THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of China Data Broadcasting Holdings Limited.

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 licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Data Broadcasting Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

Financial Adviser to the Company

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

VINCO 城高

Grand Vinco Capital Limited

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

A letter from the Board is set out on pages 5 to 16 of this circular, a letter from the Independent Board Committee containing its recommendation on the Subscription and the Whitewash Waiver is set out on page 17 of this circular. A letter from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver is set out on pages 18 to 33 of this circular.

A notice of the SGM of the Company to be convened and held at Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong at 11:00 a.m. on Friday, 6 May 2011 (or, if later, immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same date at the same place at 10:30 a.m. on Friday, 6 May 2011), is set out on pages 85 to 87 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Hong Kong Registrars Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment hereof should you so wish.

This circular will remain on the GEM website on the "Latest Company Announcement" page for at least 7 days from the date of its posting.

11 April 2011

* *For identification purpose only*

CHARACTERISTICS OF GEM

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

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

CONTENTS

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

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement issued by the Company dated 27 January 2011 in relation to, among other things, the Subscription and the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	board of Directors
"Changhong"	Sichuan Changhong Electric Co., Limited, a company incorporated in the PRC with limited liability and the issued A-shares of which (stock code: 600839.SH) are listed on the Shanghai Stock Exchange. As at the Latest Practicable Date, taking into account Changhong's interest in the Subscription before Completion, it was interested in approximately 35.02% of the issued share capital of the Company under the SFO
"Company"	China Data Broadcasting Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which (stock code: 8016) are listed on the GEM
"Completion"	completion of the Subscription
"Completion Date"	the date when Completion shall take place, being the second business day after all the Conditions have been fulfilled, other date as may be agreed in writing between the Company and the Subscriber
"Conditions"	the conditions precedent to Completion, as more particularly set out under the paragraph headed "Conditions of the Subscription" in the "Letter from the Board" of this circular
"connected person"	has the meaning ascribed to it under the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director

"GEM"	Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	Rules Governing the Listing of Securities on the GEM of the Stock Exchange
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee comprising three independent non-executive Directors, namely Mr. Jonathan Chan Ming Sun, Mr. Robert Ip Chun Chung and Mr. Sun Dongfeng, which has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver
"Independent Shareholders"	(i) for the purpose of the Subscription Agreement, Shareholders other than Changhong and its associates and any other Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder; (ii) for the purpose of the Whitewash Waiver, Shareholders other than Changhong and parties acting in concert with it and any other Shareholders who are involved in, or interested in the Whitewash Waiver
"Last Trading Day"	Tuesday, 25 January 2011, being the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares on the GEM with effect from 9:30 a.m. on Wednesday, 26 January 2011 up to 9:30 a.m. on Friday, 28 January 2011
"Latest Practicable Date"	7 April 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Committee"	the listing sub-committee of the Stock Exchange
"PRC"	the People's Republic of China, which, solely for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"SFC"	Securities and Futures Commission of Hong Kong

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened at Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong at 11:00 a.m. on Friday, 6 May 2011 (or, if later, immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same date at the same place at 10:30 a.m. on Friday, 6 May 2011), or any adjustment thereof for the purpose of considering, and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.025 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Changhong (Hong Kong) Trading Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Changhong
"Subscription"	the subscription by the Subscriber for the Subscription Shares pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 25 January 2011 between the Subscriber and the Company relating to the Subscription
"Subscription Price"	means the subscription price of HK$0.50 per Subscription Share
"Subscription Share(s)"	new Share(s) to be subscribed by the Subscriber pursuant to the Subscription Agreement
"substantial shareholder"	has the meaning ascribed to it in the GEM Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers

"Vinco Capital"	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340.HK), a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders regarding the Subscription and the Whitewash Waiver
"Whitewash Waiver"	the waiver by the Executive under Note 1 on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of Changhong to make a general offer to the shareholders of the Company for all issued shares and other securities of the Company not already owned or agreed to be acquired by Changhong as a result of the issue and allotment of the Subscription Shares to the Subscriber
"%"	per cent.

Note:

1. Where amounts in US$ have been derived from HK$, such translations are for the convenience of the reader only, and except as otherwise indicated, have been made at the rate of HK$7.75 to US$1.00. No representation is made that HK$ amounts could have been or could be converted into US$ at this rate or any other rate or al all.

English names of the PRC established companies/entities in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

CHINA DATA BROADCASTING

China Data Broadcasting Holdings Limited
(中華數據廣播控股有限公司)*

(incorporated in Bermuda with limited liability)
(Stock Code: 8016)

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

Independent non-executive Directors:
Jonathan Chan Ming Sun
Robert Ip Chun Chung
Sun Dongfeng

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
Unit 3701
37 Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

11 April 2011

To the Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

1. INTRODUCTION

Reference is made to the Announcement. The Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for a total of 16,000,000 Subscription Shares at the price of HK$0.50 per Subscription Share. The Subscription Shares represented approximately 5.03% of the issued share capital of the Company as at the date of the Subscription Agreement. Assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the date of the Subscription Agreement and Completion, the Subscription Shares will represent approximately 4.79% of the issued share capital of the Company as enlarged by the Subscription.

* *For identification purpose only*

The purpose of this circular is (i) to provide you with further information on, among other things, the details of the Subscription Agreement and the Whitewash Waiver; (ii) to set out the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver; (iii) to set out the letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (iv) to give you notice of the SGM; and (v) to provide other information as required under the GEM Listing Rules and the Takeovers Code.

2. THE SUBSCRIPTION AGREEMENT

Date:

25 January 2011

Parties:

(i) the Subscriber, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Changhong. As at the Latest Practicable Date, Changhong held 95,368,000 Shares, representing approximately 29.99% of the issued share capital of the Company; and

(ii) the Company.

The Subscription Shares:

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 16,000,000 Subscription Shares. As at the date of the Subscription Agreement, there were 318,000,000 Shares in issue and the Subscription Shares represented approximately 5.03% of the issued share capital of the Company as at the date of the Subscription Agreement. Assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion, the Subscription Shares will represent approximately 4.79% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

Subscription Price:

The Subscription Price for the Subscription Shares is HK$0.50 per Subscription Share. The Subscription Price represents:

(i) a discount of approximately 62.41% to the closing price of HK$1.33 per Share as quoted on the GEM on the Last Trading Day;

(ii) a discount of approximately 62.41% to the average closing price of approximately HK$1.33 per Share as quoted on the GEM for the five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 62.12% to the average closing price of approximately HK$1.32 per Share as quoted on the GEM for the last 10 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 63.24% to the average closing price of approximately HK$1.36 per Share as quoted on the GEM for the last 30 trading days up to and including the Last Trading Day;

(v) a discount of approximately 72.22% to the closing price of the Shares of HK$1.80 as quoted on the GEM as at the Latest Practicable Date;

(vi) a premium of approximately 481.4% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2010 of approximately HK$0.086 (based on a total of 318,000,000 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$27,251,000 as at 30 June 2010); and

(vii) a premium of approximately 1,036.4% over and above the Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2009 of approximately HK$0.044 (based on a total of 318,000,000 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$14,064,000 as at 31 December 2009).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the GEM and the recent trading prices of the Shares on the GEM. The total consideration for the Subscription Shares in the sum of HK$8,000,000 will be financed by internal resources available to the Subscriber.

Rankings:

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription:

Completion of the Subscription is conditional upon:

(i) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing approval in respect of, and permission to deal in, the Subscription Shares;

(ii) the Executive having granted the Whitewash Waiver;

(iii) the passing of a resolution by the Independent Shareholders at the SGM approving the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares to the Subscriber pursuant to the Subscription Agreement; and

(iv) the passing of a resolution by the Independent Shareholders at the SGM approving the Whitewash Waiver

None of the Conditions can be waived by either party. In the event that not all the Conditions have been fulfilled by 30 June 2011, the Subscription Agreement will be automatically terminated and be of no further effect, and the parties shall be released from all obligations under the Subscription Agreement and neither party shall have any claim against the other for any costs or losses save in respect of any antecedent breaches of the Subscription Agreement.

Completion:

Subject to fulfillment of all the Conditions, Completion shall take place on the Completion Date.

3. EFFECT OF THE SUBSCRIPTION

The shareholdings in the Company as at the Latest Practicable Date and immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion) are summarised as follows:

Shareholder	Number of Shares held as at the Latest Practicable Date	Approximate Percentage	Number of Shares held immediately after Completion	Approximate Percentage
Changhong	95,368,000	29.99%	95,368,000	28.55%
The Subscriber	–	–	16,000,000	4.79%
Changhong and its subsidiaries	*95,368,000*	*29.99%*	*111,368,000*	*33.34%*
Sichuan Investment Management Company Limited	83,009,340	26.10%	83,009,340	24.85%
Mr. David Ji Long Fen, a Director	44,520,000	14.00%	44,520,000	13.33%
Public Shareholders	95,102,660	29.91%	95,102,660	28.48%
Total	**318,000,000**	**100%**	**334,000,000**	**100%**

4. REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

It is the intention of the Company to apply all of the net proceeds from the Subscription as general working capital of the Group. The Directors expect that the Group has minimum ongoing working capital requirement of approximately HK$125 million for the year ending 31 December 2011, of which approximately HK$100 million will be used in the purchase of raw materials whilst approximately HK$25 million will be used for the selling and administrative activities. The Directors expect that 70% of the proceeds will be used to repay trade and bills payables, while 30% of the proceeds will be used to repay the Group's bank loans on bills discounted with recourse.

Set out below are certain information on the Group's current assets and current liabilities:

	As at 31 December 2009 *(Audited)* *(In approximate HK$'000)*	**As at 30 June 2010** *(Unaudited)* *(In approximate HK$'000)*
Cash and bank balance (including pledged deposits)	105,446	73,513
Loan advanced from a related company	62,000	155,000
Amount due to a substantial shareholder	10,716	193,569
Current liabilities	474,669	449,763

Based on the unaudited consolidated balance sheet of the Group as at 30 June 2010, the aggregate balance of the cash and bank balances of the Group (including pledged deposits) decreased by approximately 30.3% as compared with the corresponding amount as at 31 December 2009. Such decrease in cash and bank balances during the six months ended 30 June 2010 was mainly attributable to the repayment of trade payables by the Group to its trade creditors. The Directors believe that it is necessary for the Group to increase its cash and bank balances, so that the Group will be able to meet its ongoing working capital requirements. In addition, the Completion will result in the accretion in proforma net tangible assets value of the Group and only small dilution in shareholding interest of Shareholders (other than Changhong and its subsidiaries).

Apart from the Subscription, the Board has considered various other means of fund raising, including debt financing, placement of new Shares to independent investors and rights issue (or open offer) as described below:

(i) Debt financing

The Company has resumed the trading in its shares since 30 October 2009 from a long period of suspension. Taking into account the current trading and business operations of the Group, it will be not practicable for the Group to arrange for any bank loans from local banks with terms and amounts which are commercially acceptable to the Group without any guaranties or pledges. In addition, even if the additional bank loans were made available, additional finance charges would be incurred, particularly under the situation where there is an increase in the interest rates during the tenure of the bank loans.

(ii) Placement of new Shares in Hong Kong to independent investors

Regarding the viability of other means of equity financing, the Directors advised that, given the trading volume of the Shares has been very low since the resumption of trading in the Shares on the GEM on 30 October 2009, the Company has encountered difficulties in finding a commercial placing agent in Hong Kong for a placement of new Shares. In addition, given the low trading volume of the Shares on the GEM, the Directors expect that the interest of Shareholders (other than Changhong and its subsidiaries) to participate in the rights issue or open offer of the Company would be low. The Directors believe that such may result in a low degree of subscription for rights issue shares (or open offer shares) by existing Shareholders, which in turn will lead to the exercise of the underwriting obligations by Changhong and, accordingly, inadequate public float of the Shares.

(iii) Rights issue or open offer

The Directors note that a rights issue or an open offer of the Company will give an opportunity to all Shareholders to participate in the subscription for new Shares to be issued by the Company. Pursuant to Chapter 10 of the GEM Listing Rules, a rights issue or an open offer of a listed issuer on the GEM may not require underwriting. However, the Directors consider that, in the absence of an underwriter, the Company would have difficulties to complete a rights issue or an open offer, given that certain public Shareholders may not be interested to participate in a rights issue or an open offer, taking into account (i) the Company has suspended trading in its shares for a long time from 28 December 2004 to 29 October 2009; (ii) the trading volume of the Company's shares has been very low since the resumption of trading on GEM; and (iii) the risk of underwriting is difficult to assess due to lack of relevant research coverage. On the other hand, the Company has encountered difficulties in finding an independent underwriter in Hong Kong which is interested to underwrite a rights issue or open offer of the Company. The Company has used its best endeavours to find an independent underwriter by contacting several brokers in Hong Kong, who were reluctant to underwrite a rights issue or an open offer by the Company due to reasons stated above. In addition, the Company did not adopt a rights issue or open offer with the Subscriber acting as an underwriter, taking into account (i) the Subscriber alone does not have adequate financial resources to fully underwrite a rights issue or open offer of the Company due to large underwriting commitments; and (ii) an extra offer period will further make the fund raising process longer, in which the funds would be made available to the Group slower.

Overall, the Subscription will strengthen the capital base and financial position of the Group, and would enable the Company to raise funds in a timely manner. In light of the above, the Directors are of the view that it is in the interests of the Group and the Independent Shareholders as a whole to raise funds through the Subscription. In addition, a large part of the Group's general working capital is borrowed from Changhong, which has recently indicated it would reduce the lending amount to the Group. If this is the case, the Group may face a tightening in its available working capital. As the Subscription Price represents a significant premium over and above the Group's net asset value attributable to the Shareholders, the Directors consider that it is in the interests of the Company to increase its share capital as such might reduce the Group's reliance on borrowings. The Directors also consider that the Subscription will enlarge the capital base of the Company and will reduce the gearing level of the Group thereby strengthening the financial position of the Group for its ongoing business development.

Based on the above, the Directors consider that the Subscription represents a straightforward and cost-effective means of financing for the Group, and is fair and reasonable and on normal commercial terms, and the entering into of the Subscription Agreement is in the interests of the Group and the Shareholders as a whole. As referred to in Appendix II to this circular, the unaudited pro forma consolidated net tangible assets of the Group immediately upon Completion would be approximately HK$38.3 million, representing an increase of approximately 22.4% as compared with the audited consolidated net tangible assets of the Group of approximately HK$31.3 million as at 31 December 2010. The Directors believe that the Subscription will be in the interests of the Group and the Shareholders as a whole as the Group's net assets backing and cash and bank balances will improve as a result of Completion.

The net proceeds from the Subscription are estimated to be approximately HK$7 million and based on the estimated net proceeds, the net subscription price would be approximately HK$0.4375 per Subscription Share.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

5. GEM LISTING RULES IMPLICATIONS

Since the Subscriber is a wholly-owned subsidiary of Changhong, which in turn is a substantial shareholder of the Company, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As one of the relevant percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Subscription exceed 5%, the Subscription is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to Chapter 20 of the GEM Listing Rules.

Changhong, through the Subscriber, has a material interest in the Subscription. Accordingly, Changhong and its associates will abstain from voting at the SGM in respect of the resolution approving the Subscription and the issue of the Subscription Shares. The Directors have confirmed that so far as they are aware, (i) save for Changhong, no other Shareholder is interested in the Subscription; and (ii) no Director was materially interested in the Subscription and none of them was required to abstain from voting on the board resolution for approving the Subscription Agreement. Thus, no Director (who is also a Shareholder) is required to abstain from voting at the SGM in respect of the resolution approving the Subscription and the issue of the Subscription Shares.

As at the Latest Practicable Date, Changhong and its associates held 95,368,000 Shares, representing approximately 29.99% of the issued share capital of the Company.

6. TAKEOVERS CODE IMPLICATIONS

As at the date of the Subscription Agreement, Changhong held 95,368,000 Shares, representing approximately 29.99% of the voting rights of the Company. Changhong and parties acting in concert with it were interested in 95,368,000 Shares, representing approximately 29.99% of the voting rights of the Company in aggregate as at the date of the Subscription Agreement. Sichuan Investment Management

Company Limited was interested in 83,009,340 Shares as at the date of the Announcement, representing approximately 26.10% of the voting rights of the Company. As at the date of the Announcement, Sichuan Investment Management Company Limited was regarded as a party presumed to be acting in concert with Changhong as it held more than 20% of the voting rights of the Company. Thus, it was stated in the Announcement that Changhong and parties acting or presumed to be acting in concert with it were interested in 178,377,340 Shares, representing approximately 56.09% of the voting rights of the Company in aggregate as at the date of the Subscription Agreement.

On 18 March 2011, a ruling was granted by the SFC that the presumption that Changhong and Sichuan Investment Management Company Limited are parties acting in concert under class (1) of the definition of "acting in concert" under the Takeovers Code has been rebutted. Thus, Sichuan Investment Management Company Limited should not be regarded as a party presumed to be acting in concert with Changhong, and it will be entitled to vote on the resolutions approving the Subscription Agreement and the Whitewash Waiver at the SGM.

Upon Completion, 16,000,000 Subscription Shares will be issued to the Subscriber, a wholly-owned subsidiary of Changhong. Thus, the interest of Changhong in the voting rights of the Company will be increased from approximately 29.99% to approximately 33.34% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). Accordingly, Changhong, in the absence of the Whitewash Waiver, would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by it. Immediately after Completion, Changhong and parties acting in concert with it will be interested in 111,368,000 Shares, representing approximately 33.34% of the voting rights of the Company.

An application to the Executive for the Whitewash Waiver has been made. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. Changhong and parties acting in concert with it, their respective associates and those involved or interested in the Subscription and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution approving the Whitewash Waiver.

As at the Latest Practicable Date, save for Mr. Ji's indication that he would vote for the resolutions approving the Subscription and the Whitewash Waiver, the Subscriber has not received any irrevocable commitment from any Independent Shareholder that they will vote in favour of the resolution approving the Whitewash Waiver at the SGM.

The Subscriber has undertaken to the Company that apart from the Subscription Agreement, neither the Subscriber nor parties acting in concert with it will:

(i) from the date of the Subscription Agreement until the Completion Date acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company; and

(ii) within six months after the SGM, acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company from or to a person who is a Director or substantial shareholder of the Company.

7. INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, the Company does not have any options, warrants or convertible securities in issue.

The Subscriber has confirmed that neither the Subscriber, Changhong nor any parties acting in concert with it:

(i) apart from 16,000,000 new Shares under the Subscription Agreement, has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Subscription Agreement and up to the of the Announcement;

(ii) own any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;

(iii) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver;

(iv) has any agreements or arrangements to which the Subscriber, Changhong or parties acting in concert with any of them is/are a party which relate to the circumstances in which the Subscriber or parties acting in concert with it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver, nor any such agreements or arrangements the consequences of the Subscriber or parties acting in concert with it so invoking or seeking to invoke a precondition or a condition to such transactions would result in any break fees being payable.

As at the Latest Practicable Date, there are not any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Subscriber, Changhong or any person acting in concert with the Subscriber or Changhong has borrowed or lent.

8. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company did not conduct any fund raising activities during the past 12 months immediately preceding the date of the Announcement.

9. GENERAL

Pursuant to Rule 17.47(6) of the GEM Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the non-executive Directors has been established by the Company to advise the Independent Shareholders on the terms of the Whitewash Waiver.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver. Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver. Such appointment has been approved by the Independent Board Committee.

10. PRINCIPAL ACTIVITIES OF THE SUBSCRIBER AND THE GROUP

The Subscriber is an investment holding company and a wholly-owned subsidiary of Changhong. Changhong is a company incorporated in the PRC with limited liability and the issued A-shares of which (stock code: 600839.SH) are listed on Shanghai Stock Exchange. Changhong and its subsidiaries are principally engaged in the research and development, manufacture and sales of a variety of consumer electronics products in the PRC and overseas countries.

The Company is an investment holding company. The Group is principally engaged in the trading business in the consumer electronics industry.

11. INTENTIONS OF CHANGHONG REGARDING THE GROUP

Upon Completion, Changhong will become the controlling shareholder of the Company. Changhong's interest in the issued share capital of the Company will be increased from 29.99% before the entering into of the Subscription Agreement to 33.34% after Completion, and will have a higher share of results from the Group. The subscription by the Subscriber, a subsidiary of Changhong, for 16,000,000 new Shares demonstrates the support by Changhong to the Group, apart from its stewardship function over the Group. Changhong intends to continue the principal businesses of the Group after Completion and will maintain the listing status of the Company on the GEM following Completion. Meanwhile, Changhong will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, Changhong may consider diversifying the business of the Group with the objectives to broaden its income source and to achieve accretion in the return to the Shareholders. However, none of Changhong and its subsidiaries had entered into any agreement or fixed any terms with the Group as at the Latest Practicable Date in relation to any possible diversification of the Group's businesses. Changhong has no intention to re-deploy the employees or the fixed assets of the Group after Completion other than in its ordinary and usual course of business. Changhong and the Company will comply with the relevant requirements under the GEM Listing Rules and the Takeovers Code in the event any possible diversification of the Group's business operations materializes after Completion.

12. THE SPECIAL GENERAL MEETING

Set out on pages 85 to 87 of this circular is a notice of the SGM to be convened and held at Unit 3701, 37/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong at 11:00 a.m. on Friday, 6 May 2011 (or, if later, immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same date at the same place at 10:30 a.m. on Friday, 6 May 2011), at which ordinary resolutions will be proposed for the Independent Shareholders to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. In compliance in the GEM Listing Rules, the votes to be taken at the SGM in respect of the resolutions to be proposed at the SGM will be taken by poll, the results of which will be published after the SGM.

To the best of Director's knowledge, information and belief, after making all reasonable enquiries, as at the Latest Practicable Date, save for the Subscription Shares:

(a) (i) there were no voting trust or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon the Subscriber and its associates; and

(ii) there were no obligations or entitlement of the Subscriber and its associates,

whereby such persons had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to third parties, either generally or on a case-by-case basis; and

(b) there were no discrepancy between the beneficial shareholding interests of the Subscriber and its associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the SGM.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch registrar, Hong Kong Registrars Limited, situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjournments thereof should you so desire.

13. RECOMMENDATIONS

The Directors (including all the independent non-executive Directors after considering the advice of Vinco Capital) consider that the Subscription and the Subscription Agreement are fair and reasonable and on normal commercial terms, the Whitewash Waiver is fair and reasonable and the Subscription and the Whitewash Waiver are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Your attention is drawn to:

(a) the letter from the Independent Board Committee, the text of which is set out in page 17 of this circular; and

(b) the letter from Vinco Capital, the text of which is set out in pages 18 to 33 of this circular.

14. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors should note that the Subscription, which is subject to a number of conditions precedent, may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Yours faithfully,
By order of the Board
China Data Broadcasting Holdings Limited
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)

11 April 2011

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

This Independent Board Committee has been established to advise you on the terms of the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 11 April 2011 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Subscription and the advice of Vinco Capital in relation thereto as set out on pages 18 to 33 of the Circular, we are of the opinion that (i) the Subscription and the Subscription Agreement are fair and reasonable and on normal commercial terms and the entering into of the Subscription Agreement is in the interests of the Group and the Shareholders as a whole; and (ii) the Whitewash Waiver is fair and reasonable and on normal commercial terms, and is in the interests of the Group and the Shareholders as a whole. We therefore recommend that the Independent Shareholders should vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, as well as the Whitewash Waiver.

Yours faithfully,
Independent Board Committee

Jonathan Chan Ming Sun	**Robert Ip Chun Chung**	**Sun Dongfeng**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

* *For identification purpose only*

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver which has been prepared for the purpose of incorporation in this circular:

VINCO 城高

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

11 April 2011

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

Dear Sirs,

(1) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES; AND (2) APPLICATION FOR WHITEWASH WAIVER

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transaction contemplated thereunder and the Whitewash Waiver, details of which are set out in the section headed "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 11 April 2011 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 25 January 2011, the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 16,000,000 Subscription Shares at the price of HK$0.50 per Subscription Share.

Since the Subscriber is a wholly-owned subsidiary of Changhong, which in turn is a substantial shareholder of the Company, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As one of the relevant percentage ratios (as defined under the Listing Rules) for the Share Purchase exceeds 5%, the Subscription is subject to the Independent Shareholders' approval by way of poll at the SGM pursuant to Chapter 20 of the GEM Listing Rules.

As at the date of the Subscription Agreement, Changhong held 95,368,000 Shares, representing approximately 29.99% of the voting rights of the Company. Upon Completion, 16,000,000 Subscription Shares will be issued to the Subscriber, a wholly-owned subsidiary of Changhong. Thus, the interest of Changhong in the voting rights of the Company will be increased from approximately 29.99% to approximately 33.44% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to Completion). Accordingly, Changhong, in the absence of the Whitewash Waiver, would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code for all securities of the Company not already owned or agreed to be acquired by it.

The SGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval on the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. Changhong and parties acting in concert with it will abstain from voting on the resolution to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. As at the Latest Practicable Date, save for Changhong, none of the Director has any material interests in the transaction and is required to abstain from voting on the relevant board resolution.

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

B. BASIS OF OUR OPINION AND RECOMMENDATION

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

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

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

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Shareholders solely in connection with their consideration of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver 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.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, we have considered the principal factors and reasons set out below:

1. Background of the Subscription

On 25 January 2011, the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 16,000,000 Subscription Shares at the price of HK$0.50 per Subscription Share. The Subscription Shares represent approximately 5.03% of the issued share capital of the Company as at the date of the Subscription Agreement and, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion, approximately 4.79% if the issued share capital of the Company as enlarged by the Subscription.

2. Information of the Group

The Company is an investment holding company. The Group is principally engaged in the wholesaling trading business in the consumer electronics industry. The following are extracts from the annual reports of the Group for the year ended 31 December 2008, 2009 and 2010 respectively.

	For the year ended 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Turnover	2,641,184	2,575,279	1,324,975
Profit before taxation	20,375	25,870	7,702
Profit for the period	17,201	21,467	5,702

	As at 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Total assets	566,370	803,376	951,885
Total liabilities	535,105	789,312	959,288
Net assets/(liabilities)	31,265	14,064	(7,403)
Bank balances and cash (including pledged deposits)	48,880	105,446	119,032

As shown in the table above, the Group has recorded profits for the past three years ended 31 December 2008, 2009 and 2010. The turnover of the Group increased from approximately HK$1,325 million for the year ended 2008 to approximately HK$2,575 million for the year ended 2009, representing an increase of approximately 94.34% as compared with the previous year. Additionally, the Group recorded a profit for the period of approximately HK$21.47 million for the year ended 31 December 2009, representing a sharp increase of approximately 276.48% compared to the previous year. The increase was mainly attributable to the sales and purchases of various electronics components and products to/from Changhong and its subsidiaries under the master supply agreement and master purchase agreement entered into between the Company and Changhong.

As set out in the audited annual report for the year ended 31 December 2010, the Group has recorded the turnover of approximately HK$2,614 million, representing an increase of approximately 1.51% as compared to the year ended 31 December 2009. However, the Group has recorded a profit for the year of approximately HK$17 million, representing a decrease of approximately 24.80% as compared to the previous year. After discussion with the Directors, we noted that the decrease was mainly due to the fierce competition in the market.

3. Information of the Subscriber

The Subscriber is an investment holding company and a wholly-owned subsidiary of Changhong. Changhong is a company incorporated in the PRC with limited liability and the issued A-shares of which (stock code: 600839.SH) are listed on Shanghai Stock Exchange. Changhong and its subsidiaries are principally engaged in the research and development, manufacture and sales of a variety of consumer electronics products in the PRC and overseas countries.

4. Reasons for and benefits of the Subscription

As set out in the letter from the Board, we noted that the net proceed of approximately HK$7 million from the Subscription is intended to be used as general working capital of the Group. As confirmed by the Directors, approximately 70% of the proceeds will be used to repay trade and bills payables, while approximately 30% of the proceeds will be used to repay the Company's bank loans on bills discounted with recourse. The net price to be raised per Share from the Subscription will be approximately HK$0.4375 per Share. In light of the challenging market conditions, the Directors consider that the Subscription represents an opportunity to raise capital for Company for future use without having to resort to borrowing from financial institutions which will result in financial costs to the Group. In addition, due to the long period of suspension of trading in the Shares from 28 December 2004 till 30 October 2009 and the current trading and business operations of the Group, the Directors consider that it will be not practicable for the Group to arrange for any bank loans from local banks with terms and amounts which are commercially acceptable to the Group without any guaranties or pledges. The Directors also confirm that the Company has approached several local banks such as Bank of China (Hong Kong), the ICBC (Asia), the China Construction Bank (Asia), etc. and tried to arrange bank borrowings from them, unfortunately, these banks would only grant the Company bank borrowings in the condition of relevant guarantees or pledges which the Company could not provide under the current financial positions of the Company. Thus, we believed that the Group's ability to obtain bank loans is restricted. We also believed that bank financing, if available, will further increase the Group's gearing ratio and the interest payments on borrowings and will adversely affect the cash flow of the Group.

In addition to debt financing, the management has been exploring equity fund raising including a possible rights issue or open offer of Shares or a placing of Shares. Pursuant to Chapter 10 of the GEM Listing Rules, a rights issue or an open offer of a listed on the GEM may not require underwriting. However, after taking into account that (i) the Company was resumed of trading after long-term suspension; (ii) the trading volume of the Shares has been very low since the resumption of trading in the Shares on the GEM on 30 October 2009; and (iii) the difficulty in finding an underwriter as advised by brokers that the risk of underwriting is difficult to assess due to lack of relevant research coverage, the Directors consider that, in the absence of an underwriter, the Company would have difficulties to complete a rights issue or open offer, given that certain public Shareholders may not be interested to participate in a rights issue or open offer. If the Company were to raise the funding by way of a rights issue or open offer underwritten by the independent underwriter, there may incur higher costs to the Group including underwriting commissions. The additional cost may not be favourable to the Group and the Independent Shareholders as a whole, whereas no fees are payable to the Subscriber connected with the Subscription. As advised by the Directors, the Company has contacted several brokers and made efforts trying to find an independent underwriter. Unfortunately, they all are not interested in underwriting a rights issue or open offer of the Company. Similarly, the Directors advised that the Company has faced difficulties in finding a commercial placing agent for a placement of new Shares.

In addition, the Company did not choose a rights issue or open offer with the Subscriber acting as an underwriter is mainly due to the long-term suspension of trading of Shares and the low liquidity in trading of Shares after resumption, the Directors consider it may be difficult to procure sufficient interested participants in a rights issue or open offer, which will possibly result in higher dilution of existing Shareholders' interests in the Company as the Subscriber (as an underwriter) may require to underwrite all the Shares under the rights issue or open offer. Moreover, in order to provide a better disclosure of the Group, the Company has delayed the despatch of the circular due to pending the release of the latest audited annual report. If the Company has to go through the rights issue or open offer procedures, there will involve an extra time of (i) minimum offer period after the SGM; (ii) allocation and allotment of shares; and (iii) despatch of certificates and refund cheques, which will unavoidably delay the time when the funds could be made available to the Group. Given that (i) the Subscriber alone does not have adequate financial resources to fully underwrite a rights issue or open offer of the Company due to large underwriting commitments; (ii) an extra offer period will further make the fund raising process longer, which means that it will take longer for the funds to be made available to the Group; and (iii) the tightening of the Group's working capital, thus, the Directors consider that the present arrangement under the Subscription is more feasible. In view of the above, we are of the view that the Subscription is in the interest of the Company and the Shareholders as a whole.

On the other hand, we noted from published annual report that the aggregate balance of the cash and bank balances (including pledged deposits) of the Group as at 31 December 2010 decreased of approximately 53.64% as compared with the corresponding amount as at 31 December 2009. Such decrease in cash and bank balances during the year ended 31 December 2010 was mainly attributable to the repayment of trade payables by the Group to trade creditors. Also, after reviewing the loan agreements and the extension loan agreements entered into between Changhong and Changhong Overseas Development Limited, being the subsidiary of the Company, and discussing with the Directors, we noted that a large part of the Group's general working capital is borrowed from Changhong, which recently intended to reduce the lending amount to the Group. If this is the case, the Group may face a tightening in its available working capital. In view that (i) the Group's inability to obtain loan financing; (ii) a rights issue or open offer is difficult in procuring an underwriter; (iii) there is no guarantee on the number of the interested Shareholders to participate in the rights issue and open offer; (iv) a rights issue or open offer incurs higher costs and involves extra offer period which delay the availability of the funds; (v) a placement of new Shares is difficult in finding a commercial placing agent; (vi) the Subscription will enable the Group to repay part of its liabilities as well as reduce the interest expenses incurred by the bank loans; and (vii) the Subscription will increase the net asset and improve the cash position of the Group, we concur with the Director's view that it is necessary for the Group to increase its working capital and gradually reduce its liabilities, the

Subscription will enlarge the capital base of the Company and will reduce the gearing level of the Group thereby strengthening the financial position of the Group for its ongoing business development. The Subscription is therefore in the interest of the Company and the Shareholders as a whole.

5. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, 16,000,000 Subscription Shares will be issued to the Subscriber, representing approximately 5.03% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 4.79% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price for the Subscription Shares is HK$0.50 per Subscription Share. The Subscription Price represents:

(i) a discount of approximately 62.41% to the closing price of HK$1.33 per Share as quoted on the GEM on the Last Trading Day;

(ii) a discount of approximately 62.41% to the average closing price of HK$1.33 per Share as quoted on the GEM for the five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 62.12% to the average closing price of HK$1.32 per Share as quoted on the GEM for the ten trading days up to and including the Last Trading Day;

(iv) a discount of approximately 63.24% to the average closing price of HK$1.36 per Share as quoted on the GEM for the last 30 trading days up to and including the Last Trading Day;

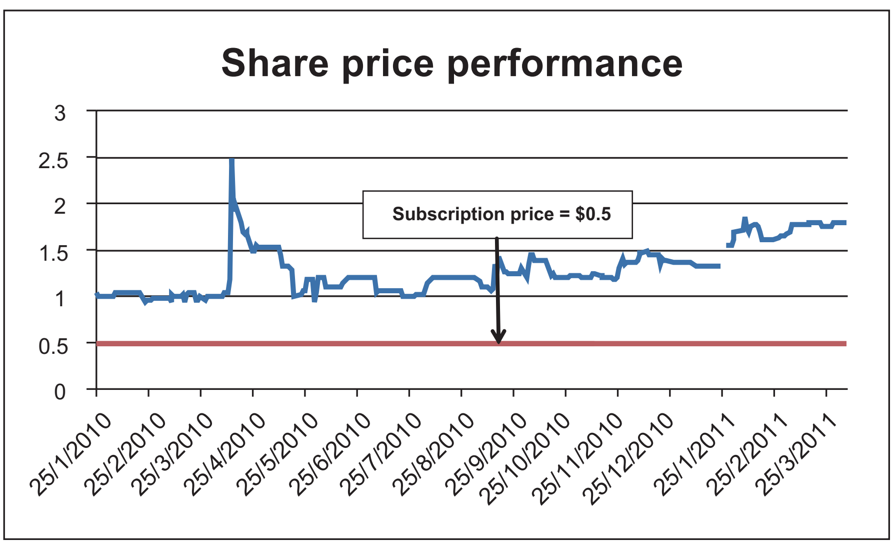
(v) a discount of approximately 72.22% to the closing price of HK$1.80 per Shares as quoted on the GEM on the Latest Practicable Date;

(vi) a premium of approximately 410.20% over and above the Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2010 of approximately HK$0.098 (based on a total of 318,000,000 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$31,265,000 as at 31 December 2010); and

(vii) a premium of approximately 1,036.4% over and above the Group's audited consolidated net asset attributable to the Shareholders per Share as at 31 December 2009 of approximately HK$0.044 (based on a total of 318,000,000 Shares as at the Latest Practicable Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$14,064,000 as at 31 December 2009).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the GEM and the recent trading prices of the Shares as quoted on the GEM. The total consideration for the Subscription Shares in the sum of HK$8,000,000 will be financed by internal resources available to the Subscriber.

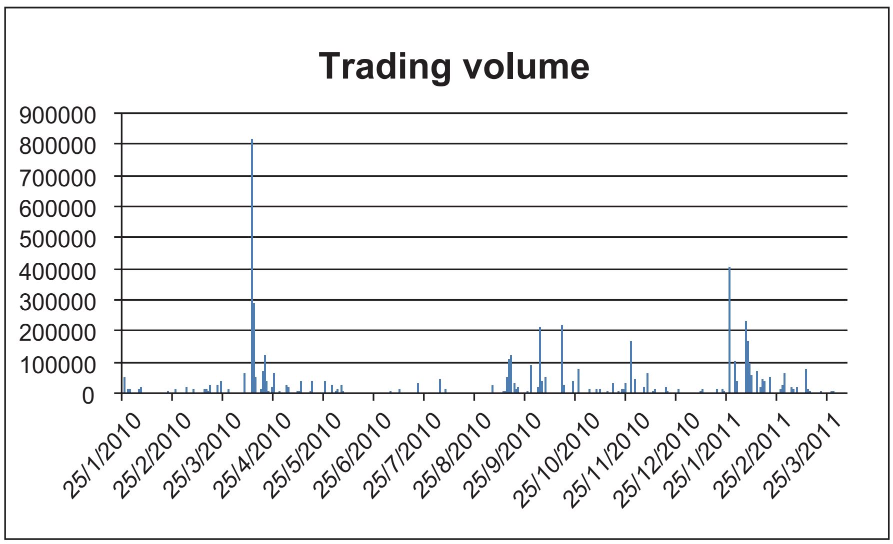
In assessing the fairness and reasonableness of the Subscription Price, we have reviewed the closing price level of the Shares traded on the GEM of the Stock Exchange from the date of twelve months period preceding the date of the Subscription Agreement up to the Latest Practicable Date (the "Review Period") as follows:



Source: the Stock Exchange

Note: the trading of Shares was suspended on from 26 January 2011 to 27 January 2011.

During the Review Period, the Shares traded within the ranged of HK$0.93 per Share and HK$2.50 per Share as shown above. At the start of the Review Period, the closing price of the Shares increased drastically from a low of HK$0.93 per Share on 22 February 2010 to a high of HK$2.50 per Share on 14 April 2010, its lowest and highest closing prices during the Review Period. From 15 April 2010 and onwards, the daily closing price fell sharply from the highest and reached to another lowest of HK$0.93 per Share on 1 June 2010. We noted the substantial increase and decrease in prices and the management has informed us that they are not aware of any possible reasons for such fluctuations. Since then, the daily closing price fluctuated in a low level till the end of the Review Period. The Subscription Price represents a discount over the closing price of the Shares throughout the Review Period.



Source: the Stock Exchange

Month	Highest daily turnover (in number of Shares)	Lowest daily turnover (in number of Shares)	Average daily turnover (in number of Shares)	Number of trading days with turnover lower than 10 million (in days)	Percentage of average daily turnover over total number of Shares in issue *(note 1)* *(%)*	Percentage of average daily turnover over total number of Shares held by the Independent Shareholders *(note 2)* *(%)*
2010						
January	50,000	0	14,000	5	0.004%	0.015%
February	18,000	0	2,889	18	0.001%	0.003%
March	36,000	0	7,478	23	0.002%	0.008%
April	814,000	0	84,842	19	0.027%	0.089%
May	38,000	0	8,600	20	0.003%	0.009%
June	28,000	0	3,714	21	0.001%	0.004%
July	30,000	0	2,571	21	0.001%	0.003%
August	42,000	0	2,545	22	0.001%	0.003%
September	122,000	0	23,714	21	0.007%	0.025%
October	220,000	0	37,602	20	0.012%	0.040%
November	164,000	0	15,455	22	0.005%	0.016%
December	62,000	0	8,636	22	0.003%	0.009%
2011						
January	408,000	0	22,238	21	0.007%	0.023%
February	232,000	0	54,843	19	0.017%	0.058%
March	80,000	0	11,130	23	0.005%	0.017%
April	6,000	0	1,500	4	0.000%	0.002%

Notes:

1. Based on the total number of issued Shares of 318,000,000 Shares as at the Latest Practicable Date.

2. Based on the total number of issued Shares of 95,102,660 Shares as at the Latest Practicable Date.

During the Review Period, a trading volume of lower than 10 million was recorded 301 trading days on the GEM of the Stock Exchange. As illustrated in the table above, the trading volume of the Shares during the Review Period has been thin. During the Review Period, the highest average daily trading volume was approximately 84,842 Shares, representing approximately 0.027% of the total number of issued Shares and approximately 0.089% of the total number of Shares held by the Independent Shareholders. While within the Review Period, the average daily trading volume was approximately 18,860 Shares, representing merely 0.006% of the total number of issued Shares and approximately 0.020% of the total number of Shares held by the Independent Shareholders. We therefore consider the liquidity of the Shares was thin during the Review Period.

As the Group is principally engaged in the wholesaling trading business in the consumer electronics industry, reference to pricing-to-earnings ratio (the "PER") is the most common approach adopted by the investment community in valuing such kind of revenue-generating entities. For the purpose of further assessing the fairness and reasonableness of the Subscription Price by reference to the PER, we have identified (to the best of our knowledge) 17 companies listed on Main Board or GEM of the Stock Exchange which are principally engaged in the similar business of the Group and have similar financial position to the Group (i.e. engaged in the wholesaling trading business in the consumer electronics industry, and recorded profits for the latest financial year ended) (the "Comparables") and such list of Comparables represents an exhaustive list and the businesses of the Comparables are closely comparable to that of the Company. The details of the Comparables are set out below:

Company name	**Stock code**	**Closing share price as at 25 January 2011**	**Approximate market capitalisation**	**PER**
		(HK$)	*(HK$ million)*	*(Times)*
Great Wall Technology Co. Ltd.	74	3.95	4,731	7.93
Wong's International (Holdings) Ltd.	99	1.95	917	9.29
CCT Telecom Holdings Ltd	138	1.08	655	20.77
VTech Holdings Ltd.	303	89	22,098	13.53
Sandmartin International Holdings Ltd.	482	2.73	1,837	18.32
Hutchison Harbour Ring Ltd.	715	1.05	9,415	35.34
ZTE Corporation	763	29.55	81,774	26.21
Digital China Holdings Ltd.	861	15.1	16,475	16.23
TPV Technology Ltd.	903	4.88	11,448	8.17
Lenovo Group Ltd.	992	4.64	46,487	25.13
Karrie International Holdings Ltd.	1050	0.57	329	10.34
AAC Acoustic Technologies Holdings Inc.	2018	21.8	26,770	28.17
Comba Telecom Systems Holdings Ltd.	2342	8.31	11,011	18.32
TCL Communication Technology Holdings Ltd.	2618	8.02	8,802	23.11
Ju Teng International Holdings Ltd.	3336	3.78	4,282	5.86
Beijing Beida Jade Bird Universal Sci-Tech Co. Ltd.	8095	0.445	527	5.72
Glory Mark Hi-Tech (Holdings) Ltd.	8159	0.186	119	6.68
	Maximum	89.00	81,774	35.34
	Minimum	0.19	62	5.72
	Median	3.78	4,282	16.23
	Mean	9.24	12,897	16.42
The Company	**8016**	**1.33**	**423**	**18.70**
Subscription Price *(HK$)*		**0.5**		**7.41**

Source: the Bloomberg

With reference to the closing price per Share of HK$1.33 as at the date of the Subscription Agreement, the earning per share of the Group for the year ended 31 December 2009 of approximately HK$0.068 and the Subscription Price of HK$0.50 per Subscription Share, the PER of the Company is 18.70 times and the implied PER of the Subscription is 7.41 times. The PER of the Comparables ranges from approximately 5.72 times to approximately 35.34 times, with an average of approximately 16.42 times and a median of approximately 16.23 times. The implied PER of the Subscription of approximately 7.41 times falls within the range of the PER of the Comparables but below the average and median PER of the Comparables.

Although the Subscription Price represents discount over 60% to recent closing price and the implied PER of the Subscription of approximately 7.41 times falls below the PER of the Company of approximately 18.70 times, given that the benefits of the Subscription as discussed in the section headed "Reasons for and benefits of the Subscription" and having considered that (i) the trading of Shares was suspended for long period and resumed since 30 October 2009; (ii) the low liquidity in the trading of the Shares under the Review Period; (iii) the funding raising alternatives available to the Group; (iv) the aggregate balance of the cash and bank balances of the Group substantially decreased during the six months ended 30 June 2010; (v) the Subscription would provide additional general working capital to the Group and enhance its working capital for the development to the Group; (vi) the Subscription Price represents a premium of approximately 410.2% over and above the net asset value of the Company as at 31 December 2010; and (vii) the Subscription Price was determined at after arm's length negotiations between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the GEM and the recent trading prices of the Shares as quoted on the GEM, we are of the view that the Subscription Price is acceptable and is fair and reasonable so far as the Company and Shareholders are concerned.

6. Financial effects of the Subscription on the Group

i. Cashflow

According to the audited annual report of the Group for the year ended 31 December 2010, the Group had bank balances and cash (including pledged deposits) and audited net assets of approximately HK$48.88 million and approximately HK$31.27 million respectively as at 31 December 2010. Upon Completion, the liquidity and cash position of the Group will be improved as the Subscription will facilitate the Company to raise net proceeds of approximately HK$7 million. Upon Completion, bank balances and cash and the audited net current assets would be approximately HK$55.88 million and approximately HK$38.27 million respectively subject to all other things remaining unchanged. Accordingly, we are of the view that the cash position and the net current assets of the Company are expected to be improved upon Completion.

ii. Earnings

Save for the expenses relating to the Subscription, we are of the view that the Completion will not have any immediate material impact on the earnings of the Group. Nevertheless, earnings per share will be diluted as a result of the Share Subscription.

iii. Net assets value

According to the audited annual report for the year ended 31 December 2010, the net asset value as at 31 December 2010 was approximately HK$31.27 million. Upon Completion, the net asset value will be improved as the Subscription would increase the total assets and share capital of the Company. Based on the estimated net proceeds of HK$7 million, the net asset value would increase to HK$38.27 million subject to all other things remaining unchanged.

iv. Gearing ratio (total liabilities over total assets)

According to the audited annual report of the Group for the year ended 31 December 2010, the gearing ratio of the Group as at 31 December 2010 of approximately 94.48%. Upon Completion, the total assets of the Group would be increased as a result of the Subscription whilst the total liabilities of the Group would remain the same, resulting in a drop of gearing ratio of the Group subject to all other things remaining unchanged. Thus, we are of the view that the gearing level of the Group will be improved upon Completion.

In a nutshell, the financial effect upon the Completion should be an improvement in cashflow, net assets value and gearing ratio but no immediate effect on earnings. We are of the view that the Subscription is fair and reasonable and in the interests of the Independent Shareholders and the Company as a whole.

7. Effects on shareholding of existing Shareholders

Upon Completion, 16,000,000 Subscription Shares will be issued. The Subscription Shares represent approximately 5.03% of the existing issued share capital and approximately 4.79% of the enlarged share capital of the Company. Set out below the table showing the shareholding structure of the Company as at the Latest Practicable Date and immediately after issuance of the Subscription Shares.

	As at the Latest Practicable Date		**Immediately after Completion**	
	Number of Shares	*% (approximately)*	*Number of Shares*	*% (approximately)*
Changhong	95,368,000	29.99	95,368,000	28.55
The Subscriber	–	–	16,000,000	4.79
Changhong and its subsidiaries	95,368,000	29.99	111,368,000	33.34
Sichuan Investment Management Company Limited	83,009,340	26.10	83,009,340	24.85
Changhong and parties acting or presumed to be acting in concert with it	178,377,340	56.09	194,377,340	58.20
Mr. David Ji Long Fen, an executive Director	44,520,000	14.00	44,520,000	13.33
Public Shareholders	95,102,660	29.91	95,102,660	28.48
	318,000,000	100.00	334,000,000	100.00

As shown above, the percentage shareholding interests of existing public Shareholders will be diluted from approximately 29.91% as at the Latest Practicable Date to approximately 28.48% upon issuance of the Subscription Shares. Taking into consideration that the Subscription (i) will improve the financial performance of the Company; and (ii) will reduce the indebtedness of the Group, we are of the view that the extent of dilution to the Independent Shareholders is acceptable so far as the Independent Shareholders are concerned.

8. Intention of Changhong regarding the Group

Changhong intends to continue the principal businesses of the Group after Completion and will maintain the listing status of the Company on the GEM following Completion. Meanwhile, Changhong will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, Changhong may consider diversifying the business of the Group with the objectives to broaden its income source and to achieve accretion in the return to the Shareholders. However, none of Changhong and its subsidiaries had entered into any agreement or fixed any terms with the Group as at the Latest Practicable Date in relation to any possible diversification of the Group's businesses. Changhong has no intention to re-deploy the employees or the fixed assets of the Group after Completion other than in its ordinary and usual course of business. Changhong and the Company will comply with the relevant requirements under the GEM Listing Rules and the Takeovers Code in the event any possible diversification of the Group's business operations materialises after Completion.

D. WHITEWASH WAIVER

Immediately following the allotment and issue of the Subscription Shares to the Subscriber, and assuming that there is no further issue of Shares prior to the Completion of the Share Subscription, the interest of Changhong, the controlling Shareholders of the Subscriber, and parties acting in concert with it in the Company will increase from approximately 29.99% to approximately 33.34% of the issued ordinary share capital of the Company immediately upon Completion. Changhong and parties acting in concert with it are therefore obliged under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all the issued shares of the Company that are not already owned or agreed to be acquired by Changhong and parties acting in concert with it as a result of Completion. An application has been made to the Executive to grant Changhong and parties acting in concert with it the Whitewash Waiver, which, if granted, will be subject to, among other things, the approval of the Independent Shareholders, at the SGM by way of a poll. Changhong and parties acting in concert with it and their respective associates and those who are interested in or involved in the Whitewash Waiver, will be abstained from voting on the resolution approving the Whitewash Waiver at the SGM.

Pursuant to the Subscription Agreement, the Subscription is conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed and no general offer obligation will be triggered. In the event that the Subscription does not proceed, the Group and the Shareholders will not be able to enjoy the benefits that would arise from the Subscription and the supply of working capital.

E. CONCLUSION

Having taken into consideration of the following principal factors and reasons regarding the Subscription, in particular that:

(i) it is not practicable to the Group in obtaining other means of debt financing due to the long period suspension of trading in Shares and the current trading and business operations of the Group;

(ii) the difficulties faced by the Group in procuring an underwriter interested in a rights issue or open offer under the current market condition and due to the low trading volume of the Shares during the Review Period;

(iii) the trading volume of the Shares has been thin during the Review Period;

(iv) the Subscription Price is fair and reasonable based on our analysis as discussed in the section 5 above;

(v) in light of the tightening of loan amount from Changhong, it is important to improve the Group's financial position so that it can strengthen its financial position and continue to undertake its ongoing working capital requirements; and

(vi) overall positive effect on the financial position of the Group in terms of cashflow, net asset value and gearing upon Completion,

we are of the view that the terms of the Subscription Agreement involving the issue of the Subscription Shares and the Whitewash Waiver are on normal commercial terms and entered into the ordinary and usual course of business of the Group. We further consider that the terms of the Subscription Agreement, the issue of the Subscription Shares and the Whitewash Waiver are fair and reasonable to the Independent Shareholders and that it is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

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

1. FINANCIAL SUMMARY

The following information is extracted from the audited consolidated financial statements of the Group for the three years ended 31 December 2008, 2009 and 2010:

	Year ended 31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	2,614,184	2,575,279	1,324,975
Cost of sales	(2,573,094)	(2,512,715)	(1,297,743)
Gross profit/(loss)	41,090	62,564	27,232
Other income	1,945	226	8,378
Distribution and selling expenses	(7,356)	(6,808)	(2,792)
Administrative expenses	(10,607)	(12,864)	(9,837)
Other operating expenses	–	–	–
Profit/(Loss) from operations	25,072	43,118	22,981
Finance cost	(4,697)	(17,248)	(15,279)
Profit/(Loss) before Tax	20,375	25,870	7,702
Tax	(3,174)	(4,403)	(2,000)
Profit/(Loss) for the year	17,201	21,467	5,702
Attributable to:			
Equity holders of the Company	17,201	21,467	5,702
Earnings per share			
Basic and diluted	5.41 cents	6.75 cents	1.79 cents

Assets and Liabilities

	31 December		
	2010	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Total Assets	566,370	803,376	951,885
Total Liabilities	(535,105)	(789,312)	(959,288)
Total Equity	31,265	14,064	(7,403)

Notes:

1. The audited consolidated financial statements of the Group for the three years ended 31 December 2008, 2009 and 2010 were audited by SHINEWING (HK) CPA Limited, Certified Public Accountants. No qualified opinion had been issued by SHINEWING (HK) CPA Limited in respect of the aforementioned audited consolidated financial statements of the Group.

2. There were no extraordinary or exceptional items due to size, nature or incidence.

3. There was no minority interest for each of the three years ended 31 December 2010, 2009 and 2008.

4. No dividend was paid or proposed by the Company during each of the three years ended 31 December 2010, 2009 and 2008, nor has any dividend been proposed by the Company since the end of the reporting periods.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2010

The following information is extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2010:

Consolidated statement of comprehensive income

		2010	**2009**
	NOTES	*HK$'000*	*HK$'000*
Turnover	*7*	2,614,184	2,575,279
Cost of sales		(2,573,094)	(2,512,715)
Gross profit		41,090	62,564
Other income	*8*	1,945	226
Distribution and selling expenses		(7,356)	(6,808)
Administrative expenses		(10,607)	(12,864)
Finance costs	*10*	(4,697)	(17,248)
Profit before tax		20,375	25,870
Income tax expenses	*12*	(3,174)	(4,403)
Profit and total comprehensive income for the year attributable to owners of the Company	*14*	17,201	21,467
Earnings per share			
Basic and diluted	*16*	5.41 cents	6.75 cents

Consolidated statement of financial position

	NOTES	2010 HK$'000	2009 HK$'000
Non-current asset			
Plant and equipment	17	391	540
Current assets			
Inventories	18	706	8,437
Trade and bills receivables	19	391,202	679,097
Trade deposits paid	20	123,373	9,224
Prepayments, deposits and other receivables	21	520	524
Amounts due from related companies	22	69	69
Amount due from a director	23	–	39
Tax recoverable		1,229	–
Pledged bank deposits	24	2,344	28,572
Bank balances and cash	24	46,536	76,874
		565,979	802,836
Current liabilities			
Trade and bills payables	25	206,125	455,292
Other payables	26	6,601	4,937
Customer deposits	27	30,133	54,534
Amounts due to directors	28	41	5
Tax liabilities		4,928	7,285
Borrowings	29	287,277	267,259
		535,105	789,312
Net current assets		30,874	13,524
Total assets less current liabilities		31,265	14,064
Capital and Reserves			
Share capital	30	7,950	7,950
Reserves		23,315	6,114
Equity attributable to owners of the Company		31,265	14,064

Consolidated statement of changes in equity

	Share capital	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2009	7,950	28,537	(43,890)	(7,403)
Total comprehensive income for the year	–	–	21,467	21,467
At 31 December 2009 and 1 January 2010	7,950	28,537	(22,423)	14,064
Total comprehensive income for the year	–	–	17,201	17,201
At 31 December 2010	7,950	28,537	(5,222)	31,265

Consolidated statement of cash flows

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
OPERATING ACTIVITIES		
Profit before tax	20,375	25,870
Adjustments for:		
Depreciation for plant and equipment	165	76
Interest income	(14)	(198)
Finance costs	4,697	17,248
Operating cash flows before movements in working capital	25,223	42,996
Decrease (increase) in inventories	7,731	(6,268)
Decrease (increase) in trade and bills receivables	287,895	(233,039)
(Increase) decrease in trade deposits paid	(114,149)	374,737
Decrease (increase) in prepayments, deposits and other receivables	4	(38)
Decrease in amounts due from related companies	–	33
Decrease (increase) in amount due from a director	39	(39)
(Decrease) increase in trade and bills payables	(249,167)	199,346
Increase (decrease) in other payables	1,664	(2,698)
(Decrease) increase in customer deposits	(24,401)	35,263
Increase in amounts due to directors	36	–
Cash (used in) generated from operations	(65,125)	410,293
Hong Kong Profits Tax paid	(6,760)	(3,593)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(71,885)	406,700
INVESTING ACTIVITIES		
Decrease in pledged bank deposits	26,228	51,443
Purchases of plant and equipment	(16)	(539)
Interest received	14	198
NET CASH GENERATED FROM INVESTING ACTIVITIES	26,226	51,102

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
FINANCING ACTIVITIES		
New loan raised from (repayment of) loan from a related company	93,000	(379,425)
Net borrowings repaid on discounted bills with recourse	(72,982)	(23,272)
Interest paid	(4,697)	(17,248)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	15,321	(419,945)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(30,338)	37,857
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	76,874	39,017
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	46,536	76,874

Notes to the consolidated financial statements

1. GENERAL INFORMATION

China Data Broadcasting Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HKD") which is different from the functional currency of the Company, being United States dollars ("USD"). As the Company is a public company with the shares listed on the Stock Exchange with most of its investors located in Hong Kong, and therefore the directors consider that Hong Kong dollars is preferable in presenting the operating result and financial position of the Group.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners
HK – INT 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group applied HKFRS 3 (Revised) Business Combinations prospectively to business combination for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the applications of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior years.

Results of the Group in future years may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs in 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, amount(s) due from related companies/ a director, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

Impairment on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, other receivables, amount(s) due from related companies/ a director, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance amount are recognised in profit or loss. When trade and bills receivables, other receivables, amount(s) due from related companies/ a director, are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables, amounts due to directors and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amounts of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Leasing

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of receivables

Management regularly reviews the recoverability and/or age of receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired.

In determining whether impairment for bad and doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

5. CAPITAL RISK MANAGEMENT

The Company manages its capital structure to ensure optimal capital structure and shareholder returns through the optimisation of debt and equity balance. Further capital may be used to increase its horizon. The Company's overall strategy remains unchanged from prior year.

The Group monitors capital by maintaining cash flows from operating activities, investing activities and financing activities. Capital of the Group comprises all components of equity, bank balances and cash and borrowings. The usage of borrowings is used to support the daily operation.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010	**2009**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	440,571	785,067
Financial liabilities		
At amortised cost	497,527	727,493

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, amount(s) due from related companies/ a director, pledged bank deposits and bank balances and cash, trade and bills payables, other payables, amounts due to directors and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 14% (2009: 16%) of the Group's sales and purchases are denominated in currencies other than the functional currency of the group entity making the sales and purchases.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HKD	3,105	2,999	1,492	1,799
Euro ("EUR")	10,504	113,786	2,633	133,958
Australian Dollars ("AUD")	46,791	126,777	45,520	123,389

The Group does not currently have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the currency of HKD/EUR/AUD.

The following table details the Group's sensitivity to a 10% (2009: 10%) increase and decrease in USD against the relevant foreign currencies. 10% (2009: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 10% (2009: 10%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the Group. A positive number below indicates an increase in post-tax profit where USD strengthen 10% (2009: 10%) against the relevant currency. For a 10% (2009: 10%) weakening of USD against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	HKD Impact		EUR impact		AUD Impact	
	2010	2009	2010	2009	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit or loss	(135)	(100)	(657)	1,684	(106)	(283)

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the change in interest rates on interest-bearing assets.

The Group's interest-rate risk arises from borrowings (see note 29 for details of these borrowings). Borrowings at fixed rate expose the Group to fair value interest-rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated

The Group is also exposed to cash flow interest rate risk in relation to variable-rate short-term bank balances (see note 24 for details of these balances). The exposure to the interest rate risk for variable-rate bank balances is insignificant as the bank balances have a short maturity period.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2009: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2010, if interest rates on USD-denominated borrowings had been 100 basis points higher / lower with all other variables held constant, post-tax profit for the year would have been approximately HK$489,000 (2009: HK$1,054,000) decrease/increase, mainly as a result of higher/lower interest expense on fixed rate borrowings.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk as 50% (2009: 46%) and 81% (2009: 84%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively which are mainly located in the PRC and include a substantial shareholder of the Company and companies under its control.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalent deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group currently relies on borrowings as a significant source of liquidity.

The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing and will negotiate for proper facilities and consider proper means of equity financing as appropriate.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Repayable on demand or less than 1 month	**1-3 months**	**Over 3 months but less than 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31/12/2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2010					
Non-derivative financial liabilities					
Trade and bills payables	206,125	–	–	206,125	206,125
Other payables	4,084	–	–	4,084	4,084
Amounts due to directors	41	–	–	41	41
Borrowings	43,943	69,159	179,600	292,702	287,277
	254,193	69,159	179,600	502,952	497,527

	Repayable on demand or less than 1 month	**1-3 months**	**Over 3 months but less than 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31/12/2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Non-derivative financial liabilities					
Trade and bills payables	435,647	19,645	–	455,292	455,292
Other payables	4,937	–	–	4,937	4,937
Amounts due to directors	5	–	–	5	5
Borrowings	68,872	136,387	64,170	269,429	267,259
	509,461	156,032	64,170	729,663	727,493

(c) Fair values of financial assets and liabilities

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. TURNOVER

The Group's turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

8. OTHER INCOME

	2010	**2009**
	HK$'000	*HK$'000*
Bank interest income	14	198
Compensation income from a subsidiary of a substantial shareholder	43	–
Recovery of service deposits previously written off	1,560	–
Others	328	28
	1,945	226

9. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. For management purposes, the Group is currently organised into a single segment as trading of consumer electronic products and related parts and components, and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single operating segment. Accordingly, no segment analysis by business and geographical information is presented.

Revenue from major products

The Group's revenue from operations was generated from trading of consumer electronic products and related parts and components for both years.

Geographical information

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	2010	2009
	HK$'000	*HK$'000*
People's Republic of China	1,115,949	1,328,137
Europe	615,044	370,644
Australia	239,708	344,182
Hong Kong	132,727	67,635
Middle East	151,656	185,029
Africa	43,301	70,128
Other Asian District	127,214	97,304
United States of America ("USA")	20,349	3,998
South America	168,236	108,222
	2,614,184	2,575,279

Non-current assets of the Group are located in Hong Kong.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	HK$'000	*HK$'000*
A group of companies under common control	1,535,588	1,776,669

10. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within 5 years	1,689	6,214
Loan from a related company wholly repayable within 5 years	3,008	11,034
	4,697	17,248

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

12. INCOME TAX EXPENSES

	2010	2009
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current tax	3,174	4,403

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follow:

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	20,375	25,870
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	3,362	4,269
Tax effect of income not taxable for tax purpose	(2)	(21)
Tax effect of expenses not deductible for tax purpose	4	22
Tax effect of other deductible temporary differences not recognised	13	–
Tax effect of tax losses not recognised	–	201
Tax effect of utilisation of tax losses previously not recognised	(203)	–
Others	–	(68)
Income tax expense	3,174	4,403

13. DEFERRED TAXATION

At 31 December 2010, the Group had unused tax losses and other deductible temporary differences of approximately HK$23,457,000 (2009: HK$24,685,000) and HK$529,000 (2009: HK$448,000) respectively available for offset against future profits. No deferred tax asset in respect of other deductible temporary differences and unused tax loss has been recognised due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

14. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Profit and total comprehensive income for the year has been arrived at after charging:

	2010	2009
	HK$'000	*HK$'000*
Depreciation for plant and equipment	165	76
Auditor's remuneration	850	850
Cost of inventories recognised as an expense	2,573,094	2,512,715
Staff costs, including directors' emoluments *(note 15)*		
– Salaries and related staff costs	7,725	6,549
– Retirement benefits scheme contributions	154	146
	7,879	6,695
Exchange loss, net	110	670

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of emoluments paid by the Group to the directors during the year are as follows:

For the year ended 31 December 2010

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Performance related incentive payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. David Ji Long Fen	–	240	–	–	240
Ms. Shi Ping	–	36	–	–	36
Mr. Tang Yun	–	984	12	61	1,057
Mr. Wang Zhenhua	–	36	–	–	36
Mr. Xiang Chao Yang	–	27	–	–	27
Mr. Yu Xiao	–	36	–	–	36
Mr. Wu Xiangtao	–	429	12	50	491
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	165	–	–	–	165
Mr. Robert Ip Chun Chung	165	–	–	–	165
Mr. Sun Donfeng	165	–	–	–	165
	495	1,788	24	111	2,418

For the year ended 31 December 2009

	Fees	Salaries and allowances	Retirement benefits scheme contributions	Performance related incentive payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. David Ji Long Fen	–	309	–	–	309
Ms. Shi Ping	–	–	–	–	–
Mr. Tang Yun	–	834	12	–	846
Mr. Wang Zhenhua	–	–	–	–	–
Mr. Xiang Chao Yang	–	120	–	–	120
Mr. Yu Xiao	–	–	–	–	–
Mr. Wu Xiangtao	–	679	12	–	691
Independent non-executive directors					
Mr. Jonathan Chan Ming Sun	120	–	–	–	120
Mr. Robert Ip Chun Chung	120	–	–	–	120
Mr. Sun Donfeng	120	–	–	–	120
	360	1,942	24	–	2,326

(b) Employee's emoluments

The five highest paid individuals in the Group during the year included two (2009: two) directors whose emolument is included in the analysis presented above. The emoluments of the remaining three (2009: three) individuals are set out below:

	2010	2009
	HK$'000	*HK$'000*
Salaries and allowances	1,578	1,334
Retirement benefits scheme contributions	36	36
	1,614	1,370

The emoluments of the remaining individuals for both years fall within the band of less than HK$1,000,000.

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors have waived or agreed to waive any emoluments for both years.

16. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company is based on the profit for the year ended 31 December 2010 of approximately HK$17,201,000 (2009: HK$21,467,000) and the weighted average number of ordinary shares of 318,000,000 (2009: 318,000,000) in issue during the year.

As there were no dilutive potential shares during the two years ended 31 December 2010 and 2009, the diluted earnings per share is the same as basic earnings per share.

17. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	**Leasehold improvements**	**Motor vehicle**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2009	250	429	–	679
Additions	171	–	368	539
At 31 December 2009 and 1 January 2010	421	429	368	1,218
Additions	16	–	–	16
At 31 December 2010	437	429	368	1,234
DEPRECIATION				
At 1 January 2009	210	392	–	602
Charge for the year	29	29	18	76
At 31 December 2009 and 1 January 2010	239	421	18	678
Charge for the year	47	8	110	165
At 31 December 2010	286	429	128	843
CARRYING VALUES				
At 31 December 2010	151	–	240	391
At 31 December 2009	182	8	350	540

The above items of plant and equipment are depreciated on a straight-line basis over the estimated useful lives after taking into account their estimated residual values as below:

Furniture, fixtures and equipment	5 years
Leasehold improvements	the term of the lease
Motor vehicle	3 years

18. INVENTORIES

	2010	2009
	HK$'000	*HK$'000*
Trading merchandises	706	8,437

19. TRADE AND BILLS RECEIVABLES

Included in the balance are amounts due from subsidiaries of a substantial shareholder of the Company of approximately HK$140,276,000 (2009: HK$285,799,000) and amount due from a substantial shareholder of the Company of approximately HK$195,888,000 (2009: HK$314,643,000).

The Group allows an average credit period of 30-90 days and 30 – 120 days (2009: 30-90 days and 30 – 120 days) to its third party and related party trade customers respectively. The following is an aged analysis of trade receivables presented based on the invoice date at the reporting date:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	164,339	218,662
31 – 60 days	121,698	165,701
61 – 90 days	78,912	148,270
91 – 180 days	25,443	88,835
Over 180 days	810	57,629
	391,202	679,097

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. 65% (2009: 62%) of the trade and bills receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group. The Group does not hold any collateral over these balances.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately HK$138,369,000 (2009: HK$259,745,000) which were past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered fully recoverable. The Group does not hold any collateral over these balances.

Ageing of trade and bills receivables which are past due but not impaired:

	2010	2009
	HK$'000	*HK$'000*
Within 30 days	45,330	59,647
31 – 60 days	44,316	55,803
61 – 90 days	39,160	39,315
91 – 180 days	8,753	47,351
Over 180 days	810	57,629
Total	138,369	259,745

Included in trade and bills receivables are the following amounts denominated in currencies other than the functional currency of the Group:

	2010	2009
	HK$'000	*HK$'000*
EUR	–	113,388
AUD	46,578	126,231
HKD	2	67

20. TRADE DEPOSITS PAID

Included in the balance is an amount paid to a company under control by a substantial shareholder of the Company of approximately HK$90,675,000 (2009: HK$nil).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 31 December 2010, included in prepayments, deposits and other receivables is an amount of approximately HK$520,000 (2009: HK$524,000) which is denominated in HKD which represented currency other than the functional currency of the Group.

22. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies disclosed pursuant to section 161B of the Companies Ordinance are as follows:

Name of related companies	Terms	Balance at 31/12/2010	Balance at 31/12/2009	Maximum amount outstanding during the year
		HK$'000	*HK$'000*	*HK$'000*
Apex Digital Inc. (Incorporated in British Virgin Islands) ("ADIBVI") *(Note a)*	Unsecured, interest free and repayable on demand	65	65	65
Apex Digital (Shanghai) Co., Ltd ("ADSH") *(Note b)*	Unsecured, interest free and repayable on demand	4	4	4
		69	69	

At 31 December 2010, the amounts of approximately HK$69,000 (2009: HK$69,000) are denominated in HKD, which represented currency other than the functional currency of the Group.

Notes:

a. Ms. Shi Ping, a director of the Company, had beneficial interest in ADIBVI.

b. Mr. David Ji Long Fen, a director of the Company, had beneficial interest in ADSH.

23. AMOUNT DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to section 161B of the Companies Ordinance are as follows:

Name of director	Terms	Balance at 31/12/2010	Balance at 31/12/2009	Maximum amount outstanding during the year
		HK$'000	*HK$'000*	*HK$'000*
Wu Xiangtao	Unsecured, interest free and repayable on demand	–	39	39

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2010	2009
	HK$'000	*HK$'000*
Pledged bank deposits	2,344	28,572
Bank balances and cash	46,536	76,874
	48,880	105,446

Bank balances bears interest at floating rates based on daily bank deposits rates.

Included in pledged bank deposits and bank balances and cash are the following amounts denominated in currencies other than the functional currency of the Group:

	2010	2009
	HK$'000	*HK$'000*
HKD	2,514	2,339
AUD	213	546
EUR	10,504	448

At 31 December 2010, pledged bank deposits were pledged to secure general banking facilities granted to the Group and did not carry any interest rate.

At 31 December 2009, pledged bank deposits were pledged to secure general banking facilities granted to the Group and borrowings as set out in note 29 and carried interest at market rates ranging from 0.36% to 1.98%.

The pledged bank deposits will be released upon the settlement of relevant borrowings.

25. TRADE AND BILLS PAYABLES

Included in the balance are amounts due to subsidiaries of a substantial shareholder of the Company of approximately HK$52,986,000 (2009: HK$42,329,000) and amount due to a substantial shareholder of the Company of approximately HK$66,326,000 (2009: HK$325,359,000). The ageing analysis of trade and bills payables, based on the date of receipt of goods, is as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Within 30 days	69,452	166,955
31 – 60 days	56,584	57,173
61 – 90 days	9,428	72,410
91 – 180 days	48,182	79,498
181 – 365 days	21,756	76,975
Over 1 year	723	2,281
	206,125	455,292

Included in trade and bills payables are the following amounts denominated in currencies other than the functional currency of the Group:

	2010	**2009**
	HK$'000	*HK$'000*
HKD	–	16
EUR	–	133,958
AUD	45,520	123,389

The average credit period on purchase of goods is 30-120 days (2009: 30-120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

26. OTHER PAYABLES

Included in the balance are amounts due to subsidiaries of a substantial shareholder of the Company of approximately HK$1,903,000 (2009: HK$1,302,000) and amount due to a substantial shareholder of the Company of approximately HK$nil (2009: HK$52,000).

Included in other payables are the following amounts denominated in currencies other than the functional currency of the Group:

	2010	**2009**
	HK$'000	*HK$'000*
HKD	1,451	1,078

27. CUSTOMER DEPOSITS

Included in customer deposits are the following amounts denominated in currency other than the functional currency of the Group:

	2010	**2009**
	HK$'000	*HK$'000*
HKD	–	700
EUR	9,508	–

28. AMOUNTS DUE TO DIRECTORS

The amounts due to directors of the Company, Mr. Yu Xiao amounting to approximately HK$36,000 (2009: Nil) and Mr. David Ji Long Fen amounting to HK$5,000 (2009: HK$5,000), are unsecured, interest free and repayable on demand. These amounts are denominated in HKD, which represented currency other than functional currency of the Group.

29. BORROWINGS

	2010	**2009**
	HK$'000	*HK$'000*
Loan from a related company	155,000	62,000
Bank loans on bills discounted with recourse	132,277	205,259
	287,277	267,259
Secured	132,277	205,259
Unsecured	155,000	62,000
	287,277	267,259
Carrying amount repayable:		
On demand or within one year	287,277	267,259

Loans from a related company were advanced by Changhong (Hong Kong) Trading Limited, a subsidiary of substantial shareholder of the Company, of which Mr. Tang Yun is a director. The balances were unsecured, bearing interest at fixed rates of 2.5% (2009: 3.5%) per annum and are repayable in June 2011.

At 31 December 2010, the Group's secured bank borrowings were secured by bills receivables of approximately HK$132,277,000 (2009: HK$216,062,000).

30. SHARE CAPITAL

	2010	2009
	HK$'000	*HK$'000*
Authorised:		
1,200,000,000 ordinary shares of HK$0.025 each	30,000	30,000
Issued and fully paid:		
318,000,000 ordinary shares of HK$0.025 each	7,950	7,950

Details of the Company's share option schemes are set out in note 31.

31. SHARE OPTION SCHEME

On 11 January 2000, the Company approved the share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to full-time employees ("Employees") of the Company and its subsidiaries (including executive directors of the Company and its subsidiaries) to subscribe for shares in the Company. The scheme became effective upon the listing of the Company's shares on the GEM on 24 January 2000.

The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time other than: (i) shares issued pursuant to this Scheme; and (ii) any pro rata entitlements to further issues in respect of any shares mentioned in (i) during a period of 10 years from the date when the Scheme is adopted. The subscription price shall be a price determined by the board of directors at its absolute discretion and notified to Employees and shall be no less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheets issued by the GEM on the offer date; (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the GEM for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

During the years ended 31 December 2010 and 2009, no option under the Scheme had been granted to any person, nor was there any outstanding option granted under the Scheme in issue.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010	2009
	HK$'000	*HK$'000*
Non-current assets		
Plant and equipment	–	8
Investments in subsidiaries	100	100
	100	108
Current assets		
Prepayments, deposits and other receivables	100	120
Amounts due from subsidiaries *(Note a)*	36	25
Bank balances and cash	2,051	1,172
	2,187	1,317

	2010 *HK$'000*	2009 *HK$'000*
Current liabilities		
Other payables	890	850
Amount due to a director	36	–
Amounts due to subsidiaries *(Note a)*	14,555	13,879
	15,481	14,729
Net current liabilities	(13,294)	(13,412)
	(13,194)	(13,304)
Capital and reserves		
Share capital	7,950	7,950
Share premium and reserves *(Note b)*	(21,144)	(21,254)
	(13,194)	(13,304)

Notes:

(a) The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

(b) Movements of share premium and reserves during the year are as follows:

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2009	28,537	(48,995)	(20,458)
Loss for the year	–	(796)	(796)
At 31 December 2009 and 1 January 2010	28,537	(49,791)	(21,254)
Profit for the year	–	110	110
At 31 December 2010	28,537	(49,681)	(21,144)

33. OPERATING LEASE COMMITMENTS

The Group as lessee:

	2010	2009
	HK$'000	*HK$'000*
Minimum lease payments under operating lease during the year	1,065	975

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and staff quarters falling due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	938	1,031
In the second to fifth years, inclusive	365	677
	1,303	1,708

Leases are negotiated and rentals are fixed for terms of 1 to 3 years (2009: 1 to 2 years).

34. RETIREMENT BENEFIT SCHEME

The Group has joined the Mandatory Provident Fund Scheme ("MPF Scheme") for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2010, contributions of the Group under the MPF Scheme amounted to approximately HK$154,000 (2009: HK$146,000).

35. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

Name of company	**Nature of transaction**	*Notes*	**2010** *HK$'000*	**2009** *HK$'000*
Substantial shareholder				
Sichuan Changhong	Sales of goods	*(ii)*	617,847	1,179,057
	Purchase of goods	*(ii)*	812,198	529,584
	Sales commission paid	*(iii)*	–	17
Subsidiaries of Sichuan Changhong				
Changhong Electric (Australia) Pty., Ltd.	Sales of goods	*(ii)*	167,719	206,498
Guangdong Changhong Electronics Co., Ltd.	Sales of goods	*(ii)*	272,841	40,027
Sichuan Changhong Component Technology Co., Ltd.	Sales of goods	*(ii)*	10,540	5,918
Sichuan Changhong Network Technologies Co., Ltd.	Sales of goods	*(ii)*	120,993	86,685
Changhong Europe Electric S.R.O.	Sales of goods	*(ii)*	264,717	210,542
Sichuan COC Display Devices Co., Ltd.	Sales of goods	*(ii)*	–	31
P.T. Changhong Electric Indonesia	Sales of goods	*(ii)*	49,843	43,260
Sichuan Hongrui Electronic Co., Ltd.	Sales of goods	*(ii)*	25,815	4,651
Hefei Changhong Industry Co., Ltd	Sales of goods	*(ii)*	5,273	–
Guangdong Changhong Electronics Co., Ltd.	Purchase of goods	*(ii)*	460,530	597,934
Zhangshan Changhong Electric Co., Ltd.	Purchase of goods	*(ii)*	–	1,798
Sichuan Changhong Network Technologies Co., Ltd.	Purchase of goods	*(ii)*	50,330	28,023
Hefei Meiling Co., Ltd.	Purchase of goods	*(ii)*	3	2,723
Changhong (Hong Kong) Trading Ltd.	Interest expenses paid	*(i)*	3,008	11,034
Sichuan Changhong Electronics System Co., Ltd.	Sales commission paid	*(iii)*	–	283
Sichuan Changhong Newenergy Technology Co., Ltd.	Sales commission income	*(iii)*	–	1
Sichuan Changhong Minsheng Logistics Co., Ltd.	Transportation expense	*(iii)*	–	4

Notes:

(i) Mr.Tang Yun, a director of the Company, have beneficial interest in this company.

(ii) The Company entered into the master supply agreement and the master purchase agreement with Sichuan Changhong in respect of the sales and purchases of various electronic products and components on 18 April 2007 and 9 May 2007 respectively (the "Existing Master Agreements"). According to the Existing Master Agreements, the relevant electronic products and components to be sold to or purchased from Sichuan Changhong.or any of its subsidiaries for the supply or purchase of the relevant electronic products and components are to be made at prices with reference to the market prices and credit terms subject to normal commercial practices. As the Existing Master Agreements have been expired on 31 December 2009, the Company entered into the new master supply agreement and the master purchase agreement with Sichuan Changhong on 20 November 2009 to continue the sales and purchases of various electronic products and components between the Company and Sichuan Changhong or any of its subsidiaries from 1 January 2010 to 31 December 2012.

(iii) Sichuan Changhong, a substantial shareholder of the Company, is the parent company of these companies.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Short-term benefits	2,917	2,759
Post-employment benefits	36	36
	2,953	2,795

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2010 are as follows:

Name	**Place of incorporation/ registration and operation**	**Issued and fully paid up ordinary share capital/ registered capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Direct	**Indirect**	
Apex Honour Resources Limited	British Virgin Islands	US$1	100	–	Investment holding
Apex Digital Inc.	British Virgin Islands	US$1	100	–	Inactive
Changhong Overseas Development Limited	Hong Kong	HK$100,000	100	–	Trading of consumer electronic products and related parts and components

Name	Place of incorporation/ registration and operation	Issued and fully paid up ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Apex Digital, LLC	USA	US$365,190	–	100	Inactive
Apex Digital Inc. Limited	Hong Kong	HK$2	–	100	Trading of consumer electronic products and related parts and components

None of the subsidiaries had issued any debt securities at the end of the year.

37. EVENTS AFTER THE REPORTING PERIOD

On 25 January 2011, Changhong (Hong Kong) Trading Limited ("Changhong HK") has entered into the subscription agreement with the Company pursuant to which the Changhong HK has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 16,000,000 shares at the price of HK$0.50 per share. Changhong HK is a wholly-owned subsidiary of Sichuan Changhong, which is a substantial shareholder of the Company. The subscription is subject to approval from independent shareholders by way of poll at the special general meeting.

38. RECLASSIFICATION

The comparative figures of the consolidated statement of cash flows as at 31 December 2009 were restated due to the reclassification of pledged bank deposits of approximately HK$51,443,000 which by nature should not be classified as financing activities according to HKAS 7 Statement of Cash Flows.

The amount of the reclassification for each line item affected in consolidated statement of cash flows is presented below.

Effect of the reclassification on the Group's consolidated statement of cash flows on 31 December 2009 is as follows:

	As previously reported	Reclassification	As restated
	HK$'000	*HK$'000*	*HK$'000*
On 31 December 2009			
Financing Activities			
Decrease in pledged bank deposits	51,443	(51,443)	–
Investing Activities			
Decrease in pledged bank deposits	–	51,443	51,443

3. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 January 2011, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had loan from a related company of approximately US$20,000,000 (equivalent to approximately HK$155,000,000). As at 31 January 2011, the Group had no un-drawn facilities.

The Group had amounts due to directors of approximately HK$41,000 as at 31 January 2011.

In addition, the Group had outstanding bills discounted with recourse of approximately US$15,651,000 (equivalent to approximately HK$121,295,000) which were secured by bills receivables of approximately US$15,651,000 (equivalent to approximately HK$121,295,000) as at 31 January 2011.

Contingent liabilities

As at the close of business on 31 January 2011, the Group had no significant contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rate of exchange prevailing at the close of business on 31 January 2011.

Save for the above, and apart from intra-group liabilities and normal trade and other payable in the ordinary course of business of the Group, as at the close of business on 31 January 2011, the Group did not have any outstanding indebtedness in respect of any loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchases commitments, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

The Directors have confirmed that they are not aware of any material change in the Group's indebtedness and contingent liabilities from 31 January 2011 to the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors confirmed that there was no material change in the financial or trading position or outlook of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

The unaudited pro forma financial information of the Group after completion of the Subscription is set out below for illustrative purpose only. It is prepared in accordance with Rule 7.31(1) of the GEM Listing Rules for the purpose of providing investor with information to illustrate the effect of the Subscription on the Group's financial information.

(A) INTRODUCTION

The following is the unaudited pro forma consolidated statement of financial position of the Group prepared in accordance with paragraph 31 of Chapter 7 of GEM Listing Rules for the purpose of illustrating the effect of the issue of 16,000,000 new shares of the Company (the "**Subscription**") on the audited consolidated statement of financial position of the Group as if the Subscription had been completed on 31 December 2010. It is prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Subscription.

The unaudited pro forma consolidated statement of financial position of the Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2010, extracted from the published annual report of the Group as of 31 December 2010, as if the Subscription had been completed on 31 December 2010.

(B) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the issue of 16,000,000 new shares of the Company at HK$0.50 per share (the "Subscription") on the audited consolidated net tangible assets of the Group as if the Subscription had been completed on 31 December 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared for illustrative purpose only, based on the judgements, estimates and assumptions of the Directors, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Subscription.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2010 as extracted from the published audited annual report of the Group for the year ended 31 December 2010 and is adjusted for the effect of the Subscription.

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2010	**Estimated net proceeds from the Subscription**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company immediately after completion of the Subscription**	**Audited consolidated net tangible assets attributable to owners of the Company per share as at 31 December 2010 before completion of the Subscription**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share immediately after completion of the Subscription**
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Subscription of 16,000,000 shares	31,265	7,000	38,265	0.098	0.115

Notes:

1. The audited consolidated net tangible assets of the Group as at 31 December 2010 is based on the net assets of the Group of approximately HK$31,265,000 as set out in Appendix I to this circular.

2. The estimated net proceeds from the Subscription are calculated based on 16,000,000 new shares expected to be issued at the subscription price of HK$0.50 per share, after deducting the estimated expenses of approximately HK$1,000,000.

3. The number of shares used for the calculation of the audited consolidated net tangible assets of the Group per share before completion of the Subscription is based on 318,000,000 shares in issue as at 31 December 2010.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per share immediately after completion of the Subscription is calculated based on 334,000,000 Shares which comprise 318,000,000 shares in issue of the Company as at 31 December 2010, and 16,000,000 new shares expected to be issued on completion of the Subscription, assuming no change in the number of shares issued after 31 December 2010.

5. No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 31 December 2010.

(C) LETTER ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

Accountants' Report on the Unaudited Pro Forma Financial Information of the Group

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

11 April 2011
The Board of Directors
China Data Broadcasting Holdings Limited

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of China Data Broadcasting Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors") for illustrative purpose only, to provide information about how the issue of 16,000,000 new shares of the Company at HK$0.50 per share ("the Subscription") might have affected the unaudited consolidated net tangible assets of the Group presented, for inclusion in the Appendix II of the circular of the Company dated 11 April 2011 (the "Circular"). The basis of preparation for the unaudited pro forma statement of adjusted consolidated net tangible assets is set out in Appendix II of the Circular.

Respective responsibilities of Directors and reporting accountants

It is the responsibility solely of the Directors to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31 of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2010 or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
11 April 2011

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading, and there are no other matters the omission of which would make any statement in the circular misleading.

The directors of the Subscriber and the directors of Changhong jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

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

2. SHARE CAPITAL AND SHARE OPTIONS

(1) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:

1,200,000,000	Shares	HK$30,000,000

Issued and fully paid up or credited as fully paid up:

318,000,000	Shares	HK$7,950,000

New shares to be issued pursuant to the Subscription Agreement:

16,000,000	Shares	HK$400,000

All of the Shares rank pari passu in all respects, including as to dividends, voting and capital.

The Shares are listed on and traded on the GEM. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

There has been no alteration to the authorised share capital of the Company since the end of its last financial year, being 31 December 2010 and there has been no increase in the issued share capital of the Company since 31 December 2010 and up to the Latest Practicable Date.

(2) Share options

The Company's share option scheme expired on 10 January 2010. As at the Latest Practicable Date, there were no outstanding share options to subscribe for any Shares.

There were no options, warrants or conversion rights affecting the Shares outstanding as at the Latest Practicable Date.

3. MARKET PRICES OF SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the six months immediately preceding 27 January 2011, being the date of the Announcement and ending on the Latest Practicable Date; (ii) on the Last Trading Day; (iii) on 26 January 2011, being the last business day immediately preceding the date of the Announcement; and (iv) on the Latest Practicable Date were as follows:

Date	Closing price of the Shares
30 July 2010	HK$1.03
31 August 2010	HK$1.20
30 September 2010	HK$1.30
29 October 2010	HK$1.23
30 November 2010	HK$1.35
31 December 2010	HK$1.36
Last Trading Day	HK$1.33
26 January 2011	HK$1.33
31 January 2011	HK$1.56
28 February 2011	HK$1.62
31 March 2011	HK$1.75
Latest Practicable Date	HK$1.80

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing six months preceding 27 January 2011, being the date of the Announcement, and ending on the Latest Practicable Date were HK$1.86 on 8 February 2011, and HK$1.00 on 28 July 2010 and 29 July 2010, respectively.

4. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors notified to the Company and the Stock Exchange, to be notified to the Company and Stock Exchange; or (iv) which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

Long position in Shares

Name of Director	Personal interests	Capacity	Type of Interest	Approximate percentage of interest %
Mr. David Ji Long Fen ("**Mr. Ji**")	44,520,000	Beneficial owner	Personal	14.00

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors notified to the Company and the Stock Exchange, or which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

(b) As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) or corporations had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name of substantial shareholder	**Capacity**	**Number of Shares**	**Approximate percentage of interest** %
Changhong	Beneficial owner	111,368,000	35.02 *(Note (a))*
Sichuan Investment Management Company Limited	Beneficial owner	83,009,340	26.10
Mr. Ji	Beneficial owner	44,520,000	14.00
Ms. Liu Ru Ying *(Note (b))*	Through spouse	44,520,000	14.00

Notes:

(a) Changhong's interest in the Shares was calculated based on the Company's issued share capital of 318,000,000 Shares as at the Latest Practicable Date. Immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to Completion), Changhong's interest in the Shares would be 33.34% based on the Company's enlarged issued share capital of 334,000,000 Shares taking into account the Subscription Shares.

(b) 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 44,520,000 Shares in which Mr. Ji is interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) As at the Latest Practicable Date, the following Director is also a director of the Subscriber:

Name of Director	**Position held in the Subscriber**
Mr. Tang Yun	director

5. SHAREHOLDINGS AND DEALINGS

(A) Shareholdings and dealings in the shares and the convertible securities, warrants, options and derivatives in respect of the shares of the Subscriber (the "Subscriber Securities") and the shares of Changhong (the "Changhong Securities")

(a) As at the Latest Practicable Date:

(i) the Company was not interested in any Subscriber Securities or Changhong Securities;

(ii) none of the directors of the Subscriber or the Directors was interested in any Subscriber Securities or Changhong Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(iii) none of the persons acting in concert with the Subscriber owned or controlled any Subscriber Securities or Changhong Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and

(iv) none of the Subscriber nor any persons acting in concert with it had borrowed or lent any Subscriber Securities or Changhong Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(b) None of the Company nor the Directors had dealt for value in the Subscriber Securities or Changhong Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning six months prior to 27 January 2011, being the date of the Announcement, and ending on the Latest Practicable Date.

(c) None of the Subscriber, its directors nor persons acting in concert with the Subscriber had dealt for value in the Subscriber Securities or Changhong Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning six months prior to 27 January 2011, being the date of the Announcement, and ending on the Latest Practicable Date.

(B) Shareholdings and dealings in the Shares and the convertible securities, warrants, options and derivatives in respect of the Shares (the "Company Securities")

(a) As at the Latest Practicable Date:

(i) save for 95,368,000 Shares held by Changhong, none of the Subscriber, Changhong, parties acting in concert with Changhong, or parties acting in concert with the Subscriber held any Company Securities;

(ii) save as disclosed in the table set out in the paragraph headed "Disclosure of Interests" in this Appendix, none of the Directors, directors of Changhong or directors of the Subscriber was interested in any Company Securities;

(iii) none of the Company nor the Directors had borrowed or lent any Company Securities; and

(iv) none of the Subscriber, Changhong nor any persons acting in concert with the Subscriber had borrowed or lent any Company Securities.

(b) Save for the Subscription Agreement, none of the Subscriber, directors of the Subscriber, Changhong, directors of Changhong, parties acting in concert with Changhong, parties acting in concert with the Subscriber and the Directors had dealt for value in any Company Securities during the period beginning six months prior to 27 January 2011, being the date of the Announcement, and ending on the Latest Practicable Date.

(c) As at the Latest Practicable Date, the Subscriber and Changhong had no intention to transfer, charge or pledge the Subscription Shares to any other persons upon Completion.

6. VOTING ON THE WHITEWASH WAIVER

(a) As at the Latest Practicable Date, save for Mr. Ji's indication that he would vote for the resolutions approving the Subscription and the Whitewash Waiver, no person had, prior to the Subscription and the posting of this circular, irrevocably committed themselves to vote for or against the Whitewash Waiver.

(b) As at the Latest Practicable Date, Mr. Ji was the only Director who held Shares. Mr. Ji was not involved in the negotiations in relation to the Subscription Agreement and did not have any interest in the Subscription. He is not required to abstain from voting on the resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver. As at the Latest Practicable Date, Mr. Ji had indicated that he would vote for the resolutions approving the Subscription and the Whitewash Waiver at the SGM.

(c) The Subscriber and persons acting in concert with it, their respective associates and those involved or interested in the Subscription and the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolutions to approve the Subscription and the Whitewash Waiver.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation), nor has any of the Directors entered into any service contract with any member of the Group or associated companies which are in force and are fixed term contracts and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which has been entered into or amended within six months prior to 27 January 2011, being the date of the Announcement.

8. LITIGATION

As at the Latest Practicable Date, there was no material litigation to which the Company or any of its subsidiaries is, or may become, a party.

9. COMPETING INTERESTS

Apex Digital, Inc. ("Apex Digital") is wholly owned by Mr. Ji, an executive director of the Company since 10 April 2006. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital".

Changhong is a substantial shareholder of the Company which is incorporated in the PRC and is listed on Shanghai Stock Exchange. Changhong is principally engaged in, amongst other things, the wholesaling business of consumer home electronics items under the name of "Changhong".

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors, controlling shareholder, and substantial shareholders of the Company and their respective associates had an interest in a business which competes or may compete with the business of the Group and there were no contracts or arrangements subsisting in which a Director is materially interested and which is significant in relation to the business of the Group.

10. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

11. INTEREST IN CONTRACTS AND ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group after the date of two years preceding the date of the Announcement and up to and including the date of issue of this circular and which are or may be material:

(a) the purchase agreement entered into between the Company and Changhong on 20 November 2009 in relation to the purchase of certain consumer electronic products by the Group from Changhong and its subsidiaries on an ongoing basis;

(b) the supply agreement entered into between the Company and Changhong on 20 November 2009 in relation to the supply of certain electronic components and products by the Group to Changhong and its subsidiaries on an ongoing basis; and

(c) the Subscription Agreement.

13. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010 (being the date to which the latest published audited accounts of the Group were made up).

14. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The following is the qualification of the experts who have given opinion or advice which is contained or referred to in this circular:

Name	Qualification	Nature of opinion or advice	Date of opinion
Grand Vinco Capital Limited ("Vinco Capital")	A licensed corporation to carry on type 1 (dealing in securities), type 6 (advising on corporate finance) regulated activities under the SFO	Letter to the Independent Board Committee and the Independent Shareholders	11 April 2011
SHINEWING (HK) CPA Limited ("Shinewing")	Certified Public Accountants	Unaudited consolidated pro forma net tangible assets of the Group	11 April 2011

(b) As at the Latest Practicable Date, none of Vinco Capital or Shinewing had any direct or indirect shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

(c) As at the Latest Practicable Date, none of Vinco Capital or Shinewing had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

(d) Each of Vinco Capital and Shinewing has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, reports and/or valuation certificates (as the case may be) and references to its name in the form and context in which it is included.

15. GENERAL

(a) The branch share registrar of the Company in Hong Kong is Hong Kong Registrar Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The principal place of business of the Company in Hong Kong is at Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong.

(b) The Subscriber, a wholly-owned subsidiary of Changhong, which in turn is a substantial Shareholder interested in approximately 35.02% of the issued share capital of the Company as at the Latest Practicable Date taking into account Changhong's interests in the Subscription before Completion. The registered office of the Subscriber is at Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The directors of the Subscriber are Mr. Luo Guang Qiang, Mr. Tang Yun, Mr. Chen Hua, Mr. Ye Hong Lin and Mr. Wu Jiang and its controlling shareholder is Changhong which held 100% interests in the Subscriber. The address of Changhong is at 35 East Mianxing Road, High-tech Park, Mianyang, Sichuan Province, the PRC. The directors of Changhong are Zhao Yong, Liu Tibin, Lin Maoxiang, Wu Yingjian, Wu Jiang, Huang Zhaohui, Li Tong, Gao Lang, Qian Pengxiao, Gao Xiaosu and Huang You.

(c) No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the Subscription and the Whitewash Waiver (other than statutory compensation).

(d) As at the Latest Practicable Date, there was no agreement, arrangement or understanding existed between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription and the Whitewash Waiver or otherwise connected therewith.

(e) As at the Latest Practicable Date, there was no material contract entered into by the Subscriber or Changhong in which any Director has a material personal interest.

(f) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber, Changhong or any persons acting in concert with it and any of the Directors or recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription or Whitewash Waiver.

(g) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any fund managed on a discretionary basis by any fund manager connected with the Company, or any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Company Securities.

(h) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code.

(i) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Subscriber, Changhong or any person acting in concert with the Subscriber or Changhong.

(j) The principal place of business of Vinco Capital is situated at Units 4909-4910, 49/F., The Center, 99 Queen's Road Central, Hong Kong. Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with all references to its name in the form and context in which they appear in this circular.

(k) The address of China Merchants Securities (HK) Co., Limited, the financial adviser to the Company, is at 48/F, One Exchange Square, Central, Hong Kong.

(l) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

(m) There will not be any change in the composition of the Board as a result of Completion.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) Unit 3701, 37/F., West Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong during 9:00 a.m. to 5:00 p.m. on any weekday from Monday to Friday except public holidays; (ii) on the Company's website at www.cdb-holdings.com.hk; and (iii) on the website of SFC at www.sfc.hk from the date of this circular up to and including Friday, 6 May 2011:

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Subscriber;

(c) the letter dated 11 April 2011 from the Independent Board Committee, the text of which is set out on page 17 in this circular;

(d) the letter dated 11 April 2011 from Vinco Capital, the text of which is set out on pages 18 to 33 in this circular;

(e) the letter dated 11 April 2011 from Shinewing, the text of which is set out in Appendix II to this circular;

(f) the contracts referred to in the section headed "Material Contracts" in paragraph 12 of this Appendix;

(g) the written consents referred to in the section headed "Qualifications and Consents of Experts" in paragraph 14 of this Appendix; and

(h) the audited accounts of the Group for each of the two financial years ended 31 December 2009 and 2010.

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 OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") 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, Hong Kong at 11:00 a.m. on Friday, 6 May 2011 (or, if later, immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same date at the same place at 10:30 a.m. on Friday, 6 May 2011), for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the subscription agreement entered into between the Company and Changhong (Hong Kong) Trading Limited (the "**Subscriber**") dated 25 January 2011 (the "**Subscription Agreement**") in relation to the subscription of 16,000,000 shares of HK$0.025 each in the share capital of the Company (the "**Subscription Shares**") at an aggregate subscription price of HK$8,000,000, a copy of which has been produced to the meeting and initialed by the chairman of the meeting for the purposes of identification, and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;

(b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the approval for the listing of and permission to deal in the Subscription Shares, the allotment and issue of the Subscription Shares pursuant to the terms of the Subscription Agreement be and are hereby approved; and

(c) any one or more directors of the Company be and are hereby authorised to allot and issue the Subscription Shares in accordance with the terms of the Subscription Agreement and to do all such further acts and things and execute such further documents and take all steps which, in his (or their) opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of, and all transactions contemplated under, the Subscription Agreement for and on behalf of the Company and to approve any changes and amendments thereto as he (or they) may consider necessary, desirable or expedient."

* *For identification purpose only*

2. "**THAT**, subject to the passing of the resolution set out as Resolution No.1 in the notice convening this meeting, the whitewash waiver granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong pursuant to Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers to Sichuan Changhong Electric Co., Limited and parties acting in concert with it from the obligation to make a general offer to the shareholders of the Company for all issued shares and other securities of the Company not already owned or agreed to be acquired by them as a result of the issue and allotment of the Subscription Shares to the Subscriber be and is hereby approved."

By order of the Board
China Data Broadcasting Holdings Limited
Yu Xiao
Chairman

Hong Kong, 11 April 2011

Notes:

i Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holder of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.

ii The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised.

iii To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority shall be deposited to the Company's Branch Registrars in Hong Kong, Hong Kong Registrars Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting (as the case may be).

iv Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointment a proxy shall be deemed to be revoked.

v The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

vi Attendants should bear their own travelling, accommodation and other expenses.

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

This notice, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this notice is accurate and complete in all material respects and not misleading; and (ii) there are no other matters the omission of which would make any statement in this notice misleading.

This notice will appear on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the day of its posting thereon.