



**CHINA DATA BROADCASTING
HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code : 8016)



Interim Report

2006

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This report, for which the directors of China Data Broadcasting Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Data Broadcasting Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The board of directors of China Data Broadcasting Holdings Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively the "Group").

The unaudited condensed interim accounts of the Group for the three months and six months ended 30 June 2006, together with the comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	For three months ended 30 June 2006		For six months ended 30 June 2006	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover		10,141	21,044	15,406	30,240
Cost of sales		(9,831)	(20,005)	14,850	28,336
Gross profit		310	1,039	556	1,904
Other revenue		54	46	85	71
Selling and distribution costs		-	-	-	-
Administrative expenses		(1,518)	(2,184)	(3,051)	(2,922)
Operating (loss) before tax	3	(1,154)	(1,099)	(2,410)	(947)
Tax	4	-	(752)	-	(752)
Net (Loss) for the period		<u>(1,154)</u>	<u>(1,851)</u>	<u>(2,410)</u>	<u>(1,699)</u>
Loss per share					
Basic (HK cents)	5	<u>0.36</u>	0.58	<u>0.76</u>	<u>0.53</u>
Diluted (HK cents)	5	<u>N/A</u>	N/A	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		103	125
Intangible assets		–	–
		<u>103</u>	<u>125</u>
CURRENT ASSETS			
Inventories		22,180	22,180
Trade receivables	6	66	4,666
Service deposits paid		–	5,616
Prepayments, deposits and other receivables		2,733	377
Amount due (to)/ from a director		(308)	390
Amount due from a fellow subsidiary		3,481	1,624
Cash and cash equivalents		7,541	7,244
		<u>35,693</u>	<u>42,097</u>
CURRENT LIABILITIES			
Trade payables	7	1,560	5,095
Tax payable		4,928	4,928
Other payables and accruals		2,478	3,366
Amounts due to holding company		22,254	21,847
		<u>31,220</u>	<u>35,236</u>
NET CURRENT ASSETS		<u>4,473</u>	<u>6,861</u>
NET ASSETS		<u><u>4,576</u></u>	<u><u>6,986</u></u>
CAPITAL AND RESERVES			
Issued capital		7,950	7,950
Reserves		(3,374)	(964)
		<u><u>4,576</u></u>	<u><u>6,986</u></u>

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at 1 January	6,986	16,336
Net (losses) for the period attributable to shareholders	(2,410)	(1,699)
Total equity at 30 June	<u>4,576</u>	<u>14,637</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS – UNAUDITED

For the six months
ended 30 June

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
NET CASH INFLOWS/ (OUTFLOW) FROM OPERATING ACTIVITIES	297	(7,434)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash inflow from investing activities	–	–
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash inflow from financing activities	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	297	(7,434)
Cash and cash equivalents at beginning of year	7,244	17,194
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,541	9,760
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	7,541	9,760

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the "Interim Accounts") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and the requirements of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's sole operating businesses is the trading of consumer electronic products and the relevant parts and components and no business segments are presented accordingly. While the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No intersegment sales and transfers were transacted during the period for 2006 and 2005.

Geographical segments

The following tables present revenue information for the Group's geographical segments:

Group

	Hong Kong		Mainland China		United States of America		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>15,406</u>	<u>11,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,152</u>	<u>15,406</u>	<u>30,240</u>

3. OPERATING LOSS BEFORE TAX

The Group's operating loss before tax is arrived at after charging:

	2006 HK\$'000	2005 HK\$'000
Cost of inventories sold	14,850	28,336
Depreciation	22	96
Amortisation of an intangible asset	<u>-</u>	<u>197</u>

4. TAX

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations and practices in respect thereof.

No provision for Hong Kong profits tax has been provided since the Group has no assessable profit for the period ended 30 June 2006 (2005: Nil) .

The Group did not have any significant unprovided deferred tax liabilities in respect of the period.

5. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2006 were based on the net losses attributable to shareholders of HK\$1,154,000 (2005: HK\$1,851,000) for the three months ended 30 June 2006 and the net losses attributable to shareholders of HK\$2,410,000 (2005: HK\$1,699,000) for the six months ended 30 June 2006 and on 318,000,000 (2005: 318,000,000) ordinary shares in issue during the three months and six months ended 30 June 2006.

No diluted earnings per share was presented as there was no potential ordinary shares in issue for both periods.

6. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months. Overdue balances are reviewed regularly by senior management. An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Within 3 months	–	4,463
4 to 6 months	–	–
7 to 12 months	–	–
Over 1 year	66	203
	<hr/>	<hr/>
	66	4,666
	<hr/> <hr/>	<hr/> <hr/>

7. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	2006	2005
	HK\$'000	HK\$'000
Within 3 months	–	5,095
7 to 12 months	1,560	–
Over 1 year	–	–
	<hr/>	<hr/>
	1,560	5,095
	<hr/> <hr/>	<hr/> <hr/>

8. CONTINGENT LIABILITIES

- (a) During the year ended 31 December 2005, Apex Digital Inc. ("Apex Digital") claimed that, other than the payment of HK\$22 million made on behalf of the Group to its customer relating to goods returned, Apex Digital also reimbursed related freight charges of HK\$23.5 million on behalf of the Group to the above mentioned customer. However, the directors of the Company are of opinion that the Group do not have any obligation to reimburse the freight charges. Up to the period ended 30 June 2006, the directors considered that no provision would be made for the freight charge.
- (b) On 12 June 2006, Koninklijke Philips Electronics N.V. and United States Philips Corporation issued a writ of summons ("Summons") to the United States 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, two executive directors of the Company, Mr. David Ji Long Fen ("Mr. Ji") and Mr. Ancle Hsu Ann Keh ("Mr. Hsu"), two holding companies of the Group, Apex Digital and United Delta Inc. ("United Delta"), and an individual (collectively known as the "Defendants"). The Defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within the USA. Nevertheless, the amount of the claim was not stated in the Summons. Up to the period ended 30 June 2006, the directors of the Company are unable to estimate the liability under the claim.

9. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 October 2006.

DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 30 June 2006 (2005: Nil).

BUSINESS REVIEW

During the period, the Group engaged in sourcing and procurement business in the consumer electronic industry (the "Procurement Business"). The Group has achieved fair operating results for the six months ended 30 June 2006, the Group has accomplished a revenue of approximately HK\$15.4 million and a net losses of approximately HK\$2.4 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are not as well as prior year. As at 30 June 2006, the Group has no borrowings and its cash and bank balances amount to HK\$7.5 million. Net current assets of the Group was approximately HK\$4.5 million. The management is confident that the Group's financial resources sufficient to finance its daily operation.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is pegged, together with the minimal fluctuation in the exchange rate between Hong Kong dollar and Renminbi, the Group believes its exposure to exchange risk to be minimal.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2006, the total number of staff of the Group in the Mainland and Hong Kong was about 10. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund.

The Group established a Share Option Scheme to reward its employees for their individual performances. During the period under review, no share option had been granted nor exercised.

OUTLOOK

The Board believes that when the business set back on the track, the Procurement Business in the consumer electronic industry will build up a steady and considerable income stream of the Group. As the economy of Hong Kong become well, the management put more resources to explore further business opportunities in the consumer electronic industry, such as trading of finished goods/parts and components of televisions, DVD players, digital cameras, game consoles and other products. The Board is confident that the business relating to the consumer electronic products will be better in the near future.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2006, the interests and short positions of the Directors in the ordinary share of the Company (the "Share"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation		
Mr. Ji	(a), (b) & (c)	57,700,000	165,197,340	222,897,340	70.1
Mr. Hsu	(c) & (e)	-	-	-	-

Notes:

- (a) Apex Digital is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA wholly owned by Mr. Ji after Mr. Hsu's disposal of interest thereon (*note c*). Accordingly, Mr. Ji is deemed to be interested in the 165,197,340 shares owned by Apex Digital.
- (b) In addition to Mr. Ji's deemed interest in the 165,197,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 222,897,340 shares.
- (c) On 10 April 2006, Mr. Hsu disposed all interest in United Delta to Mr. Ji.
- (d) On 8 September 2006, Apex Digital transferred 95,368,000 shares (ie. 29.99% of total share) to Sichuan Changhong Electric Co., Limited.
- (e) On 29 September 2006, Mr. Hsu did not re-elect himself as the executive director at 2005 Annual General Meeting and hence ceased to be the Company's executive director.

Save as disclosed above, none of the Directors had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required (a) to be notified to the Company and the "Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTEREST IN SHARE AND UNDERLYING SHARES

At 30 June 2006, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Division 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of the ordinary shares held	Percentage of Company's issued share capital %
Apex Digital	(a)	Directly beneficially owned	165,197,340	52.0
United Delta	(a)	Through a controlled corporation	165,197,340	52.0
Mr. Ji	(a) (b) & (e)	Through a controlled corporation	165,197,340	52.0
		Directly beneficially owned	57,700,000	18.1
Mr. Hsu	(e)	-	-	-
Ms. Liu Ru Ying	(c)	Through spouse	222,897,340	70.1
Ms. Susan Chang	(d) & (e)	-	-	-
Mr. Xu Gao Hui		Directly beneficially owned	22,350,000	7.0

Notes:

- (a) Apex Digital is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA wholly owned by Mr. Ji after Mr. Hsu's disposal of interest thereon (*note e*). Accordingly, Mr. Ji is deemed to be interested in the 165,197,340 shares owned by Apex Digital.
- (b) In addition to Mr. Ji's deemed interest in the 165,197,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 222,897,340 shares.
- (c) Ms. Liu Ru Ying is the spouse of Mr. Ji and, under Section 316 of the SFO, is therefore deemed to be interested in all 222,897,340 shares in which Mr. Ji is interested.
- (d) Ms. Susan Chang is the spouse of Mr. Hsu and, under Section 316 of the SFO, is therefore ceased to be interested in the shares.
- (e) On 10 April 2006, Mr. Hsu disposed all interest in United Delta to Mr. Ji.
- (f) On 8 September 2006, Apex Digital transferred 95,368,000 shares (ie. 29.99% of total share) to Sichuan Changhong Electric Co., Limited.

Save as disclosed above, the Directors were not aware of any other person who had an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTEREST

Apex Digital was founded by Mr. Ji and Mr. Hsu, the executive directors of the Company, and is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA and is wholly owned by Mr. Ji. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital".

On 10 April 2006, Mr. Hsu disposed all interest in United Delta to Mr. Ji.

On 29 September 2006, Mr. Hsu did not re-elect himself as the executive director at 2005 Annual General Meeting and hence ceased to be the Company's executive director.

Save as disclosed above, none of the directors or the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on GEM) had an interest in a business which competes or may compete with the business of the Group during the period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance practices. The Board considers such commitment essential in balancing the interest of shareholders, customers and employees; and in upholding accountability and transparency.

The Company has complied with the code provisions (the "Code") set out in the Code on Governance Report contained in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Rules") throughout the six months ended 30 June 2006, except for the following deviations:

(1) Board of directors

The Company has not complied with the requirement to appoint a sufficient number of independent non-executive director as set out in Rules 5.05 throughout the reporting period as all the independent non-executive directors resigned. The Company will search suitable candidate to fill the vacancies as practicable as possible.

(2) Chairman and chief executive officer

The Company has not complied with the requirement to appoint different individual to act as chairman and chief executive officer as set out in 2(c)(vii) and 2(d) of Appendix 16 in Corporate Governance Report (the "Report"). The Board considers that this structure will not impair the balance of power and authority between the Board and the Management of the Company. The Board believes that this arrangement is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board believes that the appointment of Mr. David Ji is beneficial to the business prospects of the Company.

(3) Remuneration and nomination of director

The Company has not complied with the requirement to establish remuneration committee and nomination committee as set out in Rules 18.28 and 18.29A throughout the reporting period. The Company will set up the committees as practicable as possible.

(4) Audit committee

The Company has not complied with the requirement as set out in the Rule 5.28 since all the independent non-executive directors resigned. The Company will search suitable candidate to fill the vacancies of the committee.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTING SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
David Ji Long Fen
Chairman

Hong Kong, 20 October 2006

At the date of this report, the executive directors of the Company are Mr. David Ji Long Fen and Ms. Alice Hsu Chu Yun.