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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)

VERY SUBSTANTIAL ACQUISITION

**INVOLVING THE
ACQUISITION OF 25%
EQUITY INTERESTS IN
SOCLE LIMITED**

AND

RESUMPTION OF TRADING

Financial adviser to the Company



INCUB Corporate Finance Limited

THE AGREEMENT

The Board is pleased to announce that on 14 January 2011 (after trading hours), the Purchaser entered into the Agreement with the Vendor and the Guarantor for the Acquisition. Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan. The Sale Shares represent 25% of the total issued share capital of the Target Company.

The Consideration is US\$3,810,300 (equivalent to approximately HK\$29,720,340), which shall be payable (i) as to US\$500,000 (equivalent to approximately HK\$3,900,000) in cash (can be settled in other currency as the Purchaser and the Vendor may agree) within five (5) Business Days from the date of the Agreement as Deposit; (ii) as to US\$1,500,000 (equivalent to approximately HK\$11,700,000) in cash (can be settled in other currency as the Purchaser and the Vendor may agree) upon Completion; and (iii) as to US\$1,810,300 (equivalent to approximately HK\$14,120,340) by the Purchaser by procuring the Company to allot and issue the Consideration Shares at the Issue Price upon Completion.

The Acquisition is subject to fulfillment of the conditions precedents as detailed in the paragraph headed “Conditions precedent” in this announcement, including but not limited to the completion of Reorganization. Upon Completion, the Company shall allot and issue to the Vendor the Consideration Shares and upon which the Company will be interested in 25% equity interests in the Target Company. The Target Company will be accounted for as an associated company of the Company upon Completion.

Upon completion of the Reorganization, the Target Group will be engaged in the provision of professional sports events and entertainment content mainly in the PRC.

IMPLICATION OF THE LISTING RULES

The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules.

GENERAL

As more time is needed to prepare the financial information of the Enlarged Group to be included in the circular in relation to the Acquisition, a circular containing, among other things, further details of the Acquisition and a notice convening the EGM will be despatched to the Shareholders on or before 11 April 2011.

SUSPENSION AND RESUMPTION OF TRADING

Trading of the Shares has been suspended with effect from 9:30 a.m. on 17 January 2011 pending the release of this announcement. Trading of the Shares will resume at 9:30 a.m. on 24 January 2011.

The Board is pleased to announce that on 14 January 2011 (after trading hours), the Purchaser entered into the Agreement with the Vendor and the Guarantor for the Acquisition.

THE AGREEMENT

Date: 14 January 2011 (after trading hours)

Parties:

Purchaser: the Purchaser, a wholly-owned subsidiary of the Company

Vendor: Mr. Chang Li Cheng

Guarantor: Mr. Li Yidong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the Guarantor are both Independent Third Parties. Save as being the key management of the Target Group, the Vendor and the Guarantor is independent to each other.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan.

The Sale Shares represent 25% of the total issued share capital of the Target Company. As at the date of the Agreement, the Target Company is beneficially owned as to 100% by the Vendor.

As at 31 December 2010, there is no shareholders' loan outstanding of the Target Group. In the event there is any shareholders' loan at Completion, the Sale Loan will be assigned to the Purchaser.

Consideration

The Consideration is US\$3,810,300 (equivalent to approximately HK\$29,720,340), which shall be payable in the following manner:

- i. as to US\$500,000 (equivalent to approximately HK\$3,900,000) in cash (can be settled in other currency as the Purchaser and the Vendor may agree) which was paid within five (5) Business Days from the date of the Agreement as Deposit, and will be settled as part of the Consideration upon Completion;
- ii. as to US\$1,500,000 (equivalent to approximately HK\$11,700,000) in cash (can be settled in other currency as the Purchaser and the Vendor may agree) which will be payable upon Completion; and
- iii. as to US\$1,810,300 (equivalent to approximately HK\$14,120,340) payable by the Purchaser by procuring the Company to allot and issue the Consideration Shares at the Issue Price to the Vendor upon Completion.

As a security for the repayment of the Deposit by the Vendor, a share charge in respect of 25% equity interests in the Target Company has been executed by the Vendor in favour of the Purchaser.

As a security for the Profit Guarantee, 14,000,000 Shares, being the Escrow Consideration Shares will be escrowed by the Company or its nominee and will only be released to the Vendor upon fulfillment of the Profit Guarantee. In case if the Profit Guarantee is not fulfilled, all or part of the Escrow Consideration Shares will be sold for compensation to the Purchaser for the shortfall.

The Consideration was agreed between the Vendor and the Purchaser after arm's length negotiations.

The Consideration represents a price-earnings multiples of approximately 7.6206 times of the Profit Guarantee (as disclosed in the following section) and equity interests to be acquired in the Target Company (i.e. $\text{US\$2,000,000} \times 7.6206 \times 25\% = \text{US\$3,810,300}$). The Directors consider that such price-earnings multiples is a reasonable price-earnings ratio for investment after considering the price-earnings multiples of 11 companies listed on the Stock Exchange (including China Star Entertainment Limited, A8 Digital Music Holdings Limited, Orange Sky Golden Harvest Entertainment (Holdings) Limited, Mei Ah Entertainment Group Limited, SMI Corporation Limited, eSun Holdings Limited, China Mandarin Holdings Limited, Global Digital Creation Holdings Limited, Imagi International Holdings Limited, China 3D Digital Entertainment Limited and Universe International Holdings Limited) engaged in entertainment and/or licensing of entertainment contents business which is similar to the principal business of the Target Group ranging from approximately 0.34 to approximately 85.45, price-earnings multiples of 7.6206 is at the low end.

In addition, having considered that (i) the business development and prospects of the Target Group in the medium to long term; (ii) the profitable performance of the Target Group in the past and the Profit Guarantee; (iii) in case if the Profit Guarantee is not fulfilled, the Consideration will be adjusted downwards; (iv) the arrangement for the Escrow Consideration Shares and (v) the six (6) months lock-up period of the Consideration Shares (other than the Escrow Consideration Shares) to ensure the Vendor will not dispose of the Consideration Shares immediately upon Completion as a mean to stabilize the trading volume and price of Shares, the Directors consider that the Consideration is fair and reasonable and the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The cash portion of the Consideration is intended to be funded by the internal resources of the Group.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (1) all necessary consents and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the acquisition of Sale Shares and the Sale Loan having been obtained;

- (2) all necessary consents and approvals required to be obtained on the part of the Purchaser and the Company in respect of the acquisition of Sale Shares and the Sale Loan having been obtained;
- (3) there does not exist any matter, fact or circumstance which constitutes, or may constitute a breach of the warranties provided by the Vendor and terms of the Agreement;
- (4) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (5) the passing by the Shareholders at the EGM to be convened and held of ordinary resolution(s) to approve the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares;
- (6) the obtaining of a PRC legal opinion from the PRC legal adviser in form and substance satisfactory to the Purchaser in relation to the legality and the validity in respect to the establishment and subsistence of the Beijing Company and the Shanghai Company as part of the Reorganization;
- (7) the Purchaser being satisfied with the results of the due diligence review on the Target Group;
- (8) the audited consolidated net profit before taxation of the Target Company for the year ended 31 December 2010 is not less than US\$1,000,000; and
- (9) the completion of the Reorganization in the form satisfactory to the Purchaser.

Conditions (1), (3) (7) and (8) above are waivable by the Purchaser under the Agreement while all the other conditions are incapable of being waived. The Purchaser has no current intention to waive such conditions as at the date of this announcement. The Directors are of the view that the conditions (1), (3) (7) and (8) above are waivable by the Purchaser under the Agreement is in the interest of the Company and its Shareholders as a whole after taken into account the rights to waive such condition(s) are solely granted to the Purchaser and allows the Purchaser to have more flexibility to proceed Completion.

Completion

Completion shall take place within three (3) Business Days after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

Upon Completion, the Company shall allot and issue to the Vendor the Consideration Shares (save as the Escrow Consideration Shares which will be released to the Vendor upon fulfillment of the Profit Guarantee) and upon which the Company will be interested in 25% equity interests in the Target Company. The Target Company will be accounted for as an associated company of the Company upon Completion.

The Group will appoint one director to the board of directors of each of the companies in the Target Group upon Completion. The Company does not have intention to change the board composition of the Group (neither the Vendor nor the Guarantor will be appointed as Director) and its existing business of digital copyright management solution and the related consultancy services, the digital content licensing solution and the distribution of copyright protected items and e-learning business upon Completion. As at the date of this announcement, the Directors confirm that the Company has not entered into and has no intention to enter into any agreement, understanding or negotiation to dispose of or discontinue its existing business.

Long stop date

If the Completion does not take place on or before the Long Stop Date as a result of the sole default of the Purchaser, the Vendor shall be entitled to forfeit the Deposit paid by the Purchaser (not as penalty) and neither party shall have any obligations and liabilities towards each other and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

If the Completion does not take place on or before the Long Stop Date as a result of the sole default of the Vendor, the Vendor shall forthwith refund the Deposit paid by the Purchaser together with a sum equivalent to the Deposit as liquidated damages (and not as penalty) to the Purchaser and neither party shall have any obligations or liabilities towards each other and neither party shall take any action to claim for damages or to enforce specific performance or any other rights or remedies.

If the Completion does not take place on or before the Long Stop Date otherwise than as a result of the sole default of the Purchaser or the Vendor, the Vendor shall forthwith refund the Deposit to the Purchaser and neither party shall have any obligations or liabilities towards other and neither party shall take any action to claim for damages or to enforce specific performance or any other rights or remedies.

PROFIT GUARANTEE

Pursuant to the Agreement, the Vendor covenants and guarantees to the Purchaser that, the audited consolidated net profit after taxation of the Target Company, based on the financial statements prepared in accordance with Hong Kong Financial Reporting Standards and to be audited by an accounting firm approved by the Purchaser for the financial year ending 31 December 2011 shall not be less than the Profit Guarantee of US\$2,000,000.

Consideration Adjustment

In the event the Actual Net Profit is less than the Profit Guarantee, the Vendor shall compensate the Purchaser an amount of shortfall (“**Shortfall**”) equivalent to:

$$\text{Shortfall} = (\text{Profit Guarantee} - \text{Actual Net Profit}) \times 7.6206 \times 25\%$$

For the avoidance of doubt, in case if there is loss for the Target Company, the Shortfall shall be:

$$\text{Shortfall} = (\text{Profit Guarantee} + \text{actual loss (expressed in positive value)}) \times 7.6206 \times 25\%$$

If the net proceeds from selling part of the Escrow Consideration Shares (through open market at the then prevailing market price of the Shares) is sufficient to cover the Shortfall, the remaining Escrow Consideration Shares will be released to the Vendor. In case if the net proceeds from selling all the Escrow Consideration Shares (through open market at the then prevailing market price of the Shares) is insufficient to cover the Shortfall in full, the Vendor will compensate the Purchaser the remaining amount of the Shortfall in cash within seven (7) Business Days after the sale of the Escrow Consideration Shares.

If the Profit Guarantee is fulfilled, the Escrow Consideration Shares will be released to the Vendor in accordance with the escrow agreement has been executed by the Company, the Vendor and the Purchaser.

The Profit Guarantee was arrived at after arm's length negotiation between the Purchaser and the Vendor with reference to the business prospects and business development of the Target Group.

PERSONAL GUARANTEE

By virtue of the Deed of Personal Guarantee executed by the Guarantor on 14 January 2011 (after trading hours), the Guarantor has irrevocably and unconditionally given the personal guarantee in favour of the Purchaser to guarantee the due and punctual performance of the obligations of the Vendor under the Agreement, including but not limited to the Reorganization and the Profit Guarantee.

CONSIDERATION SHARES

The number of Consideration Shares of 26,100,503 is the quotient of US\$1,810,300 x 7.7856 (being the exchange rate of The Hongkong and Shanghai Banking Corporation at 12:00 noon on 14 January 2011) divided by the Issue Price of HK\$0.54 per Consideration Share.

The Consideration Shares will be allotted and issued at an Issue Price of HK\$0.54 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares (save for Escrow Consideration Shares) including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

- (i) a discount of approximately 3.57% to the closing price of HK\$0.56 per Share as quoted on the Stock Exchange on 13 January 2011, being the last trading day immediately prior to the entering into of the Agreement;

- (ii) a premium of approximately 6.93% over the average of the closing prices of HK\$0.505 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 13 January 2011, being the last trading day immediately prior to the entering into of the Agreement; and
- (iii) a premium of approximately 8.32% over the average of the closing prices of HK\$0.4985 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 13 January 2011, being the last trading day immediately prior to the entering into of the Agreement.

The Issue Price was determined by the Board after taking into consideration of the prevailing trading volume and prices of the Shares and the Directors consider that the Issue Price is fair and reasonable.

The 26,100,503 Consideration Shares represent approximately 1.19% of the existing issued share capital of the Company and approximately 1.18% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM and will be allotted and issued on the date of Completion.

In addition, the Vendor undertakes to and covenants with the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling six (6) months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of such Consideration Shares (other than the Escrow Consideration Shares), or any interests therein or grant any options or rights in respect of more than such amount of Consideration Shares without prior approval from the Purchaser.

NON-COMPETITION

Each of the Vendor and the Guarantor will enter into a non-competition undertaking in favour of the Target Group upon Completion, in which each of them unconditionally and irrevocably undertakes and confirms that within two (2) years from the date of Completion:

- (i) each of them will not either directly or indirectly either as principal or agent (through any company, partnership, joint venture or other contractual arrangement), operate, engage, invest in or interest in any business similar to that of the Target Group or other business which compete or may compete with that the Target Group (the “Non-Compete Business”) in the PRC (including Hong Kong, Taiwan and Macau) (the “Region”) for the purpose of profit making or any other reasons;

- (ii) each of them will not directly or indirectly either as principal or agent (through any company, partnership, joint venture or other contractual arrangement) take any action which is disruptive or destructive to the business of the Target Group;
- (iii) each of them will not, without the consent of the Group, solicit or endeavour to entice away from or discourage from being employed by the Target Company or the Target Group any person who is a director, manager, or employee of the Target Group;
- (iv) when there come to them any opportunities to investment in the Non-Compete Business or other new project or business, they will (a) notify the Target Group in writing and give the Target Group the first priority in considering whether to take up those projects; and (b) supply to the Target Group the information upon request to facilitate the project evaluation; and
- (v) indemnify the loss for the breach of undertaking in the non-competition undertaking by them.

APPLICATION FOR LISTING

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement and before Completion; (ii) immediately after Completion and the allotment and issue of the Consideration Shares.

Shareholders	As at the date of this announcement and before Completion		Immediately after Completion and the allotment and issue of the Consideration Shares	
	Number of Shares	Approximately %	Number of Shares	Approximately %
Manciple Enterprises Limited	482,698,238	21.99%	482,698,238	21.73%
Eagle Strategy Limited	15,000,000	0.68%	15,000,000	0.68%
Chan Yiu Kan Katie	4,500,000	0.21%	4,500,000	0.20%
<i>Subtotal (Note 1)</i>	502,198,238	22.88%	502,198,238	22.61%
The Vendor and his associates (Note 2)	–	–	26,100,503	1.18%
Directors (Note 3)				
Pang Hong Tao	42,800,000	1.95%	42,800,000	1.93%
Hsu Tung Sheng	19,000,000	0.87%	19,000,000	0.86%
Au Shui Ming, Anna	54,500,000	2.48%	54,500,000	2.45%
Ma She Shing, Albert	28,870,000	1.31%	28,870,000	1.30%
<i>Subtotal</i>	145,170,000	6.61%	145,170,000	6.54%
Public	1,547,717,405	70.51%	1,547,717,405	69.67%
Total	<u>2,195,085,643</u>	<u>100.00%</u>	<u>2,221,186,146</u>	<u>100.00%</u>

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. These 26,100,503 Shares represent the number of Consideration Shares to be issued to the Vendor pursuant to the Agreement.

3. Mr. Pang Hong Tao is an executive Director and chairman of the Company. Mr. Hsu Tung Sheng is an executive Director and chief executive officer of the Company. Ms. Au Shui Ming, Anna is an executive Director and Mr. Ma She Shing, Albert is a non-executive Director.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company.

Since its commencement of business in 2004, the business of the Target Group has been growing. At present, the Target Group is one of the leading professional sports events and entertainment content providers in the PRC. With its partnership with various professional sports events content providers, the Target Group is well-positioned to cater for the demand of the vast and ever-increasing number of audiences in the PRC, Asia and other regions, with premium sports and quality entertainment content. As advised by the Vendor, the business of the Target Group is the provision of professional sports events and entertainment content which does not require any permits, license or right.

The major costs of the Target Group were the license fee for obtaining exclusive professional sports events content through the license agreement between the Target Group and the licensors. The Target Group has obtained the exclusive right of three major professional sports events content from its licensors which contributed over 80% revenue of the Target Group, namely China Basketball Association (CBA) (中國男子籃球職業聯賽) since 2005, the China Football Association Super League (CSL) (中國足球協會超級足球聯賽) since 2007 and the AFC Champions League (亞足聯冠軍聯賽) since 2009. The terms of such license agreements are usually made with reference to the terms of such sports events or leagues, ranging from a period of four (4) years to seven (7) years. The Target Group has also obtained other exclusive professional sports events and entertainment contents which contributed approximately 20% revenue of the Target Group such as the FIFA World Cup Qualification, the AFC Asian Cup, the Mission Hills World Cup, FIFA Club World Cup and the FIVB Volleyball World Championships, etc.. Through the arrangement of the Target Group, the above mentioned popular professional sports events programs has been distributed in the PRC, Asia and other regions through various traditional and contemporary media and channels, such as television, the Internet and other new media (and multimedia) and such provision of professional sports events and entertainment content captures over 50% of the market share of the professional sports events programs in the PRC, with a total of over 2,000 hours of sports events and sports programs per year.

Details of the key professional sports events of the Target Group which contributed over 80% revenue of the Target Group:

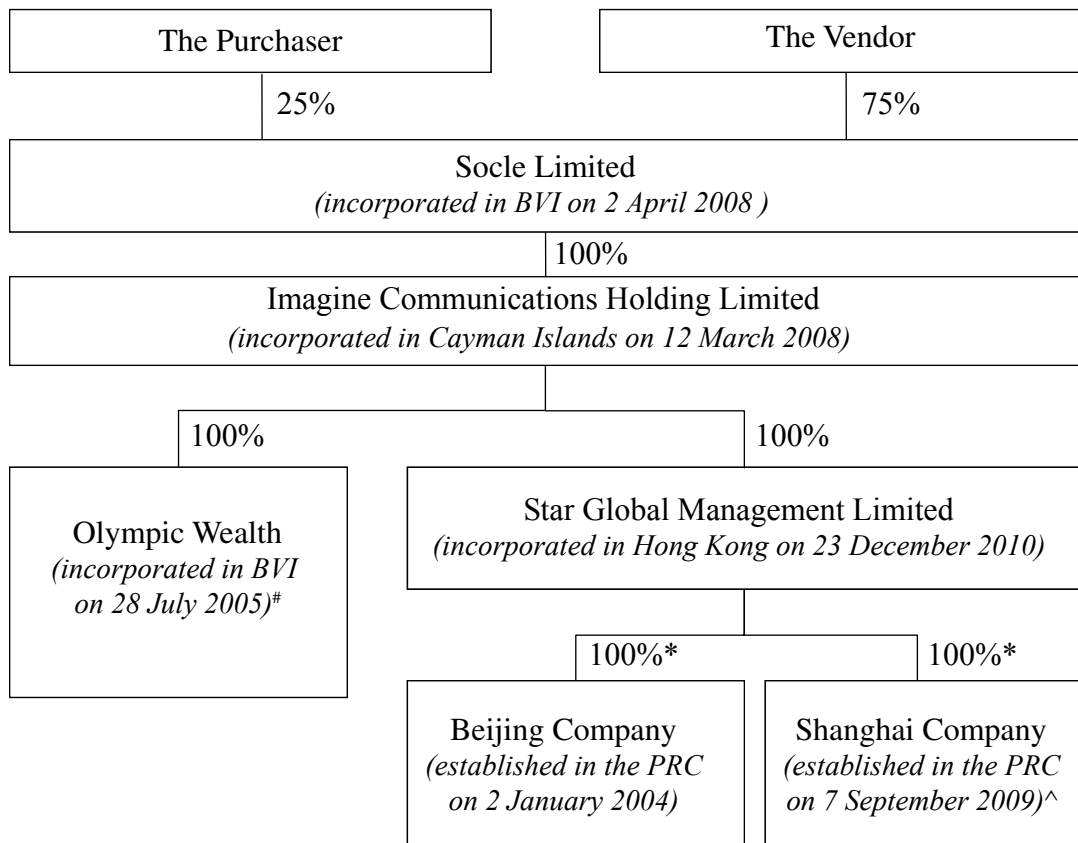
Date of agreement	Professional sports events	Valid period of the agreement	Licensor	Major customers	Valid period of major customers' agreement
16.02.2007	The China Football Association Super League	01.01.2007 to 31.12.2011	CSL Limited Company (中超聯賽有限責任公司)	<ol style="list-style-type: none"> 1. Shanghai Media Group, Inc. (上海東方傳媒集團有限公司) 2. Beijing Television Station (北京電視台) 3. Sina (新浪) 4. Tianjin Television Station (天津電視台) 5. Shenzhen Television Station (深圳電視台) 	Valid until 31.12.2011 and will be renewed after expiry upon mutual agreement between the Target Group and customers
01.10.2005	China Basketball Association	01.11.2005 to 30.06.2012	China Basketball Association (中國籃球協會)	<ol style="list-style-type: none"> 1. Guangdong Television Station (廣東電視台) 2. Beijing Television Station (北京電視台) 3. Shanghai Media Group, Inc. (上海東方傳媒集團有限公司) 4. CCTV (中央電視台) 5. Jiangsu Television Station (江蘇電視台) 	Valid until 31.05.2011 and will be renewed after expiry upon mutual agreement between the Target Group and customers

Date of agreement	Professional sports events	Valid period of the agreement	Licensor	Major customers	Valid period of major customers' agreement
17.02.2009	AFC Champions League	01.01.2009 to 31.12.2012	World Sport Group	<ol style="list-style-type: none"> 1. CCTV (中央電視台) 2. Guangdong Television Station (廣東電視台) 3. Shanghai Media Group, Inc. (上海東方傳媒集團有限公司) 4. Tianjin Television Station (天津電視台) 5. Beijing Television Station (北京電視台) 	Valid until 31.12.2012 and will be renewed after expiry upon mutual agreement between the Target Group and customers

The revenue of the Target Group was derived from licensing of professional sports events and entertainment content to media and channels in the PRC and overseas media on a fix annual income basis. Currently, the Target Group has maintained a long term business relationship with well-known media and channels in the PRC and overseas media as its customers, such as Beijing Television Station (北京電視台), CCTV (中央電視台), Guangdong Television Station (廣東電視台), Xian Television Station (西安電視台), Tianjin Television Station (天津電視台), Jiangsu Broadcasting Corporation (江蘇電視台), Sohu (搜狐), Sina (新浪), YouKu (優酷) and World Sport Group, etc.. Since the commencement of business of the Target Group, most of the contracts entered into between the Target Group and the above mentioned media and channels in the PRC and overseas media for provision of professional sports events and entertainment are ranging from a period of one (1) year to four (4) years.

Target Group's structure

Set out below is the group structure of the Target Group immediately after Completion:



* *subject to completion of the Reorganization.*

[^] *Shanghai Company has been granted local government subsidy in relation to local business and profits tax.*

[#] *Olympic Wealth became a wholly-owned subsidiary of Imagine Communications Holding Limited on 5 March 2010.*

Upon completion of the Reorganization, there are three major operating subsidiaries of the Target Group, namely Olympic Wealth, Shanghai Company and Beijing Company which are principally engaged in the provision of professional sports events and entertainment content mainly in the PRC.

Financial information on the Target Group

As advised by the Vendor, the Target Company, Imagine Communications Holding Limited and Star Global Management Limited are investment holding companies. These three companies have no business operation since its respective date of incorporation. Therefore, Olympic Wealth, Shanghai Company and Beijing Company are the major operating subsidiaries of the Target Group before completion of the Reorganization. The consolidated financial statements of the Target Company will be provided in the accountants' report of the Target Group in the circular in relation to the Acquisition to be despatched to the Shareholders.

Set out below is the unaudited financial information of Olympic Wealth based on its management account:

	From 5 March 2010 to 31 December 2010 (unaudited) HK\$'000
Turnover	5,507
Net profit before taxation	5,508
Net profit after taxation	5,508
	As at 31 December 2010 (unaudited) HK\$'000
Net asset value	5,508

Set out below is the unaudited financial information of Shanghai Company based on its management account prepared in accordance with the PRC accounting standards:

	Financial year ended 31 December 2009 (unaudited) RMB'000	Financial year ended 31 December 2010 (unaudited) RMB'000
Turnover	100	36,417
Net profit/(loss) before taxation	(2)	12,141
Net profit/(loss) after taxation	(2)	10,464
	As at 31 December 2009 (unaudited) RMB'000	As at 31 December 2010 (unaudited) RMB'000
Net asset value	1,998	13,330

Set out below is the unaudited financial information of Beijing Company based on its management account prepared in accordance with the PRC accounting standards:

	Financial year ended 31 December 2009 (unaudited) RMB'000	Financial year ended 31 December 2010 (unaudited) RMB'000
Turnover	76,720	39,468
Net profit/(loss) before taxation	669	(7,630)
Net profit/(loss) after taxation	502	(7,850)
	As at 31 December 2009 (unaudited) RMB'000	As at 31 December 2010 (unaudited) RMB'000
Net asset value/(net liabilities)	5,866	(6,254)

INFORMATION OF THE VENDOR

The Vendor is the shareholder and the director of the Target Company since November 2009. The Vendor has 27 years of experience in advertising, and traditional and new media and sports marketing. The Vendor previously served as Vice President of SINA Greater China Area Union of sina.com since 2001, and was responsible for global operations, brand integration, marketing and online media sales. The Vendor was promoted to Chief Marketing Officer and External Vice President of SINA Corporation (NASDAQ: SINA) in 2003. Prior to joining SINA, the Vendor was the General Manager of Grey Advertising Taiwan, being one of the famous 4A advertising companies from 1992 to 2000. The Vendor received his EMBA degree from the International Business Institute of Management College of Taiwan University (台灣大學管理學院) and his Bachelor's degree from Taiwan Fu Jen University (台灣輔仁大學). The Vendor will continue to serve as key management of the Target Group and will enter into employment contract with the Target Group upon Completion.

INFORMATION OF THE GUARANTOR

The Guarantor holds a bachelor of art from the Fudan University (major in foreign languages and literature) and was granted Master of Management in Sports Management program jointly delivered by Tsinghua University in Beijing, and University of Technology, Sydney. The Guarantor has been the key management of the Beijing Company and Shanghai Company since its date of establishment. Prior to joining the Beijing Company, The Guarantor was a manager in the licensing department of a sports information broadcasting company in the PRC. The Guarantor will continue to serve as key management of the Target Group and will enter into employment contract with the Target Group upon Completion.

REASONS FOR THE ACQUISITION

The Group is currently engaged in the provision of digital copyright management solution and the related consultancy services, the digital content licensing solution and the distribution of copyright protected items (such as online entertainment and media related items) through Far Glory Limited and its subsidiaries. The Group is also engaged in e-learning business.

The Board considers that the Acquisition represents a strategic opportunity to the Group to strengthen its digital copyright management solution business and enrich the variety of licensed content of the Group.

With the estimated growth in sports entertainment market in the PRC, the rising interests of the general public in the international and local sports events after the 2008 Beijing Olympics Games and the PRC government supportive attitude towards the sports events, the Company is optimistic about the prospects of the sports entertainment market and the Directors are confident that the sports events and entertainment content of the Target Group will enrich the existing music and entertainment content of the Group that will contribute positively to the Group.

The Group is currently providing the exclusive licensed music content authorized by avex (the largest record label in Asia) on the mobile music platform developed by China Unicom and will further enrich the music content with the exclusive licensed music content authorized by Universal, Warner and Sony of up to 450,000 pieces of music content retrieved from domestic and overseas music libraries of the top three record labels to China Unicom. With the addition of sports events and entertainment content of the Target Group, there will be synergizing effect with the existing music content business of the Group that will strengthen the Group's position as a quality digital content provider for our customers in various media and channels. Moreover, leveraging on the established business relationship between China Unicom and the Group, the Target Group is expected to capture new customers in the PRC through the provision of professional sports events and entertainment content to the telecommunication industry.

With the significant break-through in obtaining music content and professional sports events and entertainment contents (upon Completion), the Group will expand its business into the provision of entertainment and innovative content to users via telecommunications service providers, Internet, vehicle network/GPS and handset television. Looking forward, the Group will gradually standardize and unify the content and management system for digital copyrights with the largest specialized MTV channel and online video entertainment provider in the PRC to benefit the relevant government authorities, consumers, digital contents/internet/digital channel providers and create a win-win situation.

The Directors view that the Acquisition is in the interest of the Group and the Shareholders as a whole in view of its profitability potential in the future.

GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. Accordingly, no Shareholder is required to abstain from voting for the resolutions to approve the Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

As more time is needed to prepare the financial information of the Enlarged Group to be included in the circular in relation to the Acquisition, a circular containing, among other things, further details of the Acquisition and a notice convening the EGM will be despatched to the Shareholders on or before 11 April 2011.

RESUMPTION OF TRADING

Trading of the Shares has been suspended with effect from 9:30 a.m. on 17 January 2011 pending the release of this announcement. Trading of the Shares will resume at 9:30 a.m. on 24 January 2011.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loan (if any) on the terms contained in the Agreement
“Actual Net Profit”	the actual audited consolidated net profit after taxation of the Target Company, based on the financial statements prepared in accordance with Hong Kong Financial Reporting Standards for the financial year ending 31 December 2011
“Agreement”	the conditional agreement dated 14 January 2011 entered into among the Purchaser, the Vendor and The Guarantor in relation to the Acquisition
“associates”	has the same meanings ascribed to such term under the GEM Listing Rules

“Beijing Company”	體奧動力(北京)體育傳播有限公司 (unofficial English name as China Sports Media Limited), a limited company established in the PRC, one of the principal operating subsidiaries of the Target Group upon completion of the Reorganization
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	China Digital Licensing (Group) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected persons”	has the meanings ascribed thereto in the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being US\$3,810,300
“Consideration Shares”	the Shares to be issued and allotted to the Vendor as part of the Consideration, being 26,100,503 Shares
“Deed of Personal Guarantee”	the deed of personal guarantee in favor of the Purchaser executed by the Guarantor on 14 January 2011 (after trading hours) to guarantee the due and punctual performance of the Vendor in favour of the Purchaser under the Agreement
“Deposit”	a refundable deposit of US\$500,000 (equivalent to approximately HK\$3,900,000) paid by the Purchaser to the Vendor within five (5) Business Days from the date of the Agreement, which will be settled as part of the Consideration upon Completion
“Director(s)”	the director(s) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, among other matters, the Acquisition and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares

“Enlarged Group”	the Group as enlarged by the Acquisition
“Escrow Consideration Shares”	14,000,000 Consideration Shares to be escrowed by the Company or its nominee, which will be released to the Vendor upon fulfillment of the Profit Guarantee
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantor”	the guarantor to the Agreement, i.e. Mr. Li Yidong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meanings ascribed to it under the GEM Listing Rules)
“Issue Price”	HK\$0.54 per Consideration Share
“Long Stop Date”	30 June 2011 (or such later date as the Purchaser and the Vendor may agree), being the last day for the fulfillment or waiver of the conditions precedent of the Agreement
“Olympic Wealth”	Olympic Wealth Limited, a company incorporated in the British Virgin Islands with limited liability, one of the principal operating subsidiaries of the Target Group upon completion of the Reorganization
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Companies”	Shanghai Company and Beijing Company
“Profit Guarantee”	the profit guarantee that the audited consolidated net profit after taxation of the Target Company for the financial year ending 31 December 2011 will not be less than US\$2,000,000
“Purchaser”	Marvel Cosmos Limited, a company incorporated in BVI with limited liability, a wholly-owned subsidiary of the Company

“Reorganization”	the reorganization of the Target Group, as contemplated under the Agreement
“Sale Loan”	any and all obligations, indebtedness or liabilities due by the Target Group to the Vendor on Completion, whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion, 25% of which will be assigned by the Vendor to the Purchaser upon Completion by way of loan assignment agreement
“Sale Shares”	250 ordinary shares of the Target Company, representing 25% of the total issued share capital of the Target Company as at the date of the Agreement
“Shanghai Company”	上海壹體動力文化體育傳播有限公司 (unofficial English name as Shanghai YiTiDongLi Cultural and Sports Communications Limited), a limited company established in the PRC, one of the principal operating subsidiaries of the Target Group upon completion of the Reorganization
“Shares”	ordinary shares of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Socle Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor
“Target Group”	the Target Company and its subsidiaries
“Vendor”	the vendor to the Agreement, i.e. Mr. Chang Li Cheng
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America

“%”

per cent

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

Hong Kong, 21 January 2011

For the purpose of this announcement, unless otherwise indicated, conversions of US\$ into HK\$ is calculated at the approximate exchange rates of US\$1=HK\$7.8. This exchange rate are adopted for illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at these rates or any other rates at all.

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

This announcement, for which the Directors 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 Group. 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 in this announcement misleading.

This announcement will remain on 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.