

THIRD  
QUARTERLY  
REPORT  
2012



CHINA DATA BROADCASTING  
HOLDINGS LIMITED

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

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

## HIGHLIGHTS

The Group's consolidated turnover for the nine months period ended 30 September 2012 was slightly increased approximately by 8.92% to HK\$2,172.01 million comparing with that for the same period in 2011. The Group achieved net losses of approximately HK\$4.36 million comparing with the net profit for the same period of year 2011, this was due to the payment of professional fee for acquisition project.

## RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the "Group") for the three months period and nine months period ended 30 September 2012, together with the comparative figures for the corresponding period of last year, as follows:

	Note	For three months ended 30 September		For nine months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	2	<b>887,786</b>	835,125	<b>2,172,007</b>	1,994,146
Cost of sales		<b>(876,012)</b>	(817,902)	<b>(2,142,631)</b>	(1,960,776)
Gross profit		<b>11,774</b>	17,223	<b>29,376</b>	33,370
Other income		<b>(55)</b>	67	<b>101</b>	225
Administrative expenses		<b>(9,983)</b>	(9,266)	<b>(23,117)</b>	(16,915)
Distribution and selling expenses		<b>(1,684)</b>	(1,821)	<b>(5,614)</b>	(4,906)
Profit from operation		<b>52</b>	6,203	<b>746</b>	11,774
Finance cost		<b>(2,097)</b>	(1,152)	<b>(5,110)</b>	(4,075)
(Losses)/Profit before taxation		<b>(2,045)</b>	5,051	<b>(4,364)</b>	7,699
Income tax expense	3	-	-	-	(6)
(Losses)/Profit and total comprehensive income for the period attributed to the owners of the Company		<b><u>(2,045)</u></b>	<u>5,051</u>	<b><u>(4,364)</u></b>	<u>7,693</u>
(Losses)/Profit per share Basic and diluted (HK cents)	4	<b><u>(0.61)</u></b>	<u>1.51</u>	<b><u>(1.31)</u></b>	<u>2.30</u>

Notes:

**1. BASIS OF PREPARATION**

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and accounting principles generally accepted in Hong Kong. In addition, these financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

**2. TURNOVER**

Turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

**3. INCOME TAX EXPENSE**

Taxes of other jurisdiction have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the period ended 30 September 2012 (2011: Nil).

The Group has unused tax losses and other deductible temporary difference of approximately HK\$24,032,000 and HK\$614,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

**4. (LOSSES)/PROFIT PER SHARE**

The calculation of basic losses per share for the three months and nine months ended 30 September 2012 were based on the net losses attributable to shareholders of HK\$2,045,000 (2011 profit: HK\$5,051,000) for the three months ended 30 September 2012 and the net losses attributable to shareholders of HK\$4,364,000 (2011 profit: HK\$7,693,000) for the nine months ended 30 September 2012 and on 334,000,000 (2011: 334,000,000) ordinary shares in issue during the three months and nine months ended 30 September 2012.

No diluted earnings per share was presented as there was no potential ordinary shares in issue for both periods.

**5. RESERVES**

During the period, there was no movement to and from any reserves.

## **6. CONTINGENT LIABILITIES**

On 12 June 2006, Koninklijke Philips Electronics N.V. and United States Philips Corporation issued a writ of summons (“Summons”) to the United States District Court, Central District of California, against eight parties, including the Company, Apex Digital Inc. Limited and Apex Digital, LLC (subsidiaries of the Company), Mr. David Ji Long Fen (“Mr. Ji”, an executive director of the Company), Mr. Anle Hsu Ann Keh (a former executive directors of the Company), Apex Digital Inc. (“Apex Digital”, a former substantial shareholder which is wholly owned by Mr. Ji), United Delta Inc. (a former beneficial shareholder) and an individual (collectively known as the “Defendants”). The Defendants were claimed damages for patent infringement for the distribution of unlicensed DVD products within the United States of America (“USA”).

On 2 August 2007, a settlement has been reached between the plaintiffs and the defendants and the proceedings were dismissed without prejudice. Pursuant to the terms of the settlement, Apex Digital is to pay a total amount of US\$3,284,000 to the plaintiffs by installments. Subsequently, the Group has signed an agreement with Apex Digital that Apex Digital has agreed to bear all the payments and any legal and professional fees incurred. Up to 30 September 2012, Apex Digital has paid the amount of US\$2,300,000.

## **DIVIDENDS**

The directors do not recommend the payment of any dividend for the period ended 30 September 2012 (2011: Nil).

## **BUSINESS REVIEW**

During the period, the Group engaged in trading business in the consumer electronic industry (the “Trading Business”). A fair operating results for the nine months ended 30 September 2012 has achieved, the Group has accomplished a revenue of approximately HK\$2,172.01 million and a net losses of approximately HK\$4.36 million. The loss was due to the payment of professional fee for acquisition project.

On 28 March 2012, the Company has entered into an acquisition agreement with a vendor to purchase a British Virgin Island company. Details of the acquisition was available on the website of the Stock Exchange and the Company which was published on 23 April 2012.

## **OUTLOOK**

As the Company has established stable clientele bases of suppliers and customers, and the financial position of the Group are continuously improving, the Company is confident that the Trading Business in the consumer electronic industry will build up a steady and considerable income stream for the Group. The management will put more efforts to explore further business opportunities in related industry and will look for suitable investment opportunities in an active but cautious manner to broaden the Group’s business. The Board believes that the business will keep on the track and will continue to improve in the near future. The Group’s commitment is to create value for shareholders.

## **CORPORATE GOVERNANCE**

Save from the code provision set out in the Code on Corporate Governance Practices (the "CCGP") as contained in Appendix 15 to the GEM Listing Rules, the Company had, during the period under review, complied with the CCGP. An explanation for any deviation is adhered.

## **AUDIT COMMITTEE**

The primary responsibilities of the Committee are to review and supervise the financial reporting process and internal control system of the Group. The members are Mr. Chan Ming Sun, Jonathan (chairman), Mr. Ip Chun Chung, Robert and Mr. Sun Dongfeng.

The Audit Committee has reviewed the Group's results for the period ended 30 September 2012 and has provided advice and comments thereon.

## **REMUNERATION COMMITTEE**

The primary responsibilities of the Committee are to review and make recommendation for the remuneration policy of the director and senior management. The members are Mr. Chan Ming Sun, Jonathan (chairman), Mr. Ip Chun Chung, Robert, Mr. Sun Dongfeng and Mr. Yu Xiao.

## **NOMINATION COMMITTEE**

The primary responsibilities of the Committee are to formulate nomination policy and make recommendation to the Board on nomination and appointment of directors and board succession. The members are Mr. Yu Xiao (chairman), Mr. Ip Chun Chung, Robert, Mr. Sun Dongfeng and Mr. Chan Ming Sun, Jonathan.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has complied with the Code of Practice for Securities Transaction by directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard of dealings set out Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the period.

## **INTERESTS OF THE DIRECTORS IN THE COMPANY**

As at 30 September 2012, the interests and short positions of the Directors in the ordinary Shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

### **Long positions in Shares**

<b>Name of Director</b>	<b>Number of Shares</b>	<b>Capacity</b>	<b>Type of Interest</b>	<b>Approximate percentage of interest %</b>
Mr. Ji	22,260,000	Beneficial owner	Personal	6.67

*Notes:*

- (a) On 20/1/2012, Mr. Ji sold 22,260,000 shares to Mr. Yu Shaobo, therefore his interest decreased to 6.67%.

Save as disclosed in this paragraph, as at 30 September 2012, none of the Directors had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

As at 30 September 2012, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

### Long positions in Shares

Name of substantial shareholder	Capacity	Number of Shares	Approximate percentage of interest %
Sichuan Changhong Electric Co., Limited ("Changhong") and its subsidiary	Directly beneficially owned	111,368,000	33.34
Sichuan Investment Management Company Limited	Directly beneficially owned	83,009,340	24.85
Mr. Ji (note (a))	Directly beneficially owned	22,260,000	6.67
Ms. Liu Ru Ying (note (b))	Through spouse	22,260,000	6.67
Mr. Yu Shaobo	Directly beneficially owned	22,260,000	6.67

#### Notes:

- (a) On 20/1/2012, Mr. Ji sold 22,260,000 shares to Mr. Yu Shaobo, therefore his interest decreased to 6.67%.
- (b) Ms. Liu Ru Ying is the spouse of Mr. Ji and, under Section 316 of the SFO, is therefore deemed to be interested in all 22,260,000 shares in which Mr. Ji is interested.

Save as disclosed in this paragraph, as at 30 September 2012, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

## **COMPETING INTEREST**

Apex Digital is wholly owned by Mr. Ji from 10 April 2006. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital".

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

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

By Order of the Board  
**Yu Xiao**  
*Chairman*

Hong Kong, 26 October 2012

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