



# **CHINA DATA BROADCASTING HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code : 8016)



**Third Quarter Report**

**2006**

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*This report, 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 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 2006 was decreased by 51.6% to HK\$17.0 million, this was due to fierce competition in the consumer electronic market and the decrease in confidence of USA economy for the products. The Group had a net loss of approximately HK\$3.6 million.

## RESULTS

The board of directors of China Data Broadcasting Holdings Limited (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 2006, 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 |                  |
|--------------------------------|------|-------------------------------------|------------------|------------------------------------|------------------|
|                                |      | 2006<br>HK\$'000                    | 2005<br>HK\$'000 | 2006<br>HK\$'000                   | 2005<br>HK\$'000 |
| Turnover                       | 1    | <b>1,562</b>                        | 4,827            | <b>16,968</b>                      | 35,067           |
| Cost of sales                  |      | <b>(1,509)</b>                      | (4,696)          | <b>(16,359)</b>                    | (33,032)         |
| Gross profit                   |      | <b>53</b>                           | 131              | <b>609</b>                         | 2,035            |
| Other revenue                  |      | <b>93</b>                           | 27               | <b>178</b>                         | 98               |
| Selling and distribution costs |      | -                                   | -                | -                                  | -                |
| Administrative expenses        |      | <b>(1,375)</b>                      | (956)            | <b>(4,426)</b>                     | (3,878)          |
| Operating (loss) before tax    |      | <b>(1,229)</b>                      | (798)            | <b>(3,639)</b>                     | (1,745)          |
| Tax                            | 2    | -                                   | -                | -                                  | (752)            |
| (Loss) for the period          |      | <b><u>(1,229)</u></b>               | <u>(798)</u>     | <b><u>(3,639)</u></b>              | <u>(2,497)</u>   |
| Loss per share                 | 3    |                                     |                  |                                    |                  |
| Basic (HK cents)               |      | <b><u>0.39</u></b>                  | 0.25             | <b><u>1.14</u></b>                 | 0.79             |
| Diluted (HK cents)             |      | <b><u>N/A</u></b>                   | N/A              | <b><u>N/A</u></b>                  | N/A              |

Notes:

## **1. TURNOVER**

Turnover represents the invoiced value of goods sold and services rendered, net of value-added tax, business tax and after allowances for good returned and trade discounts.

## **2. TAX**

Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislations and practices in respect thereof.

No provision for Hong Kong profits tax has been provided as the Group has no assessable profit for the period ended 30 September 2006.

The Group did not have any significant unprovided deferred tax liabilities in respect of the period.

## **3. LOSS PER SHARE**

The calculation of basic loss per share for the three months and nine months ended 30 September 2006 were based on the net loss attributable to shareholders of HK\$1,229,000 (2005: HK\$798,000) for the three months ended 30 September 2006 and the net loss attributable to shareholders of HK\$3,639,000 (2005: HK\$2,497,000) for the nine months ended 30 September 2006 and on 318,000,000 (2005: 318,000,000) ordinary shares in issue during the three months and nine months ended 30 September 2006.

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

## **4. RESERVES**

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

## 5. Contingent liabilities

- (a) During the year ended 31 December 2005, Apex Digital Inc. ("Apex Digital") claimed that, other than the payment of HK\$22 million made on behalf of the Group to its customer relating to goods returned, Apex Digital also reimbursed related freight charges of HK\$23.5 million on behalf of the Group to the above mentioned customer. However, the directors of the Company are of opinion that the Group do not have any obligation to reimburse the freight charges. Up to the period ended 30 September 2006, the directors considered that no provision would be made for the freight charge.
- (b) 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, two subsidiaries of the Company, Apex Digital Inc. Limited and Apex Digital, LLC, two executive directors of the Company, Mr. David Ji Long Fen ("Mr. Ji") and Mr. Anle Hsu Ann Keh ("Mr. Hsu"), two holding companies of the Group, Apex Digital and United Delta Inc. ("United Delta"), 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 USA. Nevertheless, the amount of the claim was not stated in the Summons. Up to the period ended 30 September 2006, the directors of the Company are unable to estimate the liability under the claim.

## DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 30 September 2006 (2005: Nil).

## BUSINESS REVIEW

During the period, the Group engaged in sourcing and procurement business in the consumer electronic industry (the "Procurement Business"). The Group has achieved fair operating results for the nine months ended 30 September 2006, the Group has accomplished a revenue of approximately HK\$17.0 million and a net losses of approximately HK\$3.6 million.

## **OUTLOOK**

The Board believes that when the business set back on the track, the Procurement Business in the consumer electronic industry will build up a steady and considerable income stream of the Group. As the economy of Hong Kong become well, the management put more resources to explore further business opportunities in the consumer electronic industry, such as trading of finished goods/parts and components of televisions, DVD players, digital cameras, game consoles and other products. The Board is confident that the business relating to the consumer electronic products will be better in the near future.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 30 September 2006, the interests and short positions of the Directors in the ordinary share of the Company (the "Share"), 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 of Hong Kong Limited (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 ordinary shares of the Company:

| Name of director | Notes          | Number of shares held,<br>capacity and nature of interest |                                      | Total       | Percentage<br>of the<br>Company's<br>issued<br>share capital |
|------------------|----------------|---|--------------------------------------|-------------|--|
|                  |                | Directly<br>Beneficially<br>owned                         | Through<br>controlled<br>corporation |             |  |
| Mr. Ji           | (a), (b) & (c) | 57,700,000  | 69,829,340                           | 127,529,340 | 40.10  |
| Mr. Hsu          | (c) & (e)      | -   | -                                    | -           | -  |

### Notes:

- (a) Apex Digital is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA is wholly owned by Mr. Ji after Mr. Hsu's disposed of interest thereon (note c). Accordingly, Mr. Ji is deemed to be interested in the 69,829,340 shares owned by Apex Digital.
- (b) In addition to Mr. Ji's deemed interest in the 69,829,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 127,529,340 shares.
- (c) On 10 April 2006, Mr. Hsu disposed all interest in United Delta to Mr. Ji.
- (d) On 8 September 2006, Apex Digital transferred 95,368,000 shares (ie. 29.99% of total share) to Sichuan Changhong Electric Co., Limited ("Changhong").
- (e) On 29 September 2006, Mr. Hsu did not offer himself be re-elected as the executive director at 2005 Annual General Meeting and hence ceased to be the Company's executive director.

Save as disclosed above, 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.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2006, 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 Division 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:

| Name            | Notes          | Capacity and nature of interest  | Number of the ordinary shares held | Percentage of Company's issued share capital % |
|-----------------|----------------|----------------------------------|------------------------------------|--|
| Changhong       | (f)            | Directly beneficially owned      | 95,368,000                         | 29.99  |
| Apex Digital    | (a)            | Directly beneficially owned      | 69,829,340                         | 21.96  |
| United Delta    | (a)            | Through a controlled corporation | 69,829,340                         | 21.96  |
| Mr. Ji          | (a), (b) & (e) | Through a controlled corporation | 69,829,340                         | 21.96  |
|                 |                | Directly beneficially owned      | 57,700,000                         | 18.14  |
| Mr. Hsu         | (e)            | -                                | -                                  | -  |
| Ms. Liu Ru Ying | (c)            | Through spouse                   | 127,529,340                        | 40.10  |
| Ms. Susan Chang | (d) & (e)      | -                                | -                                  | -  |
| Mr. Xu Gao Hui  |                | Directly beneficially owned      | 22,350,000                         | 7.03   |

*Notes:*

- (a) Apex Digital is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA is wholly owned by Mr. Ji after Mr. Hsu's disposal of interest thereon (note e). Accordingly, Mr. Ji is deemed to be interested in the 69,829,340 shares owned by Apex Digital.
- (b) In addition to Mr. Ji's deemed interest in the 69,829,340 shares held by Apex Digital, Mr. Ji is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 127,529,340 shares.
- (c) 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 127,529,340 shares in which Mr. Ji is interested.
- (d) Ms. Susan Chang is the spouse of Mr. Hsu and, under Section 316 of the SFO, is therefore ceased to be interested in the shares.
- (e) On 10 April 2006, Mr. Hsu disposed all interest in United Delta to Mr. Ji.
- (f) On 8 September 2006, Apex Digital transferred 95,368,000 shares (ie. 29.99% of total share) to Changhong.

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

## **COMPETING INTEREST**

Apex Digital was founded by Mr. Ji and Mr. Hsu, the executive directors of the Company, and is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA and is wholly owned by Mr. Ji. Apex Digital is principally engaged in the wholesaling business of consumer home electronics items under the name of "APEX Digital".

On 10 April 2006, Mr. Hsu disposed all interest in United Delta to Mr. Ji.

On 29 September 2006, Mr. Hsu did not offer himself be re-elected as the executive director at 2005 Annual General Meeting and hence ceased to be the Company's executive director.

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

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

To the best knowledge of the Board, the Company had complied with the Code of Best Practice as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited except for the insufficient independent non-executive directors and the absence of the audit, nomination and remuneration committees.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTING SECURITIES**

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

By Order of the Board  
**David Ji Long Fen**  
*Chairman*

Hong Kong, 9 November 2006

*At the date of report, the executive directors of the Company are David Ji Long Fen, Alice Hsu Chu Yun, Xiang Chao Yang, Du Jun, Tang Yun and Yu Xiao.*