiations between the Company and Changhong with reference to the prevailing market price and demand of the relevant electronic components and products which are comparable to the components and products to be supplied/purchased by Changhong and such prices will be on normal commercial terms and terms that are no less favourable to the Group than those available from the Independent Third Parties.

In this regard, we have reviewed, on a random sampling basis, the price quotations/contracts for the sales/purchases to/from Changhong and the Independent Third Parties for the supply/purchase of similar electronic components and products from 2007 to 2009 and we noted that the pricing of relevant various electronic components and products was no less favourable to the Group than those available from the Independent Third Parties. Accordingly, we are thus of the view that the pricing for the New Continuing Connected Transaction Agreements are on normal commercial terms.

### *Payment terms*

Pursuant to the New Master Supply Agreement and the New Master Purchase Agreement, payment by both Changhong and the Company depends on the products to be supplied/purchased and volume and time of delivery for each transaction. It is generally expected to be by telegraphic transfer payable within 35 days to 45 days from the date of delivery or by irrevocable letter of credit.

In accessing the fairness and reasonableness of the payment terms under the New Master Supply Agreement and the New Master Purchase Agreement, we have reviewed a number of sample framework agreements entered into by Changhong with parties other than the Company and we noted that the payment terms among the said framework agreements are comparable to those of the New Continuing Connected Transactions Agreements. As such, we are of the view that the payment terms under the New Continuing Connected Transactions Agreements are on normal commercial terms.

Having considered that the pricing and payment terms under the New Master Supply Agreement and the New Master Purchase Agreement are similar and no less favourable to the Group than those available from the Independent Third Parties, we thus consider that the principal terms of the New Continuing Connected Transactions Agreements are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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**LETTER FROM VINCO CAPITAL**

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**Revised Cap and the proposed annual caps for the three years ending 31 December 2012**

***Historical annual caps under the Master Supply Agreement and the Master Purchase Agreement***

The table below sets forth (i) the historical transaction amounts; and (ii) the historical annuals caps under the Master Supply Agreement and the Master Purchase Agreement, from the period from 18 September 2007 to 31 December 2007 up to the year ending 31 December 2009:

|                              | For the period from<br>18 September 2007 to<br>31 December 2007 |  | For the year ended<br>31 December 2008              |  | For the year ending<br>31 December 2009             |  |
|------------------------------|---|--|---|--|---|--|
|                              | Actual<br>transaction<br>amounts<br><i>HK\$'000</i>             | Approved<br>annual cap<br>amounts<br><i>HK\$'000</i> | Actual<br>transaction<br>amounts<br><i>HK\$'000</i> | Approved<br>annual cap<br>amounts<br><i>HK\$'000</i> | Actual<br>transaction<br>amounts<br><i>HK\$'000</i> | Approved<br>annual cap<br>amounts<br><i>HK\$'000</i> |
| Master Supply<br>Agreement   | 290,733   | 903,357  | 1,085,976   | 2,106,000  | 1,230,545<br>(up to<br>30 September<br>2009)        | 2,184,000  |
| Master Purchase<br>Agreement | 48,820  | 239,538  | 314,938   | 468,000  | 699,668<br>(up to<br>30 September<br>2009)          | 526,500  |

As illustrated from the above, save and except for the existing 2009 annual cap under the Master Purchase Agreement, the actual transaction amounts were substantially lower than the historical approved annual caps for the relevant period. As discussed with the Directors, we were advised that such significant discrepancies between the actual transaction amounts and the existing approved annual caps were mainly attributable to the unexpected decrease in demand and supply in the global consumer electronic markets resulted from the global financial crisis in 2008. As a result thereof, the actual transaction amounts were substantially lower than the existing approved annual caps.

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## LETTER FROM VINCO CAPITAL

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### *Basis of determining the Revised Cap and the proposed annual caps for the three years ending 31 December 2012 under the New Continuing Connected Transactions Agreements*

#### *(1) Revised Cap*

The Company proposed to revise the 2009 annual cap under the Master Purchase Agreement from HK\$526,500,000 to HK\$1,250,000,000 and it was estimated with reference to the actual transaction amounts for the period from 1 January 2009 to 31 October 2009 and the anticipated purchase orders from the Group's customers for the period from 1 November 2009 to 31 December 2009. The Directors expect that the aggregate transaction amount under the Master Purchase Agreement for the year ending 31 December 2009 will not exceed HK\$1,250,000,000. The Directors consider that the Revised Cap will allow the Group to purchase on average approximately HK\$180,000,000 worth of consumer electronic products from Changhong per month for the three months ending 31 December 2009.

In accessing the fairness and reasonableness of the Revised Cap, we have reviewed the existing purchase orders received by the Company and the budget purchase schedule to be entered between the Group and the Group's customers for the three months ending 31 December 2009. Further to our discussion with the Directors on the basis and assumption for the anticipated purchase orders from the Group's customers, we noted that there would be at least approximately HK\$527,600,000 of purchase orders received and anticipated purchase orders to be received by the Group to Changhong and its subsidiaries for the three months ending 31 December 2009.

Taking into consideration that (i) the actual transaction amounts under the Master Purchase Agreement in 2009 have already exceeded the existing 2009 annual cap by approximately 32.89%; (ii) the existing purchase orders received and the anticipated purchase orders to be received from the Group's customers for the three months ending 31 December 2009; and (iii) other than the Revised Cap as proposed, the terms and conditions under the Master Purchase Agreement will remain unchanged, we concur with the Directors' view that the Revised Cap is in the interest of the Company and Independent Shareholders as a whole.

#### *(2) Proposed annual caps under the New Master Supply Agreement*

The table below sets forth the proposed annual caps in respect of the New Master Supply Agreement for each for the three years ending 31 December 2012:

| <b>Proposed annual cap</b> |                 |                 |
|----------------------------|-----------------|-----------------|
| <b>2010</b>                | <b>2011</b>     | <b>2012</b>     |
| <i>HK\$'000</i>            | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 2,090,000                  | 2,299,000       | 2,528,900       |



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## LETTER FROM VINCO CAPITAL

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As discussed with the Directors, we are given to understand that the proposed annual caps for the three years ending 31 December 2012 under the New Master Supply Agreement were determined by the Company after taking into consideration of the following factors:

- (i) the actual transaction amounts involved with reference to the value of electronic components and products supplied by the Group to Changhong and its subsidiaries for the period from 18 September 2007 to 30 September 2009 and the estimated supply amount by the Group to Changhong and its subsidiaries for the three months ending 31 December 2009;
- (ii) the estimated potential growth of the Group with reference to the anticipated increase in demand and expansion of customer base in the consumer electronic products market, in line with the expected overall growth of the PRC as discussed below; and
- (iii) the expected annual increment of approximately 10% over the expected annual transaction amount to be supplied by the Group in each of the previous year's annual cap.

As advised by the Directors, taking into consideration that, for the three months ending 31 December 2009, there would be at least approximately HK\$667,300,000 of purchase orders placed and anticipated purchase orders to be placed by Changhong to the Group for the three months ending 31 December 2009, the amount to be supplied by the Group to Changhong for the year ending 31 December 2009 is thus expected to be approximately HK\$1,900,000,000. With the expected annual increment of approximately 10% over the expected annual transaction amount to be supplied by the Group in 2009 of approximately HK\$1,900,000,000, the annual caps proposed for the three years ending 31 December 2012 would thus be HK\$2,090,000,000, HK\$2,299,000,000 and HK\$2,528,900,000 respectively.

In accessing the fairness and reasonableness of the proposed annual caps under the New Master Supply Agreement, we have reviewed the projected supplies to be made by the Group to Changhong for the three years ending 31 December 2012 and its underlying assumptions. As advised by the Directors, we understand that Changhong and its subsidiaries import annually more than US\$250 million worth of electronic parts and components from overseas and the Company has established good relationship with various original suppliers of parts and components that are required by Changhong. As further advised by the Directors, we understand that the proposed annual caps (i) were determined by the Company and Changhong given that Changhong will use the Company on a preferential basis to handle its overseas purchase in the future; and (ii) have been set with buffer so as to allow the Group to have greater flexibility in supplying electronic components and products to Changhong and to cope with unexpected demand increase under the expected overall growth of the PRC and the optimistic prospect of the electronic components industry which in turn broaden the business opportunities of the Group. Accordingly, we concur with the Directors' view that the entering of the New Master Supply Agreement would maintain the Company's sales level and consolidate and expand its existing supply and sourcing networks with the committed source of purchase orders from Changhong.

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## LETTER FROM VINCO CAPITAL

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In addition, we have also reviewed the relevant information and statistical survey regarding the economy and the electronic components industry in China. According to the statistics available from the National Bureau of Statistics of China, we noted that the growth rate of the gross domestic product (“GDP”) of the PRC in the first quarter, second quarter and third quarter of 2009 were 6.1%, 7.9% and 8.9% respectively. As advised by the Directors, the overall growth of the PRC economy would be able to stimulate the demand for the electronic components and products. Meanwhile, the adoption of the “Home Appliances Going to the Countryside Policy (家電下鄉政策)” and the “Implementation Measures on Replacement of Household Electrical Appliances (以舊換新政策)” by the PRC governmental authorities also drove up the domestic consumption demand in the consumer electronics industry through ways of providing financial subsidies to the rural residents to purchase home appliances in certain provinces and providing financial subsidies for the replacement of household electrical appliances. According to the “Statistical Communique of the People’s Republic of China on the 2008 National Economic and Social Development” published by the National Bureau of Statistics of China on 26 February 2009, the domestic sales of electric and electronic appliances for household use and audio-video equipment increased by approximately 14.2% as compared with the previous year. Meanwhile, with the support and commitment of the Chinese government to maintain gross domestic products growth rate at approximately 8.0% per annum, the Directors expected that, together with the expected economic growth in China and the abovementioned measures, the demand of the electronic components and products under the Master Supply Agreement is expected to increase. As such, we concur with the Directors’ view on their basis and assumptions in determining the proposed annual caps under the New Master Supply Agreement are fair and reasonable. Accordingly, we are of the view that the New Master Supply Agreement would allow the Company to capture the prospect in the growth of the electronic components industry and to strengthen its income base and thus is in the interests of the Company and the Independent Shareholders as a whole.

Based on the above analysis, we are thus of the view that the proposed annual caps for the three years ending 31 December 2012 under the New Master Supply Agreement are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

(3) *Proposed annual caps under the New Master Purchase Agreement*

The table below sets forth the proposed annual caps under the New Master Purchase Agreement for each of the three years ending 31 December 2012:

| <b>Proposed annual cap</b> |                 |                 |
|----------------------------|-----------------|-----------------|
| <b>2010</b>                | <b>2011</b>     | <b>2012</b>     |
| <i>HK\$’000</i>            | <i>HK\$’000</i> | <i>HK\$’000</i> |
| 1,375,000                  | 1,512,500       | 1,663,750       |

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## LETTER FROM VINCO CAPITAL

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As discussed with the Directors, we understand that the proposed annual caps for the three years ending 31 December 2012 under the New Master Purchase Agreement were determined by the Company after taking into consideration of the following factors:

- (i) the actual transaction amounts involved with reference to the value of consumer electronic products purchased by the Group from Changhong and its subsidiaries for the period from 18 September 2007 to 30 September 2009 and the estimated purchase amount by the Group from Changhong and its subsidiaries for the three months ending 31 December 2009;
- (ii) the estimated potential growth of the Group with reference to the anticipated increase in customer demand, in line with the expected global economic recovery; and
- (iii) the expected annual increment of approximately 10% over the expected annual transaction amount to be purchased by the Group in the previous year's annual cap.

As advised by the Directors, taking into consideration that, for the three months ending 31 December 2009, there would be at least approximately HK\$527,600,000 of purchase orders placed and anticipated purchase orders to be placed by the Group to Changhong and its subsidiaries, the purchase amount to be purchased by the Group from Changhong for the year ending 31 December 2009 is thus expected to be not exceeding HK\$1,250,000,000. With the expected annual increment of approximately 10% over the expected annual transaction amount to be purchased by the Group in 2009 of not exceeding HK\$1,250,000,000, the annual caps proposed for the three years ending 31 December 2012 would thus be HK\$1,375,000,000, HK\$1,512,500,000 and HK\$1,663,750,000 respectively.

In accessing the fairness and reasonableness of the proposed annual caps under the New Master Purchase Agreement, we have also reviewed the projected purchases to be made by the Group to Changhong and its subsidiaries for the three years ending 31 December 2012 and its underlying assumptions. As advised by the Directors, we understand that (i) Changhong is an established manufacturer of consumer electronic products and can supply a range of popular consumer electronic products at a very competitive basis; and (ii) Changhong and its subsidiaries export more than US\$250 million worth of consumer electronic products overseas. With the Group's established international customer networks and its success in distributing and selling the consumer electronic products in the past years, it is mutually beneficial for the parties to continue their transactions with respect to trading of the relevant consumer electronic products between the Group and Changhong and its subsidiaries. In this regard, we have reviewed the relevant information, such as past export sales figure of Changhong for the past two years ended 31 December 2008 of approximately US\$280 million and US\$319 million respectively and the projected purchases orders to be made by the Group to Changhong and its subsidiaries. As further advised by the Directors, we are given to understand that with the international commitments to fight the global financial crisis, it is forecasted that the global economy will recover and resume growth in the coming years, which would in turn raise the global demand for the consumer electronic products.

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## LETTER FROM VINCO CAPITAL

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In addition, we have also reviewed the relevant information and statistical survey regarding the global consumer electronics market. According to the summary of the report “Consumer Electronics Market Forecast” published by RNCOS in September 2009, the global consumer electronics market was worth US\$335.2 billion. It is forecasted that both the global consumer electronics market and global consumer electronics shipment will grow at a compound annual growth rate of approximately 5% from 2009 to 2012. Meanwhile, according to the statistics available from the National Bureau of Statistics of China (which are the latest annual figures available for public review), we noted that China exported electrical machinery and equipment and parts, sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles of approximately US\$227.5 billion and US\$300.2 billion in 2006 and 2007, respectively, representing a growth of approximately 31.96%, which indicate strong growth in the world’s consumer electronics market. According to the “2009 Top 500 Enterprises of China” released by the China Enterprise Confederation and China Enterprise Directors Association on 5 September 2009, Changhong ranked as the 199th enterprises out of the 2009 top 500 enterprises in China with total revenue of RMB30.05 billion, indicating an increase of RMB2.65 billion (approximately 9.67%) as compared with the previous year. As advised by the Directors, we understand that with (i) the Group’s commitment to expand its customer base in the consumer electronic products market; (ii) the Group’s established international customer networks for years; and (iii) Changhong served as one of the top home appliance manufacturers in China and one of the world-famous brands in consumer electronics and home appliance, the Group would be able to seize the opportunities arising from the optimistic prospect of the global consumer electronics industry and the expected recovery of the global economy, which would in turn be beneficial to the Group’s business and lead to potential growth of the Group.

As further advised by the Directors, we understand that the proposed annual caps (i) were determined by the Company and Changhong given that Changhong will use the Company on a preferential basis to handle its export sales in the future; and (ii) have been set with buffer so as to allow the Group to have greater flexibility in purchasing consumer electronic products from Changhong and to cope with unexpected market demand increase under the expected global economic recovery and the optimistic prospect of the global consumer electronic industry which in turn broaden the business opportunities of the Group. We understand that the projected export sales of Changhong may be achieved by the Company through purchasing electronic products from Changhong under the New Master Purchase Agreement. As such, we concur with the Directors’ view on their basis and assumptions in determining the proposed annual caps under the New Master Purchase Agreement are fair and reasonable. Accordingly, we are of the view that the New Master Purchase Agreement would allow the Company to strengthen its income base and to capture the prospect in the growth of the consumer electronics industry and thus is in the interests of the Company and the Independent Shareholders as a whole.

Based on the above analysis, we are thus of the view that the proposed annual caps for the three year ending 31 December 2012 under the New Master Purchase Agreement are fair and reasonable so far as the Company and Independent Shareholders as a whole are concerned.

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## LETTER FROM VINCO CAPITAL

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### RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the Revised Cap and the terms and the relevant annual caps of the New Continuing Connected Transactions Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, the Revised Cap and the terms and the relevant annual caps of the New Continuing Connected Transactions Agreements are in the interests of the Company and the Independent Shareholders as a whole. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders, and the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM approving the Revised Cap and the New Continuing Connected Transactions Agreements and the transactions contemplated thereunder.

Yours faithfully  
For and on behalf of  
**Grand Vinco Capital Limited**  
**Alister Chung**  
*Managing Director*

**RESPONSIBILITY STATEMENT**

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes 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:

- (a) the information contained in this document is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this document misleading; and
- (c) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

**Long position in shares or underlying shares of the Company**

| Name of Director      | Number of Shares held,<br>capacity and nature<br>of Interest |                                      | Total<br>number of<br>Shares in<br>the Company | Approximate<br>percentage of<br>issued share<br>capital of<br>the Company<br>(%) |
|-----------------------|--|--------------------------------------|--|--|
|                       | Beneficially<br>owned  | Through<br>controlled<br>corporation |  |  |
| Mr. David Ji Long Fen | 44,520,000   | –                                    | 44,520,000                                     | 14   |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

#### **SUBSTANTIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER THE SFO**

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had the following interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

| Name of Shareholder                    | Capacity/Nature of interest | Note | Number of shares of the Company<br>Note 1 | Approximate percentage of issued share capital of the Company (%) |
|--|-----------------------------|------|---|---|
| Changhong                              | Beneficial owner            | –    | 95,368,000(L)                             | 29.99   |
| Sichuan Investment Management Co. Ltd. | Beneficial owner            | –    | 83,009,340(L)                             | 26.10   |
| Mr. David Ji Long Fen                  | Beneficial owner            | –    | 44,520,000(L)                             | 14.00   |
| Ms. Liu Ru Ying                        | Family interest             | 2    | 44,520,000(L)                             | 14.00   |

*Notes:*

1. The letter “L” denotes a long position whilst the letter “S” denotes a short position.
2. Ms. Liu Ru Ying is the spouse of Mr. David Ji Long Fen and is deemed to be interested in the shares in which Mr. David Ji Long Fen is interested.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (not being a Director or chief executive of the Company) had an interest or a short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### **COMPETING INTERESTS**

Apex Digital Inc., a company incorporated in the United States is wholly-owned by Mr. David Ji Long Fen, an executive director of the Company. Apex Digital Inc. is principally engaged in the wholesaling business of consumer home electronics items under the name of “Apex Digital” in the United States.

Changhong, a substantial shareholder of the Company interested in 29.99% of the issued share capital of the Company, is one of the largest Chinese consumer electronics provider specializing in R&D, manufacturing and marketing of consumer electronic products.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Company which falls to be disclosed under the GEM Listing Rules.

### **SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or proposed Directors has entered into any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

### **LITIGATION**

So far as is known to the Directors, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

### **MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2008 (the date to which the latest published audited consolidated accounts of the Group were made up).



**QUALIFICATION AND CONSENT OF EXPERT**

The following are the qualifications of the expert (the “Expert”) who has given its letter for the inclusion in this circular:

| <b>Name</b>   | <b>Qualifications</b>   | <b>Nature of opinion or advice</b>   | <b>Date of opinion</b> |
|---------------|---|--|------------------------|
| Vinco Capital | A licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO | Letter to the Independent Board Committee and the Independent Shareholders | 10 December 2009       |

The Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Expert did not have any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

**GENERAL**

- (a) No Director is materially interested in any contract or arrangement subsisting at the date hereof which is significant to the business of the Group taken as a whole.
- (b) Since 31 December 2008, the date to which the latest published audited consolidated accounts of the Group have been made up, none of Vinco Capital or any of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.
- (c) As at the Latest Practicable Date, Vinco Capital was not interested in any shares in the Company or any of its subsidiaries or any rights or option to subscribe for or nominate persons to subscribe for any shares in the Company or any of its subsidiaries.
- (d) The qualified accountant of the Company is Lee Wing Lun, who is a member of the Hong Kong Institute of Certified Public Accountant, the CPA Australia, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (e) The secretary of the Company is Lee Wing Lun. He is a member of the Hong Kong Institute of Certified Public Accountant, the CPA Australia, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (f) The branch share registrars of the Company in Hong Kong is Hong Kong Registrars Limited, at 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

- (g) The English text of this circular shall prevail over the Chinese text.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at Unit 3701, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong up to and including 29 December 2009:–

- (1) New Master Supply Agreement;
- (2) New Master Purchase Agreement;
- (3) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (4) the letter from Vinco Capital, the text of which is set out on pages 14 to 26 of this circular; and
- (5) the written consent from Vinco Capital referred to in paragraph headed “Qualification and Consent of Expert” in this Appendix.

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## NOTICE OF SGM

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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)

**NOTICE IS HEREBY GIVEN** that a special general meeting of China Data Broadcasting Holdings Limited (the “Company”) will be held at Unit 3701, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Tuesday, 29 December 2009 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. **“THAT**, the revised cap in relation to the purchase of certain consumer electronic products by the Company and its subsidiaries from Sichuan Changhong Electric Co. Limited (“Changhong”) and its subsidiaries for the year ending 31 December 2009 under the purchase agreement dated 18 April 2007 entered into between the Company and Changhong will not exceed HK\$1,250,000,000 be and is hereby approved, ratified and confirmed.”
  
2. **“THAT**:
  - (a) the agreement (the “New Master Supply Agreement”) dated 20 November 2009 entered into between the Company and Changhong, a copy of which marked “A” is tabled at the meeting and initialed by the chairman of the meeting for identification purpose, in relation to the supply on an ongoing basis of electric 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, and the terms of and the transactions contemplated under the Master Supply Agreement and the implementation thereof be and are hereby approved, ratified and confirmed;
  
  - (b) the proposed caps in relation to the transactions under the New Master Supply Agreement for each of the years ending 31 December 2010, 31 December 2011 and 31 December 2012 will not exceed HK\$2,090,000, HK\$2,299,000 and HK\$2,528,900 respectively be and are hereby approved; and

\* *For identification only*

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## NOTICE OF SGM

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- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the New Master Supply Agreement.”
3. **“THAT:**
- (a) the agreement (the “New Master Purchase Agreement”) dated 20 November 2009 entered into between the Company and Changhong, a copy of which marked “B” is tabled at the meeting and initialed by the chairman of the meeting for identification purpose, in relation to the purchase on an ongoing basis 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, and the terms of and the transactions contemplated under the New Master Purchase Agreement and the implementation thereof be and are hereby approved, ratified and confirmed;
- (b) the proposed caps in relation to the transactions under the New Master Purchase Agreement for each of the years ending 31 December 2010, 31 December 2011 and 31 December 2012 will not exceed HK\$1,375,000, HK\$1,512,500 and HK1,663,750 respectively be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the New Master Purchase Agreement.”

By order of the Board  
**Yu Xiao**  
*Chairman*

Hong Kong, 10 December 2009

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## NOTICE OF SGM

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*Notes:*

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
2. A form for proxy for use at the Special General Meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch registrar in Hong Kong, 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.
3. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto but if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. The votes to be taken at the meeting will be by way of a poll.