

The Stock Exchange of Hong Kong Limited 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.



**CHINA DATA BROADCASTING
HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)



APEX DIGITAL, INC.
(Incorporated in California, USA)

**UNCONDITIONAL CASH OFFER BY
SOMERLEY LIMITED ON BEHALF OF APEX DIGITAL, INC. TO
ACQUIRE ALL THE ISSUED SHARES OF
CHINA DATA BROADCASTING HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY APEX DIGITAL, INC.
AND PARTIES ACTING IN CONCERT WITH IT)**

**Financial adviser to
China Data Broadcasting
Holdings Limited**

**Financial adviser to
Apex Digital, Inc.**



Oriental Patron Asia Limited



SOMERLEY LIMITED

The boards of directors of the Company and Apex Digital announce that on 15th May, 2003, Ultra Challenge separately entered into seven deeds of gift with Apex Digital, Mr. Ji, Mr. Xu, Mr. Lau, Ms. Kou, Ms. Bu and Mr. Wang. Pursuant to the Deeds, Ultra Challenge has transferred to the Recipients by way of absolute and unconditional gifts, the legal and beneficial interests of 171,900,000 Shares in aggregate, representing approximately 54.05% of the total issued share capital of the Company. Based on the closing price of HK\$3.95 per Share quoted on the Stock Exchange as at the Last Trading Day, the market value of the entire interests in 171,900,000 Shares held by Ultra Challenge, representing approximately 54.05% of the total issued share capital of the Company, amounted to approximately HK\$679.0 million.

Completion of the Deeds took place on 15th May, 2003. After completion of the Deeds, Apex Digital and its concert parties in aggregate now beneficially own 251,900,000 Shares, representing approximately 79.21% of the total issued share capital of the Company.

Somerley, on behalf of Apex Digital, will make an unconditional cash offer in compliance with Rule 26 of the Takeovers Code to all Shareholders (other than Apex Digital and parties acting in concert with it) to acquire all the issued Shares not already owned by Apex Digital and parties acting in concert with it at HK\$1.77 per Share. The principal terms of the Offer are set out in the section headed “Unconditional Cash Offer” below in this announcement. Somerley, the financial adviser to Apex Digital, is satisfied that there are sufficient financial resources available to Apex Digital to meet the full acceptances of the Offer in respect of the remaining 66,100,000 Shares, representing approximately 20.79% of the total issued share capital of the Company.

There are at present 12,000,000 outstanding Share Options, held as to 4,000,000 outstanding Share Options each by three employees of the Company, namely Mr. Cheng Ze, Mr. Han Tao and Mr. Wang Chao Ming. Messrs Cheng Ze, Han Tao and Wang Chao Ming have each given an irrevocable undertaking to Apex Digital not to exercise the Share Options before the close of the Offer. Each of them has also undertaken not to require Apex Digital to extend the Offer or make to them any comparable offer arising out of or in relation to the Offer for their holding of the Share Options. Accordingly, Apex Digital will not extend the Offer or make any comparable offer arising out of or in relation to the Offer to those three holders of the Share Options.

The Offer will be financed as to HK\$16,997,000 by the internal resources of Apex Digital and as to the remaining HK\$100 million by a loan facility extended by Kingston Securities pursuant to the Loan Agreement. Kingston Securities is an independent third party and not connected with the directors or chief executive or substantial shareholders of Apex Digital or its subsidiaries or any of their respective associates. Kingston Securities is presumed to be acting in concert with Apex Digital under the Takeovers Code as a result of providing the said loan facility to Apex Digital pursuant to the Loan Agreement.

Apex Digital and the new directors to be nominated by Apex Digital to the Board are aware that if all Shareholders (other than Apex Digital and parties acting in concert with it) tender their Shares under the Offer, the Company's public float will fall below 20% immediately after completion of the Offer. Accordingly, Apex Digital and the proposed new Directors have undertaken to the Stock Exchange in accordance with rule 11.23(1) of the GEM Listing Rules to take appropriate steps to restore the minimum percentage of securities of the Company held in public hands in accordance with the GEM Listing Rules.

An independent board committee of the Company will be formed to advise the Shareholders (other than Apex Digital and parties acting in concert with it) on the Offer and Altus has been appointed as the independent financial adviser to advise the independent board committee of the Company in relation to the Offer.

Trading in Shares on the Stock Exchange was suspended with effect from 9:30a.m. on 27th March, 2003 at the request of the Company pending publication of this announcement. An application has been made by the Company for the resumption of trading of Shares on the Stock Exchange with effect from 9.30 a.m. on 21st May, 2003.

THE DEEDS DATED 15TH MAY, 2003

Donor: Ultra Challenge

Gift: 171,900,000 Shares in aggregate, representing approximately 54.05% of the total issued share capital of the Company, as absolute and unconditional gifts

Recipients:

Name	Number of Shares transferred	Approximate % of total issued share capital of the Company
Apex Digital	38,250,000	12.02
Mr. Ji	47,700,000	15.00
Mr. Xu	22,350,000	7.03
Mr. Lau	15,900,000	5.00
Ms. Kou	15,900,000	5.00
Ms. Bu	15,900,000	5.00
Mr. Wang	<u>15,900,000</u>	<u>5.00</u>
Total	<u><u>171,900,000</u></u>	<u><u>54.05</u></u>

Completion

Completion of the Deeds took place on 15th May, 2003. After completion of the Deeds, Ultra Challenge retained no shareholding interest in the Company. Apex Digital, together with parties acting in concert with it, became the controlling shareholder of the Company. Apex Digital and its concert parties in aggregate now beneficially own 251,900,000 Shares, representing approximately 79.21% of the total issued share capital of the Company.

TERMINATION OF THE ULTRA CHALLENGE TRUST

Prior to entering into the Deeds, the controlling shareholder of the Company was Ultra Challenge, the shares of which were held by the UC Trustees on terms of a fixed trust for 18 beneficiaries, known as the Ultra Challenge Trust. The Ultra Challenge Trust was formed in January 2000 in the context of the listing of the Company, with a view to rewarding and motivating the Group's research and development professionals and other key personnel pursuing the data broadcasting business. The initial trust assets of the Ultra Challenge Trust were settled by Professor Kou to the initial beneficiaries at nil consideration. The changes of beneficiaries under the Ultra Challenge Trust prior to its termination were as follows:-

	Upon listing of the Company on 24th January, 2000 and prior to 9th January, 2002	The period from 9th January to 12th May, 2002 <i>(note 1)</i>	Immediately prior to termination of Ultra Challenge Trust <i>(note 2)</i>
Names of the beneficiaries	% of interest in the Ultra Challenge Trust		
<i>Existing Directors and employees of the Group</i>			
Ms. Bu	—	10.0	10.0
Mr. Wang	10.0	10.0	10.0
Mr. Zhang Renli	10.0	10.0	10.0
Mr. Li Jiancheng	10.0	10.0	10.0
Ms. Yue Shishuang	8.0	8.0	8.0
Professor Li Min Qiang	10.0	10.0	3.0
Mr. Wang Chaowen	—	—	2.5
Mr. Cheng Ze	—	—	2.5
Mr. Xiong Kai	—	—	2.5
Mr. Ye Ting	—	—	2.5
Ms. Lu Yan Hong	—	—	2.0
Mr. Han Tao	—	—	2.0
Mr. Ni Yue	—	—	2.0
Sub-total	<u>48.0</u>	<u>58.0</u>	<u>67.0</u>
<i>Ex-Directors and ex-employees of the Group</i>			
Mr. Dong Jian Xin	10.0	10.0	10.0
Mr. Tang Bin	10.0	10.0	10.0
Mr. Li Yongchao	6.0	6.0	6.0
Mr. Sun Lianwen	6.0	6.0	6.0
Mr. Yao Xiaodong	10.0	10.0	1.0
Mr. Ji Songqiao	6.0	—	—
Ms. Cai Zhipei	4.0	—	—
Sub-total	<u>52.0</u>	<u>42.0</u>	<u>33.0</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Notes:

- On 9th January, 2002, all beneficial interests in the Ultra Challenge Trust held by Mr. Ji Songqiao and Ms. Cai Zhipei were disposed of to Ms. Bu at the nominal consideration of HK\$1 for each sale.

2. On 13th May, 2002, Professor Li Min Qiang disposed of 2.5%, 2.5% and 2% interests in the Ultra Challenge Trust to Mr. Wang Chaowen, Mr. Cheng Ze and Ms. Lu Yan Hong respectively at the nominal consideration of HK\$1 for each sale. On the same date, Mr. Yao Xiao Dong disposed of 2.5%, 2.5%, 2% and 2% interests in the Ultra Challenge Trust to Mr. Xiong Kai, Mr. Ye Ting, Mr. Han Tao and Mr. Ni Yue respectively at the nominal consideration of HK\$1 for each sale.

It has always been the intention of Professor Kou, the promoter and Chairman of the Company, to reward and motivate management and employees for their contribution to the performance of the Group. Given that the operating results of the Company since its listing have not been as good as Professor Kou and the other Directors had hoped to achieve, the beneficiaries have agreed to re-distribute the Shares held by Ultra Challenge to the proposed new management of the Company, namely the Recipients.

On 14th March, 2003, beneficiaries under the Ultra Challenge Trust resolved to instruct the UC Trustees to terminate the Ultra Challenge Trust and the related trust deed and to vest legal title to all of the issued share capital of Ultra Challenge in the beneficiaries according to their pro-rata entitlements under the Ultra Challenge Trust. The relevant shares in Ultra Challenge were transferred to 17 of the 18 beneficiaries on that same day.

As one of the beneficiaries, Mr. Sun Lianwen (who held a beneficial interest of 6% of Ultra Challenge), did not attend or appoint a proxy to attend the meeting which was held on 14th March, 2003 for the beneficiaries to approve, inter alia, the termination of the Ultra Challenge Trust and the vesting in the beneficiaries of all the legal and beneficial interests held by the UC Trustees in Ultra Challenge, the relevant shares in Ultra Challenge have not been transferred to him. As a consequence, Mr. Sun Lianwen's entitlement in Ultra Challenge has been held by UC Trustees under a bare trust. On 14th March, 2003, a resolution of the members of Ultra Challenge authorizing the sole director of Ultra Challenge to gift 171,900,000 Shares to the Recipients was passed. According to legal advice given to Ultra Challenge on 19th May, 2003, all authorizations and approvals required under the British Virgin Islands law for Ultra Challenge to make the gift have been obtained.

On 15th May, 2003, seven deeds of gift were entered into between Ultra Challenge on the one part and each of the seven Recipients on the other, under which Ultra Challenge transferred the 171,900,000 Shares held by it (representing its entire legal and beneficial interest in the Company, or approximately 54.05% of the total issued share capital of the Company) to the

Recipients. Therefore, following completion of the Deeds, Mr. Sun Lianwen will continue to own a 6% beneficial interest in Ultra Challenge and Ultra Challenge will no longer hold any shareholding interest in the Company.

Following completion of the Deeds, on 16th May, 2003, all the shareholders of Ultra Challenge (other than Mr. Sun Lianwen) subsequently transferred their interests in Ultra Challenge to Professor Kou. 13 of the 18 shareholders gifted their respective interests in Ultra Challenge (in aggregate amounting to 67% of the issued share capital of Ultra Challenge) to Professor Kou by way of deeds of gift at nil consideration. Four shareholders, namely Mr. Dong Jianxin, Mr. Tang Bin, Mr. Li Yongchao and Mr. Yao Xiao Dong (being ex-employees of the Group), each agreed to sign a stock transfer form and transfer his respective interests in Ultra Challenge (in aggregate amounting to 27% of the issued share capital of Ultra Challenge) to Professor Kou for an aggregate consideration of HK\$540,000 received by the four shareholders in accordance with their respective pro rata interests in Ultra Challenge.

Save for the four ex-employees referred to above (who received an aggregate consideration of HK\$540,000 for their aggregate 27% interests in Ultra Challenge) and save for Ms. Bu and Mr. Wang (who, as Recipients, were gifted an aggregate 10% interest in the Company, prior to the gifting by them to Professor Kou of an aggregate 20% interest in Ultra Challenge), none of the beneficiaries under the Ultra Challenge Trust received any direct or indirect consideration or compensation for transferring his or her respective interests in Ultra Challenge to Professor Kou. Other than the documents mentioned above and the Deeds, no other agreements concerning the transfers of shares in Ultra Challenge by the 18 individuals to Professor Kou have been or will be entered into.

The direct shareholdings of the Company immediately before and after the termination of the Ultra Challenge Trust and before and after the completion of the Deeds are as below:-

Names of the Shareholders	Approximate		After		Approximate	
	Before termination of the Ultra Challenge Trust	% of total issued share capital of the Company	termination of the Ultra Challenge Trust but before the completion of the Deeds	% of total issued share capital of the Company	After the completion of the Deeds	% of total issued share capital of the Company
Ultra Challenge	171,900,000 <i>(Note 1)</i>	54.05	171,900,000	54.05	— <i>(Note 2)</i>	—
Apex Digital	80,000,000	25.16	80,000,000	25.16	118,250,000	37.18
Mr. Ji <i>(Note 3)</i>	—				47,700,000	15.00
Mr. Xu <i>(Note 3)</i>	—				22,350,000	7.03
Mr. Lau <i>(Note 3)</i>	—				15,900,000	5.00
Ms. Bu <i>(Note 4)</i>	—				15,900,000	5.00
Mr. Wang <i>(Note 4)</i>	—				15,900,000	5.00
Ms. Kou <i>(Note 4)</i>	—				15,900,000	5.00
Public <i>(Note 5)</i>	<u>66,100,000</u>	<u>20.79</u>	<u>66,100,000</u>	<u>20.79</u>	<u>66,100,000</u>	<u>20.79</u>
Total	<u>318,000,000</u>	<u>100.00</u>	<u>318,000,000</u>	<u>100.00</u>	<u>318,000,000</u>	<u>100.00</u>

Notes:

1. The interests of the 18 beneficiaries in Ultra Challenge immediately before termination of the Ultra Challenge Trust are set out in the preceding paragraph of this announcement. Based on the closing price of HK\$3.95 per Share quoted on the Stock Exchange as at the Last Trading Day, the market value of the entire interests in 171,900,000 Shares held by Ultra Challenge, representing approximately 54.05% of the total issued share capital of the Company, amounted to approximately HK\$679.0 million.
2. After completion of the Deeds, all interests in Ultra Challenge (save for a 6% interest in Ultra Challenge beneficially owned by Mr. Sun Lianwen) were gifted or transferred to Professor Kou on 16th May, 2003 as described above.
3. Mr. Ji is a proposed Director and Mr. Xu and Mr. Lau are proposed senior management staff of the Group, in each case as nominated by Apex Digital.
4. Ms. Bu, Mr. Wang and Ms. Kou are existing Directors and/or employees of the Group.
5. The 66,100,000 Shares held by the public include 8,100,000 Shares, representing approximately 2.5% of the total issued share capital of the Company, held by Pacific Top Holding Limited, a fellow subsidiary of the Company's former retained sponsor, Oriental Patron. Oriental Patron has ceased to be the Company's retained sponsor since 1st January, 2003.

Prior to entering into the Deeds, Apex Digital acquired 80,000,000 Shares, representing approximately 25.16% of the total issued shares of the Company, on the open market on 17th October, 2002 at the price of HK\$1.77 per Share. Aside from the acquisition of the aforesaid Shares by Apex Digital and the transfer of the aforesaid Shares by way of gift by Ultra Challenge pursuant to the Deeds, during the six months period prior to the commencement of the Offer Period, neither Apex Digital nor any parties acting in concert with it had dealt in the Shares.

UNCONDITIONAL CASH OFFER

Upon completion of the Deeds, the aggregate shareholding interest of Apex Digital and parties acting in concert with it increased from approximately 25.16% to approximately 79.21%. Accordingly, Somerley, on behalf of Apex Digital, will make an unconditional cash offer in compliance with Rule 26 of the Takeovers Code to all Shareholders (other than Apex Digital and parties acting in concert with it) to acquire all the issued Shares not already owned by Apex Digital and parties acting in concert with it.

Currently, there are 318,000,000 Shares in issue. Apex Digital and parties acting in concert with it in aggregate now beneficially own 251,900,000 Shares, representing approximately 79.21% of the total issued share capital of the Company. Accordingly, there will be 66,100,000 Shares (or approximately 20.79% of the total issued share capital of the Company) subject to the Offer. Somerley, the financial adviser to Apex Digital, is satisfied that there are sufficient financial resources available to Apex Digital to meet the full acceptances of the Offer in respect of the remaining 66,100,000 Shares, representing approximately 20.79% of the total issued share capital of the Company.

Share Options and irrevocable undertaking from the Option Holders

There are at present 12,000,000 outstanding Share Options, held as to 4,000,000 outstanding Share Options each by three employees of the Company, namely Mr. Cheng Ze, Mr. Han Tao and Mr. Wang Chao Ming, under the employee share option scheme of the Company entitling the holders of the Share Options to subscribe for, in aggregate, 12,000,000 new Shares, representing approximately 3.64% of the then enlarged total issued share capital of the Company, at an exercise price of HK\$1.775 per Share at any time up to 3rd February, 2007. Under the employee share option scheme of the Company, these 12,000,000 outstanding Share Options are not transferable or assignable.

Messrs Cheng Ze, Han Tao and Wang Chao Ming have each given an irrevocable undertaking to Apex Digital not to exercise the Share Options before the close of the Offer. Each of them has also undertaken not to require Apex Digital to extend the Offer or make to them any comparable offer arising out of or in relation to the Offer in respect of their holding of the Share Options. Accordingly, Apex Digital will not extend the Offer or make any comparable offer arising out of or in relation to the Offer to those three holders of the Share Options.

The Independent board committee and the Composite Document

An independent board committee of the Company will be formed to advise the Shareholders (other than Apex Digital and parties acting in concert with it) on the Offer and Altus has been appointed as the independent financial adviser to advise the independent board committee of the Company in relation to the Offer. A Composite Document containing, among other things, the information relating to the Group and Apex Digital, the terms of the Offer, the recommendation of the independent board committee of the Company and the advice of Altus in respect of the Offer, together with forms of acceptance and transfer, will be sent to Shareholders as soon as practicable in accordance with Rule 8.2 of the Takeovers Code, which shall be no later than 21 days after the release of this announcement, or such later date as the Executive may approve.

Principal terms of the Offer

Somerley, on behalf of Apex Digital, will make an unconditional cash offer in compliance with Rule 26 of the Takeovers Code to all Shareholders (other than Apex Digital and parties acting in concert with it) to acquire all the issued Shares not already owned by Apex Digital and parties acting in concert with it on the following basis:

for each ShareHK\$1.77 payable in cash

Comparison of value

The offer price of HK\$1.77 per Share represents:

- (a) the highest price paid for any Share acquired by Apex Digital or parties acting in concert with it in the past six months period preceding the commencement of the Offer Period;
- (b) a discount of approximately 55.2% to the closing price of HK\$3.95 per Share quoted on the Stock Exchange as at the Last Trading Day;

- (c) a discount of approximately 55.4% to the average closing price of approximately HK\$3.97 per Share for the 10 trading days up to and including the Last Trading Date; and
- (d) a premium of 34.4 times to the audited net asset value per Share of approximately HK\$0.05 as at 31st December, 2002 based on its last published audited consolidated balance sheet of the Company as at 31st December, 2002 and 318,000,000 Shares in issue as at the date of this announcement.

Highest and lowest prices

During the six months period preceding the date of this announcement, the highest and lowest prices of the Shares on the Stock Exchange were HK\$4.025 per Share on 14th March, 2003 and HK\$1.82 per Share on 9th December, 2002 respectively.

Total consideration

As at the date of this announcement, there are 318,000,000 Shares in issue. Based on the offer price of HK\$1.77 per Share, the entire issued share capital of the Company is valued at approximately HK\$563 million under the Offer. Apart from the Share Options referred to above, there are no other options, warrants or conversion right affecting the Shares outstanding as at the date of this announcement.

Condition of the Offer

The Offer to be made will be unconditional.

Effect of accepting the Offer

By accepting the Offer, Shareholders will sell their Shares and all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid on or after the date of the Deeds.

Stamp duty

Stamp duty at a rate of HK\$1.00 for every HK\$1,000 or part thereof of the amount payable in respect of relevant acceptances will be payable by the Shareholders. Apex Digital will pay for such amount of stamp duty on behalf of and for the account of the accepting Shareholders who accept the Offer and such amount will be deducted from the amount payable to Shareholders on acceptance of the Offer.

FINANCIAL ARRANGEMENT

The Offer will be financed as to HK\$16,997,000 by the internal resources of Apex Digital and as to the remaining HK\$100 million by a loan facility extended by Kingston Securities pursuant to the Loan Agreement. Kingston Securities is an independent third party and not connected with the directors or chief executive or substantial shareholders of Apex Digital or its subsidiaries or any of their respective associates. Kingston Securities is presumed to be acting in concert with Apex Digital under the Takeovers Code as a result of providing the said loan facility to Apex Digital pursuant to the Loan Agreement.

INFORMATION ON THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in (i) the manufacture and sale of data broadcasting hardware and software; (ii) the provision of data broadcasting and related services and; (iii) acting as technical consultant and sourcing agent for parts and components of DVD players in the PRC.

INFORMATION ON APEX DIGITAL AND THE OTHER RECIPIENTS

Apex Digital is a company incorporated in California, USA on 27th August, 1997. Apex Digital is principally engaged in the business of importing and wholesaling of consumer home electronics under the brand name “APEX Digital” in the USA and Canada. The product lines of Apex Digital include multi-functional DVD players, televisions and home theatre systems. Apex Digital was founded by Mr. Ji and Mr. Hsu and is beneficially owned as to 65% by Mr. Ji and the remaining 35% by a private company equally owned by Mr. Ji and Mr. Hsu.

The directors of Apex Digital are Mr. Ji and Mr. Hsu. Set out below are brief details of Mr. Ji, Mr. Hsu and the other Recipients.

Mr. David Ji Long Fen, aged 50, is the co-founder and the president of Apex Digital. He graduated from the Department of Foreign Languages of Fudan University in Shanghai, the PRC and holds a Master of Business Administration degree from Pacific States University in the USA. He has more than 12 years of experience in the consumer electronics industry in the USA, including sourcing and wholesale operations. In December 2002, Mr. Ji was elected by TIME Magazine and CNN from more than 100 nominees of young executives as one of 15 Global Influentials for the year 2002.

Mr. Anle Hsu Ann Keh, aged 41, is the co-founder, the chief operating officer and the vice president of Apex Digital. He has more than 14 years of experience in the consumer electronics industry. In December 2002, Mr. Hsu was elected by TIME Magazine and CNN from more than 100 nominees of young executives as one of 15 Global Influentials for the year 2002.

Mr. Xu Gaohui, aged 23, is responsible for sourcing products and components of consumer electronics from the PRC for Apex Digital. He graduated from Changzhou Industrial College majoring in Foreign Trade English. Mr. Xu has over two years of experience in the consumer electronics industry. Mr. Xu will be nominated by Apex Digital to join the Group as a senior management staff after completion of the Offer.

Mr. Mark Lau, aged 24. He holds a bachelor's degree in business from University of Technology Sydney, Australia. Mr. Lau will be nominated by Apex Digital to join the Group as a senior management staff after completion of the Offer.

Ms. Bu Dong Mei, aged 48, is an executive Director and one of the founding staff members of the Group. She is responsible for the general management and operation of the Group. Ms. Bu has over 15 years of experience in research and marketing. She joined the Group in June 2000.

Mr. Wang Guang Xin, aged 45, is an executive Director. He is responsible for the production and general administration of the Group. Mr. Wang has also been the compliance officer of the Company for the purpose of the GEM Listing Rules since April 2002. He joined the Group in June 2001. He is the brother in law of Professor Kou.

Ms. Kou Yue, aged 29, is an accountant of the Group. She holds a bachelor's degree in Economics from Tianjin Finance College, the PRC. Ms. Kou is also a fellow member of the Chinese Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. She has over six years of experience in auditing and accounting. Prior to joining the Group in December 2002, she had worked for an international accounting firm. She is a daughter of Professor Kou.

Further information in relation to Apex Digital and the other Recipients will be contained in the Composite Document in relation to the Offer.

MAINTAINING THE LISTING STATUS OF THE COMPANY

Apex Digital intends that the Company will remain listed on the Stock Exchange after completion of the Deeds and the close of the Offer. Under Rule 11.23(1) of the GEM Listing Rules, the Company, having listed its shares on GEM before 1st October, 2001, is required to maintain its public float of not less than 20% of its issued share capital. Apex Digital and the new directors to be nominated by Apex Digital to the Board are aware that if all Shareholders (other than Apex Digital and parties acting in concert with it) tender their Shares under the Offer, the Company's public float will fall below 20% immediately after completion of the Offer. Accordingly, Apex Digital and the proposed new Directors have undertaken to the Stock Exchange in accordance with rule 11.23(1) of the GEM Listing Rules to take appropriate steps, including:

- (a) arranging for a sale of existing Shares by Apex Digital and the management Shareholders after completion of the Offer (who are not regarded as members of the public for the purposes of the GEM Listing Rules) to persons who are independent of the chief executive, any directors (and any person intended to be appointed as a director), management shareholders and substantial shareholders of the Company and their respective associates; and/or
- (b) such other steps as may be appropriate to restore the minimum percentage of securities of the Company held in public hands in accordance with the GEM Listing Rules.

The Stock Exchange has stated that, if less than 20% of the issued Shares are in public hands following completion of the Offer, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. In this connection, it should be noted that upon the close of the Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Upon closing of the Offer, Mr. Wang and Professor Li Min Qiang, who are existing executive Directors, will resign as Directors with such resignations taking effect from the close of the Offer in full compliance with Rule 7 of the

Takeovers Code. Professor Kou and Ms. Bu, who are also existing executive Directors, will remain on the Board. Each of Professor Kou and Ms. Bu separately entered into a Director's service contract with the Company for a term of two years commencing from January 2000 and June 2000, respectively. Pursuant to the service contracts, the appointments commenced from the date of the service contracts and 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. Mr. Li Shan Hai and Mr. Wang Fu Sun, the existing independent non-executive Directors, have also expressed their intention to resign on the closing of the Offer, subject to full compliance with Rule 7 of the Takeovers Code. Upon such resignations, new independent non-executive Directors will be nominated to the Board in compliance with the requirements of Rule 5.05 of the GEM Listing Rules.

Apart from Mr. Ji and Mr. Hsu, Apex Digital intends to nominate the following persons as executive Directors to the Board and such appointments will take effect from the earliest date permitted under the Takeovers Code, the GEM Listing Rules, and laws applicable to the Company.

Ms. Alice Hsu Chu Yun, aged 40, is the vice president and financial controller of Apex Digital. She holds a Bachelor of Science degree in computer information system from California State University in the USA and an Associate of Arts degree in accounting and statistics from Shih Chie University in Taipei, Taiwan. She has over 20 years of experience in accounting and financial management.

Mr. Stuart Blake, aged 46, is the vice president and general counsel of Apex Digital. He holds a Bachelor of Science degree from Lehigh University in the USA and a Juris doctor's degree from Nova Southeastern University School of Law in the USA. Mr. Blake has over 20 years of corporate legal experience.

The above nominated persons as the new executive Directors do not have expertise in the existing data broadcasting business of the Group, but they do have extensive experience in the importing and wholesaling of consumer home electronics such as DVD players, televisions and home theater systems or otherwise corporate legal experience. They will be responsible for the overall management of the Group after the completion of the Deeds. However, Professor Kou and Ms. Bu, the executive Directors who shall remain at the Board, will provide continuity of the management and expertise to the data broadcasting business of the Group.

Apart from the above, Apex Digital may, at the appropriate time, nominate additional new Directors to the Board. Further announcement(s) will be made upon such appointment. The Directors and Apex Digital believe that the aforesaid proposed change in the board composition of the Company will not have any adverse impact on the Group.

INTENTION OF APEX DIGITAL

It is the intention of Apex Digital that the existing principal activities of the Group will remain unchanged, and the incoming directors believe that their extensive experience in the consumer home electronics industry can add value to the Group's DVD business which accounted for approximately 97.4% of the Group's turnover for the year ended 31st December, 2002 and can help to explore further business opportunities in the DVD players and other related consumer electronic products. During the two years ended 31st December, 2002, the Company has no business relationship with Apex Digital.

Following the close of the Offer, Apex Digital intends to continue the existing businesses of the Group and has no intention to re-deploy the fixed assets or to make any material changes to the existing management and employees of the Group, other than the Board, by reason only of the Offer. Further, Apex Digital has no intention to inject any assets or businesses into the Group within one year after completion of the Offer. Notwithstanding the foregoing, Apex Digital intends to review the business operations of the Group following closing of the Offer and to implement any appropriate measures to rationalise such business operations where it is in the interests of the Group to do so.

The Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. The Stock Exchange has indicated that it has the discretion to require the Company to issue a circular to Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of transactions of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing application as set out in the GEM Listing Rules.

EX-SPONSOR'S INTEREST

As at the date of the this announcement, Pacific Top Holding Limited, a fellow subsidiary of the Company's former retained sponsor, Oriental Patron,

is interested in 8,100,000 Shares, representing approximately 2.5% of the total issued share capital 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 date of this announcement.

Pursuant to the agreement dated 1st November, 1999 entered into between the Company and Oriental Patron, Oriental Patron received fees for acting as the Company's retained sponsor for the period from 16th March, 2000 to 31st December, 2002. Oriental Patron has ceased to be the Company's retained sponsor since 1st January, 2003. Nevertheless, Oriental Patron has been appointed as the financial adviser to the Company in relation to the Offer.

SUSPENSION OF TRADING IN SHARES

Trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 27th March, 2003 at the request of the Company pending publication of this announcement. An application has been made by the Company for the resumption of trading of Shares on the Stock Exchange with effect from 9.30 a.m. on 21st May, 2003.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

- | | |
|----------------|--|
| “Altus” | Altus Capital Limited, the independent financial adviser to the independent board committee of the Company in relation to the Offer and a licensed corporation under the Securities and Futures Ordinance |
| “Apex Digital” | Apex Digital, Inc., a company incorporated in California, USA. It was founded by Mr. Ji and Mr. Hsu and is beneficially owned as to 65% by Mr. Ji and the remaining 35% by a private company equally owned by Mr. Ji and Mr. Hsu. Immediately prior to entering into the Deeds, Apex Digital was a substantial shareholder of the Company, owning 80,000,000 Shares, which represent approximately 25.16% of the total issued share capital of the Company |
| “associate(s)” | has the meaning ascribed thereto under the GEM Listing Rules |

“Board”	board of the Directors
“Company”	China Data Broadcasting Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on GEM
“Composite Document”	the composite document to be issued by or on behalf of Apex Digital and the Company to all Shareholders in accordance with the Takeovers Code containing, amongst other things, information relating to the Group and Apex Digital, terms of the Offer, recommendation of the independent board committee of the Company and advice of Altus in respect of the Offer
“Deeds”	collectively, the seven deeds of gift dated 15th May, 2003 separately entered into between Ultra Challenge and each of the Recipients
“Director(s)”	director(s) of the Company
“Donor”	Ultra Challenge
“DVD”	digital versatile disc
“Executive”	the executive director of the Corporate Finance Division of the SFC or any of his delegates
“GEM “	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Gift”	the 171,900,000 Shares in aggregate, representing approximately 54.05% of the total issued share capital of the Company, transferred to the Recipients from Ultra Challenge pursuant to the Deeds as absolute and unconditional gifts
“Group”	the Company and its subsidiaries
“Kingston Securities”	Kingston Securities Limited, a licensed corporation under the Securities and Futures Ordinance

- “Last Trading Day” 26th March, 2003, being the last trading day of the Stock Exchange immediately preceding the suspension of trading in the Shares pending release of this announcement.
- “Loan Agreement” a loan agreement dated 9th May, 2003 entered into between Apex Digital and Kingston Securities pursuant to which Kingston Securities has agreed to make available to Apex Digital a loan facility up to the principal sum of HK\$100,000,000 for the purpose of financing the Offer
- “Mr. Hsu” Mr. Anle Hsu Ann Keh, the co-founder and a director of Apex Digital, who is beneficially interested in 17.5% of the total issued share capital of Apex Digital. Mr. Hsu is also a proposed Director to be nominated by Apex Digital
- “Mr. Ji” Mr. David Ji Long Fen, the co-founder and the president of Apex Digital, who is beneficially interested in 82.5% of the total issued share capital of Apex Digital. Mr. Ji is also a proposed Director to be nominated by Apex Digital
- “Mr. Lau” Mr. Mark Lau, who is proposed by Apex Digital to be appointed to a senior management position within the Group (but will not at the outset be appointed as a Director)
- “Mr. Wang” Mr. Wang Guang Xin, an executive Director and the brother in law of Professor Kou
- “Mr. Xu” Mr. Xu Gaohui, who is proposed by Apex Digital to be appointed to a senior management position within the Group (but will not at the outset be appointed as a Director)
- “Ms. Bu” Ms. Bu Dongmei, an executive Director
- “Ms. Kou” Ms. Kou Yue, a daughter of Professor Kou and an employee of the Group

“Offer”	the unconditional cash offer to be made by Somerley on behalf of Apex Digital in accordance with the Takeovers Code to acquire all the issued Shares not already owned by Apex Digital and parties acting in concert with it
“Offer Period”	the period from the date when an announcement dated 23rd December, 2002 was made by the Company in relation to a possible change of control until the date when the Offer closes for acceptances
“Oriental Patron”	Oriental Patron Asia Limited, the financial adviser to the Company in relation to the Offer and a licensed corporation under the Securities and Futures Ordinance
“PRC”	People’s Republic of China
“Professor Kou”	Professor Kou Jisong, the Chairman and a director of the Company. Professor Kou was one of the joint trustees of Ultra Challenge immediately prior to its termination and is deemed to be interested in the Shares comprised within the Gift
“Recipients”	the recipients of the Deeds consisting of Apex Digital, Mr. Ji, Mr. Xu, Mr. Lau, Ms. Kou, Ms. Bu and Mr. Wang
“Securities and Futures Ordinance”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SFC”	The Securities and Futures Commission of Hong Kong
“Shareholders”	the shareholders of the Company
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company

“Share Option(s)”	share option(s) granted under the Company’s share option scheme adopted on 11th January, 2000, entitling the holder(s) thereof to subscribe for each new Share at an exercise price of HK\$1.775, subject to adjustment, during the period from 3rd February, 2000 to 3rd February, 2007
“Somerley”	Somerley Limited, the financial adviser to Apex Digital in relation to the Offer and a licensed corporation under the Securities and Futures Ordinance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“UC Trustees”	Professor Kou and Mr. Choi Kwok Yat, who, prior to the termination of the Ultra Challenge Trust on 14th March, 2003, together held the entire issued share capital of Ultra Challenge as joint trustees on terms of a fixed trust
“Ultra Challenge”	Ultra Challenge Limited, a company incorporated in the British Virgin Islands that held 171,900,000 Shares, representing approximately 54.05% of the total issued share capital of the Company, immediately prior to entering into the Deeds
“USA”	the United States of America
“%”	per cent.

By order of the board of
China Data Broadcasting Holdings Limited
Professor Kou Jisong
Director
Hong Kong, 20th May, 2003

By order of the board of
Apex Digital, Inc.
David Ji Long Fen
Director

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

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

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the day of its posting.