
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in China Data Broadcasting Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent, through whom the sale was effected, for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

This circular, for which the directors of China Data Broadcasting Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Data Broadcasting Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



CHINA DATA BROADCASTING HOLDINGS LIMITED

(中華數據廣播控股有限公司)*

(incorporated in Bermuda with limited liability)

CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser to the Independent Board Committee



CSC Asia Limited

A letter from the Board of China Data Broadcasting Holdings Limited is set out on pages 3 to 8 of this circular. A letter from the Independent Board Committee of China Data Broadcasting Holdings Limited is set out on page 9 of this circular.

A letter from CSC Asia Limited, the independent financial adviser to the Independent Board Committee, is set out on pages 10 to 13 of this circular.

A notice convening a special general meeting of China Data Broadcasting Holdings Limited to be held at Room 4201-7 COSCO Tower, 183 Queen's Road Central, Hong Kong at 11:00 a.m. on Friday, 31st May, 2002 is set out on pages 18 to 20 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournments thereof should you so wish.

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

* For identification only

15th May, 2002

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

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

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

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DEFINITIONS

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

“Agreement”	the agreement dated 25th April, 2002 between CDB Trading and Tianda Tiancai in respect of the Services, for an initial term that commences on 25th April, 2002 and ends on 31st December, 2002
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	board of Directors
“BVI”	British Virgin Islands
“Cap Amount”	the maximum amounts of Services for the financial year ending 31st December, 2002
“CDB Trading”	China Data Broadcasting Trading Ltd., a wholly-owned subsidiary of the Company and a company incorporated in Hong Kong with limited liabilities
“Company”	China Data Broadcasting Holdings Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on GEM of the Stock Exchange
“CSC Asia”	CSC Asia Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the Board, comprising Mr Li Shan Hai and Mr Wang Fu Sun, each an independent non-executive Director, established to advise Independent Shareholders in respect of the Services
“Independent Shareholders”	shareholders other than Ultra Challenge

DEFINITIONS

“Latest Practicable Date”	14th May, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	The People’s Republic of China
“Services”	the services under which the Group acts as a technical consultant and sourcing agent for parts and components of digital versatile disc players for Tianda Tiancai. The Group procures the relevant parts and components and sells them to Tianda Tiancai
“SGM”	special general meeting of the Company to be convened at 11:00 a.m. on Friday, 31st May, 2002
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tiancai Network”	Tianjin Tiancai Network Software Company Limited (天津天財網絡軟件有限公司), a Sino-foreign cooperative joint venture enterprise established in the PRC, owned as to 70% by Verified Solutions and as to 30% by Genius Co., Ltd.
“Tianda Tiancai”	Tianjin Tianda Tiancai Co., Ltd. is a company formerly known as Genius Co., Ltd. (天津天大天財股份有限公司), a company established in the PRC with limited liabilities, the class A shares of which are listed on the Shenzhen Stock Exchange
“Ultra Challenge”	Ultra Challenge Limited, a company incorporated in the BVI with limited liability, the entire issued share capital of which is owned by HSBC International Trustee Limited on trust for the beneficiaries more particularly set out in the paragraph headed “Substantial Shareholders” in the appendix to this circular
“US\$”	U.S. dollars, the lawful currency of the United States of America
“Verified Solutions”	Verified Solutions Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company



CHINA DATA BROADCASTING HOLDINGS LIMITED

(中華數據廣播控股有限公司)*

(incorporated in Bermuda with limited liability)

Directors:

Professor Kou Jisong* (*Chairman*)

Ms Bu Dong Mei*

Professor Li Min Qiang*

Mr Wang Guang Xin*

Mr Li Shan Hai[#]

Mr Wang Fu Sun[#]

* *Executive Director*

[#] *Independent non-executive Director*

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Hamilton HM11

Bermuda

Principal Place of Business:

No. 3 Hua Tian Road

Huayuan Industry Area

Tianjin High-Tech Industry Park

Tianjin

PRC

15th May, 2002

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The Board announced on 25th April, 2002 that CDB Trading had entered into the conditional Agreement with Tianda Tiancai. Pursuant to the Agreement, CDB Trading has agreed to act as a technical consultant and sourcing agent for parts and components of digital versatile disc players for Tianda Tiancai. The Group procures the relevant parts and components and sells them to Tianda Tiancai on an indent basis for an initial term that commences on 25th April, 2002 and ends on 31st December, 2002. The Services offered by the Group pursuant to the Agreement will constitute continuing connected transactions of the Company under the GEM Listing Rules.

* *For identification only*

LETTER FROM THE BOARD

The Services will be subject to, inter alia, approval of the Independent Shareholders at the SGM to be convened for (1) which, pursuant to Rule 17.25 of the GEM Listing Rules, the Services will constitute a material change to the general character of the business of the Group as the Services will materially diversify the principal activities carried out by the Group as stated in the prospectus of the Company dated 17th January, 2000 to the extent that the Services are expected to have a material impact on the revenue of the Group; and (2) the approval of the Agreement and the Services.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Services. CSC Asia has been appointed as the independent financial adviser to advise the Independent Board Committee in relation to the Services.

The purpose of this circular is to provide you with further information relating to the Agreement, to set out the recommendations and advice from the Independent Board Committee and CSC Asia and to seek your approval at the SGM of the ordinary resolution for (1) which, pursuant to Rule 17.25 of the GEM Listing Rules, the Services will constitute a material change to the general character of the business of the Group as the Services will materially diversify the principal activities carried out by the Group as stated in the prospectus of the Company dated 17th January, 2000 to the extent that the Services are expected to have a material impact on the revenue of the Group; and (2) the approval of the Agreement and the Services.

THE AGREEMENT DATED 25TH APRIL, 2002

Parties

- (i) Tianda Tiancai
- (ii) CDB Trading

Terms of the Agreement

Under the Agreement, the Group has agreed to act as a technical consultant and sourcing agent for parts and components of digital versatile disc players for Tianda Tiancai in view of the Group's expertise on the digital information technology field. The Services are carried out by independent third parties in Hong Kong before Tianda Tiancai enters into the Agreement.

The Group procures the relevant parts and components and sells them to Tianda Tiancai on an indent basis for an initial term that commences on 25th April, 2002 and ends on 31st December, 2002. The aggregate total sales amount is subject to the Cap Amount of HK\$520 million for the financial year ending 31st December, 2002.

The prices for the parts and components sold to Tianda Tiancai are based on a mark-up, which is expected to be around 2 per cent. by the Directors, on the cost of the parts and components procured by the Group from the market, after taking into consideration expenses arising from the Services.

LETTER FROM THE BOARD

All of the sales arising from the Services are denominated in United States dollars and are paid by Tianda Tiancai by way of transferable documentary credit ranging up to 30 days. In turn, payment made by CDB Trading to suppliers is by way of back-to-back documentary credit supported by those made by Tianda Tiancai. All key terms (except for dollar value) of the documentary credit provided by Tianda Tiancai and CDB Trading are expected to be identical.

Among others, Tianda Tiancai is obliged to submit a monthly purchase order to the CDB Trading about 15 days in advance without committing to a minimum monthly purchase and the Agreement is conditional upon Independent Shareholders' approval at the SGM to be convened.

The Directors consider that the Agreement is on normal commercial terms and on terms no more favorable than those available to independent third parties.

Reasons for the Services

While the Group will continue to be engaged in the business of data broadcasting in the PRC, the Board considers that the Group can capitalise its expertise on the digital information technology field to offer the Services in order to broaden the Group's income base and that it is in the interests of the Group.

The Services will constitute a material change to the general character of the business of the Group as the Services will materially diversify the principal activities carried out by the Group as stated in the prospectus of the Company dated 17th January, 2000 to the extent that the Services are expected to have a material impact on revenue of the Group. Therefore, the Services are subject to Independent Shareholders' approval at the SGM to be convened pursuant to Rule 17.25 of the GEM Listing Rules.

Relationship between the parties

Tianda Tiancai is formerly known as Genius Co., Ltd.. Its principal businesses include the development of computer software and hardware the integration of information systems, information services, the research and development of the integration of optical and electric mechanical technology, including the digital versatile disc players, and chemical packaging materials and related production and sales. For the six months ended 30th June, 2001, turnover and net profits of Tianda Tiancai amounted to about RMB404.6 million and RMB34.6 million respectively. As of 30th June, 2001, the net assets value of Tianda Tiancai was about RMB540.1 million.

As set out in the prospectus of the Company dated 17th January, 2000, the Group had emerged from a data broadcasting project team in the group comprising Genius Co., Ltd. and its subsidiaries. After the corporate reorganization that took place in June 1999, Genius holds a 30% equity interests in the major operating company of the Group, Tiancai Network. Genius Co., Ltd., as such, was deemed a connected person of the Group.

LETTER FROM THE BOARD

Conditions of continuing connected transactions

The Services constitute continuing connected transactions under the GEM Listing Rules and are therefore subject to the requirements under the GEM Listing Rules, in particular, the approval of the Agreement by the Independent Shareholders and the following conditions:

- (1) that the Services shall be:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
 - (iii) entered into either in accordance with the terms of the agreement or order contracts or other supplemental agreements governing such Services;
- (2) the aggregate dollar amount of the Services by the Group is subject to the Cap Amount of HK\$520 million for the financial year ending 31st December, 2002.

The Cap Amount has been determined based on the purchase plan provided by Tianda Tiancai to CDB Trading in respect of the purchase orders for the year ending 31st December, 2002.

- (3) the independent non-executive Directors shall review the Services annually and confirm in the Company's next annual report that the Services were conducted in the manner as stated in paragraphs (1) and (2) above;
- (4) the Company's auditors shall review the Services annually and report in a letter to the Directors (the "Letter") (a copy of which shall be provided to the Stock Exchange) whether:
 - (i) the Services have received the approval of the Board;
 - (ii) the Services are in accordance with the pricing policies of the Group;
 - (iii) the Services have been entered into in accordance with the terms of the agreement or order contracts governing such Services; and
 - (iv) the Cap Amount has been exceeded.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange immediately;

LETTER FROM THE BOARD

- (5) details of the Services in the financial year shall be disclosed as required under Chapter 20 of the GEM Listing Rules in the annual report of the Company for the financial year together with the statement of opinion of the independent non-executive Directors referred to in paragraph (3) above; and
- (6) the Company shall provide to the Stock Exchange an undertaking that, for so long as the Company's securities are listed on GEM of the Stock Exchange, it will provide the Company's auditors with full access to its relevant records, and where required by the Company's auditors, will use its best efforts to procure Tianda Tiancai to provide the Company's auditors with access to the relevant records relating to the Services, for the purpose of the auditors' review of the Services referred to in paragraph (4) above.

If any of the terms of the Services as mentioned above are altered in the future or the conditions set out above are not met, the Company must comply with the provisions of Chapter 20 of the GEM Listing Rules governing connected transactions unless it applies for and obtains a waiver from the Stock Exchange.

Any Services after year 2002 will be subject to the requirements under Chapter 20 of the GEM Listing Rules.

In the event of any future amendments to the GEM Listing Rules imposing more stringent requirements, the Company must take immediate steps to ensure compliance with such requirements within a reasonable time.

GENERAL

While the Group will continue to be engaged in the business of data broadcasting in the PRC, the Board considers that the Group can capitalise its expertise on the digital information technology field to offer the Services in order to broaden the Group's income base and that it is in the interests of the Group.

SGM

A notice of the SGM to be held on Friday, 31st May, 2002 at 11.00 a.m. at Room 4201-7 COSCO Tower, 183 Queen's Road Central, Hong Kong is set out on pages 18 to 20 of this circular. Ordinary resolutions will be proposed at the meeting to approve the Agreement and the Services.

In accordance with the GEM Listing Rules, Ultra Challenge and its associates will abstain from voting on the resolutions to approve the Agreement and the Services at the SGM. Ultra Challenge is a fixed trust, the beneficiaries of which are employees and directors of the Company, as more particularly set out in the paragraph headed "Substantial Shareholders" in the appendix to this circular. Ultra Challenge holds 54.06% of the issued share capital of the Company. Although it is not a connected person for the purposes of this transaction and it has no interest in the transaction itself, Ultra Challenge will abstain from voting at the SGM to ensure complete independence of the vote.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the printed instructions thereon and deposit it at the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited, at 2/F Viewwood Plaza, 199 Des Voeux Road Central, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, as the case may be. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournments thereof should you so wish.

RECOMMENDATION

As set out in its letter to the Shareholders, based on the advice of CSC Asia, the Independent Board Committee is of the view that the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned. The recommendations and advice from the Independent Board Committee and CSC Asia are set out on page 9 and pages 10 to 13 of this circular respectively.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from CSC Asia and the general information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Professor Kou Jisong
Chairman



CHINA DATA BROADCASTING HOLDINGS LIMITED
(中華數據廣播控股有限公司)*
(incorporated in Bermuda with limited liability)

15th May, 2002

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 15th May, 2002 (“Circular”) issued by the Company to its shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise the Independent Shareholders whether, in our opinion, the terms of the Agreement are fair and reasonable so far as the Company and its Shareholders are concerned. CSC Asia has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Agreement.

Your attention is drawn to the letter from the Board on pages 3 to 8 of the Circular, which sets out information relating to the Agreement. Your attention is also drawn to the letter from CSC Asia to the Independent Board Committee which contains its advice to us in respect of the Agreement as set out on pages 10 to 13 of the Circular.

We have considered the principal factors taken into account by CSC Asia in arriving at its opinion in respect of the Agreement. We concur with the views of CSC Asia that the terms of the Agreement are fair and reasonable so far as the Company and its Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the SGM in respect of the Agreement and the Services and the material change to the general character of the business of the Group.

Yours faithfully,
the Independent Board Committee
Li Shan Hai, Director
Wang Fu Sun, Director

* For identification only



CSC Asia Limited
28th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

15th May, 2002

*To the Independent Board Committee of
China Data Broadcasting (Holdings) Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Agreement, particulars of which have been set out in a circular to the Shareholders dated 15th May, 2002 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

CSC Asia has been appointed as the independent financial adviser to the Independent Board Committee to give our recommendation as to whether the terms of the Services and the Cap Amount are fair and reasonable so far as the Independent Shareholders are concerned. Details of the reasons for the execution of the Agreement and benefits of the Services are set out in the "Letter from the Board" in the Circular.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Group and have assumed that all information and representations made by the Group were true, accurate and complete at the time they were made and continue to be so as at the date of the Circular. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the affairs of the Group nor have we carried out any independent verification of the information supplied.

BACKGROUND OF THE SERVICES

As disclosed in the "Letter from the Board" in the Circular, CDB Trading had entered into the Agreement with Tianda Tiancai on 25th April, 2002 for the provision of the Services by the Group to Tianda Tiancai. Pursuant to the Agreement, CDB Trading has agreed to act as a technical consultant and sourcing agent for parts and components of digital versatile disc players for Tianda Tiancai.

Tianda Tiancai is formerly known as Genius Co., Ltd.. As set out in the prospectus of the Company dated 17th January, 2000, the Group had emerged from a data broadcasting project team in the group comprising Genius Co., Ltd. and its subsidiaries. After the corporate reorganization that took place in June 1999, Genius Co., Ltd. holds a 30% equity interests in the major operating company of the Group, Tiancai Network. Accordingly, Tianda Tiancai is a connected person of the Company under the GEM Listing Rules. The Services will be subject to approval of the Independent Shareholders at the SGM and on the conditions as described in the “Letter from the Board” in the Circular.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Services, we have taken into consideration the following factors and reasons:

1. Terms of the Agreement

The Agreement is for an initial term commencing from 25th April, 2002 to 31st December, 2002, further renewal will be subject to negotiation between CDB Trading and Tianda Tiancai. Under the Agreement, the Group procures the relevant parts and components of digital versatile disc players for Tianda Tiancai.

Tianda Tiancai is obliged to submit a monthly purchase order to CDB Trading about 15 days in advance without committing to a minimum monthly purchase. Upon receipt of the monthly purchase order from Tianda Tiancai, the Group then negotiates with Tianda Tiancai terms of the final purchase contract. The prices of such parts and components are based on the cost of the parts and components procured by the Group from the market, after taking into consideration expenses arising from the Services, plus a percentage of mark-up which is expected to be around 2 per cent. by the Directors and sufficient to cover all the relevant costs in relation to the provision of the Services. Although the Group has not acted as a sourcing agent in the past and there is no similar transaction that could serve as a comparison, we are of the opinion that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders as a whole are concerned since the Group can earn the relevant profit with minimal risk as mentioned below.

The aggregate total sales amount is subject to the Cap Amount of HK\$520 million for the financial year ending 31 December 2002, which has been determined with reference to the purchase plan, which covers a period from late May 2002 to mid December 2002 and estimates that about 1.5 million sets of parts and components will be purchased from CDB Trading, provided by Tianda Tiancai to CDB Trading regarding the purchase orders for the year ending 31 December 2002. Based on (i) the number of digital versatile disc players sold by Tianda Tiancai for the year ended 31st December, 2001 which amounted to approximately 1 million units; and (ii) Tianda Tiancai’s anticipated sales of approximately 2 million to 2.5 million units of digital versatile disc players for the year ending 31st December, 2002 (2 million units of which is based on confirmed orders for digital versatile disc players received by Tianda Tiancai up till now), we are of the view that the purchase plan provided by Tianda Tiancai is realistic and accordingly, the Cap Amount is fair and reasonable so far as the Independent Shareholders as a whole are concerned.

All the sales arising from the Services are paid by Tianda Tiancai by way of transferable documentary credit while the payments made by CDB Trading to suppliers are by way of back-to-back documentary credit supported by those made by Tianda Tiancai. Accordingly, we consider that the level of risk generated from the Services is substantially low for the reason that since the payments made by CDB Trading to suppliers are by way of back-to-back documentary credit supported by those made by Tianda Tiancai, CDB Trading just have to pay the suppliers after it is paid by Tianda Tiancai and the payment from Tianda Tiancai is assured by the documentary credit.

Based on the above analysis, we are of the opinion that the terms of the Agreement and the Cap Amount are fair and reasonable so far as the Independent Shareholders as a whole are concerned.

2. Reasons for the provision of the Services to Tianda Tiancai

(i) Broaden the Group's income base and diversify the Group's business

The Group is engaged in data broadcasting business in the PRC. As stated in the annual report of the Company in relation to the results of the Group for the year ended 31st December, 2001, the Group's turnover experienced a 76% decrease in the previous year. The ever-changing technological development, the prolonged depression of the PRC stock market, the entry of new competitors, and changes of the PRC government policy towards the TV network operating system in 2001 altogether created an uncertain market with intense competition for the Group's data broadcasting business. One of the main changes of the relevant PRC government policy was the reorganization and merger of TV network operators. As a result, the inter-relationship between TV network operators changed, which have caused the agreements between the Group and certain TV network operators becoming invalid.

The main activities of the Group's data broadcasting business include research, development and sale of data broadcasting hardware and software. Since according to the Directors, data broadcasting hardware adopts similar technologies as that of digital versatile disc player, we consider that the Group has the capability to leverage on its expertise to source high quality parts and components of digital versatile disc players at reasonable prices and accordingly broaden the income base of the Group. The Directors consider that the effect of stagnant PRC stock market is minimal to the Services and that Tianda Tiancai will develop advanced model of digital versatile disc player through research and development activities to cope with the ever-changing technological development and entry of new competitors. Accordingly, the Group can reduce the impact of factors affecting its data broadcasting business as mentioned above by the provision of the Services. In addition, the Directors indicated that only a negligible amount of the Group's resources will be required and allocated to the provision of the Services, accordingly we consider that the impact on the existing business would be minimal.

LETTER FROM CSC ASIA

(ii) *Capitalise on the established digital product distribution network of Tianda Tiancai*

One of the principal businesses of Tianda Tiancai is the production of optical and electric mechanical technology integrated products, including digital versatile disc players. According to a market research conducted by iSuppli Corp., a market research company, sales of digital versatile disc players grew by more than 31 percent from US\$4 billion recorded in 2000 to approximately US\$5.3 billion in 2001. Furthermore, it anticipates that sales of digital versatile disc players will grow to US\$6.9 billion in 2002 and will reach US\$15 billion in 2006. Tianda Tiancai has already established its distribution network in the United States of America, which accounted for approximately 80% of its sales of digital versatile disc players. Furthermore, Tianda Tiancai is in the process of exploring the European market. Moreover, Tianda Tiancai's sales of digital versatile disc players is anticipated to increase from 1 million units in 2001 to approximately 2 million to 2.5 million units in 2002. As a result, the Group would likely be able to capitalize on the steady if not growing market demand for Tianda Tiancai's digital product and make profit through the provision of the Services.

(iii) *Financial effect on the Group*

The entering into the Agreement and the provision of the Services will have the following effects on the Group's financial position:

- a) Turnover will increase by the amount of parts and components of digital versatile disc players sold to Tianda Tiancai; and
- b) Gross loss will decrease/gross profit will increase by the mark-up on the cost of the parts and components procured by the Group from the market.

In view of the above, we concur with the Board's view that although the Services constitute a material change to the general character of the business of the Group, the Agreement is in the interests of the Group.

CONCLUSION

Having considered the above principal factors, we are of the opinion that the Agreement, which is of a commercial nature, is in the interest of the Company and the Shareholders and is fair and reasonable so far as the Independent Shareholders as a whole are concerned. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the ordinary resolutions to approve the Agreement and the Services and the material change to general character of the business of the Group at the SGM.

Yours faithfully,
For and on behalf of
CSC Asia Limited
Howard Tang
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2001, being the date to which the latest published audited consolidated accounts of the Group were made up.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”).

Name	Number of shares held	%
Ultra Challenge (<i>note 1</i>)	171,900,000	54.06
HSBC International Trustee Limited (<i>note 1</i>)	171,900,000	54.06
HSBC Holdings plc (<i>note 2</i>)	171,900,000	54.06
HSBC Finance (Netherlands) (<i>note 2</i>)	171,900,000	54.06
HSBC Holdings B. V. (<i>note 2</i>)	171,900,000	54.06
HSBC Investment Bank Holdings B. V. (<i>note 2</i>)	171,900,000	54.06

Notes:

- (1) The shares in Ultra Challenge are held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong, Mr. Tang Bin, Mr. Wang Guangxin, Mr. Zhang Renli, Mr. Li Jiancheng, Madam Bu Dongmei, Ms. Yue Shishuang, Mr. Li Yongchao, Mr. Sun Lianwen, Mr. Xiong Kai, Mr. Ye Ting, Mr. Han Tao, Mr. Ni Yue, Mr Wang Chaowen, Mr. Cheng Ze and Ms. Lu Yan Hong. None of these beneficiaries had an effective interest amounting to 10% or more of the issued share capital of the Company.
- (2) HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B. V., HSBC Investment Bank Holdings B. V. are holding companies of HSBC International Trustee Limited and they are therefore interested and/or deemed to be interested through HSBC International Trustee Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests in shares” below, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

4. DIRECTORS' INTERESTS IN SHARES

As at the Latest Practicable Date, the interests of the directors in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as set out below:

Name of director	Number of issued ordinary shares of HK\$0.025 each in the Company and nature of interest			
	Personal	Family	Corporate	Other
Professor Li Min Qiang	—	—	—	5,157,000
Mr. Wang Guang Xin	—	—	—	17,190,000
Madam Bu Dongmei	—	—	—	17,190,000

Note: 171,900,000 of the Company's shares are held by Ultra Challenge which are in turn held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust include Mr. Wang Guang Xin, Professor Li Min Qiang and Madam Bu Dongmei. Professor Li Min Qiang, Mr. Wang Guang Xin and Madam Bu Dongmei are deemed to be interested in 5,157,000, 17,190,000 and 17,190,000 Shares, respectively, by virtue of their respective 3%, 10% and 10% interest under the trust.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity of the Company or any of its associated corporations as defined in the SDI Ordinance.

5. DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of two years commencing from 24th January, 2000. The contracts shall be continuing thereafter unless and until terminated by either party thereto giving to the other not less than six calendar months' prior notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

6. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against the Company or any of its subsidiaries.

7. EXPERT'S DISCLOSURE OF INTEREST AND CONSENT

- (a) CSC Asia is an investment adviser registered with the Securities and Futures Commission under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong).
- (b) As at the Latest Practicable Date, CSC Asia does not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) CSC Asia has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.
- (d) The letter and recommendation given by CSC Asia are given as of the date of this circular for incorporation herein.
- (e) CSC Asia has, or has had, no direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31st December, 2001, being the date to which the latest published audited consolidated accounts of the Group were made up.

8. DIRECTORS' INTERESTS IN CONTRACTS

No director had a beneficial interest in any contract of significance to the business of the Company to which the Company or any of its subsidiaries was a party during the year.

9. SPONSOR'S INTEREST

As at the Latest Practicable Date, Pacific Top Holding Limited ("PacificTop"), a fellow subsidiary of the Company's sponsor, Oriental Patron Asia Limited ("Oriental Patron"), was interested in 8,100,000 shares of the Company. Save as disclosed herein, none of Oriental Patron, its directors, employees or associates as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules had any interests in the share capital of the Company as at the Latest Practicable Date.

Pursuant to the agreement dated 27th September, 1999 entered into between the Company and Oriental Patron, Oriental Patron has received and will receive fees for acting as the Company's retained sponsor for the period from 24th January, 2000 to 31st December, 2002.

10. GENERAL

- (a) The Secretary of the Company is Mr Shum Shing Kei. Mr Shum is an associate member of the Hong Kong Society of Accountants.
- (b) The head office of the Company is at No. 3 Hua Tian Road, Huayuan Industry Area, Tianjin High-Tech Industry Park, Tianjin, PRC.

- (c) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The share registrar of the Company in Hong Kong is Hong Kong Registrars Limited, at 2/F Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Hong Kong liaison office of the Company at 16th Floor, Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, Hong Kong during normal business hours on any weekday (public holidays excepted) up to and including 30th May, 2002:

- (a) the Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from CSC Asia, the text of which is set out in this circular;
- (d) the written consent referred to in paragraph 7(c) of this Appendix; and
- (e) the memorandum of association and bye-laws of the Company.



CHINA DATA BROADCASTING HOLDINGS LIMITED

(中華數據廣播控股有限公司)*

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of China Data Broadcasting Holdings Limited (the “Company”) will be held at Room 4201-7 COSCO Tower, 183 Queen’s Road Central, Hong Kong at 11:00 a.m. on Friday, 31st May, 2002 for the purpose of considering and, if thought fit, passing the following resolutions with or without modification as ordinary resolutions:

ORDINARY RESOLUTION

“THAT:

- (1) the agreement dated 25th April, 2002 (the “Agreement”) entered into between China Data Broadcasting Trading Ltd. (“CDB Trading”) and Tianjin Tianda Tiancai Co., Ltd. (“Tianda Tiancai”), a copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder as described in the circular dated 15th May, 2002 (“Circular”) and despatched to shareholders of the Company, a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for the purpose of identification, be and are hereby approved, confirmed and ratified.
- (2) all future services provided under the Agreement (“Services”) (as defined and referred to in the Circular to be made after the date of this resolution until 31st December, 2002 between the Company and its subsidiaries (the “Group”) and Tianda Tiancai be and are hereby approved AND that the directors of the Company (the “Directors”) be and are hereby authorised to do, approve and transact all things which they may in their discretion consider to be necessary or desirable in connection therewith, provided that:
 - (a) the Services shall be:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and

* For identification only

NOTICE OF SPECIAL GENERAL MEETING

- (iii) entered into either in accordance with the terms of the agreement or order contracts or other supplemental agreements governing such Services;
- (b) the aggregate dollar amount of the Services by the Group is subject to the Cap Amount of HK\$520 million for the financial year ending 31st December, 2002.
- (c) the independent non-executive Directors shall review the Services annually and confirm in the Company's next annual report that the Services were conducted in the manner as stated in paragraphs (1) and (2) above;
- (d) the Company's auditors shall review the Services annually and report in a letter to the Directors (the "Letter") (a copy of which shall be provided to the Stock Exchange) whether:
 - (i) the Services have received the approval of the Board;
 - (ii) the Services are in accordance with the pricing policies of the Group;
 - (iii) the Services have been entered into in accordance with the terms of the agreement or order contracts governing such Services; and
 - (iv) the Cap Amount has been exceeded.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange immediately;

- (e) details of the Services in the financial year shall be disclosed as required under Chapter 20 of the GEM Listing Rules in the annual report of the Company for the financial year together with the statement of opinion of the independent non-executive Directors referred to in paragraph (3) above; and
- (f) the Company shall provide to the Stock Exchange an undertaking that, for so long as the Company's securities are listed on GEM of the Stock Exchange, it will provide the Company's auditors with full access to its relevant records, and where required by the Company's auditors, will use its best efforts to procure Tianda Tiancai to provide the Company's auditors with access to the relevant records relating to the Services, for the purpose of the auditors' review of the Services referred to in paragraph (4) above."

NOTICE OF SPECIAL GENERAL MEETING

3. “**THAT** any material change in the general character of the business of the Company and its subsidiaries subject to and after completion of the Agreement as described in the paragraph headed “The Agreement dated 25th April, 2002” in the Letter from the Board” the Circular be and is hereby approved.”

By Order of the Board
Professor Kou Jisong
Chairman

Hong Kong, 15th May, 2002

Principal place of business:

No. 3 Hua Tian Road
Huayuan Industry Area
Tianjin High-Tech Industry Park
Tianjin
PRC

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or (if holding two or more shares) more proxies in respect of the whole or any part of his holding of shares to attend and vote instead of him. A proxy need not be a member of the Company but must attend the meeting in person.
- (2) The form of proxy for use at the above meeting is enclosed. To be valid, the 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 of attorney or authority, must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited, at 2/F Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting (as the case may be).
- (3) Ultra Challenge Limited and its associates will abstain from voting on the resolutions set out above.