



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 announcement, 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, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

THIRD 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 nine months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2010

		Three months ended 30 September		Nine months ended 30 September	
		2010	2009	2010	2009
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Turnover	3	1,905	813	4,670	2,732
Cost of services rendered		<u>(602)</u>	<u>(260)</u>	<u>(1,233)</u>	<u>(509)</u>
Gross profit		1,303	553	3,437	2,223
Other income		–	–	–	35
Administrative and other expenses		(3,061)	(1,890)	(7,680)	(7,020)
Finance costs		(314)	(195)	(911)	(764)
Share of losses of jointly controlled entities/associates		<u>–</u>	<u>(19)</u>	<u>–</u>	<u>(57)</u>
Loss before taxation		(2,072)	(1,551)	(5,154)	(5,583)
Income tax expense	4	<u>(16)</u>	<u>(31)</u>	<u>(96)</u>	<u>(181)</u>
Loss for the period from continuing operations		(2,088)	(1,582)	(5,250)	(5,764)
Discontinued operation		<u>–</u>	<u>–</u>	<u>–</u>	<u>4,674</u>

	<i>Note</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2010	2009	2010	2009
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period		<u>(2,088)</u>	<u>(1,582)</u>	<u>(5,250)</u>	<u>(1,090)</u>
Other comprehensive income for the period					
Currency translation differences		<u>(80)</u>	<u>–</u>	<u>(80)</u>	<u>–</u>
Total comprehensive loss for the period		<u><u>(2,168)</u></u>	<u><u>(1,582)</u></u>	<u><u>(5,330)</u></u>	<u><u>(1,090)</u></u>
(Loss) Profit attributable to:					
Equity holders of the Company		<u>(2,059)</u>	<u>(1,498)</u>	<u>(4,867)</u>	<u>(1,377)</u>
Minority interests		<u>(29)</u>	<u>(84)</u>	<u>(383)</u>	<u>287</u>
		<u><u>(2,088)</u></u>	<u><u>(1,582)</u></u>	<u><u>(5,250)</u></u>	<u><u>(1,090)</u></u>
Total comprehensive (loss) income attributable to:					
Equity holders of the Company		<u>(2,100)</u>	<u>(1,498)</u>	<u>(4,908)</u>	<u>(1,377)</u>
Minority interests		<u>(68)</u>	<u>(84)</u>	<u>(422)</u>	<u>287</u>
		<u><u>(2,168)</u></u>	<u><u>(1,582)</u></u>	<u><u>(5,330)</u></u>	<u><u>(1,090)</u></u>
Dividends	5	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
Basic and diluted (loss) earnings per share	6				
From continuing and discontinued operations		HK(0.10) cents	HK(0.10) cents	HK(0.24) cents	HK(0.10) cents
From continuing operation		HK(0.10) cents	HK(0.10) cents	HK(0.24) cents	HK(0.44) cents
From discontinued operation		<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>HK0.35 cents</u></u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2010

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Convertible notes reserve HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Warrant reserve HK\$'000	Accumulated losses HK\$'000	Subtotal HK\$'000	Minority interests HK\$'000	Total HK\$'000
			(Note a)								
2009											
At 1 January 2009	66,519	68,103	10,084	2,836	(69)	4,354	-	(112,510)	39,317	672	39,989
Shares issued upon exercise of share options	4,945	5,859	-	-	-	(3,125)	-	-	7,679	-	7,679
Employee share-based compensation	-	-	-	-	-	1,711	-	-	1,711	-	1,711
Issue of consideration shares	7,316	6,439	-	-	-	-	-	-	13,755	-	13,755
Redemption of convertible notes	-	-	-	(296)	-	-	-	-	(296)	-	(296)
Disposal of subsidiaries	-	-	-	-	69	-	-	-	69	-	69
Total comprehensive loss for the period	-	-	-	-	-	-	-	(1,377)	(1,377)	287	(1,090)
At 30 September 2009	<u>78,780</u>	<u>80,401</u>	<u>10,084</u>	<u>2,540</u>	<u>0</u>	<u>2,940</u>	<u>-</u>	<u>(113,887)</u>	<u>60,858</u>	<u>959</u>	<u>61,817</u>
2010											
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
Issue of unlisted warrants	-	-	-	-	-	-	311	-	311	-	311
Issue of new Shares	5,175	23,080	-	-	-	-	-	-	28,255	-	28,255
Share issue expenses	-	(353)	-	-	-	-	-	-	(353)	-	(353)
Total comprehensive loss for the period	-	-	-	-	(41)	-	-	(4,867)	(4,908)	(422)	(5,330)
At 30 September 2010	<u>108,754</u>	<u>145,831</u>	<u>10,084</u>	<u>6,260</u>	<u>(41)</u>	<u>1,928</u>	<u>311</u>	<u>(125,268)</u>	<u>147,859</u>	<u>12,783</u>	<u>160,642</u>

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 TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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		Nine months ended	
	30 September		30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Continuing operations				
e-Learning business	1,905	813	4,670	2,732
Discontinued operation				
Putonghua learning platform	—	—	—	173
	<u>1,905</u>	<u>813</u>	<u>4,670</u>	<u>2,905</u>

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 nine months ended 30 September 2010 (2009: Nil).

6. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the net loss 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 30 September		Nine months ended 30 September	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For continuing and discontinued operations				
Loss attributable to equity holders of the Company	(2,059)	(1,498)	(4,867)	(1,377)
For continuing operations				
Loss attributable to equity holders of the Company	(2,059)	(1,498)	(4,867)	(6,051)
For discontinued operation				
Profit attributable to equity holders of the Company	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,674</u>
	Number of shares	Number of shares	Number of shares	Number of shares
	2010	2009	2010	2009
Shares				
Weighted average number of ordinary shares in issue during the period	<u>2,104,210,643</u>	<u>1,430,363,008</u>	<u>2,047,796,266</u>	<u>1,374,742,807</u>

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 confirm with current periods presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. Digital Contents

With the long negotiation process with the relevant parties for the past many months, the digital copyright management business of the Group has achieved significant breakthrough during the period.

The Group has finalised an agreement with several major record labels for authorization of the Group to provide licensed music contents to a telecommunication provider on an exclusive basis in the PRC. Related documentations are being executed.

The Group has launched its music contents licensed by Avex (愛貝克思) with famous artists including Hamasaki Ayumi (濱崎 步), Otsuka Ai (大塚 愛), Ariel Lin (林依晨) and Joseph Cheng (鄭元暢), and Asia Muse (亞神音樂) with famous artists including Tan Kheng Seong (阿牛) and Tanya Chua (蔡健雅) on the music platform of China Unicom in November 2010.

The co-operation with Baidu has achieved a satisfactory kick-off with the launch of the J Pop section on Baidu (百度網站) in April 2010 where the licensed Japanese music contents provided by a major Japanese record label are uploaded by the Group. The related download/trial rates reached over 10 million since its commencement.

II. e-Learning business

Building upon the Group's e-Learning platform and its close relationship with the school network in Hong Kong, the Group has established long term partnerships with primary and secondary schools for the provision of a wide range of educational services, including various e-learning platforms, joint school competitions, extra-curricular activities, and e-learning resources. The Group's turnkey Web 2.0 e-learning system enables schools to design and deploy school-based language learning and teaching solutions rapidly.

The Group has also successfully clinched over 30 primary schools in the first batch of the Hong Kong Government funding education projects for provision of e-Learning English enhancement programs, which has already commenced in September 2010. Such project will contribute substantial growth in revenue and generate meaningful profitability in the coming months.

FINANCIAL REVIEW

For the nine months ended 30 September 2010, the Group recorded a turnover of approximately HK\$4,670,000 (2009: approximately HK\$2,732,000), representing an increase of approximately 71% compared to the same period last year. The increase in turnover was driven by the growth in sales of e-Learning business.

The Group reported a net loss attributable to equity holders of approximately HK\$4,867,000 for the nine months ended 30 September 2010, compared to a net loss of approximately HK\$1,377,000 in the previous corresponding period. The net loss in the prior year period included a gain on disposal of discontinued operation of approximately HK\$4,674,000.

SUBSCRIPTION OF NEW SHARES AND WARRANTS

In August 2010, the Company entered into (i) three share subscription agreements to allot and issue in aggregate 103,500,000 shares of the Company in cash at the placing price of HK\$0.273 per placing share and (ii) three warrant subscription agreements to place in aggregate 310,500,000 warrants in cash at the warrant issue price of HK\$0.001 per warrant. The warrant entitles the subscribers to subscribe for the Company's shares at the subscription price of HK\$0.272 per share for a period of three years commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share of the Company.

The completion of the share subscription and warrant subscription took place in September 2010. Details of the transaction have been set out in the announcement of the Company dated 10 August 2010.

CONTINUING CONNECTED TRANSACTION

On 11 February 2010, the Company entered into a loan agreement (the "Loan Agreement") with Far Glory to grant a revolving facility 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 Group.

In view of the growth potential of Far Glory Group, the Company and Far Glory entered into a supplemental agreement (the "Supplemental Agreement") on 23 July 2010, pursuant to which the Company agreed to increase the revolving loan facility under the Loan Agreement up to a maximum amount of HK\$40 million to Far Glory 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 Supplemental Agreement. Such loan facility was duly approved at an extraordinary general meeting held on 3 September 2010. Details of the transaction have been set out in the circular of the Company dated 13 August 2010.

The Company indirectly holds 51% equity interest in Far Glory Group, therefore Far Glory is a connected person of the Company. The Loan Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder constitute a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 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

Name of director	Nature of interests	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Pang Hong Tao	Beneficial	42,800,000 (L)	1.97%
Mr. Hsu Tung Sheng	Beneficial	19,000,000 (L)	0.87%
Mr. Ma She Shing, Albert	Beneficial	28,870,000 (L)	1.33%
Ms. Au Shui Ming, Anna	Beneficial	54,500,000 (L)	2.51%

(L) denotes long position

Save as disclosed above, as at 30 September 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 30 September 2010	Exercise price HK\$	Grant date	Exercisable period
Directors						
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
Employees	80,000,000	(80,000,000)	–	0.177	16/12/2009	30/12/2009- 15/12/2011
	<u>131,000,000</u>	<u>(131,000,000)</u>	<u>–</u>			

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 30 September 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

Name of Substantial Shareholder	Nature of interests	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Lau Kim Hung, Jack (Note 1)	Interest of controlled corporations	497,698,238 (L)	22.88%
	Deemed	4,500,000 (L)	0.21%
Ms. Chan Yiu Kan Katie (Note 1)	Beneficial	4,500,000 (L)	0.21%
	Deemed	497,698,238 (L)	22.88%
Manciple Enterprises Limited (Note 1)	Beneficial	482,698,238 (L)	22.19%
Eagle Strategy Limited (Note 1)	Beneficial	15,000,000 (L)	0.69%
Mr. Hsu Tung Chi (Note 2)	Beneficial	19,000,000 (L)	0.87%
	Interest of controlled corporation	41,070,000 (L)	1.89%
Ms. Chuang Meng Hua (Note 2)	Deemed	60,070,000 (L)	2.76%
Daily Technology Company Limited (Note 2)	Beneficial	41,070,000 (L)	1.89%
Decade Talent Limited (Note 3)	Beneficial	55,000,000 (L)	2.53%
Mr. Wan Wah Chung (Note 3)	Beneficial	2,500,000 (L)	0.11%
	Interest of controlled corporation	55,000,000 (L)	2.53%
	Deemed	550,000 (L)	0.02%
Ms. Yueng Wing Suen (Note 3)	Beneficial	550,000 (L)	0.02%
	Deemed	57,500,000 (L)	2.64%

(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 482,698,238 shares. Under the SFO, Mr. Lau is deemed to be interested in 482,698,238 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 4,500,000 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 41,070,000 shares. Under the SFO, Mr. Hsu is deemed to be interested in 41,070,000 shares.

Ms. Chuang Meng Hua is deemed to be interested in 60,070,000 shares by virtue of her being the spouse of Mr. Hsu.

3. Decade Talent Limited (“Decade Talent”) is wholly and beneficially owned by Mr. Wan Wah Chung (“Mr. Wan”). Decade Talent beneficially owns 55,000,000 shares. Under the SFO, Mr. Wan is deemed to be interested in 55,000,000 shares. Ms. Yueng Wing Suen (“Ms. Yueng”), the wife of Mr. Wan, is personally interested in 550,000 shares. Being spouses, Mr. Wan and Ms. Yueng are deemed to be interested in their respective shareholding in the Company under the SFO.

(ii) Interest in underlying shares

Name of shareholder	Nature of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Mr. Hsu Tung Chi	Beneficial	Convertible bonds (Note 1)	122,222,222 (L)	5.62%
	Interest of controlled corporation	Convertible bonds (Note 1)	286,202,127 (L)	13.16%
Ms. Chuang Meng Hua	Deemed	Convertible bonds (Note 1)	408,424,349 (L)	18.78%
Daily Technology Company Limited	Beneficial	Convertible bonds (Note 1)	286,202,127 (L)	13.16%
Decade Talent Limited	Beneficial	Warrants (Note 2)	165,000,000 (L)	7.59%
Mr. Wan Wah Chung	Interest of controlled corporation	Warrants (Note 2)	165,000,000 (L)	7.59%
Ms. Yueng Wing Suen	Deemed	Warrants (Note 2)	165,000,000 (L)	7.59%

(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 30 September 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 between 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.

2. Pursuant to the conditional warrant subscription agreement dated 10 August 2010 and entered into among the Company, Decade Talent and Mr. Wan in relation to the subscription of 165,000,000 warrants by Decade Talent. Under the SFO, Mr. Wan is deemed to be interested in 165,000,000 warrants by virtue of his being the ultimate beneficial owner of Decade Talent.

Ms. Yeung is also deemed to be interested in the aforesaid warrants by virtue of her being the spouse of Mr. Wan.

Save as disclosed above, as at 30 September 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 30 September 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 30 September 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 30 September 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 third quarterly results for the nine months ended 30 September 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 announcement, 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, 11 November 2010

This announcement will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.chinadigitallic.com.