

Interim Report

2007



**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 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 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.*

## RESULTS

The board of directors (the "Board") of China Data Broadcasting Holdings Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively the "Group").

The unaudited condensed interim accounts of the Group for the three months and six months ended 30 June 2007, together with the comparative figures for the corresponding period of last year, as follows:

### CONSOLIDATED INCOME STATEMENT

	Note	For three months ended 30 June		For six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover		8,652	10,141	10,889	15,406
Cost of sales		(8,359)	(9,831)	(10,518)	(14,850)
Gross profit		293	310	371	556
Other revenue		20	54	29	85
Administrative expenses		(1,689)	(1,518)	(2,929)	(3,015)
Operating loss before taxation	3	(1,376)	(1,154)	(2,529)	(2,410)
Taxation	4	-	-	-	-
Net loss after taxation		<u>(1,376)</u>	<u>(1,154)</u>	<u>(2,529)</u>	<u>(2,410)</u>
Loss per share					
Basic (HK cents)	5	<u>0.43</u>	<u>0.36</u>	<u>0.80</u>	<u>0.76</u>
Diluted (HK cents)	5	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED BALANCE SHEET

		(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		<u>164</u>	<u>86</u>
CURRENT ASSETS			
Trade receivables	6	–	–
Prepayments, deposits and other receivables		560	778
Amount due from related companies		4,027	–
Cash and cash equivalents		<u>2,423</u>	<u>674</u>
		<u>7,010</u>	<u>1,452</u>
CURRENT LIABILITIES			
Trade payables	7	2,724	1,560
Tax payable		7,439	4,928
Other payables and accruals		181	4,303
Customer deposit		314	–
Amount due to related companies		1,720	–
Amount due to a director		5	23
Amounts due to/(from) substantial shareholders		6,529	(67)
		<u>18,912</u>	<u>10,747</u>
NET CURRENT LIABILITIES		<u>(11,902)</u>	<u>(9,295)</u>
NET LIABILITIES		<u>(11,738)</u>	<u>(9,209)</u>
CAPITAL AND RESERVES			
Issued capital		7,950	7,950
Reserves		<u>(19,688)</u>	<u>(17,159)</u>
		<u>(11,738)</u>	<u>(9,209)</u>

## CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Total equity at 1 January	(9,209)	6,986
Net (losses) for the period attributable to shareholders	(2,529)	(2,410)
Total equity at 30 June	<u>(11,738)</u>	<u>4,576</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS – UNAUDITED

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
NET CASH (OUTFLOW)/IN FLOWS FROM OPERATING ACTIVITIES	<u>(5,010)</u>	<u>297</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(108)</u>	<u>–</u>
Net cash (outflow) from investing activities	<u>(108)</u>	<u>–</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash inflow from financing activities	<u>–</u>	<u>–</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(5,118)</u>	<u>297</u>
Cash and cash equivalents at beginning of year	<u>7,541</u>	<u>7,244</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>2,423</u></u>	<u><u>7,541</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>2,423</u></u>	<u><u>7,541</u></u>

Notes:

### 1. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim accounts (the "Interim Accounts") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and the requirements of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

### 2. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decision.

#### (a) Business segments

The Group has been operating in a single business segment, that is trading of consumer electronic products and the related parts and components.

#### (b) Geographical segments

The following is an analysis of the Group's sales by geographical location of customers :

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Hong Kong	–	15,406
People's Republic of China ("PRC")	<b>6,532</b>	–
Asia	<b>3,213</b>	–
Europe	<b>12</b>	–
Australia	<b>372</b>	–
United States of America ("USA")	<b>760</b>	–
	<b>10,889</b>	15,406

### 3. OPERATING LOSS BEFORE TAX

The Group's operating loss before tax is arrived at after charging :

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Cost of inventories sold	<b>10,518</b>	14,850
Depreciation	<b>32</b>	96

#### 4. TAX

Taxes 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 since the Group has no assessable profit for the period ended 30 June 2007 (2006: Nil) .

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

#### 5. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2007 were based on the net losses attributable to shareholders of HK\$1,376,000 (2006: HK\$1,154,000) for the three months ended 30 June 2007 and the net losses attributable to shareholders of HK\$2,529,000 (2006: HK\$2,410,000) for the six months ended 30 June 2007 and on 318,000,000 (2006: 318,000,000) ordinary shares in issue during the three months and six months ended 30 June 2007.

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

#### 6. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months. Overdue balances are reviewed regularly by senior management. An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, is as follows:

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Within 3 months	–	–
4 to 6 months	–	–
7 to 12 months	–	–
Over 1 year	–	66
	<hr/>	<hr/>
	<b>–</b>	<b>66</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows :

	<b>2007</b> <b>HK\$'000</b>	2006 <i>HK\$'000</i>
Within 3 months	<b>1,163</b>	–
7 to 12 months	–	1,560
Over 1 year	–	–
	<hr/> <b>1,163</b> <hr/>	<hr/> 1,560 <hr/>

## 8. 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 directors of the Company), Mr. Anle Hsu Ann Keh ("Mr. Hsu", an ex-executive directors of the Company), Apex Digital Inc. ("Apex Digital", a ex-substantial shareholder), United Delta Inc. ("United Delta", a ex-beneficial shareholder) and an individual (collectively known as the "Defendants"). Apex Digital verbally agreed to appoint a legal representative and handle the legal claim on behalf of the Group. 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 June 2007, the directors of the Company are not aware of the extent of the claim and any legal and professional fees incurred and paid by Apex Digital on its behalf. Therefore the directors are unable to estimate the liability under the claim and the relevant costs at this stage.

## 9. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 September 2007.

## DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 30 June 2007 (2006: 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 six months ended 30 June 2006, the Group has accomplished a revenue of approximately HK\$10.9 million and a net losses of approximately HK\$2.5 million.



## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's financial and liquidity positions are not as well as prior year. As at 30 June 2007, the Group has no borrowings and its cash and bank balances amount to HK\$2.4 million. Net current liabilities of the Group was approximately HK\$11.9 million. As the substantial shareholder guaranteed to support the Company, the management is confident that the Group's financial resources sufficient to finance its daily operation.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is pegged, together with the minimal transactions denominated in Renminbi, the Group believes its exposure to exchange risk to be minimal.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2007, the total number of the Group's staff was 10. The Group remunerates its employees based on their performance, experience and prevailing industry practice. The Group provides retirement benefit for its employees in Hong Kong in form of mandatory provident fund.

The Group established a Share Option Scheme to reward its employees for their individual performances. During the period under review, no share option had been granted nor exercised.

## **OUTLOOK**

As the settlement of the dispute among Sichuan Changhong Electric Co. Limited ("Changhong", a substantial shareholder), Apex Digital and an executive director of the Company is being proceed, the Board believes that the business will 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.

## INTERESTS OF THE DIRECTORS IN THE COMPANY

At 30 June 2007, 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

Name of director	Notes	Number of shares held, capacity and nature of interest		Total	Percentage of the Company's issued share capital %
		Directly Beneficially owned	Through controlled corporation		
Mr. Ji	(a), (b) & (c)	44,520,000	-	44,520,000	14.0

#### Notes:

- (a) On 2 March 2007, Sichuan Investment Management Co. Limited ("Sichuan Investment") bought 69,829,340 shares and 13,180,000 shares from Apex Digital and Mr. Ji representing approximately 21.96% and 4.14% respectively at the consideration of HK\$0.72 per share.
- (b) Apex Digital is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA which is wholly owned by Mr. Ji from 10 April 2006. Accordingly, Mr. Ji is deemed to be interested in the 69,829,340 shares owned by Apex Digital up to 2 March 2007.
- (c) Up to 2 March 2007, Mr. Ji's deemed interest in the 69,829,340 shares held by Apex Digital and is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 127,529,340 shares.

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.

## **INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE COMPANY**

At 30 June 2007, 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**

<b>Name of substantial shareholder</b>	<i>Notes</i>	<b>Capacity and nature of interest</b>	<b>Number of the ordinary shares held</b>	<b>Percentage of Company's issued share capital %</b>
Changhong		Directly beneficially owned	95,368,000	29.99
Sichuan Investment	(a)	Directly beneficially owned	83,009,340	26.10
Apex Digital	(a) & (b)	Directly beneficially owned	-	-
United Delta	(a) & (b)	Through a controlled corporation	-	-
Mr. Ji	(a), (b) & (c)	Through a controlled corporation	-	-
		Directly beneficially owned	44,520,000	14.00
Ms. Liu Ru Ying	(c) & (d)	Through spouse	44,520,000	14.00

*Notes:*

- (a) On 2 March 2007, Sichuan Investment bought 69,829,340 shares and 13,180,000 shares from Apex Digital and Mr. Ji representing approximately 21.96% and 4.14% respectively at the consideration of HK\$0.72 per share.
- (b) Apex Digital is controlled by Mr. Ji and United Delta, a private corporation incorporated in the USA which is wholly owned by Mr. Ji from 10 April 2006. Accordingly, Mr. Ji is deemed to be interested in the 69,829,340 shares owned by Apex Digital up to 2 March 2007.
- (c) Up to 2 March 2007, Mr. Ji's deemed interest in the 69,829,340 shares held by Apex Digital and is interested in another 57,700,000 shares held by him directly, and is therefore interested in a total of 127,529,340 shares.
- (d) 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 44,520,000 shares in which Mr. Ji is interested after 2 March 2007.
- (e) On 5 March 2007, Mr. Wang Qiao bought 10,000,000 shares from Mr. Xu Gao Hui ("Mr. Xu") representing approximately 3.14% at the consideration of HK\$0.2 per share. After that, the total number of shares held by Mr. Xu has decreased to 12,350,000 representing approximately 3.88% of the Company's shares.

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, a present executive director and a former director of the Company, and is controlled by Mr. Ji and United Delta, which 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". As Apex Digital did not hold any securities of the Company from 2 March 2007, there is not any competing interest afterward.

Whereas Changhong, a company 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". On 8 September 2006, Changhong becomes a substantial shareholder of the Company.

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 (the "GEM Listing Rules")) had an interest in a business which competes or may compete with the business of the Group during the period.

### **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining high standard of corporate governance practices. The Board considers such commitment essential in balancing the interest of shareholders, customers and employees; and in upholding accountability and transparency.

The Company has complied with the Code of Best Practice as set out in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 June 2007 except for absence of the nomination committee.

### **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  
**Yu Xiao**  
Chairman

Hong Kong, 28 September 2007

*As at the date of this report, the executive directors of the Company are David Ji Long Fen, Yu Xiao, Tang Yun, Du Jun, Xiang Chao Yang and Wang Zhenhua and the independent non-executive directors of the Company are Jonathan Chan Ming Sun, Robert Ip Chun Chung and Sun Dongfeng.*