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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)

**POSSIBLE EXTENSION OF TIME FOR
FULFILLMENT OF PROFIT GUARANTEE**

POSSIBLE EXTENSION OF TIME FOR FULFILLMENT OF PROFIT GUARANTEE

The Directors wish to announce that based on the unaudited management accounts of the Far Glory Group, the Far Glory Group is expected to incur losses for the year ended 31 December 2010 and as a result, the Average Guaranteed Profit cannot be achieved.

The Directors are actively negotiating with the Vendor and the Guarantor and considering a proposal for the settlement of the Shortfall, which may include extension of the time for fulfillment of an agreed guaranteed profit. Further announcement will be made as and when appropriate.

POSSIBLE EXTENSION OF TIME FOR FULFILLMENT OF PROFIT GUARANTEE

Reference is made to the circular of the Company dated 30 May 2008 (the “**Circular**”) in relation to the acquisition of 12% shareholding interest in Far Glory Limited (“**Far Glory**”) by the Company (the “**Acquisition**”). Far Glory and its subsidiaries (the “**Far Glory Group**”) is principally engaged in the provision of copyright management solution and the related consultancy services, the digital content licensing solution and the distribution of copyright protected items (such as on-line entertainment and media related items) in the PRC. Unless otherwise stated herein, terms used in the Circular shall have the same meaning as used therein.

As set out in the Agreement, the Vendor has warranted and the Guarantor has guaranteed in favour of the Group that the average of the audited consolidated net profits after tax and extraordinary or exceptional items of the Far Glory Group for the financial years ended 31 December 2009 and 31 December 2010 will not be less than HK\$15,000,000 (the “**Average Guaranteed Profit**”). In accordance with the Agreement, if the Average Actual Profit is less than HK\$15,000,000 (the “**Shortfall**”), the Vendor shall set off an amount, being the product of the Shortfall and the equity interests acquired by the Purchaser, against the fair value of the Second Convertible Bond with a principal amount of HK\$4,000,000 on a dollar to dollar basis. If the Shortfall exceeds the face value of the Second Convertible Bond, the Vendor shall compensate the Group in cash of such excess. In case of non-fulfillment of the Average Guaranteed Profit, the Shortfall needs to be settled in accordance with the Agreement unless otherwise agreed. As set out in the circular, the Company will publish an announcement when the Average Actual Profit and the amount and arrangement of the Shortfall compensation are ascertained.

Due to much longer than expected negotiation process between the Far Glory Group and the telecommunication operators as well as major record labels for the provision of licensed music content on the mobile music platform on an exclusive basis in the PRC, there has been unexpected delay in the business development of the Far Glory Group. However, the formal agreement of obtaining licensed music contents from major record labels was executed in the third quarter of 2010 and the formal agreement for the provision of licensed music content on the mobile music platform was executed in the fourth quarter of 2010. Such business has commenced operation in February 2011.

According to the audited accounts of the Far Glory Group, losses of approximately HK\$324,000 were incurred for the year ended 31 December 2009. Based on the unaudited management accounts of the Far Glory Group, the Far Glory Group is expected to incur losses for the year ended 31 December 2010 and as a result, the Average Guaranteed Profit may not be achieved. Taken into account that the Second Convertible Bond was escrowed by the Company and the face value of the Second Convertible Bond will be adjusted downwards, the Directors confirm that no material adverse financial impact on the Group is expected as a result of the possible non-fulfillment of the Average Guaranteed Profit.

Having considered the above mentioned progress in the business development of the Far Glory Group, the Directors are actively negotiating with the Vendor and the Guarantor and considering a proposal for the settlement of the Shortfall, which may include extension of the time for fulfillment of an agreed guaranteed profit. If such proposal for the settlement of the Shortfall has been reached, such settlement may constitute a connected transaction on the part of the Company. Further announcement will be made as and when appropriate.

By order of the Board of
China Digital Licensing (Group) Limited
Hsu Tung Sheng
Chairman

Hong Kong, 18 February 2011

As at the date of this announcement, the executive Directors are Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Mr. Pang Hong Tao and Ms. Au Shui Ming, Anna. 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.