

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

VINCO  城高

Grand Vinco Capital Limited

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 23 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 18 September 2007 at 11:00 a.m., is set out on pages 29 to 31 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 on the "Latest Company Announcements" page for at least seven days from the date of its posting.

31 August 2007

CHARACTERISTICS OF GEM

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

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

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

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DEFINITIONS

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
“Continuing Connected Transaction Agreements”	the Master Supply Agreement and the Master Purchase Agreement
“Continuing Connected Transactions”	the continuing connected transactions under the Continuing Connected Transaction Agreements, which constitute continuing connected transactions as defined under Chapter 20 of the GEM Listing Rules
“Directors”	the director 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

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising Chan Ming Sun, Jonathan, Ip Chun Chung, Robert and Sun Dongfeng, independent non-executive Directors which will be established to advise the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than Changhong and its associates
“Independent Third Party(ies)”	as defined in the GEM Listing Rules
“Latest Practicable Date”	30 August 2007, 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 products and components 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)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, to approve the terms and the relevant annual caps of the Continuing Connected Transactions, notice of which is set out on pages 29 to 31 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

DEFINITIONS

“Vinco”

Grand Vinco Capital Limited, 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, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the relevant annual caps

“%”

per cent.



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
Du Jun
Tang Yun
Yu Xiao
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

31 August 2007

To Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement issued by the Company on 26 July 2007 whereby the Board announced that the Company has entered into the Master Supply Agreement and the Master Purchase Agreement with Changhong in respect of the supply and purchase of various electronic products and components on 18 April 2007 and 9 May 2007, respectively. These agreements set out the framework within which the relevant electronic products and components to be supplied or purchased by the Group and in particular the key terms and conditions and general principles to be adopted by the Group when they place or accept specific orders from time to time with or from Changhong or any of its subsidiaries for the supply or purchase of the relevant electronic products and components.

* For identification only

LETTER FROM THE BOARD

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

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

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

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

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

MASTER SUPPLY AGREEMENT

Date:	18 April 2007
Parties:	(i) the Company (as the supplier) (ii) Changhong (as the purchaser)
Subject:	Supply of electronic products and components including but not limited to LCD screens, PDP screens, Cathode Ray Tube and various parts and components such as Integrated Circuit, plugs, sockets and voltage regulators etc which may be required by Changhong and its subsidiaries and which the Group may be able to supply in circumstances which are of commercial benefit to the Group.
Term:	With effect from the date of approval by Independent Shareholders up to 31 December 2009.

LETTER FROM THE BOARD

Price: To be determined by reference to the prevailing market price and demand of the relevant electronic products and components and no less favorable to the Group than those available to Independent Third Parties.

Payment terms: Depends on the products to be supplied and volume and time of delivery for each transaction, it is generally expected that payment shall be made by telegraphic transfer within 35 days to 45 days from the date of delivery or by irrevocable letter of credit.

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

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

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

The proposed annual cap for 2008 has been determined after discussions between Changhong and the Company by reference to Changhong's expected needs and the estimated value of overseas purchase by Changhong in 2008 assuming that the Company will supply all of the estimated value of overseas purchase by Changhong in 2008 in the amount of approximately US\$270,000,000 (approximately HK\$2,106,000,000) based on the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its overseas purchase in the future (no written agreement has been entered into between Changhong and the Company in respect of such understanding).

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

LETTER FROM THE BOARD

MASTER PURCHASE AGREEMENT

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

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

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

LETTER FROM THE BOARD

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

The proposed annual cap for 2008 has been determined after discussions between Changhong and the Company by reference to the estimated value of sales by Changhong to America and Australia in 2008 assuming that the Company will purchase and in turn export all of Changhong's estimated value of sales to America and Australia in 2008 in the total amount of approximately US\$60,000,000 (approximately HK\$468,000,000) based on the following: (i) the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its export sales to America and Australia in the future (no written agreement has been entered into between Changhong and the Company in respect of such understanding); (ii) that approximately 28% of Changhong's total overseas sales are attributable to its sales to Australia and America; and (iii) the average annual total overseas sales of Changhong for the year ended 31 December 2006 and the year ending 31 December 2007 of approximately US\$215,000,000.

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

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

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

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

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

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

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

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

In view of the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its export sales to America and Australia in the future and the Company's continued efforts to expand its business and sales, the Directors believe that its sales level will increase and it will need to ensure that it has access to a source of products which are competitively priced. The Directors believe that pursuant to the Master Purchase Agreement, it can leverage on Changhong's retail distribution networks in Australia, to expand its own international sales network, which has been mainly focused in the America markets. The Company is using Changhong's retail distribution network only in Australia. The Company has its own distribution network in America. The Company considers the Australian market to be a stable and growing market for electronic products and is keen to expand its sales in Australia. The business arrangement therefore benefits Changhong and the Company mutually, allowing Changhong to have access to the Group's

LETTER FROM THE BOARD

strong experience and retail distribution network in America and to increase the sales of Changhong's products in the America market; and the Group to access Changhong's retail distribution network in Australia and to develop and expand the Group's network in Australia. To the extent required by customers, the Company will provide after-sales and logistics support in relation to the products the Company supplies its customers. Through the arrangement with Changhong and the Company's own business development efforts, the Group will be able to increase its number of customers and some of these customers may include customers which have formerly been dealing with Changhong, prior to the implementation of the Master Purchase Agreement.

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

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

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

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

LETTER FROM THE BOARD

SGM AND PROXY ARRANGEMENT

A notice convening the SGM is set out on pages 29 to 31 of this circular. The SGM is being convened for the purpose of considering and, if thought fit, passing ordinary resolutions to approve the 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.

In accordance with the Bye-Laws of the Company, the following person or members may demand that voting in respect of the resolution to be put to the Special General Meeting shall be taken on a poll:

- (a) the chairman of such meeting; or
- (b) at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A poll may be demanded before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

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 terms and the relevant annual caps under each of the Continuing Connected Transactions.

LETTER FROM THE BOARD

RECOMMENDATION

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

The text of the letter of Vinco containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 23 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, considers the terms and the relevant annual caps of the 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.

SUSPENSION OF TRADING

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

Yours faithfully,
By Order of the Board
Yu Xiao
Chairman



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)

31 August 2007

To the Independent Shareholders

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 31 August 2007 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 Continuing Connected Transactions and not having any interest in the transactions contemplated under the Continuing Connected Transactions, we have been appointed by the Board to advise you as to whether, in our opinion, the terms and the relevant annual caps of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders as a whole are concerned.

Vinco has been appointed by the Company as the independent financial adviser to advise us regarding the fairness and reasonableness of the terms and the relevant annual caps of the 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 23 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 as stated in its letter of advice, we consider that the terms and the relevant annual caps of the 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 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*

LETTER FROM VINCO

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 Continuing Connected Transactions which has been prepared for the purpose of incorporation in this circular:



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

31 August 2007

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 Continuing Connected Transactions contemplated thereunder, details of which are set out in the "Letter from the Board" on page 4 to 12 of the circular of the Company dated 31 August 2007 ("Circular") to the Shareholders, 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.

The Company announced on 26 July 2007 that it has entered into the Master Supply Agreement and the Master Purchase Agreement with Changhong in respect of the supply and purchase of various electronic products and components on 18 April 2007 and 9 May 2007, respectively. These agreements set out the framework within which the relevant electronic products and components to be supplied or purchased by the Group and in particular the key terms and conditions and general principles to be adopted by the Group when they place or accept specific orders from time to time with or from Changhong or any of its subsidiaries for the supply or purchase of the relevant electronic products and components.

As Changhong is a substantial Shareholder interested in 29.99% of the issued share capital of the Company, it is a connected person of the Company as defined under Rule 20.11 of the GEM Listing Rules. Accordingly, transactions under the Master Supply Agreement and the Master Purchase Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules. As each of the relevant percentage ratios (under Rule 19.07 of the GEM Listing Rules) for the annual caps of the Continuing Connected Transaction Agreements is more than 2.5%, the transactions contemplated under Continuing Connected Transaction Agreements constitute non-exempt continuing connected transactions under Rule 20.35 of the GEM Listing Rules and will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 20.45 to 20.48 of the

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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 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 Continuing Connected Transactions. We have been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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.

We have reviewed (i) the financial statements of the Company from 2004 to 2006; (ii) projected sales of electronic components to Changhong (as to its fairness, reasonableness and completeness); (iii) projected purchases of electronic products from Changhong (as to its fairness, reasonableness and completeness); (iv) historical sales of electronic products by Changhong to America and Australia from 2005 to 2006; (v) past documents of the Company in relation to sales and purchases of electronic components and electronic products from 2004 to 2006; (vi) research reports in relation to the market condition, historical performance and future prospect of consumer electronic products; (vii) framework agreements between Changhong and parties other than the Company and (viii) the Continuing Connected Transaction Agreements. We confirm that we have taken all reasonable steps in preparing this letter which are applicable to the Continuing Connected Transactions as referred to in Rule 17.92 (2) of the GEM Listing Rules (including the notes thereto).

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In forming our opinion and recommendation, we have also sourced research reports from the Company, the internet, public or private press release. We have reviewed and selected these research materials based on their relevance to our analysis. In forming our basis in the selection of research reports, we have considered the following, including (i) to the best of our knowledge, the sources of such research reports are from renowned international research institute with no negative publicity on their research reports; (ii) the content of the research reports are relevant to our analysis and enable us to draw our conclusion in this letter; and (iii) the research reports are the most updated research reports available to us.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in relation to the Continuing Connected Transactions, we have considered the principal factors and reasons set out below:

1. Background of the Continuing Connected Transactions

The Company and Changhong, a substantial Shareholder interested in 29.99% of the issued share capital of the Company, entered into the Master Supply Agreement and the Master Purchase Agreement in respect of (i) the supply of various electronic components to Changhong; and (ii) the purchase of various electronic products from Changhong on 18 April 2007 and 9 May 2007, respectively. The Continuing Connected Transaction Agreements set out the framework within which the relevant electronic products and components to be supplied or purchased by the Group and in particular the key terms and conditions and general principles to be adopted by the Group when they place or accept specific orders from time to time with or from Changhong or any of its subsidiaries for the supply or purchase of the relevant electronic products and components. As Changhong is a substantial Shareholder interested in 29.99% of the issued share capital of the Company, it is a connected person of the Company as defined under Rule 20.11 of the GEM Listing Rules. Changhong and its associates will abstain from voting at the SGM and the vote to be taken at the SGM with respect to the Continuing Connected Transactions shall be conducted by poll.

Changhong became a substantial Shareholder of the Company on 8 September 2006. For the period from 31 January 2007 up to the present, Changhong and its subsidiaries have been supplying and purchasing various electronic products and components to and from the Group in the sum of HK\$2,157,521 and HK\$4,305,481, respectively. The above transactions of the Company with Changhong and its subsidiaries constitute continuing connected transactions and should have complied with the relevant reporting and announcement requirements of the GEM Listing Rules pursuant to Rule 20.34 of the GEM Listing Rules. The Company has noted such non-compliance with the GEM Listing Rules as announced in its announcement dated 26 July 2007. The Board are of view that (i) the transactions were conducted in the ordinary and usual course of business of the Company, (ii) the terms of the transactions were on arms length basis and on normal commercial terms; and (iii) having considered the circumstances and the commercial interests of the Company, the Continuing Connected Transactions were fair and reasonable in the interests of the Independent Shareholders of the Company as a whole.

2. Reasons for the Continuing Connected Transactions

The Group is principally engaged in the trading of consumer electronic products and the related parts and components. The Group has been engaged in the business of trading of electronic products since 2001. After reviewing the financial statements from 2004 to 2006 of the Company, we noted that the Group's sole business segment is in the trading of consumer electronic products and the related parts and components since the financial year ended 31 December 2004. As such, we are of the view that the Continuing Connected Transactions are in the ordinary and usual course of business of the Company.

From 2003 to 2006, the Group had made purchases of approximately HK\$171,509,000, HK\$554,419,000, HK\$28,185,000, and HK\$28,496,000 of consumer electronic products such as DVD players, CRT TVs etc from suppliers in China respectively and sold those products to retailers and other customers in the US market and the European market. As advised by the Directors, there was a legal dispute between Changhong, the existing substantial Shareholder and Apex Digital Inc., the former substantial Shareholder. The said legal dispute was dismissed on 6 July 2006 by the Court, and there was a significant adverse impact on the development of the said business segment in the year ended 31 December 2005 and 2006. Save for the period affected by the adverse impact of the said legal dispute, we noted that the Company had made purchases in 2004, which was the latest year before the said legal dispute, and were comparable to the annual caps as proposed under the Master Purchase Agreement. As such, we are of the view that the Master Purchase Agreement may be able to support the Group back to its business level in 2004 before the said legal dispute. We have also reviewed Changhong's actual overseas sales in America and Australia in 2005 and 2006 of approximately US\$62 million and US\$64 million respectively. We have also discussed with the Directors regarding the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its export sales to America and Australia in the future. Based on the foregoing, we are of the view that the purchase to be made by the Company under the Master Purchase Agreement may expand the Group's sales in America and Australia in the future. As such, upon approval of the Continuing Connected Transactions by the Independent Shareholders, we are of the view that the Master Purchase Agreement would be beneficial to the Group, in terms of strengthening the income base and expanding the business operation of the Group, if the Group becomes Changhong's agent to sell electronic products to America and Australia.

According to a public and non-periodic press release by Display Search in August 2005 (which is the latest public press release concerning the ranking of manufacturers of consumer electronic products), an international market research and consulting company in display market based in North America, of which we noted that Changhong is among the top manufacturers of consumer electronic products on both unit sales basis and revenue sales basis in the PRC with extensive distribution network in the globe. The above finding is the latest information we retrieved among our research concerning relevant description of Changhong. As stated in the Letter from the Board, Changhong has made purchase of electronic components for in aggregate of US\$254 million and US\$297.5 million in 2005 and 2006 respectively which demonstrated the strong and steady demand of Changhong in this regards. Upon approval of the Continuing Connected Transactions by the Independent Shareholders, we are of the view that the steady stream of demand from Changhong in electronic parts and components would be beneficial to the Group as a whole, in terms of strengthening the income base and expanding the business operation of the Group, if the Group becomes Changhong's agent to purchase electronic parts and components.

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Based on the above analysis, (i) the trading of consumer electronic products and the related parts and components is the sole business segment for the operation of business of the Group; (ii) historical purchases of the Company in the said segment is comparable to the annual caps under the Master Purchase Agreement; (iii) historical sales of electronic components by Changhong to America and Australia may expand the Group's sales in America and Australia in the future; (iv) Changhong is among the top manufacturers of consumer electronic products on a unit and revenue basis in the PRC with steady demand in electronic components; (v) the entering into the Continuing Connected Transaction Agreements may be able to strengthen the income base and expand the business operation of the Group; and (vi) the Continuing Connected Transactions are in line with the Group's business and are entered into as ordinary and usual course of business of the Group, we consider that the entering into the Continuing Connected Transaction Agreements are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

3. Principal terms of the Agreements

a. Duration

Pursuant to the Continuing Connected Transaction Agreements, the Group and Changhong agreed to set out the framework within which the relevant electronic products and components to be supplied or purchased by the Group. The terms of the Continuing Connected Transaction Agreements shall be effective from the date on which approval has been obtained from the Independent Shareholders at the SGM and expire on 31 December 2009 (both dates inclusive).

b. Pricing

Pursuant to the Continuing Connected Transaction Agreements and our discussion with the Directors, we noted that upon entering into formal supply and purchase agreements, the price of the purchase and supply of the relevant products under the Continuing Connected Transaction Agreements will be determined by reference to (i) the prevailing market price; (ii) the demand of the relevant electronic products and components; and (iii) no less favorable than those available from Independent Third Parties. We have reviewed the relevant documents in relation to the Continuing Connected Transactions, including but not limited to framework agreements entered into by Changhong with parties other than the Company from 2004 to 2006 on a random sampling basis. Based on the similarities in agreeing to price on a monthly basis in accordance with the prevailing market price among the said framework agreements, we are of the view that the terms on determining the pricing under the Continuing Connected Transaction Agreements are comparable to the market practice. Based on the aforementioned, we are of the view that such arrangements and framework in determining the pricing of the Continuing Connected Transactions are fair and reasonable and will be acceptable to the Independent Shareholders and the Company as a whole.

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c. Payment terms

Under the Master Supply Agreement, payment by Changhong 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. Under the Master Purchase Agreement, payment by the Company is expected to be by telegraphic transfer payable within 35 days to 45 days from the date of delivery or by transferable letter of credit. After discussing with the Directors and reviewing framework agreements entered into by Changhong with parties other than the Company from 2004 to 2006 on a random sampling basis. We noted that the settlement terms among the said framework agreements were within the range of 15 days to 48 days through bankers' acceptances, telegraphic transfer or letter of credit. As such, the settlement terms with 35 to 45 days using telegraphic transfer or letter of credit under the Continuing Connected Transaction Agreements are comparable to market practice. Thus we are of the view the settlement terms are of normal commercial terms and are fair and reasonable to the Independent Shareholders and the Company as a whole.

Based on the above analysis in relation to the duration, pricing and settlement terms under the Continuing Connected Transactions are comparable to normal market practice which are no less favourable than available from other Independent Third Parties, we are of the view that the terms regarding the duration, pricing and settlement terms under the Continuing Connected Transactions are fair and reasonable to the Company and the Independent Shareholders as a whole.

4. The proposed annual cap for the Continuing Connected Transactions

The following table sets out the expected annual capped amount for each of the Master Supply Agreement and the Master Purchase Agreement for the remaining part of the year from the approval being obtained from the Independent Shareholders at the SGM ending 31 December 2007, and each of the two years ending 31 December 2009:

	The remaining part of the year from the approval being obtained from the Independent Shareholders at the SGM ending 31-Dec-07 HK\$	Year ending 31-Dec-08 HK\$	31-Dec-09 HK\$
Master Supply Agreement	903,357,000	2,106,000,000	2,184,000,000
Master Purchase Agreement	239,538,995	468,000,000	526,500,000

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We also noted that the 2007 annual caps for both Master Supply Agreement and Master Purchase Agreement were determined based on the fact that the Company would conduct business under the Continuing Connected Transaction Agreements from August to December in 2007. After our discussion with the Directors, we understood that the Directors would make their best endeavor to target the turnover of the Company, subject to the approval of the Independents Shareholders, in the trading of consumer electronic components and consumer electronic products under the Continuing Connected Transaction Agreements in the remaining months of 2007 to meet or not to be significantly lower than the proposed annual caps so as to achieve the objective of strengthening the income base and expanding the business volume of the Company. As such, we are of the view that the annual caps under the Continuing Connected Transaction Agreements in 2007 are still justifiable and reasonable and at the interests of the Company and Independent Shareholders as a whole.

Master Supply Agreement

As set out in the Letter from the Board, the proposed caps for the Master Supply Agreement were determined after taking into consideration of: (i) historical overseas purchase made by Changhong; (ii) the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its overseas purchase in the future (where such understanding is not entered into a written agreement by the Company and Changhong); and (iii) the projected increase in revenue and projected growth of its business of Changhong in view of the increase in demand and the expansion of customer base in the consumer electronic products market. We have reviewed the relevant information, such as projected supplies to be made by the Company to Changhong, and discussed with the Directors in relation to the entering into of the Master Supply Agreement in forming our opinion as below.

To assess the fairness and reasonableness of the proposed caps for the Master Supply Agreement, we have reviewed the projected overseas purchase (estimated by Changhong) to be made by Changhong for the relevant periods and its underlying assumptions. After discussion with the management of the Company, we understand that the proposed caps were determined by the Company based on its discussion with Changhong given that Changhong will use the Company on a preferential basis to handle its overseas purchase in the future. Pursuant to which, the Company's turnover under the Master Supply Agreement is expected to satisfy the projected overseas purchase by Changhong. The amount of overseas purchase to be made by Changhong is estimated to be approximately HK\$903,357,000, HK\$2,106,000,000 and HK\$2,184,000,000 for the period from the date on which the Master Supply Agreement becomes effective until the end of the financial year ending 31 December 2007, and each of the years ending 31 December 2008 and 31 December 2009 respectively, which is commensurate with the caps proposed by the Directors for the respective period. As such, we are of the view that the Directors have used fair and reasonable basis to determine the proposed caps.

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In order to assess the trend in the electronic market, we have also reviewed the statistical survey on the electronic and information industry in China. According to a non-public research on PRC TV market trends by an international researching institute based in Japan in February 2006 (which is the latest report from this research institute concerning the projection of domestic TV demand in China), domestic demand for TV in China is expected to grow from 37 million units sales per year in 2005 to 40 million units sales per year in 2008 mainly attributable to the 2008 Beijing Olympic Game, we noted that the trend in PRC TV demand is estimated to be upward. According to a news article from Trade and Development Council dated 7 May 2007 (content from tdtrade.com), China's electronic and information industry kept on a high growth rate with total sales revenue of RMB4.75 trillion in 2006, representing a 23.7% growth from previous year, in which the production of colour TVs actually reached 83.75 million sets in 2006. We noted that the actual TV production in PRC of 83.75 million sets in 2006 had exceeded the aforementioned estimation by the Japanese research institute of 40 million units in 2008 in terms of the timing and unit, which further substantiated the upward trend in TV market in the PRC. We also noted that China will implement free-to-air/terrestrial digital broadcasting in late 2007, the newly derived demand for TV compatible with digital terrestrial broadcasting would also drive up the demand for of TV components. Further referring to the export statistics of consumer electronic products quoted in the next section, the abovementioned figures reflect that the demand for TV, which is directly and positively related to the demand of electronic components under the Master Supply Agreement, has also experienced strong growth. Based on the above analysis, we are of the view that the usage of electronic components will continue to show an upward trend and the assumptions of the growth in the projected purchases by Changhong is justifiable. As such, we are of the view that the annual caps under the Master Supply Agreement, which are derived from the growth in the projected purchases by Changhong, are fair and reasonable. We are furthermore of the view that the Master Supply Agreement allows the Company to capture the prospect in the growth of TV electronic components market and may strengthen the Company's income base and expand business operation and thus is in the interests of the Independent Shareholders and the Company as a whole.

Based on the above analysis, the proposed caps have been prepared by the Company in accordance with the demand for consumer electronic components in the future, we are of the view that the proposed caps amount under the Master Supply Agreement are fair and reasonable as far as the Company and Independent Shareholders as a whole are concerned.

Master Purchase Agreement

As set out in the Letter from the Board, the proposed caps for the Master Purchase Agreement are determined after taking into consideration of: (i) steady historical export sales volume made by Changhong to America and Australia; (ii) the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its export sales to America and Australia in the future (where such understanding is not entered into a written agreement by the Company and Changhong); and (iii) Changhong's projected growth and its estimated increase in the

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level of business in the America and Australia markets. We have reviewed the relevant information, such as past export sales figure of Changhong in America and Australia in the amount of approximately US\$62 million and US\$64 million from 2005 to 2006 respectively and projected purchases to be made by the Company from Changhong in America and Australia, and discussed with the Directors in forming our opinion as below.

To assess the fairness and reasonableness of the proposed caps for the Master Purchase Agreement, we have reviewed the projected export sales of Changhong to America and Australia for the relevant periods and its underlying assumptions. After discussion with the management of the Company, among other things, the preliminary understanding between Changhong and the Company that Changhong will use the Company on a preferential basis to handle its export sales to America and Australia in the future and the projected export sales of Changhong, we understand that the projected export sales of Changhong to America and Australia may be achieved by the Company through purchasing electronic products from Changhong under the proposed caps. The proposed caps are thus directly and positively related to the projected sales of Changhong in America and Australia and were determined by the Company based on its discussion with Changhong. Pursuant to which, the Company's turnover under the Master Purchase Agreement is expected to fulfill the projected export sales of Changhong to America and Australia. The amount of export sales to be made by Changhong to America and Australia is estimated to be approximately HK\$239,538,995, HK\$468,000,000 and HK\$526,500,000 for the period from the date on which the Master Purchase Agreement becomes effective until the end of the financial year ending 31 December 2007, and each of the years ending 31 December 2008 and 31 December 2009 respectively, which is commensurate with the caps proposed by the Directors for the respective period. As such, we are of the view that the Directors have used fair and reasonable basis to determine the proposed caps.

In order to assess the trend in the electronic market, we have also reviewed the statistical survey on the export of various electrical appliances of PRC in 2004 and 2005 from the National Bureau of Statistics of China, which are the most updated annual figures available for public review. China exported approximately US\$247.7 billion and US\$322 billion of machinery, electric equipment and accessories, recorders and video recorder and accessories (which include the consumer electronic products described under the Master Purchase Agreement) in 2004 and 2005 respectively, representing a growth of approximately 30%, which indicates strong growth in the consumer electronics market. According to a non-public research report on global consumer electronic products by a business information company in industry analysis based in London in November 2005 (which is the latest report from this research institute concerning the global and US consumer electronics market generated total revenues), the global consumer electronics market generated total revenues of US\$156.2 billion in 2004, representing a compound annual growth rate of 4.6% from 2000 to 2004. The US consumer electronics market generated total revenues of US\$51.5 billion in 2004, representing a compound annual growth rate of 4.2% from 2000 to 2004. We noted that the global consumer electronics market and the US consumer electronics market demonstrated an upward trend in revenue from 2000 to 2004. According to the statistical data from the Bureau of Economic Analysis of the U.S. Department of Commerce, in 2005 and 2006, the imports of TVs, VCRs, stereo equipments and other household appliances of USA amounted to approximately US\$56.0 billion and US\$64.7 billion respectively, representing approximately a growth of 15.5%. We noted that the consumer electronic market kept growing from 2000 to 2006

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based on the two aforementioned research reports and the future of consumer electronics industry is optimistic. Based on the optimistic future prospect in the consumer electronic product markets, we are of the view that the assumptions on the growth in the project sales by Changhong and the annual caps under the Master Purchase Agreement are fair and reasonable. In addition, through entering into the Master Purchase Agreement, the Company can capture the growth in the consumer electronics market and strengthen its income base. As such, we are of the view that the Master Purchase Agreement may strengthen the Company's income base and expand business operation, of which will be beneficial to the Company's future profitability and is thus in the interests of the Independent Shareholders and the Company as a whole.

Based on the above analysis, the proposed caps have been prepared by the Company in accordance with the strong demand in consumer electronics market in the future is fair and reasonable, we are of the view that the proposed caps amount under the Master Purchase Agreement are fair and reasonable as far as the Company and Independent Shareholders as a whole are concerned.

RECOMMENDATION

Having considered the following principal factors and reasons, in particular,

- (i) the Continuing Connected Transactions are entered into as normal and ordinary course of business of the Group;
- (ii) the duration, pricing and the payment terms are no less favourable to the Group than from Independent Third Parties;
- (iii) the proposed caps under Continuing Connected Transaction are arrived at fair and reasonable basis; and
- (iv) the entering into of the Continuing Connected Transaction Agreements, upon approval by Independent Shareholders, will enable the Company to strengthen and expand its income base and business operation, and the proposed caps allow the Company to capture possible growth under normal commercial terms.

We are of the opinion that the Continuing Connected Transactions are in the ordinary and usual course of business and are on normal commercial terms and in the interests to the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. Therefore, we advise the Independent Board Committee and the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM approving the Continuing Connected Transactions.

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, capacity and nature of Interest		Total number of Shares in the Company	Approximate percentage of issued share capital of the Company (%)
	Beneficially owned	Through controlled 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	<i>Note</i>	Number of shares of the Company 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 in the United States.

Changhong, a substantial shareholder 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

On 12 June 2006, Koninklijke Philips Electronics N.V. and United States Philips Corporation (the "Plaintiffs") issued a writ of summons ("Summons") to the United States District Court, Central District Court, Central District of California, against eight parties, including the Company, two subsidiaries of the Company, Apex Digital Inc. Limited and Apex Digital, LLC, an executive director of the Company, Mr. David Ji Long Fen, a former executive director of the Company, Mr. Anle Hsu Ann Keh, Apex Digital, Inc., United Delta Inc., and an individual with respect to the claim for patent infringement regarding the distribution of unlicensed DVD products in the United States. The Company and the other defendants have reached settlement with the Plaintiffs and the proceedings were dismissed without prejudice on 2 August 2007.

Save as disclosed above, 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 2006 (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:

Name	Qualifications	Nature of opinion or advice	Date of opinion
Vinco	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	31 August 2007

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 2006, the date to which the latest published audited consolidated accounts of the Group have been made up, none of Vinco 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 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 18 September 2007:–

- (1) Master Supply Agreement;
- (2) 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, the text of which is set out on pages 14 to 23 of this circular; and
- (5) the written consent from Vinco referred to in paragraph headed “Qualification and Consent of Expert” in this Appendix.



**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, 18 September 2007 at 11:00 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 :**

- (a) the agreement (the “Master Supply Agreement”) dated 18 April 2007 entered into between the Company and Sichuan Changhong Electric Co. Limited (“Changhong”), (a copy of which is produced to the meeting marked “A” and initialed by the chairman of the meeting for identification purpose) in relation to the supply by the Group (as defined) in the circular of the Company dated 31 August 2007 (the “Circular”) on an ongoing basis of certain electric products and components which may be required by Changhong and its subsidiaries, and the terms of and the transactions contemplated under the Master Supply Agreement and the implementation thereof be and are hereby approved, confirmed and ratified;
- (b) the proposed caps in relation to the transactions under the Master Supply Agreement for the period from the date on which the Master Supply Agreement becomes effective until the end of the financial year ending 31 December 2007 and each of the years ending 31 December 2008 and 31 December 2009 will not exceed HK\$903,357,000, HK\$2,106,000,000 and HK\$2,184,000,000 respectively be and are hereby approved; and

* *For identification only*

NOTICE OF SGM

(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 Master Supply Agreement.”

2. **“THAT :**

(a) the agreement (the “Master Purchase Agreement”) dated 9 May 2007 entered into between the Company and Changhong, (a copy of which is produced to the meeting marked “B” and initialed by the chairman of the meeting for identification purpose) in relation to the purchase on an ongoing basis of certain consumer electronic products which may be required by the Group and which Changhong and its subsidiaries may be able to supply, and the terms of and the transactions contemplated under the Master Purchase Agreement and the implementation thereof be and are hereby approved, confirmed and ratified;

(b) the proposed caps in relation to the transactions under the Master Purchase Agreement for the period from the date on which the Master Purchase Agreement becomes effective until the end of the financial year ending 31 December 2007, and each of the years ending 31 December 2008 and 31 December 2009 will not exceed HK\$239,538,995, HK\$468,000,000 and HK\$526,500,000 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 Master Purchase Agreement.”

By order of the Board

Yu Xiao

Chairman

Hong Kong, 31 August 2007

NOTICE OF SGM

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' 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 if 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. In accordance with the Bye-Laws of the Company, the following person or members may demand that voting in respect of the resolution to be put to the Special General Meeting shall be taken on a poll:
 - (a) the chairman of such meeting; or
 - (b) at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
 - (c) by a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
 - (d) by a member or members present in person or in the case of a member being a corporation by its duly authorized representing or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A poll may be demanded before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

5. The votes to be taken at the meeting will be by way of a poll.