



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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

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The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

* for identification purposes only

RESULTS

The board of directors (the “Board”) of China Data Broadcasting Holdings Limited (the “Company”) is pleased to announce the audited financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
TURNOVER	<i>1</i>	1,324,975	320,949
Cost of goods sold		<u>(1,297,743)</u>	<u>(315,952)</u>
GROSS PROFIT		27,232	4,997
Other income	<i>2</i>	8,378	184
Selling expenses		(2,792)	(272)
Administrative expenses		<u>(9,837)</u>	<u>(8,252)</u>
PROFIT/(LOSS) FROM OPERATIONS		22,981	(3,343)
Finance costs		<u>(15,279)</u>	<u>(61)</u>
PROFIT/(LOSS) BEFORE TAX		7,702	(3,404)
Tax	<i>4</i>	<u>(2,000)</u>	<u>(492)</u>
PROFIT/(LOSS) FOR THE YEAR	<i>5</i>	<u>5,702</u>	<u>(3,896)</u>
EARNING/(LOSS) PER SHARE			
Basic	<i>6</i>	<u>1.79 cents</u>	<u>(1.23 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Fixed assets		<u>77</u>	<u>146</u>
Current assets			
Inventories		2,169	–
Trade receivables		446,058	60,362
Trade deposits paid		383,961	18,190
Prepayments, deposits and other receivables		486	471
Due from a related company		102	65
Pledged bank deposit		80,015	–
Bank and cash balances		<u>39,017</u>	<u>25,663</u>
		<u>951,808</u>	<u>104,751</u>
Current liabilities			
Trade payables		255,946	32,970
Accruals and other payables		7,635	3,586
Customer deposits		19,271	56,465
Due to a director		5	5
Current tax liabilities		6,475	5,477
Borrowings		<u>654,455</u>	<u>–</u>
		<u>943,787</u>	<u>98,503</u>
Net current assets		<u>8,021</u>	<u>6,248</u>
Non-current liabilities			
Loan from a substantial shareholder		–	19,499
Borrowings		<u>15,501</u>	<u>–</u>
		<u>15,501</u>	<u>19,499</u>
NET LIABILITIES		<u><u>(7,403)</u></u>	<u><u>(13,105)</u></u>
Capital and reserves			
Share capital		7,950	7,950
Reserves	7	<u>(15,353)</u>	<u>(21,055)</u>
TOTAL EQUITY		<u><u>(7,403)</u></u>	<u><u>(13,105)</u></u>

Note:

1. TURNOVER

Turnover represents the invoiced value of goods sold and after allowances for goods returned and trade discounts. Revenue recognised during the year is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Gross amount	1,324,975	320,949
Less: Goods returned	—	—
Net amount	<u>1,324,975</u>	<u>320,949</u>

2. OTHER INCOME

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank interest income	1,303	177
Compensation income from a subsidiary of a substantial shareholder	6,341	—
Exchange gain, net	653	—
Others	81	7
	<u>8,378</u>	<u>184</u>

3. SEGMENT INFORMATION

(a) Business segments

The Group has been operating in a single business segment, that is trading of consumer electronic products and related parts and components.

(b) Geographical segments

The following is an analysis of the Group's sales by geographical location of customers:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
People's Republic of China ("PRC")	993,835	277,107
Europe	159,706	6
Australia	71,926	13,603
Hong Kong	49,410	809
Middle East	21,787	—
Africa	11,824	—
Other Asian District	7,355	29,424
United States of America ("USA")	3,176	—
South America	4,982	—
Other	974	—
	<u>1,324,975</u>	<u>320,949</u>

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located:

	Segment assets	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	951,802	104,787
USA	83	110
	<hr/>	<hr/>
Total	951,885	104,897
	<hr/> <hr/>	<hr/> <hr/>

The following is an analysis of capital expenditure, analysed by the geographical area in which the assets are located:

	Capital expenditure	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	31	137
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4. TAX

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current tax	2,046	550
– Over-provision in prior years	(46)	(58)
	<hr/>	<hr/>
	2,000	492
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax has been provided at a rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year ended 31 December 2008.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof for the year ended 31 December 2008 and 2007.

A reconciliation of the tax expense for the year to the profit/(loss) per the consolidated income statement is as follow:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit/(Loss) before taxation	<u>7,702</u>	<u>(3,404)</u>
Tax at the statutory tax rate	1,271	(596)
Income not subject to tax	(11)	(14)
Expenses not deductible for tax	30	5
Deferred tax assets not recognised	6	–
Tax losses not recognised	750	1,155
Over-provision in previous year	<u>(46)</u>	<u>(58)</u>
Income tax expense	<u>2,000</u>	<u>492</u>

DEFERRED TAXATION

At 31 December 2008, the Group has unused tax losses and other deductible temporary difference of approximately HK\$23,507,000 (2007: HK\$18,926,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

5. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging the following:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Depreciation	100	77
Cost of inventories recognised as an expense	1,307,964	315,952
Auditor's remuneration	790	680
Staff costs (including directors' remuneration):		
Salaries and related staff costs	5,822	4,000
Retirement benefit scheme contributions	136	68
	<u>5,958</u>	<u>4,068</u>

6. EARNING/(LOSS) PER SHARE

The calculation of basic earning/(loss) per share is based on the profit for the year of approximately HK\$5,702,000 (2007: loss HK\$3,896,000), and the weighted average number of ordinary shares of 318,000,000 (2007: 318,000,000) in issue during the year.

No diluted earning/(loss) per share is presented for the year ended 31 December 2008 and 31 December 2007 as the Company did not have any dilutive potential ordinary shares in existence during the year.

7. RESERVES

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007	28,537	(45,696)	(17,159)
Loss for the year	<u>–</u>	<u>(3,896)</u>	<u>(3,896)</u>
At 31 December 2007 and at 1 January 2008	28,537	(49,592)	(21,055)
Profit for the year	<u>–</u>	<u>5,702</u>	<u>5,702</u>
At 31 December 2008	<u><u>28,537</u></u>	<u><u>(43,890)</u></u>	<u><u>(15,353)</u></u>

8. CONTINGENT LIABILITIES

On 12 June 2006, Koninklijke Philips Electronics N.V. and United States Philips Corporation issued a writ of summons to the United States District Court, Central District of California, against eight parties, including the Company, Apex Digital Inc. Limited and Apex Digital, LLC (subsidiaries of the Company), David Ji Long Fen (“Mr. Ji”), Aacle Hse Ann Keh (an ex-executive director of the Company), Apex Digital Inc (“Apex Digital” a former substantial shareholder), United Delta Inc (a ex-beneficial shareholder) and an individual. The defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within USA.

On 2 August 2007, a settlement has been reached between the plaintiffs and the defendants and the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, one of the defendants, Apex Digital is to pay a total amount of US\$3,284,000 to the plaintiffs by installments. Subsequently, the Group has signed an agreement with Apex Digital (which is wholly-owned by Mr. Ji, director of the Company) that Apex Digital has agreed to bear all the payments, legal and professional fees incurred. Up to the balance sheet date, Apex Digital has paid the amount of US\$1,750,000.

Notwithstanding that the amount has not been fully settled according to the terms of settlement, Apex Digital repays the amount by installments continuously subsequent to the balance sheet date and the directors of the Company are not aware of any further action taken by plaintiffs. Accordingly, no provision has been provided for the year ended 31 December 2008.

9. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

Hong Kong Accounting Standard (“HKAS”) 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation (“Int”) 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

The Group expects to adopt HKAS 27 (Revised) and HKFRS 3 (Revised) on or after 1 January 2009. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The directors of the company are not yet in a position to determine whether HKFRSs (Amendments) and HKFRS 1 (Revised) would have a significant impact on how the results and financial position of the Group are prepared and presented.

The directors of the Company anticipate that, other than as disclosed in above, HKFRSs (Amendments) and HKFRS 1 (Revised), the application of these standards, amendments or interpretations will have no material impact on how the results and financial position of the Group are prepared and presented.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

Extracts from independent auditor's report are set out as follows:

Emphasis of matters

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicate that as at 31 December 2008, the Group had capital deficiency of approximately HK\$7,403,000. These conditions as set out in note 2 to the consolidated financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

The Company has applied the Code on Corporate Governance Practices (the "CG Code") contained in appendix 15 to the GEM Listing Rules which sets out corporate governance principles (the "Principles") and code provisions (the "Code Provisions") as far as possible and practicable. An explanation for any deviations is adhered.

CHAIRMAN AND MANAGING DIRECTOR

The Code Provision A.2.1 stipulates that the roles of Chairman and Managing Director should be separated and should not be performed by the same individual.

During the year, Mr. YU Xiao was appointed as chairman and Mr. TANG Yun was appointed as managing director. Despite the aforesaid, the Board will review such arrangement from time to time.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed to a twelve month auto-renewable service agreement with a fixed amount per annum. None of each has served the Group for more than nine years.

All independent non-executive directors have confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers they are independent.

REMUNERATION COMMITTEE

The remuneration committee currently comprises two independent non-executive directors and one executive director. It is chaired by an executive director. During the year, the Committee held a meeting.

AUDITOR'S REMUNERATION

The remuneration of the audit service rendered by the auditor of the Group was mutually agreed in view of the scope of services in the total amount of HK\$790,000. The auditor and its affiliates also provided non-audit service (i.e. internal control system follow up review and issue of comfort letter on working capital sufficiency) to the Company which amounted to HK\$450,000 during the period.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive directors. At the discretion of the Committee, executive directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meetings.

During the year, the Committee held five meetings. The annual results for the year ended 31 December 2008 was reviewed by the Committee.

NOMINATION COMMITTEE

The nomination committee currently comprises two independent non-executive directors and one executive director. It is chaired by an executive director. During the year, the Committee held a meeting.

INTERNAL CONTROL

The Board has overall responsibilities for the establishment of, maintaining an adequate and effective internal control system and for reviewing its effectiveness to safeguard the Company's assets against unauthorized use or disposition, and to protect the interests of shareholders of the Company.

A follow up review of internal control system was conducted by SHINEWING Risk Services Limited in February 2008, no material deficiencies have been identified during the assessment. The findings were as following :

- (1) the Group has improved and implemented the procedures on the revenue and purchase cycles and ensures all the supporting documents thereto are adequate and complete.

- (2) the Group has introduced new procedures and control policy to ensure proper internal communication within the Group on the payment terms to suppliers and from customers in respect of its revenue and purchase cycles.
- (3) the Group has set up and implemented procedures to ensure good maintenance and possession of files on customers and suppliers in respect of its revenue and purchase cycles.
- (4) the Group has adjusted its accounting policies in accordance with the Hong Kong Financial Reporting Standards to avoid transactions cutoff problem.
- (5) the Group has formulated and implemented quality assurance procedures in revenue and purchase cycles.
- (6) the Group has managed to segregate the duties between fixed assets cycles and financial reporting system.
- (7) the Group has adjusted its accounting policies to ensure consistency within the companies in respect of its financial reporting cycles.
- (8) the Group has formulated and implemented internal control procedures on inventory cycles and sales return.

SHINEWING Risk Services Limited confirmed that the Group has an adequate financial reporting system and internal control procedures. Both the internal control review report and the follow up internal control review report are documented for checking upon request.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group engaged in trading business in the consumer electronic industry (the “Trading Business”). The Group has accomplished an improved operating revenue of approximately HK\$1,325.0 million and a net profit of approximately HK\$5.7 million for the year ended 31 December 2008.

The Group’s revenue for 2008 increased approximately 400% over that of 2007, which in fact consolidated the major turn-around after several loss-making years. Profit attributable to equity holders reached a milestone level.

As at 31 December 2008, the Group’s gross margin was approximately 2.09% which represented a remarkable growth of 31.4% as compared with 2007. Total selling expenses increased dramatically due to the increase in freight as revenue increased and the increase in remuneration costs of sales staff. Total administrative expenses increased reasonably due to remarkable increase in revenue. Total finance costs also rose dramatically as the Company borrowed capitals for promotion the businesses during the year and the results showed that the Company’s strategy was workable.

The Company raised a legal suit on 17 October 2008 at Shanghai in PRC against Apex Digital (Shanghai) Co., Limited (a subsidiary of former substantial shareholder, Apex Digital) for the collection of the repayment of approximately HK\$6,640,000 which happened by the end of year 2006. The court is in the progress of investigation and has not yet heard as at the date of announcement. The Company tried various measures for the collection of the service deposit of approximately HK\$2,496,000 owed by Ms. Fei Liqiong (an American), there was no final settlement agreement reached as at the date of the announcement.

In relation to the application for the resumption of trading of the Company, the Stock Exchange continued reverting comments on the various affairs of the Company during the year. With the efforts of the Company and its advisors, the Company replied those comments from the Stock Exchange promptly and accordingly. But the progress is still reviewing by the Stock Exchange.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at 31 December 2008, the aggregate outstanding borrowings with related companies of the Group were approximately HK\$441,425,000 which were unsecured and interested bearing (2007: HK\$19,500,000). Such fluctuation was within the normal pattern of operations of the Group. The Group's cash and bank balances amounted to approximately HK\$119,032,000, together with trading receivables amounted to approximately HK\$446,058,000. The Group's net current assets approximate to HK\$8.0 million and the Group does not have any charges on its assets. The management is confident that the Group's financial resources are sufficient to finance the daily operation.

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

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2008, the total number of the Group's staff was 16. The total staff costs (including directors) amounted to approximately HK\$6.0 million for the year under review. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund.

The Group established a Share Options Scheme to reward its employees for their individual performance. As at 31 December 2008, there were no outstanding share options. During the year under review, no share option had been granted nor exercised.

The Group did not experience any significant labour disputes or substantial change in the number of its employees that led to any disruption of normal business operations. The Board consider the Group's relationship with its employees to be good.

OUTLOOK

As the Company has established stable clientele bases of supplier and customers, there is a minimal effect by the financial crisis to the operations of the Company. The Company is confident that the Trading Business in the consumer electronic industry will build up a steady and considerable income stream of the Group. Also the dispute has been settled, the management can concentrate in business activities and put more efforts to explore further business opportunities in the consumer electronic industry, such as trading of finished goods/parts and components of televisions, set top boxes, fridges, notebooks and other products. The Board believes that the business will keep on the track and will be better in the near future.

DIVIDEND

The board do not recommend the payment of any dividend in respect of the year (2007: Nil).

INTERESTS OF THE DIRECTORS IN THE COMPANY

As at 31 December 2008, the interests and short positions of the Directors in the ordinary Shares of the Company (the “Shares”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which are required (a) to be notified to the Company and the Stock Exchange 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Number of Shares	Capacity	Type of Interest	Approximate percentage of interest
Mr. Ji	44,520,000	Beneficial owner	Personal	14.00

Save as disclosed above, none of the Directors had interests in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

As at 31 December 2008, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares

Name of substantial shareholder	Capacity	Number of Shares	Approximate percentage of interest %
Sichuan Changhong Electric Co., Limited ("Changhong")	Directly beneficially owned	95,368,000	29.99
Sichuan Investment Management Company Limited	Directly beneficially owned	83,009,340	26.10
Mr. Ji	Directly beneficially owned	44,520,000	14.00
Ms. Liu Ru Ying (<i>note (a)</i>)	Through spouse	44,520,000	14.00

Notes

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

COMPETING INTEREST

Apex Digital is wholly owned by Mr. Ji from 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 incorporated in the PRC and is listed in PRC Stock Exchange. Changhong is principally engaged in the wholesaling business of consumer home electronics items under the name of “Changhong”.

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

COMPLIANCE WITH CODE OF BEST PRACTICE

To the best knowledge of the Board, the Company had complied with the Code of Best Practice as set out in Appendix 15 of the GEM Listing Rules.

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

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

By Order of the Board
Yu Xiao
Chairman

Hong Kong, 25 March 2009

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

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