



China Digital Licensing (Group) Limited

中國數碼版權(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)



First Quarterly Report 2010

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors of China Digital Licensing (Group) 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 Digital Licensing (Group) Limited. The directors, having made all reasonable enquiries, confirmed 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.*



## FIRST QUARTERLY RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") is pleased to present an unaudited consolidated financial statements of China Digital Licensing (Group) Limited (the "Company") and its subsidiaries (together the "Group") for the three months ended 31 March 2010 together with the comparative figures for the corresponding period in 2009, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2010

	Note	Three Months ended 31 March	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Continuing operations</b>			
Turnover	3	1,262	937
Cost of services rendered		(279)	(105)
Gross profit		983	832
Administrative and other expenses		(2,180)	(1,811)
Finance costs		(300)	(253)
Share of losses of jointly controlled entities/associates		–	(17)
<b>Loss before taxation</b>		<b>(1,497)</b>	(1,249)
Income tax expense	4	(54)	(77)
<b>Loss for the period from continuing operations</b>		<b>(1,551)</b>	(1,326)
<b>Discontinued operation</b>		–	4,674

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2010

	Note	Three Months ended 31 March	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>(Loss)/Profit for the period</b>		<b>(1,551)</b>	3,348
<b>Other comprehensive income for the period</b>			
Currency translation differences		–	–
<b>Total comprehensive (loss) income for the period</b>		<b>(1,551)</b>	3,348
<b>(Loss) Profit attributable to:</b>			
Equity holders of the Company		<b>(1,163)</b>	3,157
Minority interests		<b>(388)</b>	191
		<b>(1,551)</b>	3,348
<b>Total comprehensive (loss) income attributable to:</b>			
Equity holders of the Company		<b>(1,163)</b>	3,157
Minority interests		<b>(388)</b>	191
		<b>(1,551)</b>	3,348
<b>Dividends</b>	5	–	–
<b>Basic and diluted (loss) earnings per share</b>	6		
From continuing and discontinued operations		<b>HK(0.06) cents</b>	HK0.24 cents
From continuing operation		<b>HK(0.06) cents</b>	HK(0.11) cents
From discontinued operation		–	HK0.35 cents

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2010

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Convertible bonds reserve HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Minority interests HK\$'000	Total HK\$'000
<b>2009</b>										
At 1 January 2009	66,519	68,103	10,084	2,836	(69)	4,354	(112,510)	39,317	672	39,989
Disposal of subsidiaries	-	-	-	-	69	-	-	69	-	69
Profit for the period	-	-	-	-	-	-	3,157	3,157	191	3,348
At 31 March 2009	66,519	68,103	10,084	2,836	0	4,354	(109,353)	42,543	863	43,406
<b>2010</b>										
At 1 January 2010	97,029	100,826	10,084	6,260	-	7,645	(120,401)	101,443	13,205	114,648
Exercise of share options	6,550	22,278	-	-	-	(5,717)	-	23,111	-	23,111
Loss for the period	-	-	-	-	-	-	(1,163)	(1,163)	(388)	(1,551)
At 31 March 2010	103,579	123,104	10,084	6,260	-	1,928	(121,564)	123,391	12,817	136,208

Note:

- (a) The special reserve represents the difference between the nominal amount of shares and share premium of the subsidiaries at the date on which it was acquired by the Company and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation taken place in 2003.

## NOTES

### 1. CORPORATE INFORMATION

China Digital Licensing (Group) Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The Company’s shares have been listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Caledonian House, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands and its principal place of business is located at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

The Group is principally engaged in the provision of copyright management solution and the related consultancy services and the distribution of copyright-protected items. The Group is also engaged in the development and provision of on-line education programs, provide languages and mathematics learning programs to students in secondary and primary schools in Hong Kong and Macao.

### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2009 financial statements.



### 3. TURNOVER

Turnover comprises revenues from the following business activities of the Group:

	Three months ended	
	31 March	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Continuing operations</b>		
e-Learning business	1,262	937
<b>Discontinued operation</b>		
Putonghua learning platform	–	173
	<b>1,262</b>	<b>1,110</b>

### 4. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

PRC enterprise income tax has not been provided as the PRC subsidiaries incurred a loss for taxation purposes.

### 5. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months ended 31 March 2010 (2009: Nil).

## 6. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the net (loss) profit attributable to equity holders of the Company and the weighted average number of the Company's ordinary shares in issue during the period as follows:

	Three months ended 31 March	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>For continuing and discontinued operations</b>		
(Loss) Profit attributable to equity holders of the Company	(1,163)	3,157
<b>For continuing operations</b>		
Loss attributable to equity holders of the Company	(1,163)	(1,517)
<b>For discontinued operation</b>		
Profit attributable to equity holders of the Company	–	4,674
	<b>Number of shares</b>	
	2010	2009
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	1,965,541,199	1,330,375,080

Diluted (loss) earnings per share for 2010 and 2009 is the same as basic (loss) earnings per share as the potential ordinary shares under the convertible bonds and share options have anti-dilutive effects on the basic (loss) earnings per share.

## 7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.





## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the three months ended 31 March 2010, the turnover of the Group recorded an increase of 35% to HKD 1.3 million, which was principally from the e-Learning business. The businesses of the Group also achieved significant step forward during the period as stated below.

#### **I. Digital Licensing and Copyright Management Business**

In January 2010, the Group entered into a ten-year full technical collaboration agreement with China Audio and Video Copyright Association (“CAVCA”). The parties will work together to provide e-License digital copyrights management system to the major service providers of the telecommunication, the Internet and other digital media service providers in the PRC.

A tripartite agreement is finalized among CAVCA, a telecommunication operator in the PRC and the Group for provision of the e-License digital copyrights management system which is expected to commence within two to three months.

#### **II. Digital Contents**


The Group has obtained authorization from the major record label, avex, for the provision of licensed audio entertainment contents to Baidu Internet Portal (百度網站) (“Baidu”) and two of the major telecommunication operators in the PRC. The Group has also obtained authorization from the major record label, Warner/Chappell, for the provision of licensed audio entertainment contents to a major telecommunication operator in the PRC. Same arrangements are also finalized with other major record labels.

The Group formally launched its licensed Japanese digital audio entertainment contents in the Japanese song section (日語歌曲下載區) on Baidu (百度網站) in April 2010. During the first stage of operation, the Group provides the latest licensed Japanese audio contents (including Japanese hit songs of Hamasaki Ayumi (濱崎 步) and Ōtsuka Ai (大塚 愛) to Baidu. The initial download/trial rates are above expectation. The Group will complete the installation of a full range Japanese digital audio entertainment contents platform (J Pop section) in two to three months. In the next stage of operation, the Group will provide full range of digital copyrights management services to Baidu, which is expected to complete in the second half of 2010.

The Group has reached agreement with one of the major telecommunication operators in the PRC for the provision of licensed audio entertainment contents. The infrastructure and backbone of the e-License digital copyrights management system for the 2.5G and 3G mobile telecommunication networks of such major telecommunication operator has already completed and such system is in a ready-to-launch mode including all the latest and popular contents from the leading record labels. The Group is finalizing agreement with one of the other major telecommunication operators in the PRC on the same arrangement.

The Group is the sole agent of a Japanese popular multi-media drama series "Revolution station 5 +25"\* ("革命station 5+25") and will shortly be broadcasted on the mobile network of a major telecommunication operator in the PRC through the co-operation with China Mobile Multimedia Broadcasting, a wholly owned subsidiary of the State Administration of Radio, Film and Television (廣電總局). In addition to other licensed digital audio/video entertainment contents, the Group is finalizing the arrangements with an European cultural organization on assignment of broadcasting time on such mobile network.





With the e-License digital copyrights management system and the aforesaid licensed digital audio/video entertainment contents, the Group is emerging as the major player in the digital copyright management industry and the major provider of licensed digital audio/video entertainment contents on Internet and telecommunication networks in the PRC.

### **III. e-Learning business**

The e-Learning business in Hong Kong and Macao achieved a robust growth during the period with a 35% increase in turnover as compared to the corresponding period of last year.

The Hong Kong Government and the Macao Government, in recent years, have placed high emphasis and diverted increasing financial resources on education particularly the language proficiency and on-line education. With the Group serving over 400 primary and secondary schools in Hong Kong of over 40% penetration rate and the business partnership with Cambridge University Press, the Group has developed as the key provider of e-Learning education software in Hong Kong through which the relationships with the relevant Government departments has been built up. On the other hand, the Group has successfully penetrated into 100% of the government-owned/aided primary and secondary schools in Macao to provide its interactive English and Portuguese learning platform commissioned by the Macao Education and Youth Bureau.

In May 2010, the Group appointed a channel distributor, which is well connected in the on-line education software market in the PRC, for development of the distribution network of its e-Learning products in the PRC. The Group will initially focus such development in the Guangdong province especially Shenzhen and Dongguan and then gradually expand to other provinces and major cities in the PRC.

During the period, the Group entered into a distribution agreement with mimio, a subsidiary of Newell Rubbermaid (a Standard & Poor's 500 company) for China, Hong Kong and Macao of the mimio interactive whiteboard technologies. Such interactive educational solutions are being widely adopted in the United States, Mexico and many parts of the world. Such whiteboard technology is a proven effective e-Learning tool which will complement the e-Learning business of the Group.

## FINANCIAL REVIEW

For the three months ended 31 March 2010, the Group recorded a turnover on continuing business of approximately HK\$1,262,000 (2009: approximately HK\$937,000), representing an increase of 34.7% compared to the same period last year. The increase in turnover was driven by the robust growth in sales of e-Learning business.

Administrative expenses for the three months ended 31 March 2010 was HK\$2,180,000, representing an increase of approximately 20.4%. The increase was mainly due to the consolidation of the administrative expenses of the digital licensing and copyright management business which became a 51% subsidiary of the Group in December 2009.

The Group reported a net loss attributable to equity holders of approximately HK\$1,163,000 for the three months ended 31 March 2010, compared to a net profit of approximately HK\$3,157,000 in the previous corresponding period. The net profit in the preceding year included a non-recurring profit of HK\$4,674,000 from the disposal of server-based technology business.



## **CONTINUING CONNECTED TRANSACTION**

On 11 February 2010, the Company entered into an agreement with Far Glory Limited (“Far Glory”) to grant a revolving facility by way of a loan agreement of up to a maximum amount of HK\$9.5 million at any time during the period commencing from the date of the loan agreement and ending on the date falling 36 months from the date of the loan agreement for financing the business development and working capital requirements of the Far Glory and its subsidiaries (“Far Glory Group”).

The Company indirectly holds 51% equity interest in Far Glory Group, therefore Far Glory is a connected person of the Company under rule 20.11 (5) of the GEM Listing Rules. The loan agreement and the transactions contemplated thereunder constitute a continuing connected transaction for the Company. For detail information, please refer to the announcement of the Company dated 11 February 2010.

## **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 March 2010, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

## Interest in Shares

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number or attributable number of Shares held or short positions</b>	<b>Approximate percentage or attributable percentage of shareholding</b>
Mr. Pang Hong Tao	Beneficial	42,800,000 (L)	2.07%
Mr. Hsu Tung Sheng	Beneficial	19,000,000 (L)	0.92%
Mr. Ma She Shing, Albert	Beneficial	28,870,000 (L)	1.39%
Ms. Au Shui Ming, Anna	Beneficial	54,500,000 (L)	2.63%

*(L) denotes long position*

Save as disclosed above, as at 31 March 2010, none of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.



## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 January 2003 pursuant to a written resolution of the Company. Details of the movements in the number of share options during the year under the Scheme are as follows:

Categories of grantees	As at 1 January 2010	Exercised during the period	Outstanding at 31 March 2010	Exercise price HK\$	Grant date	Exercisable period
<b>Directors</b>						
Mr. Pang Hong Tao	13,000,000	(13,000,000)	-	0.177	16/12/2009	30/12/2009- 15/12/2011
Mr. Hsu Tung Sheng	6,000,000	(6,000,000)	-	0.177	16/12/2009	29/12/2009- 15/12/2011
Ms. Au Shui Ming, Anna	13,000,000	(13,000,000)	-	0.177	16/12/2009	30/12/2009- 15/12/2011
Mr. Ma She Shing, Albert	1,000,000	(1,000,000)	-	0.101	28/8/2008	16/9/2008- 27/8/2018
	18,000,000	(18,000,000)	-	0.177	16/12/2009	30/12/2009- 15/12/2011
<b>Employees</b>	80,000,000	(80,000,000)	-	0.177	16/12/2009	30/12/2009- 15/12/2011
	131,000,000	(131,000,000)	-			

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 31 March 2010, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

### (i) Interest in Shares

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number or attributable number of Shares held or short positions</b>	<b>Approximate percentage or attributable percentage of shareholding</b>
Mr. Lau Kim Hung, Jack (Note 1)	Interest of controlled corporation	416,698,238 (L)	20.11%
	Deemed	6,000,000 (L)	0.29%
Ms. Chan Yiu Kan Katie (Note 1)	Beneficial	6,000,000 (L)	0.29%
	Deemed	416,698,238 (L)	20.11%
Manciple Enterprises Limited (Note 1)	Beneficial	395,698,238 (L)	19.10%





<b>Name of director</b>	<b>Nature of interests</b>	<b>Number or attributable number of Shares held or short positions</b>	<b>Approximate percentage or attributable percentage of shareholding</b>
Eagle Strategy Limited (Note 1)	Beneficial	15,000,000 (L)	0.72%
Mr. Hsu Tung Chi (Note 2)	Beneficial	19,000,000 (L)	0.92%
	Interest of controlled corporation	58,000,000 (L)	2.80%
Ms. Chuang Meng Hua (Note 2)	Deemed	77,000,000 (L)	3.72%
Daily Technology Company Limited (Note 2)	Beneficial	58,000,000 (L)	2.80%

(L) denotes long position

Notes:

1. Manciple Enterprises Limited ("Manciple") is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau"). Manciple beneficially owns 395,698,238 shares. Under the SFO, Mr. Lau is deemed to be interested in 395,698,238 shares. Mr. Lau is also deemed to be interested in 15,000,000 shares owned by Eagle Strategy Limited, which is wholly and beneficially owned by Mr. Lau.

Ms. Chan Yiu Kan Katie (“Ms. Chan”), the wife of Mr. Lau, is personally interested in 6,000,000 shares. Being spouses, Mr. Lau and Ms. Chan are deemed to be interested in their respective shareholding in the Company under the SFO.

2. Mr. Hsu Tung Chi (“Mr. Hsu”) beneficially owns 19,000,000 shares. Daily Technology Company Limited (“Daily Technology”) is beneficially owned as to 98% by Mr. Hsu. Daily Technology beneficially owns 58,000,000 shares. Under the SFO, Mr. Hsu is deemed to be interested in 58,000,000 shares.

Ms. Chuang Meng Hua is deemed to be interested in 77,000,000 shares by virtue of her being the spouse of Mr. Hsu.

## (ii) Interest in underlying shares

<b>Name of shareholder</b>	<b>Nature of interests</b>	<b>Description of securities</b>	<b>Number of underlying shares</b>	<b>Approximate percentage of interests</b>
Mr. Hsu Tung Chi	Beneficial	Convertible bonds (Note 1)	122,222,222 (L)	5.90%
	Interest of controlled corporation	Convertible bonds (Note 1)	286,202,127 (L)	13.81%
Ms. Chuang Meng Hua	Deemed	Convertible bonds (Note 1)	408,424,349 (L)	19.71%
Daily Technology Company Limited	Beneficial	Convertible bonds (Note 1)	286,202,127 (L)	13.81%

(L) denotes long position

## Notes:

1. According to the sale and purchase agreement entered into among Cheer Plan Limited (“Cheer Plan”), a wholly owned subsidiary of the Company, Mr. Hsu Tung Chi (“Mr. Hsu”) and Mr. Hsu Tung Sheng on 5 May 2008, subject to the fulfillment of certain conditions, the Company will allot a maximum of 222,222,222 convertible bonds to Mr. Hsu. 100,000,000 convertible bonds were redeemed by the Company. As at 31 March 2010, there were 122,222,222 convertible bonds outstanding.

Daily Technology Company Limited (“Daily Technology”) is beneficially owned as to 98% by Mr. Hsu. Pursuant to the agreement entered into among Cheer Plan and Daily Technology on 8 October 2009, the Company will allot 286,202,127 convertible bonds to Daily Technology. Under the SFO, Mr. Hsu is deemed to be interested in 286,202,127 convertible bonds.

Ms. Chuang Meng Hua is deemed to be interested in the aforesaid convertible bonds of the Company by virtue of her being the spouse of Mr. Hsu.

Save as disclosed above, as at 31 March 2010, the directors were not aware of any other person (other than the directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## COMPETING INTERESTS

The directors believe that none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group.

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

During the period ended 31 March 2010, 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 adopted a code of conduct regarding directors' securities transactions on terms no Less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the period ended 31 March 2010.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 31 March 2010 except that no nomination committee of the Board is established.

No nomination committee was established by the Company. The Board is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.



## AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments on the quarterly reports. The audit committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Lee Kun Hung, all of them are independent non-executive directors. The chairman of the audit committee is Mr. Kwok Chi Sun, Vincent.

The Group's unaudited quarterly results for the three months ended 31 March 2010 has been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosure has been made.

As at the date of this report, the executive directors are Mr. Hsu Tung Sheng, Mr. Pang Hong Tao and Ms. Au Shui Ming, Anna. The non-executive director is Mr. Ma She Shing, Albert. The independent non-executive directors are Mr. Wong Tak Shing, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent.

By order of the Board of  
**China Digital Licensing (Group) Limited**  
**Pang Hong Tao**  
*Chairman*

Hong Kong, 13 May 2010