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CHINA DATA
BROADCASTING

China Data Broadcasting Holdings Limited

(中華數據廣播控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 8016)

CLARIFICATION OF NEWS ARTICLES, CHANGE IN SHAREHOLDING OF CONTROLLING SHAREHOLDER AND RESIGNATION OF AUDITORS

The Board refers to various news articles in the past weeks on the Company's controlling shareholders Apex Digital and Mr. Ji in relation to certain long outstanding indebtedness due to Changhong, Genius and Hongtu by Apex Digital and wish to clarify the Mr. Ji has not been arrested by authorities in the PRC and Mr. Ji is at all time accessible by the Company and its management and Mr. Ji's duties as executive director and the Chairman of the Company are uninterrupted.

The written off of trade receivables by Changhong, Genius and Hongtu as reported in various news articles has no material bearing on the financial and business operation of the Group and the Group currently does not have any outstanding payable to Changhong, Genius and Hongtu.

On 6 January 2005 Apex Digital made the off-the market purchases for 15,900,000 Shares, representing 5% of the total issued Shares of the Company (the "Subject Share Acquisition").

The Board understands that the Executive of the Securities and Futures Commission granted the confirmation on 3 January 2005 that Apex Digital is not obliged to make a general offer for all the issued shares of the Company as a result of the Subject Share Acquisition.

The Board announces that E&Y resigned as auditors of the Company and its subsidiaries with effect from 7 January 2005 and the Board recommends to appoint BDO McCabe Lo & Company as auditors of the Company to fill the casual vacancy following the resignation of E&Y and to hold office until the conclusion of the next annual general meeting of the Company.

The appointment of BDO McCabe Lo & Company as auditors of the Company is subject to the approval of shareholders of the Company at a special general meeting to be held pursuant to the Bye-Laws of the Company.

The Shares were suspended trading on the Stock Exchange with effect from 9:31 a.m. on 28 December 2004 and remained suspended pending further announcement in respect of the above matter.

* *For identification purposes only*

News Articles

The Board refers to various news articles in past weeks on the Company's controlling shareholders Apex Digital and Mr. Ji in relation to, amongst other things, certain long outstanding indebtedness due to Changhong, Genius and Hongtu by Apex Digital. In this connection, it wishes to clarify as follows:

1. Mr. Ji is having business trips to various cities in mainland China since October 2004 and he is still in mainland China. Mr. Ji has not been arrested by authorities in the PRC and Mr. Ji is at all time accessible by the Company and its management and Mr. Ji's duties as executive director and the Chairman of the Company are uninterrupted; and
2. The written off of trade receivables by Changhong, Genius and Hongtu as reported in various news articles has no material bearing on the financial and business operation of the Group and the Group currently does not have any outstanding payable to Changhong, Genius and Hongtu.

Acquisition of further interest in the Company by Apex Digital

Apex Digital is the controlling shareholder of the Company and is beneficially owned as to 52% by Mr. Ji, 28% by United Delta and the remaining 20% by Belgate Import and Export Limited ("Belgate"). Both United Delta and Belgate are equally owned by Mr. Ji and Mr. Hsu.

Pursuant to the notice of securities interests dated 6 January 2005 filled by Apex Digital, on 6 January 2005 Apex Digital made a off-market purchase of 15,900,000 Shares from Mr. Mark Lau (who is one of parties acting in concert with Apex Digital), representing 5% of the total issued Shares of the Company (the "Subject Share Acquisition").

The shareholding of Apex Digital in the Company before and after the Subject Share Acquisition is as follows:

Name of shareholders	Before the Subject Share Acquisition		After the Subject Share Acquisition	
	Number of China Data Shares	Approximate percentage	Number of China Data Shares	Approximate percentage
Apex Digital	149,297,340	46.95%	165,197,340	51.95%
Mr. Ji	57,700,000	18.14%	57,700,000	18.14%
	<u>206,997,340</u>	<u>65.09%</u>	<u>222,897,340</u>	<u>70.09%</u>
Substantial shareholders				
Mr. Xu Gaohui ⁽²⁾ /*	22,350,000	7.03%	22,350,000	7.03%
Mr. Mark Lau ⁽²⁾ /*	15,900,000	5.00%	–	0.00%
Others				
Ms. Bu Dongmei*	15,880,000 ⁽¹⁾	4.99%	15,880,000	4.99%
Other shareholders*	56,872,660	17.89%	56,872,660	17.89%
	<u>318,000,000</u>	<u>100.00%</u>	<u>318,000,000</u>	<u>100.00%</u>

Notes:

- (1) Shareholding as per the last declaration of interests filing (“SFO Filing”) made by Ms. Bu pursuant to the Securities and Futures Ordinance. Ms. Bu ceased to be required to make SFO Filing as from 13 January 2004 on which her interests in China Data drops below 5% and are assumed to remain unchanged thereafter. Ms. Bu was an ex-director of the Company and has resigned as a director with effect from 1 January 2004.
- (2) Mr. Xu and Mr. Lau were nominated by Apex as senior executives of the Company and its subsidiaries after the completion of the General offer on 30 June 2003 and are responsible for the general management and daily operation.
- (3) The aggregate shareholding of Apex Digital and its parties acting in concert before the Subject Share Acquisition and after the Subject Share Acquisition amount to 261,842,340 Shares (representing 82.34% of the total issued Shares of the Company), respectively.

* *These are considered by the Company as public shareholders. The aggregate shareholding of public Shareholders amount to 111,002,660 Shares (representing 34.91% of the total issued Shares of the Company) before the Subject Share Acquisition and 95,102,660 Shares (representing 29.91% of the total issued Shares of the Company) after the Subject Share Acquisition, respectively.*

The Board understands that the Executive of the Securities and Futures Commission granted the confirmation on 3 January 2005 that Apex is not obliged to make a general offer for all the issued shares of the Company as a result of the Subject Share Acquisition.

Apex Digital confirmed that there is no pledge of the Shares held by Apex Digital.

Purported trade receivables due by Apex Digital

The following table summarises the purported trade receivables due by Apex Digital as stated in the respective announcements made by Changhong, Genius and Hongtu in the past weeks:

Name of debtor	Amount in original currency	Amount in HK\$ equivalent
Changhong	US\$467.50 million	HK\$3,646 million
Genius	US\$4.30 million	HK\$33 million
Hongtu	RMB83.29 million	HK\$78 million

The Board had been informed by Apex Digital that (i) Changhong made a claim against Apex Digital in US court for the above purported balance, (ii) such claim is a commercial dispute between Apex Digital and Changhong; and (iii) save as the claim from Changhong, Apex Digital is not aware of any claims for the above purported balances. The Board is not aware of any claims against the directors of the Company, the Company and its subsidiaries.

The Company’s business relationships with Apex Digital, Changhong, Genius and Hongtu

The principal activities of the Group during the year are trading of consumer electronic products and the related parts and components and the data broadcasting business in China.

For the past two years, Apex Digital had no business transactions with the Group.

Changhong is one of the suppliers to the Group and is not a connected person of the Company as defined in the GEM Listing Rules. For the nine months ended 30 September 2004, the Group had made purchases

of approximately US\$4.7 million (or approximately HK\$36.7 million) from Changhong, representing approximately 18% of the Group's purchases for the same period which amounted to HK\$207 million approximately. At the date of this announcement, the Group has no outstanding trade payables owed to Changhong.

For the year ended 31 December 2003, the Group had made purchases of approximately US\$17.4 million (or approximately HK\$136 million) from Changhong, representing approximately 79% of the Group's purchases for the same year which amounted to HK\$171.5 million approximately.

As set out in the Company's prospectus dated 17 January 2000, the Group had emerged from a data broadcasting project team in the group comprising Genius and its subsidiaries. After the corporate reorganization that took place in June 1999, Genius held a 30% equity interests in an operating company of the Group, Tianjin AVD Electron Co. Ltd (formerly known as Tianjin Tiancai Network Software Company Limited). As such, Genius was deemed a connect person of the Group. For the past two years, Genius had no business transactions with the Group and at the date of this announcement, the Group has no outstanding trade payables or receivables in relation to Genius.

Hongtu is one of the Group's customers and is not a connected person of the Company as defined in the GEM Listing Rules. For the nine months ended 30 September 2004, the Group had sold parts and components of approximately US\$1.8 million (or approximately HK\$14 million) to Hongtu, representing approximately 6.3% of the Group's sales for the same period which amounted to HK\$220.7 million approximately. At the date of this announcement, the Group has no outstanding trade payables or receivables in relation to Hongtu.

For the year ended 31 December 2003, the Group had sold parts and components of approximately US\$3.5 million (or approximately HK\$27.3 million) to Hongtu, representing approximately 15% of the Group's sales for the same year which amounted to HK\$180.8 million approximately.

Since the Group has steady supplies of the consumer electronic products from other suppliers and established customer bases for sales of parts and components, the Board confirms that reported incidents of Changhong, Genius and Hongtu do not have material bearing on the financial and business operation of the Group.

Progress of appointment of Independent Non-Executive Directors

Reference is made to the Company's announcement dated 21 December 2004. As the date of this announcement, the Board has no independent non-executive directors and audit committee members and therefore has not been in compliance with Rules 5.05 and 5.28 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), respectively. According to rules 5.05 and 5.28 of the GEM Listing Rules, the Company must have at least 3 independent non-executive directors and the Audit Committee must comprise a minimum of 3 members.

The Company has identified one suitable candidate to be the independent non-executive director of the Company. In addition, the Company will try its best endeavours to identify suitable candidates to fill in the remaining vacancy within the period as required under rule 5.06 of the GEM Listing Rules. Further announcement in relation to the appointment of the new independent non-executive directors will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

Resignation of Auditors

The Company was notified by a letter of resignation from Ernst & Young of their resignation as the auditors of the Company and its subsidiaries with effect from 7 January 2005. Ernst & Young have not yet commenced the audit for the Group's financial statements for the year ended 31 December 2004 and have confirmed in their notice of resignation that there were no circumstances connected with their resignation which they considered should be brought to the attention of the shareholders and creditors of the Company or its subsidiaries.

The Board recommends to appoint BDO McCabe Lo & Company to fill the casual vacancy following the resignation of E&Y and to hold office until the conclusion of the next annual general meeting of the Company, subject to the appointment being approved by the shareholders of the Company at an special general meeting to be held pursuant to the Bye-Laws of the Company. A circular giving details of the change of auditors of the Company and containing a notice of the special general meeting will be dispatched to the shareholders of the Company in due course. Further announcement will be made once the appointment of BDO McCabe Lo & Company as auditors of the Company has been approved by the shareholders of the Company.

General

Save as the above, the Board confirm there are no negotiation or agreements relating to intended acquisitions or realizations which are disclosable under Chapters 19 to 20 of the GEM Listing Rules, neither is the Board aware of any matter disclosable under the general obligation imposed by rule 17.10 of the GEM Listing Rules, which is or may be of price-sensitive nature.

Suspension of trading

The Shares were suspended trading on the Stock Exchange with effect from 9:31 a.m. on 28 December 2004 and remain suspended pending further announcement in respect of the above matter.

Definition:

“Apex Digital”	Apex Digital, Inc, a company incorporated in California, United States of America and the controlling shareholder of the Company, owning approximately 51.95% of the total issued capital of the Company
“Board”	The board of directors of the Company
“Changhong”	Sichuan Changhong Electric Co. Limited, a company incorporated in the PRC and whose shares are listed on the Shanghai Stock Exchange
“Company”	China Data Broadcasting Holdings Limited, a company incorporated in Bermuda with limited liabilities and whose shares are listed on GEM
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Genius”	Genius Co., Limited, a company incorporated in the PRC and whose shares are listed on the Shenzhen Stock Exchange

“Group”	The Company and its subsidiaries
“Hongtu”	Jiangsu Hongtu High-Technology Co. Ltd, a company incorporated in the PRC and whose shares are listed on the Shanghai Stock Exchange
“Mr. Hsu”	Mr. Ancle Hsu Ann Keh, the co-founder of Apex and the substantial shareholding of Apex Digital. Mr. Hsu is also a director of the Company and is indirectly interested in 51.95% of the issued capital of the Company
“Mr. Ji”	Mr. David Ji Long Fen, the co-founder and president of Apex Digital and the controlling shareholder of Apex Digital. Mr. Ji is also a director and chairman of the Company and is directly and indirectly interested in 70.09% of the issued capital of the Company.
“Shares”	Ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong Special Administrative Region of the People’s Republic of China
“United Delta”	United Delta, Inc., a private company incorporated in the USA that is equally owned by Mr. Ji and Mr. Hsu
“US\$”	United States Dollar the lawful currency of United States of America

For and on behalf of
China Data Broadcasting Holdings Limited
David Ji Long Fen
Chairman

As at the date of this announcement, the Board comprises Mr. David Ji Long Fen, Mr. Ancle Hsu Ann Keh and Ms. Alice Hsu Chu Yun as executive directors.

Hong Kong, 25 January 2005

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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