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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)

CONNECTED TRANSACTION – SUBSCRIPTION OF CONVERTIBLE PREFERENCE SHARES AND AMENDMENTS TO THE BYE-LAWS

Financial Adviser to the Company



招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

SHARE SUBSCRIPTION

On 14 July 2009, the Company entered into the Subscription Agreement with the Subscriber in relation to the subscription by the Subscriber of the Subscription CP Shares at a total subscription price of HK\$15.0 million. The Subscription CP Shares can be converted at any time during the Conversion Period into Conversion Shares at the initial Conversion Price. If the Subscription CP Shares are fully converted into Conversion Shares at the Conversion Price of HK\$0.30, 50,000,000 Conversion Shares, representing approximately 15.72% of the existing issued share capital of the Company and approximately 13.59% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares, will be issued.

As the Subscriber is a wholly-owned subsidiary of a substantial shareholder of the Company and thus a connected person of the Company, the issue of the Subscription CP Shares by the Company to the Subscriber constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Approval of the Independent Shareholders is proposed to be sought at the SGM in respect of the Subscription Agreement and the issue of the Subscription of Shares.

AMENDMENTS TO THE BYE-LAWS

To incorporate the rights, privileges and restrictions of the Convertible Preference Shares in the Bye-laws, a resolution will be proposed at the SGM for the Shareholders to approve the amendments to the Bye-laws of the Company. Details of the proposed amendments to the Bye-laws will be set out in the circular to be despatched to the Shareholders.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Subscription Agreement and the issue of the Subscription CP Shares. Grand Vinco Capital Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the issue of the Subscription CP Shares. To the best knowledge of the Directors, apart from Sichuan Changhong Electric Co., Limited which is a substantial shareholder of the Company, none of the other Shareholders have any material interests in the Subscription Agreement and the issue of the Subscription of Shares, and accordingly, no other Shareholders are required to abstain from voting on the resolution to be proposed at the SGM as regards the such matters.

A circular containing, among other things, the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the terms of the Subscription Agreement and the issue of the Subscription CP Shares, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the issue of the Subscription CP Shares, the unaudited pro forma consolidated balance sheet of the Group as a result of issuance of the Subscription CP Shares, further details of the Subscription, and the proposed amendments to the Bye-laws of the Company, together with the notice of SGM will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

Shareholders and potential investors in the Company should be aware of and take note that the completion of the Subscription is conditional upon satisfaction of certain conditions precedent and may or may not proceed.

Trading in the Shares on GEM will continue to be suspended until further notice. The release of this announcement does not necessarily indicate that the resumption of trading in the Shares on GEM has been or will be approved by the Stock Exchange. Accordingly, Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

THE SUBSCRIPTION

The Subscription Agreement

Date: 14 July 2009

Issuer: the Company

Subscribers: the Subscriber

The Subscription

Pursuant to the Subscription Agreement, the Company has agreed to allot and issue to the Subscriber the Subscription CP Shares for a total consideration of HK\$15.0 million. The consideration for the issue of the Subscription CP Shares will be satisfied by the cancellation and release of part of the indebtedness due from the Company to the Subscriber in the same amount.

The Subscription CP Shares can be converted at any time during the Conversion Period into Conversion Shares at the Conversion Price. If the Subscription CP Shares are fully converted into Conversion Shares at the initial Conversion Price of HK\$0.30, 50,000,000 Conversion Shares, representing approximately 15.72% of the existing issued share capital of the Company and approximately 13.59% of the total issued share capital of the Company as enlarged by the issue of the Conversion Shares, will be issued.

Principal terms of the Convertible Preference Shares

Par Value: HK\$0.025 each

Issue Price: HK\$0.30 per Convertible Preference Share

Ranking: Save as expressly provided in the Bye-laws, each Convertible Preference Share shall have the same rights as each of the Shares. The Company may issue, without obtaining the consent of the holders of the Convertible Preference Shares, shares ranking senior and in priority to or *pari passu* with the Convertible Preference Shares as regards order of the participation in profits or assets and carrying such rights as to rates of dividend, voting, redemption, conversion, exchange or otherwise as the Directors may determine, or as the Company may by ordinary resolution determine.

Dividend: Each Convertible Preference Share shall confer on the holder thereof the right to receive dividend *pari passu* with holders of shares of any other class in the capital of the Company which rank *pari passu* with the Convertible Preference Shares in regard to the right to receive dividends but otherwise in priority to any other class of shares in the capital of the Company from time to time. The dividends shall be cumulative and payable in Hong Kong dollars annually in arrears at the rate of 4.5% per annum.

- Redemption:** The Convertible Preference Shares shall be non-redeemable.
- Conversion Right:** The holders of the Convertible Preference Shares shall have the right to convert any Convertible Preference Share into Conversion Shares at any time during the Conversion Period at the Conversion Price. If the issue of Conversion Shares following the exercise of the conversion rights relating to any of the Convertible Preference Shares held by such holder would result in the Company not meeting the public float requirement under the GEM Listing Rules immediately after the conversion, then the number of Conversion Shares to be issued pursuant to such conversion shall be reduced to the maximum number of Conversion Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of such public float requirement and the balance of the conversion rights attached to the Convertible Preference Shares which the holder sought to convert shall be suspended until such time when the Company is able to issue additional Conversion Shares in satisfaction of the exercise of the said balance of conversion rights and at the same time comply with the public float requirement. In the event that the foregoing shall affect the exercise of the conversion right of any holder, the Company shall use reasonable endeavours to procure that there will be a sufficient number of Shares in public hands so that all Convertible Preference Shares suspended from conversion may be converted to the fullest extent as soon as practicable without causing the Company to breach the public float requirement.
- Each holder of the Convertible Preference Shares exercising its conversion right thereunder shall comply with all applicable provisions of the Takeovers Code.
- Conversion period:** Any time after the date of issue of the Convertible Preference Shares.
- Conversion Price:** The Conversion Price is the Issue Price, subject to adjustment upon the occurrence of certain prescribed events (including the consolidation, sub-division or reclassification of shares in the capital of the Company, and the capitalisation of profits or reserves), but provided that the Conversion Price shall not be less than the then subsisting nominal value of the Conversion Share into which the relevant Convertible Preference Shares is converted. If any adjustment is required to be made to the Conversion Price, an announcement will be made by the Company.
- Voting:** The holder(s) of the Convertible Preference Shares will not be entitled to attend or vote at any general meeting of the Company by reason only of his/her being the holder(s) of Convertible Preference Shares, unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the Convertible Preference Shares.

Transferability: The Convertible Preference Shares may be assigned or transferred by the holder thereof Provided That the holder thereof shall give prior written notice to the Company and the Stock Exchange in accordance with applicable rules and regulations where the assignee or transferee is a connected person of the Company.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon, inter alia, the following conditions being fulfilled:–

- a) the Listing Committee of the Stock Exchange having granted the approval of the listing of, and permission to deal in, the Conversion Shares that may fall to be issued upon exercise of the conversion rights attaching to the Convertible Preference Shares; and
- b) the passing by the requisite majority required under the GEM Listing Rules of the shareholders of the Company in general meeting (excluding any shareholders who are not entitled to vote by reason of applicable provisions in the GEM Listing Rules) of the resolutions for the approval, confirmation and ratification of the Company's entry into the Subscription Agreement and the transactions contemplated therein, including the issue of the Subscription CP Shares and the Conversion Shares, and the necessary amendments to the Bye-laws in order to incorporate the rights and obligations of the Convertible Preference Shares.

In the event that any of the conditions is not fulfilled by 31 October 2009, the Subscription Agreement shall cease and determine and the parties shall be released from all obligations and liabilities under it, save for any antecedent breaches of the provisions under the Subscription Agreement.

Completion

Completion of the Subscription Agreement shall take place on or before the third Business Day following the date on which the above conditions are fulfilled or waived, as the case may be, or such other date as may be mutually agreed by the Company and the Subscribers.

INFORMATION ON THE SUBSCRIBER

The Subscriber and its parent companies are principally engaged in the manufacturing, sales and marketing of consumer electronic products globally. The Subscriber is a wholly-owned subsidiary of Sichuan Changhong Electric Co., Limited, a substantial shareholder of the Company interested in 29.99% of the issued share capital of the Company.

ISSUE PRICE

The Issue Price of HK\$0.30 for each Convertible Preference Share was determined after arm's length negotiations between the parties to the Subscription Agreement. The Issue Price of HK\$0.30 represents:

- (i) a discount of approximately 79.17% to the closing price of HK\$1.44 per Share as quoted on the Stock Exchange on 24 December 2004, being the Last Trading Day Prior to Suspension;
- (ii) a discount of approximately 79.17% to the average of the closing price of HK\$1.44 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day Prior to Suspension;
- (iii) a discount of approximately 78.87% to the average of the closing price of HK\$1.42 as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day Prior to Suspension; and
- (iv) a discount of approximately 81.13% to the average of the closing price of HK\$1.59 as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day Prior to Suspension.

The Issue Price is HK\$0.30, in comparison with the audited consolidated net liabilities of the Group attributable to Shareholders as at 31 December 2008 of approximately HK\$0.023 per Share, based on 318,000,000 Shares in issue as at 31 December 2008.

APPLICATION FOR LISTING

The Subscription CP Shares and, upon their conversion, the Conversion Shares will be issued under a special mandate proposed to be sought from the Independent Shareholders at the SGM. No application will be made for the listing of the Convertible Preference Shares. However, the Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there are no changes in the issued share capital of the Company prior to the completion of the Subscription, the effects of the issue and allotment of the Subscription CP Shares and of the Conversion Shares on the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Subscription and the allotment and issue of the Subscription

CP Shares; and (iii) immediately after full conversion of the Subscription CP Shares and the allotment and issue of the Conversion Shares (assuming no further Shares will be issued and no Shares will be repurchased before the allotment and issue of the Conversion Shares) respectively are set out below:

	As at the date of this announcement		Immediately after completion of the Subscription and the allotment and issue of the Subscription CP Shares		Immediately after full conversion of the Subscription CP Shares and the allotment and issue of the Conversion Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Subscriber and its associates Sichuan Investment Management Company Limited	95,368,000	29.99	95,368,000	29.99	145,368,000	39.50
Directors of the Company and its subsidiaries	83,009,340	26.10	83,009,340	26.10	83,009,340	22.56
Public	44,520,000	14.00	44,520,000	14.00	44,520,000	12.10
	95,102,660	29.91	95,102,660	29.91	95,102,660	25.84
Total	<u>318,000,000</u>	<u>100.00</u>	<u>318,000,000</u>	<u>100.00</u>	<u>368,000,000</u>	<u>100.00</u>

As the issue of Conversion Shares will have a dilutive effect on the Shareholders, the Company will keep the Shareholders informed of all relevant details relating to any conversion of the Subscription CP Shares in the following manner:

- a) the Company will make a monthly announcement (the “**Monthly Announcement**”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth working day following the end of each calendar month and will include the following details in a table form:
- (i) whether any conversion of the Subscription CP Shares has occurred during the relevant month and, if so, details of the conversion(s), including the conversion date, number of Conversion Shares issued and the conversion price for each conversion. If there is no conversion during the relevant month, the Company will make a statement to that effect;
 - (ii) the number of Shares which may fall to be issued upon conversion of the outstanding Subscription CP Shares, if any;
 - (iii) the total number of Shares issued and/or cancelled pursuant to other transactions, including Shares issued pursuant to the exercise of options under any share option scheme(s) of the Company and/or Shares cancelled pursuant to any repurchase of Shares by the Company, with a breakdown of the Shares concerned by the relevant transactions; and

- (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month;
- b) in addition to the Monthly Announcement, if the cumulative amount of Conversion Shares issued pursuant to the conversion of the Subscription CP Shares reaches 5% of the issued share capital of the Company as disclosed in the last public announcement made by the Company in respect of the Subscription CP Shares (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange; and
- c) should any general disclosure obligation of the Company arise under Rule 17.10 of the GEM Listing Rules, a further announcement will be made as and when appropriate.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

As referred to in the Company's announcement dated 27 March 2009, the Company has applied for the resumption of trading in the Shares on GEM and has made various submissions to the Stock Exchange in this connection. By a letter dated 18 March 2009, the approval-in-principle for the resumption of trading in the Shares was granted by the Stock Exchange subject to the fulfillment of the following conditions to its satisfaction:

- (1) the disclosure of actions taken to address the issues pertaining to the suspension of trading in an announcement;
- (2) the issuance of the Subscription CP Shares;
- (3) the inclusion in the circular to the shareholders of a pro forma balance sheet of the Group upon issuance of the Subscription CP Shares prepared in accordance with Rule 7.31 GEM Listing Rules; and
- (4) the receipt of a comfort letter from the Company's auditors on the Directors' statement on sufficiency of working capital for at least 12 months from resumption.

As at the date of this announcement, condition (1) has been fulfilled, the details of which were set out in the announcement dated 8 May 2009 issued by the Company. The Company will include an unaudited consolidated pro forma balance sheet of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules in the circular to be despatched to the Shareholders relating to the proposed issue of the Subscription CP Shares. The management of the Company has discussed with relevant professional parties, such as its financial adviser, auditors and legal advisers, as regards the steps and time required to fulfill the remaining conditions for the Shares to resume trading. The Company is working towards the fulfillment of such conditions imposed by the Stock Exchange and it is expected that the trading in its Shares on GEM will resume once all the conditions are fulfilled.

As referred to in the Company's annual report for the year ended 31 December 2008, the audited consolidated net liabilities of the Group attributable to the Shareholders as at 31 December 2008 amounted to approximately HK\$7.4 million. The Directors consider that the issue of the Subscription CP Shares will eliminate part of the current liabilities that the Group presently owes to the Subscriber and will substantially improve the Company's net asset position. Taking into account the present financial condition of the Company, and in view of the benefit that would be derived by the Company from the improvement of the Group's net asset position upon issuance of the Subscription CP Shares, the Directors (excluding the independent non-executive Directors whose view is reserved pending the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders) consider that the transactions contemplated under the Subscription (including the issue of the Subscription CP Shares), are on normal commercial terms and in the ordinary course of business, and the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROPOSED AMENDMENTS TO THE BYE-LAWS

To incorporate the rights, privileges and restrictions of the Convertible Preference Shares in the Bye-laws, a resolution will be proposed at the SGM for the Shareholders to approve the amendments to the Bye-laws of the Company. Details of the proposed amendments to the Bye-laws will be disclosed in the circular to be despatched to the Shareholders.

GENERAL

The Group is principally engaged in the trading of consumer electronic products and the related parts and components.

As the Subscriber is a wholly-owned subsidiary of Sichuan Changhong Electric Co., Limited, a substantial shareholder of the Company and thus a connected person of the Company, the issue of the Subscription CP Shares by the Company to the Subscriber constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. Approval of the Independent Shareholders is proposed to be sought at the SGM in respect of the Subscription Agreement and the issue of the Subscription of Shares.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the Subscription Agreement and the issue of the Subscription CP Shares. Grand Vinco Capital Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the issue of the Subscription CP Shares. To the best knowledge of the Directors, apart from Sichuan Changhong Electric Co., Limited which is a substantial shareholder of the Company, none of the other Shareholders have any material interest in the Subscription Agreement and the issue of the Subscription of Shares, and accordingly, no other Shareholders are required to abstain from voting on the resolution to be proposed at the SGM as regards such matters.

A circular containing, among other things, the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the terms of the Subscription Agreement and the issue of the Subscription CP Shares, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the issue of the Subscription CP Shares, the unaudited pro forma consolidated balance sheet of the Group as a result of issuance of the Subscription CP Shares, further details of the Subscription, and the proposed amendments to the Bye-laws of the Company, together with the notice of SGM will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

Shareholders and potential investors in the Company should be aware of and take note that the completion of the Subscription is conditional upon satisfaction of certain conditions precedent and may or may not proceed.

Trading in the Shares on GEM will continue to be suspended until further notice. The release of this announcement does not necessarily indicate that the resumption of trading in the Shares on GEM has been or will be approved by the Stock Exchange. Accordingly, Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bye-laws”	the Bye-laws of the Company
“Business Day”	a day, other than a Saturday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“Company”	China Data Broadcasting Holdings Limited, a company incorporated in Bermuda with limited liability whose shares (stock code: 8016) are listed on GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Period”	any time after the date of issue of the relevant Convertible Preference Shares

“Conversion Price”	the price per Conversion Share at which the Convertible Preference Shares are to be converted into Conversion Shares
“Conversion Shares”	the Shares to be issued by the Company upon the conversion of the Convertible Preference Shares which shall upon issue rank pari passu with the other existing Shares
“Convertible Preference Shares”	the unlisted non-redeemable convertible cumulative preference shares of HK\$0.025 each in the capital of the Company
“Directors”	the directors of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM, as amended from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Subscription Agreement, and the transactions contemplated thereunder and the issue of the Subscription CP Shares
“Independent Shareholders”	Shareholders other than the Subscriber and its associates as defined in the GEM Listing Rules
“Issue Price”	the price per Subscription CP Share payable for the issue of the Subscription CP Shares, being HK\$0.30
“Last Trading Day Prior to Suspension”	24 December 2004, being the last trading day of the Shares on GEM prior to the suspension of trading of the Shares on GEM on 28 December 2004
“PRC”	People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Subscription and the proposed amendments of the By-laws

“Share(s)”	ordinary share(s) of HK\$0.025 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Subscriber”	Changhong (Hong Kong) Trading Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Sichuan Changhong Electric Co., Limited, the shares in which are listed on The Shanghai Stock Exchange, and a substantial shareholder of the Company
“Subscription”	the subscription of the Subscription CP Shares by the Subscriber upon and subject to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 July 2009 and entered into between the Company and the Subscriber in relation to the Subscription
“Subscription CP Shares”	50,000,000 Convertible Preference Shares to be issued by the Company to the Subscriber in accordance with the terms and conditions of the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
China Data Broadcasting Holdings Limited
Yu Xiao
Chairman

Hong Kong, 14 July 2009

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

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.

** for identification purpose only*