THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Digital Licensing (Group) Limited** (the "**Company**"), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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)

(1) VERY SUBSTANTIAL ACQUISITION INVOLVING THE ACQUISITION OF 25% EQUITY INTERESTS IN SOCLE LIMITED; AND (2) NOTICE OF EGM

Financial Adviser to the Company

INCU Corporate Finance Limited

A notice convening an extraordinary general meeting of the Company to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong (the "**EGM**") on Thursday, 2 June 2011 at 11:00 a.m. is set out on pages 160 to 161 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its publication and on the website of the Company at www.chinadigitallic.com.

17 May 2011

CHARACTERISTICS OF GEM

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 Stock 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.

CONTENTS

In this circular, unless the context requires otherwise, the following 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 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 (Beijing) 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"	new Shares to be issued and allotted to the Vendor as part of the Consideration, being 26,100,503 new 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
"Latest Practicable Date"	12 May 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"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 BVI 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 circular, 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
"SFO"	the Securities and Futures Ordinance
"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, after completion of the Reorganisation
"Vendor"	the vendor to the Agreement, i.e. Mr. Chang Li Cheng
"Shenzhen Company"	深圳創展企業形象策劃有限公司 (unofficial English name as Shenzhen Chuangzhan Corporate Image Planning Limited), a limited company established in the PRC, one of the subsidiaries of the Target Group
"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

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)

Executive Directors:
Mr. Hsu Tung Sheng
Mr. Hsu Tung Chi
Mr. Pang Hong Tao
Ms. Au Shui Ming, Anna

Independent non-executive Directors:
Mr. Lee Kun Hung
Mr. Kwok Chi Sun, Vincent
Mr. Wong Tak Shing

Registered office:
Caledonian Bank & Trust Limited
Caledonian House
P.O. Box 1043, George Town
Grand Cayman, Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 1601, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central, Hong Kong

17 May 2011

(1) VERY SUBSTANTIAL ACQUISITION INVOLVING THE ACQUISITION OF 25% EQUITY INTERESTS IN SOCLE LIMITED; AND (2) NOTICE OF EGM

A. INTRODUCTION

Reference is made to the announcement dated 21 January 2011, in which the Board announced that the Purchaser entered into the Agreement with the Vendor and the Guarantor for the Acquisition.

The purpose of this circular is to provide you with, among other matters, further details regarding the Agreement and the transactions contemplated thereunder and a notice convening the EGM.

B. 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 as disclosed in this circular, 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 100% beneficially owned 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:

(a) 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;

(b) 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

(c) 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.

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

The Consideration represents a price-earnings multiple 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. US$2,000,000 x 7.6206 x 25% = US$3,810,300). The Directors consider that such price-earnings multiple 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 times to approximately 85.45 times, the price-earnings multiples of 7.6206 is at the low end.

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. The above-mentioned share charge will be released for the purpose of Completion.

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 through open market at the then prevailing market price of the Shares for compensation to the Purchaser for the shortfall.

Based on 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, the value of the Escrow Consideration Shares is approximately HK$7,840,000 (approximately US$971,000), representing approximately 25% of the Consideration. The amount of Escrow Consideration Shares was determined between the Vendor and the Purchaser after arm's length negotiations after considering (i) the arrangement of consideration adjustment in case of non-fulfillment of Profit Guarantee of US$2,000,000; and (ii) approximately 47.5% of the Consideration could be satisfied by Consideration Shares which imposes less cash outlay burden on the Group for the Acquisition. For illustrative purpose, in case of the Actual Net Profit is US$1,500,000 (as a 25% discount to the US$2,000,000 Profit Guarantee) or more but not more than US$2,000,000, the Consideration will be adjusted downwards by a maximum of approximately US$953,000 (i.e. Shortfall), representing approximately 25% of the Consideration and all Escrow Consideration Shares will be sold through open market at the then prevailing market price of the Shares for compensation to the Purchaser for the Shortfall. In case of a greater Shortfall of more than US$953,000, the Vendor will compensate the Purchaser the remaining amount of the Shortfall in cash after the sale of the Escrow Consideration Shares. In view of the above, not all Consideration Shares will be escrowed as security accordingly.

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 the 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 (including completion of the control agreements) in the form satisfactory to the Purchaser.

Conditions (1), (3), (7) and (8) above are waivable by the Purchaser under the Agreement while all other conditions are incapable of being waived. The Purchaser has no current intention to waive any conditions as at the Latest Practicable Date. 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. As at the Latest Practicable Date, none of the conditions has been fulfilled.

For the fulfillment of Condition 8 under the Agreement, pro forma combined statements of the Target Company, the Beijing Company and the Shanghai Company for the year ended 31 December 2010 will be prepared by management and reviewed by the auditor of the Group. Subject to the issue of the pro forma combined statements (which is expected to be ready by 20 May 2011) prepared by the management and the review of the auditor of the Group, the combined net profit before taxation of the Target Company, the Beijing Company and the Shanghai Company for the year ended 31 December 2010 will be not less than US$1,000,000.

Completion

Completion shall take place within three (3) Business Days after all the conditions of the Agreement have been fulfilled or waived (as the case may be) 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 Directors confirmed that the Acquisition will not result in a change of control of the Company.

The Group will appoint one director to the board of directors of each of the companies in the Target Group upon Completion.

Long stop date

If 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 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 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.

Consideration adjustments

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.

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:

Shortfall = (Profit Guarantee – Actual Net Profit) x 7.6206 x 25%

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

Shortfall = (Profit Guarantee + actual loss (expressed in positive value)) x 7.6206 x 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 which will be executed by the Company, the Vendor and the Purchaser upon Completion.

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.

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;

(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, and

(iv) a premium of approximately 45.95% over the closing price of HK$0.37 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was determined by the Board after taking into consideration of the prevailing trading volume and prices of the Shares at the time of entering into of the Agreement and the Directors considered 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.

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.

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. 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 have 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. 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. will not, without the consent of the Target 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. will indemnify the loss for the breach of undertaking in the non-competition undertaking by them.

Application for listing

Application has been 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 Latest Practicable Date and before Completion; (ii) immediately after Completion and the allotment and issue of the Consideration Shares.

Shareholders	As at the Latest Practicable Date		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%
Sub-total *(Note 1)*	502,198,238	22.88%	502,198,238	22.61%
The Vendor and his associates *(Note 2)*	700,000	0.03%	26,800,503	1.21%
Directors				
Hsu Tung Sheng *(Note 3)*	19,000,000	0.87%	19,000,000	0.86%
Pang Hong Tao *(Note 3)*	42,800,000	1.95%	42,800,000	1.93%
Au Shui Ming, Anna *(Note 3)*	54,500,000	2.48%	54,500,000	2.45%
Hsu Tung Chi *(Note 4)*	60,070,000	2.74%	60,070,000	2.70%
Sub-total	176,370,000	8.04%	176,370,000	7.94%
Public	1,515,817,405	69.05%	1,515,817,405	68.24%
Total	2,195,085,643	100.00%	2,221,186,146	100.00%

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 As at the Latest Practicable Date, the Vendor is interested in 700,000 Shares. Upon Completion, 26,100,503 Consideration Shares will be issued to the Vendor pursuant to the Agreement. At the EGM, the Vendor will be abstained from voting in relation to the ordinary resolution(s) to approve the Agreement and transactions contemplated thereunder.

3 Mr. Hsu Tung Sheng is an executive Director and chairman of the Company. Mr. Pang Hong Tao and Ms. Au Shui Ming, Anna are executive Directors.

4 Mr. Hsu Tung Chi is an executive Director and chief executive officer of the Company. He is interested in 60,070,000 Shares in which 41,070,000 Shares is held under Daily Technology Company Limited, a company beneficially owned as to 98% by Mr. Hsu Tung Chi. Under the SFO, Mr. Hsu Tung Chi is deemed to be interested in the 41,070,000 Shares Daily Technology Limited interested in.

Information of the Vendor

The Vendor has been the shareholder and the director of the Target Company since November 2009. The Vendor has 27 years of experience in advertising, both traditional and new media as well as sports marketing. 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. For the biography of the Vendor, please refer to the section "Management expertise" under "INFORMATION OF THE TARGET GROUP" in the following section.

Information of the Guarantor

The Guarantor has been the key management of the Beijing Company and Shanghai Company since its date of establishment. 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. For the biography of the Guarantor, please refer to the section "Management expertise" under "INFORMATION OF THE TARGET GROUP" in the following section.

C. INFORMATION OF THE TARGET GROUP

1. Industry overview and regulatory framework

(I) Characteristics of sports industry in the PRC and the businesses engaged by the Target Group

Pursuant to 11th Five-Year Plan of Sports Industry issued on 15 December 2006, sportswear industry has been transforming from product operation to brand operation. China has become the largest production base of sportswear in the world. Besides sportswear industry, other sports industry is generally in its early stage of development and its development is far behind that of the developed countries in the West:

- the sports industry in China only represents a relatively low percentage in the Gross Domestic Product ("GDP") of the PRC, so that the potential and strength for developing into an emerging industry has yet to see.

- No market leader exists in the sports industry and the competitiveness is weak. The market mechanism for sports resources allocation is inefficient accordingly.

- The imbalance development and unsound structure of the sports industry becomes an impediment for the sports service industry to become the backbone of the sports industry.

- The sports market is immature with the absence of regulated management and poor monitoring system.

- The sports industry lacks talents for high-quality operation, and the operation and management level is low.

The business of sport events and entertainment contents provision in which the Target Group is engaging emphasizes the timely, standardized and non-duplicable nature of sport events. Moreover, those sports events are under demand of high-quality, large-scale, being linked and synchronized with the international events. Television and new media has been the media platform that are able to timely reflect and deliver such characteristics of sports. In recent years, the development of the technology application and the new media as a new platform has highlighted the degree of interactivity and convenience as demanded by the general public for different sports programs. These television stations and new media rely on intermediary like the Target Group to access different types of high-quality professional sports events and entertainment contents. On the other hand, the Target Group also relies on these television stations and new media to promote the popularity of these professional sports to the mass audience because (i) television stations and new media provide nationwide coverage with immense population in the PRC and other Asia regions; (ii) such income as the advertisement income and the television channel subscription received by television stations and new media facilitate the commercialization of sports industry and promotion of varies type of professional sports events; and (iii) the popularity of television stations and new media to deliver sports programs to the general public and timely, interactive and high quality transmission for the live broadcast strengthen the television stations and new media to continue to act as important channels for professional sport events.

(II) Past development and future opportunities of domestic sports industry and the businesses engaged by the Target Group

According to the statistics, the value of the global sports industry was approximately US$800 billion per annum in 2008. In the United States, the value of sports industry was over US$220 billion per annum and the value of sports industry of the European Union was approximately 402.5 billion euro dollars, representing 2.34% and 3%-4% of each of their GDP respectively. (Source: General Administration of Sport of China)

The sports industry in China has gradually entered into the development phase after the 2008 Beijing Olympic Games, which has drawn worldwide attention. Currently, many provinces in the PRC achieved 10%-15% of growth in the sports industry, while some of them even grew by 20%-30%, double that of the GDP. In 2010, the value of sports industry in the PRC was approximately 1.5% of the GDP (i.e. RMB597 billion). However, the sports industry of China is generally in its infant stage of development.

According to the National Program for Sport Reform and Development (2001-2010) (《2001-2010年體育改革與發展綱要》) released on 3 February 2010, the tertiary industry is expected to represent 35% or above of the GDP of China in 2010. The sports industry, which forms an integral part of the tertiary industry, will inevitably play a more important role in expanding domestic demand and driving economic growth in China.

On the other hand, China has emerged as a sports giant, particularly after the 2008 Olympic Games in Beijing, 2009 East Asian Games in Hong Kong and 2010 Asian Games in Guangzhou. These appealing sports events will help enhance and maintain the public's interest towards sports in China in the coming years. During the Olympics Games, there were nearly 3 billion people in average worldwide watching the television broadcasting each day. The last two World Cup matches drew the attention of as many as 2.5 to 3 billion television audiences. According to Olympic Marketing Fact File published by the International Olympic Committee, the revenue generated from the licensing business during the 2008 Beijing Olympic Games was more than US$1.7 billion. (Source: General Administration of Sport of China)

The hosting of 2008 Beijing Olympic Games represented an opportunity for the sports industry to explore the business model, (such as audience participation, short message service (SMS) interaction and mass consumption) and integrates with sports media, which has great significance to the development of the domestic sports industry and constantly adds value to the industry. According to the information of the Target Group, the value of the content of the sport events in China is gradually getting in line with the international level. For instance, the license fees for FIFA World Cup 2002 and 2006 amounted to more than US$20 million, and that for 2010 and 2014 has increased to US$100 million. In 1994, the football association and club paid production fees to the television stations for domestic events such as football league and now the television stations have to bear the production fee in addition to the payment of annual license fee of more than RMB30 million in total.

In addition to the unprecedented opportunity of the 2008 Beijing Olympic Games, domestic sports events and entertainment content providers also benefits from:

- the higher living standard and the growing sports awareness of people, the spending on sports tends to be more and more;

- the willingness of people to spend on watching the games with sports stars they are fond of due to the worship of such stars;

- the sports events and entertainment content industry is an emerging and booming industry contributing economic growth. Keeping abreast of the development of the new media market and enhancing the value of the sports events content are the major development trend; and

- sportswear manufacturers and sports service enterprises can take advantage on the demands arising from the 2008 Beijing Olympic Games to expand the domestic sports industry as well as nurture and develop new sports products.

(III) Industrial laws, rules and regulations on providers of sports events and entertainment contents in the PRC

The sports industry

The Law of the PRC on Physical Cultures and Sports (《中華人民共和國體育法》) was passed at the 15th meeting of the Standing Committee of the Eighth National People's Congress on 29 August 1995 and amended pursuant to the Decision on the Amendments of Certain Laws (《關於修改部分法律的決定》) at the 10th meeting of the Standing Committee of the Eleventh National People's Congress on 27 August 2009. This law was formulated in accordance with the Constitution of the PRC for the purpose of developing the sports industry, improving people's physical fitness, raising the level of sports performance and promoting the material, ideological and cultural development of socialism. Apart from the PRC Law on Physical Cultures and Sports, other existing laws and regulations in effect for governing the sports industry, administrative regulations and documents issued including departmental rules, regulatory documents and local legislation. The existing laws and regulations in effect for governing the sports industry are aimed to establish and perfect the management system for sport activities as well as to strengthen the development of management organizations and teams of sport activities and continuously to improve the enforcement of laws, in order to establish a standard and scientific management system for sport activities.

The business of licensing of sports event and entertainment contents of the Target Group

As shown by the business license, the Target Group is engaged in such aforesaid businesses as market development, transfer and intermediary and agent services of the license right of sports events, which is a kind of commercialization of sports events. According to the opinion given by the PRC legal adviser, there is currently no specific legal regulations governing the existing businesses of the Target Group in the PRC.

In addition, the license agreements of the Target Group which incorporated the terms as agreed between the licensor and the licensee in respect of licensing, license to use, fees and protection and restriction of the license right of sports events are subject to the General Provisions of the Civil Law and Contract Law of the PRC. According to the opinion given by the PRC legal adviser, the terms of the license agreements are legal, effective, binding and enforceable.

(IV) License, permits and rights for operation as stipulated by the laws of the PRC for running businesses by the Target Group

According to the scopes of business stated in the Corporate Business Licenses of the Shanghai Company and the Beijing Company issued by the respective Administration for Industry and Commerce, the Shanghai Company and the Beijing Company are not required to obtain any other licenses, permits or authorizations in addition to the Corporate Business Licenses for running business in China. Moreover, the annual inspections for the Shanghai Company and the Beijing Company for the year 2010 were completed in early March 2011.

The PRC legal adviser confirmed that the Shanghai Company and the Beijing Company have obtained all necessary certificates for their respective establishments and operations in China and that their existing operations are in compliance with the laws and regulations of the PRC. As at the Latest Practicable Date, the Shanghai Company and the Beijing Company are not involved in any litigations or arbitrations.

(V) Classification of sports industry in the PRC

According to the Notice on the Classification of Sports and the Related Industries (Provisional)(《體育及相關產業分類（試行）》) issued by the General Administration of Sport of China and National Bureau of Statistics of China on 18 June 2008, sports and related industries are defined as activities for providing sports services and products to the public and any activities related to these activities. In particular, there are eight categories as follows:

1. *sports organization and management activities* – activities of organizing and providing sports competition, training, coaching and management services to the public, such as organization activities of public sports and specific sports events management;

2. *stadium management activities* – activities of providing stadium management services to the public for their watching sport competition and professional training, such as management of multipurpose stadiums and training space;

3. *fitness and recreational activities* – activities of providing various accessible fitness and recreational activities to the public at their options and management of the activities space;

4. *sports intermediary activities* – intermediary activities provided to the public, such as sport business agency, brokerage and consultant activities;

5. *other sports activities* – other sport services and activities provided to the public;

6. *manufacturing of sportswear, outfits and related products* – manufacturing of sportswear, outfits and related products necessary for sports events;

7. *sales of sportswear, outfits and related products* – sales of sportswear, outfits and related products necessary for sport events;

8. *stadium construction activities* – construction of stadiums necessary for sports events.

The purposes of The Notice on the Classification of Sports and the Related Industries (Provisional) was to qualify the classification of sports for the purpose of improving the sports and its related industries for their sustainable development. The scopes of business of the Target Group fall into the category 4 of sport intermediary activities and category 5 of other sport activities.

The above classification of current business operation of the Target Group is also in compliance with the applicable laws of the respective industry classifications in the PRC.

The State Council of the PRC also issued the Guiding Opinion on Accelerating the Development of the Sports Industry 《加快發展體育產業的指導意見》 in March 2010 for the purpose of promoting the main sports industry in China, enabling the sports industry to be in line with the international standard and increasing the proportion of sports industry in the GDP of China. The Guidance aims at developing the markets of sports competition and sports performance, and actively regulating the commercialization of them. It also shows the direction of the government to encourage enterprises to organize commercial sports events, and actively introduces internationally well-known sports events.

With the issue of The Notice on the Classification of Sports and the Related Industries (Provisional) and Guiding Opinion on Accelerating the Development of the Sports Industry, it is expected that the sports industry and its related industries will be commercialized and there will be sustainable growth under comparatively lenient regulations and policies.

(VI) The competition in engaging in provision of professional sports events and entertainment content in China

The Beijing Company was duly established in 2004 and is one of the foremost providers of sports events and entertainment content in China. Through years of exploration and effort, the Target Group has continued its sustainable growth, of which a set of unique and industry-regulated commercial behaviours and model in respect of licensing for overseas and local major sports events was successfully developed, enriching the development in the area of local sports events. New market discipline for the domestic provision of professional sport events and entertainment contents has been established through the formulation of practicable and effective strategies of industry standard, which effectively protects the commercial benefits of licensors, television media and respective organizations. It established a stable and strategic partnership with many overseas and domestic television stations in an effort to build a large-scale and effective broadcasting platform with coverage of the sports television program nationwide and in the overseas regions. With the ongoing application and development of advanced technologies in the field of media, new media of broadband, internet protocol television (IPTV), 3G, etc. are gaining their presence or being gradually included in the broadcasting platforms.

Currently, the sports license rights of the Target Group in China are mainly granted by various associations, for instance, the China Football Association Super League, China Basketball Association and AFC Champions League. For international licensing, there are more popular events such as the Olympic Games authorized by the International Olympic Committee, the Football World Cup authorized by FIFA, NBA and the English Premier League, etc.. The total number of sports television channels or sports-featured channels in the PRC is more than 30. High-quality and large scale events are the foundation of the existence and development of these channels.

Since the Target Group is granted an exclusive authorization to use sports events and entertainment content mainly in the PRC (excluding Hong Kong, Taiwan and Macau Special Administrative Region) and is a leading company in the industry, the Target Group believes that there is no rival in respect of the exclusive authorization of existing sports events and entertainment content. As there is no significantly stringent entry requirements in respect of regulation in the industry in which the Target Group has engaged in and only few domestic companies are engaging in this industry such as sports channels under the CCTV, Beijing television station and Guangdong television station, the Target Group is of the view that its resources on local and overseas sports events and entertainment content, experience of the management in operation and management, media resources, business and market development are sufficient for the Target Group to maintain a highly effective strategic partnership for operation and continuous exploration of new businesses and new opportunities.

2. Information on the Target Group's business

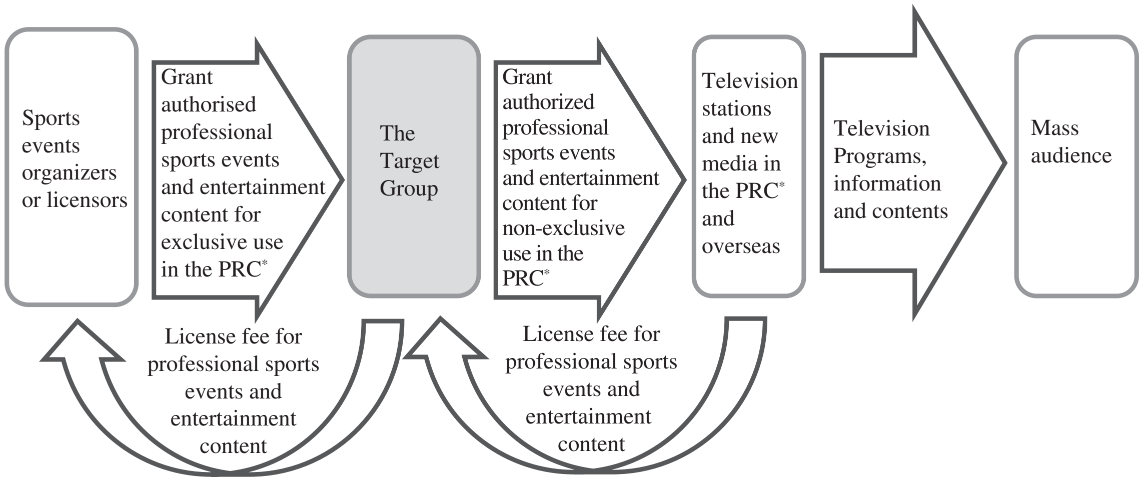
The Target Company is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company.

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 in terms of the professional sport events programs distributed in the PRC (excluding Hong Kong, Taiwan and Macau Special Administrative Region). With its partnership with various professional sports events and entertainment 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 professional sports events and entertainment content.

(I) ***Business model of the Target Group***

Set out below is a diagram illustrating the business model of the Target Group:

Diagram 1: Business Model



* excluding Hong Kong, Taiwan and Macau Special Administrative Region

As illustrated from the above diagram, the Target Group is an intermediary between the sports events organizers or content licensors and the media. The sports events organizers or content licensors grant the Target Group an exclusive authorization to distribute such content in return for license fee for sport events. The Target Group has obtained the exclusive right of three major professional sports events and entertainment content from its sports events organizers or content licensors which contributed over 85% revenue of the Target Group for the year ended 31 December 2010, 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 1 year to 6.5 years.

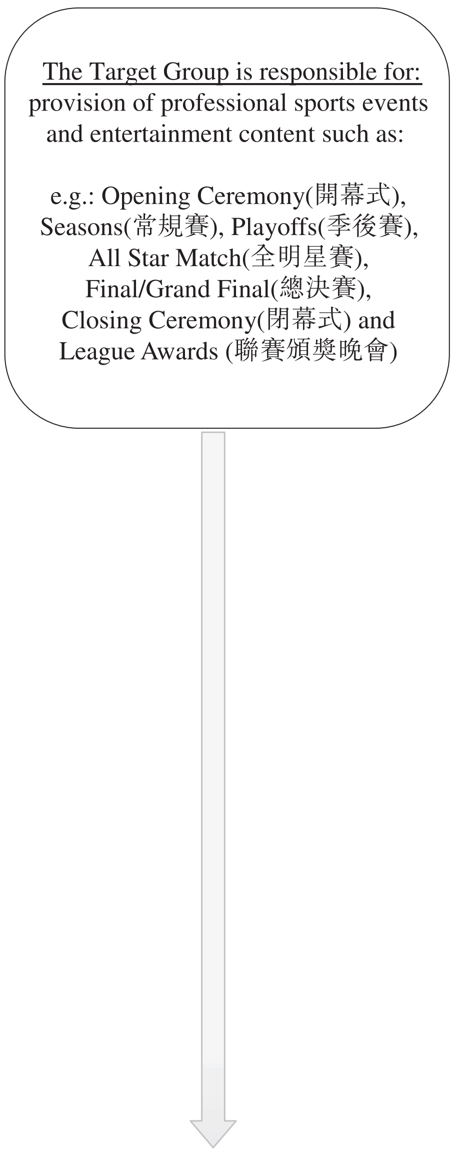
The Target Group has also obtained other exclusive professional sports events and entertainment contents which contributed approximately 15% revenue of the Target Group for the year ended 31 December 2010, such as East Asian Football Championships, FIFA Club World Cup and the FIVB Men's Volleyball World Championships, etc.. Further information on distribution of such exclusive rights and derivation of revenue is set out in table 1 in the following section.

After obtaining the authorization for the use of license, the Target Group will distribute the professional sports events and entertainment content to television stations and other new media for license fee and through which the professional sports events and entertainment content will finally reach the audience mainly in the PRC (excluding Hong Kong, Taiwan and Macau Special Administrative Region). Through the arrangement of the Target Group, the above mentioned popular professional sports events content could be 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). 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.

Currently, the Target Group has maintained long term business relationship with well-known media and channels in the PRC and overseas media as its customers and major sales channels, such as CCTV (中央電視台), Beijing Television Station (北京電視台), Shanghai Media Group Inc. (上海東方傳媒集團有限公司), Guangdong Television Station (廣東電視台), Jiangsu Broadcasting Corporation (江蘇電視台), Tianjin Television Station (天津電視台), Sohu (搜狐), Sina (新浪), YouKu (優酷) and World Sport Group, etc.. Since the commencement of business of the Target Group, the terms of 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 range from a period of one (1) year to four (4) years.

(II) Operational model of the Target Group

Diagram 2: Operational Model



The Target Group is responsible for:

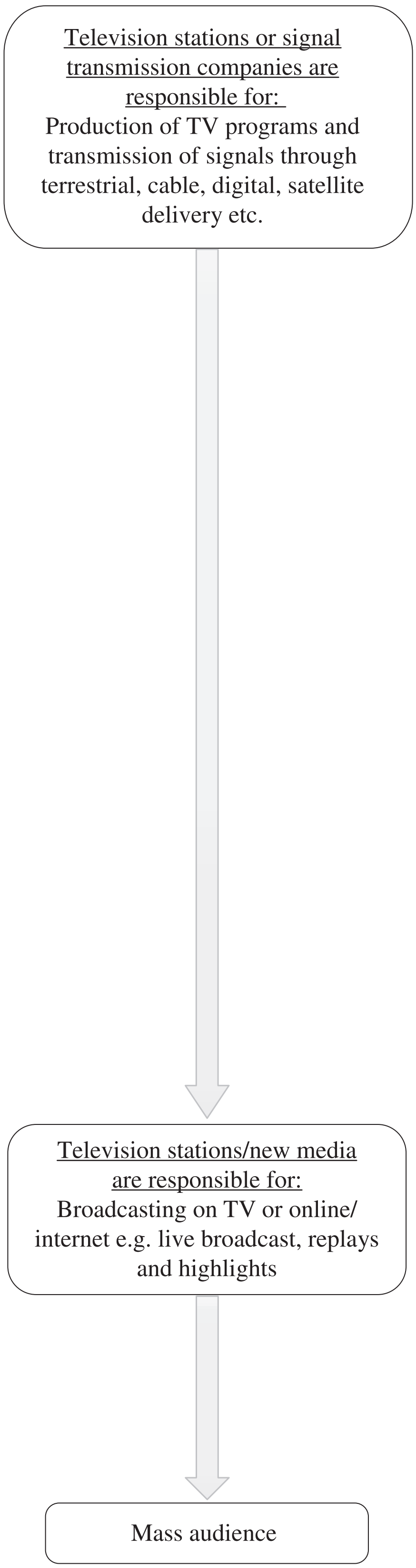
– Evaluating the popularity of various local and overseas professional sports events and entertainment contents especially in the Asia-Pacific region.

– Evaluating the commercial value of various professional sports events and entertainment contents and choose the best available channel(s) for the promotion and marketing of such sports events in the PRC, e.g. doing some market testing.

– Execution of license agreements with licensors (suppliers) and the television stations/new media (customers) respectively so as to commercialize sports events and facilitate the distribution of license rights for such professional sports events and entertainment contents.

– Ensuring promotion of such professional sports events and entertainment contents in proper channels and broadcast of such sports programs in popular channels both locally and overseas.

– Organization and management for the flow of information on the professional sports events and entertainment contents between the sports events organizers and television stations/media in the PRC, such as providing statistics on the popularity of sports programs derived by the television stations to the sports events organizers.



The Target Group is responsible for:

– Granting the non-exclusive use of license to the television stations/new media to produce and shoot television programs for certain professional sports events.

– Informing the television stations/new media the timing, shooting locations and other information of the professional sports events and entertainment contents.

– Cooperating with selected television stations/new media in the region/province where the sports events take place (host broadcaster) for the production and shooting of television programs for certain professional sports events and entertainment contents in the PRC and overseas and ensuring the quality of such television programs and information.

– Authorizing selected television stations (usually responsible for the production of television programs)/ signal transmission company to provide signal to television stations/new media for the broadcast of television programs in other regions/province in a timely manner and without any interruptions.

– Monitoring the transmission of signals and ensuring signals are of high international quality suitable for international/local broadcast and providing technical support/supervision.

The Target Group is responsible for:

– Authorizing the broadcast of sports programs on a nationwide basis (both host broadcaster and guest broadcasters) and authorizing television stations (for general production of television program)/signal transmission companies to provide signal to other television/new media for sports events broadcast.

– Monitoring the broadcast of such sports programs with minimum number of hours, airtime, data, graphics and statistics, etc. in the way the sports events organizers and the Target Group have agreed.

(III) Revenue model of the Target Group

The revenue of the Target Group was mainly derived from the provision of use of license of professional sports events and entertainment content by the three major operating subsidiaries, namely the Beijing Company, the Shanghai Company and Olympic Wealth to media and channels in the PRC and overseas media on a fixed annual income basis.

In determining the license fee income from the Target Group's customers (e.g. television stations and new media), the Target Group makes reference to such factors as type of sports events/content provided, terms of license agreement, the popularity of the television stations, and media and their size of the audience (the income from large television stations with more audience usually generate more income to the Target Group), etc..

The major costs of the Target Group was the license fee for obtaining exclusive professional sports events and entertainment content from sports events organizers/licensers, such as China Basketball Association, The China Football Association Super League and AFC Champions League, through the license agreements between the Target Group and the sports events organizers or content licensors.

The license fee for each sports event content is negotiated and determined between the sports events organizers/licensors and the Target Group on normal commercial terms and is determined with respect to such factors as the degree of exclusivity, duration of license period, extent of coverage to use the license rights, the popularity of the content, expected demand and the expected income from the customers, etc..

The license agreements usually last for a period of 1 year to 6.5 years. According to these license agreements, the license fee are usually settled each year during each league term and by several installments in a year.

(IV) Professional sports events and entertainment content

Set out below are the details of the key professional sports event and entertainment content of the Target Group for the year ended 31 December 2010:

Table 1: Content

Date of agreement	Professional sports events	Valid period of the agreement	Licensor	Major customers	Valid period of major customers' agreement	Contributed percentage of revenue for the year ended 31 December 2010 (approximately)
16.09.2008 (revised on 17.02.2009)	AFC Champions League	01.01.2009 to 31.12.2012	World Sport Group	1. CCTV (中央電視) 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) 6. Sohu (搜狐) 7. Other television stations	Valid until 30.06.2013 and will be renewed after expiry upon mutual agreement between the Target Group and customers	36.10%
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)	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) 6. Other television stations	Valid until 31.12.2011 and will be renewed after expiry upon mutual agreement between the Target Group and customers	31.51%
01.10.2005	China Basketball Association	01.11.2005 to 30.06.2012	China Basketball Association (中國籃球協會)	1. CCTV (中央電視台) 2. Guangdong Television Station (廣東電視台) 3. Beijing Television Station (北京電視台) 4. 五星体育傳媒有限公司 5. Jiangsu Television Station (江蘇電視台) 6. Other television stations	Valid until 31.05.2011 and will be renewed after expiry upon mutual agreement between the Target Group and customers	16.97%

Date of agreement	Professional sports events	Valid period of the agreement	Licensor	Major customers	Valid period of major customers' agreement	Contributed percentage of revenue for the year ended 31 December 2010 (approximately)
29.11.2010	FIVB Men's Volleyball World Championship* *(Note 1)*	01.09.2010 to 31.12.2010	Dentsu. Inc.	1. CCTV (中央電視) 2. Beijing Television Station (北京電視台) 3. Jiangsu Television Station (江蘇電視台)	Valid until 31.12.2010	8.77%
19.03.2010	East Asian Football Championships *(Note 2)*	19.03.2010 to 31.12.2014	Dentsu. Inc.	1. Beijing Television Station (北京電視台) 2. Jiangsu Television Station (江蘇電視台)	Valid until 31.12.2010	2.81%
18.10.2009	FIFA Club World Cup* *(Note 3)*	01.01.2008 to 31.12.2010	World Sport Group	1. Beijing Television Station (北京電視台) 2. Jiangsu Television Station (江蘇電視台) 3. Tianjin Television Station (天津電視台)	Valid until 31.12.2010	0.91%
Others: This includes the license fee for the use of the professional sport events and entertainment content of other sports events, and other revenue sources such as the promotion fee, and technical fee.						Less than 2.93%
						100%

Note 1 FIVB is held every two years. As advised by the Vendor, whether and when to renew the license agreements with the licensor will depend on the popularity of the sport events, the fee to be agreed with the licensors, and the expected demand from the Target Group's customers, etc.. Having considered the abovementioned factors, as at the Latest Practicable Date, the license agreements for FIVB Men's Volleyball World Championship has expired on 31 December 2010 and have not yet been renewed and no license agreements with the customers has been entered into which is effective after 1 January 2011.

Note 2 East Asian Football Championship is held every two years. As at the Latest Practicable Date, the license agreement with Dentsu. Inc. is effective until 31 December 2014.

As at the Latest Practicable Date, no license agreements with the customers has been entered into which is effective after 1 January 2011. As advised by the Vendor, whether to renew the license agreements with its existing customers or entering into license agreements with new customers depends on the popularity of the sports events, the fee to be agreed with the customers and the demand from audience etc.

Note 3 As at the Latest Practicable Date, the license agreement for FIFA Club World Cup has been expired on 31 December 2010 and the Target Group had not yet renewed the licensing agreement with FIFA Club World Cup and no license agreements with the customers has been entered into which is effective after 1 January 2011.

As advised by the management of the Target Group, there is currently no legal impediments to obtain renewal of the license agreements upon expiration as at the Latest Practicable Date.

(V) Management expertise

The Company currently does not have requisite industrial expertise in running the professional sports events and entertainment business in the PRC. It is the Company's intention to rely on the existing management of the Target Company for the daily management and operation of the Target Company after Completion by entering into several service agreements.

Set out below are the biography of the key management of the Target Group.

Table 2: Key Management

Name	Positions held at the Target Group	The date/year of joining the Target Group	Years of relevant experience (Approximate)	Relevant experience	Educational background
Chang Li Cheng (The Vendor)	Director of the Target Company	2004	30 years	Before joining the Target Group, Mr. Chang has been the Vice President of SINA Greater China Area Union, responsible for the global operation, brand integration, marketing, and online advertisement sales. In 2003, Mr. Chang was promoted to the Chief Operating Officer and Executive Vice-President of SINA (NASDAQ: SINA).	He holds a master degree in Business Administration in Department of International Business of College of Management of National Taiwan University and obtained his bachelor degree in Fu Jen University in Taiwan.
Li Yidong (The Guarantor)	Managing Director	2004	15 years	Before joining the Target Group, Mr. Li was a manager of the authorized department of a sports information broadcasting company in China.	He holds a bachelor degree in Arts of College of Foreign Languages and Literature of Fudan University and a master degree in Management of the Sports degree in Management Programme co-organized by Tsinghua University in Beijing and University of Technology, Sydney.

Name	Positions held at the Target Group	The date/year of joining the Target Group	Years of relevant experience (Approximate)	Relevant experience	Educational background
Tao Jie (陶潔)	Deputy General Manager	2004	10 years	Before joining the Target Group, Ms. Tao held a position in the sales department of a sports licensing company in China.	She holds a bachelor degree in Accountancy of Henan Finance and Economics University.
Li Jie (李傑)	Technical/ Engineering Director	2004	12 years	Before joining the Target Group, Mr. Li held a position in China Football Industry Development Corp. (中國福特寶足球產業發展公司).	He holds a bachelor degree in Psychology of Peking University.
Zhao Jun (趙軍)	Deputy General Manager	2010	14 years	Before joining the Target Group, Ms. Zhao held a position in the sports channel of Beijing Television.	She holds a bachelor degree in International Journalism of Communication University of China.
Qian Xiao Yu (錢曉毓)	Financial Controller	2008	10 years	Before joining the Target Group, Ms. Qian held a position in Beijian Hongtian Tong Yu Financial Consultant Company (北京弘田同宇財務諮詢公司).	She holds the bachelor degree in Accountancy in Liaoning Industrial University.

(VI) Competitive strengths and weakness of the Target Group

Competitive strengths of the Target Group:

1. Pioneer in the provision of professional sports events and entertainment content in the PRC

   The Target Group is a pioneer in the provision of professional sports events and entertainment content in the PRC in terms of the professional sports events programs distributed in the PRC, and has maintained good relationship and business reputation as an intermediary between the sports events organizers or content licensors and the media. The Target Group has been the exclusive provider for the several popular professional sports events and entertainment content, such as The China Football Association Super League, China Basketball Association and AFC Champions League. With the business relationship with the World Sport Group, the Asia's leading sports marketing, media and event management company, the Target Group can obtain the supply of overseas professional sports events and entertainment content for the exclusive use in China. The long-established business relationship for over 6 years with major sports television corporations in China, namely CCTV, dominant sports channels in Beijing, Shanghai, Guangdong etc. and with business relationship with new media such as with over 6 years business relationship with Sohu, and over 3 years business relationship with Sina etc. forms a nationwide coverage in professional sports events and entertainment content distribution.

With the proven track record in the past years and the existing nationwide coverage in content distribution, the Target Group is prepared and able to obtained new content from new sports events organizers or content licensors (whether locally or overseas) for further business growth.

2. Experienced management team and business network

The existing management team members of the Target Group have more than 10 years' experience in the sports contents and media sector. Their extensive experience in these areas is crucial to the business management and development of the Target Group. With their established and extensive business network, it helps the Target Group to achieve the Profit Guarantee and expand the business of the Target Group.

3. Supportive government policy and favorable business environment

There is supportive government policy and favorable business environment of the sports industry in the PRC as discussed in the section "Industry Overview and regulatory framework". The Target Group, being privately-owned enterprises, are more flexible in strategic planning and running of the business to grasp the growing opportunities of the sports industry in the PRC for the years to come.

4. The Target Group's role as an intermediary is valuable for both the sports events organizers and licensors and media (such as television stations and new media).

As an intermediary, the Target Group helps those professional sports events content providers to distribute its content in the PRC, Asia and other regions through the Target Group's extensive relationship with different television stations. The Target Group assists them to save time to source, manage and explore existing and new customers, especially in the PRC region where there are many local television stations in different provinces and cities.

In addition, as an intermediary paying fee for the exclusive use of content, it eliminates the uncertainty of amount and timing of income source for professional sports events organization and licensors, therefore, they can devote effort and resources in other aspects.

The Target Group helps the customers (e.g. television stations and media) to access a variety of content, for instance, the China Football Association Super League, China Basketball Association, and AFC Champions League, etc.. These professional sport events content are popular in the PRC and are granted to the Target Group on an exclusive basis. Therefore, other than the Target Group, those television stations and media cannot obtain these popular content with proper license.

As advised by the management of the Target, sport event organizers/licensors will generally consider the price level of the license fee, promotion and distribution network of the intermediary, industry expertise and service quality of the intermediary in order to grant the exclusive rights to use license to them.

As the Target Group will continue (i) to devote resources to maintain existing relationship with the professional sports organizers/licensors and the customers; (ii) based on the management's expertise, to negotiate a reasonable license fee and license income; and (iii) to monitor the market trend and popularity of sports (including both local and overseas professional sports events), the Target Group is confident that it could have the ability to secure the customers and to continue to obtain the exclusive rights from the professional sports organizers/licensors upon expiry of those license agreements.

Weaknesses of the Target Group:

1. Reliances on the license agreements

   The business of the Target Group relies on the license agreements, and these license agreements are subject to renewal upon expiry and it is not guaranteed that such renewal could be obtained. This uncertainty imposes difficulty on the continuance of business growth of the Target Group in the long run. Nevertheless, as at the Latest Practicable Date, the Target Group does not foresee any difficulties in renewing most of the license agreements upon their expiry.

2. Business growth depends on a number of factors

   The business growth of the Target Group depends greatly on (i) the abilities of the Target Group to obtain new and valuable sports events content and to sub-license such contents in a profitable channel; (ii) whether other value-added ancillary services could be provided; and (iii) the expansion of business into new market/new media e.g. internet protocol television (IPTV), Internet, mobile networks etc. The Target Group will try to obtain additional revenue source and explore new business opportunities within the provision of professional sports events and entertainment content business to maintain the continuous growth of the business.

3. More resources, effort and time is required to develop the business in its development stage

The professional sports events and entertainment content provision business in the PRC are still at the development stage as compared to that in the developed countries in the West, with respect to the program quality, variety of content and public enthusiasm towards sports and games. Therefore, in order to attract the mass audience and to enhance the quality of sport content, the participants in the professional sports events and entertainment industry, including the Target Group, need to contribute more resources, effort and time to develop the sports market. The Target Group will also explore new and popular local and overseas content which will be of the interest to the mass audience.

(VII) Risks relating to the Target Group's business

1. Change of the nature of the Target Group's business/industry

The Target Group acts as an intermediary in the distribution of the use of license rights for certain professional sports events and entertainment content between the sports events organizers/licensors and different television stations and new media. The Target Group cannot assure that its role as an intermediary will not be replaced by other competitors or other substitutes in the industry, or that it will be able to adopt to any material change in operational practice in the industry that supports the need for its role as an intermediary.

2. Reliance on the license rights and license agreements

As at the Latest Practicable Date, the Target Group have four major license agreements with license rights to use certain professional sports events and entertainment content in the PRC, as set out under the Table 1. These license agreements usually last for 1 year to 6.5 years. The continuous operation of the Target Group relies on the renewal of those license agreements upon expiry, though there is no legal impediments to obtain renewal of such license agreements. It is not guaranteed that the sports events organizers/licensors will extend or renew the term of the license agreements upon expiry on reasonable terms acceptable to the Target Group although there is an exclusivity period for mutual negotiation between the Target Group and the sports events organizers/licensors for the extension of the certain license agreements upon expiry.

3. Increase in costs of obtaining valuable contents

The Target Group's business faces competition from other competitors, it is not guaranteed that such competition will not drive up the costs of renewing the license agreements although there is no pricing control policy in the industry. In case the Target Group is unable to devote more resources to extend existing license rights or obtain new license rights, then valuable content might not be obtained and the operation of the Target Group may be seriously and adversely affected.

4. Reliance on our customers and change in preference

In addition, the continuous growth of the business of the Target Group relies heavily on the ability of the Target Group to retain its existing customers and expand into new market and obtain new customers. As audience's preference changes from time to time, it is not guaranteed that existing professional sports events and entertainment content of the Target Group continues to meet the market demand and satisfy the needs of its customers (television stations and new media) and the ultimate audience at all time. If there is any change in audience preference which reduce the demand of those professional sport events and entertainment content from television stations and new media, the business of the Target Group may be affected.

In addition, the continuous success of the Target Group also depends on the ability of the Target Group to obtain and promote new contents which could keep up with the market demand and could yield profits. The Target Group might face intense competition from other competitors which could drive up the costs for the Target Group to obtain popular content.

5. Reliance on the expertise of the Target Group

The Company currently does not have requisite industrial expertise in running the professional sports events and entertainment content business in the PRC. It is the Company's intention to rely on the existing senior management of the Target Group after Completion by way of service agreements for a term of 3 years. The senior management of the Target Group is responsible for the formulation of its business strategies, development of existing and new business, maintenance of business relationships with customers and licensors and overseeing the operation of business. The future success of the Target Group's business depends significantly on the continuing services of its key management as set out under the section headed "Management Expertise". The loss of a significant number of the senior management of the Target Group may materially and adversely affect the operation and business of the Target Group if the Target Group cannot find a suitable replacement in a timely manner.

6. *Continuance of local government subsidy of the Target Group may be subject to change in the future*

Currently, the Shanghai Company was granted local government subsidy in relation to the business tax and the enterprise income tax by the local government. The Shanghai Company has been granted a subsidy that represents 1.9% of the annual revenue during the period from 1 January 2010 to 31 December 2012 (i.e. effective profit tax rate of 3.65%). Moreover, the Shanghai Company has been granted a subsidy that represents 6% of the annual net profit during the period from 1 January 2010 to 31 December 2012 and 3% (i.e. effective profit tax rate of 19%) of the annual net profits for the period from 1 January 2013 to 31 December 2014 (i.e. effective profit tax rate of 22%).

There is no assurance that such subsidies may continue or may not be subject to change in the future, in such case it may result in reduction in subsidy income of the Target Group and the Target Group's profitability may be adversely affected.

7. *Change in the government policies, rules and regulations and other regulatory control may affect the business and prospects of the Target Group*

The Target Group currently operates mainly in the PRC. Apart from obtaining business license which is mandatory for the running business in the PRC, it is not required to obtain any other licenses, permits or rights required for the operation of the Target Group's business as discussed in the section "Industry overview and regulatory framework". However, any changes in government policies, rules and regulations in the industry especially in the PRC may affect the operation of the Target Group, such as introduction of new government policies, rules and regulations to conduct the business of the Target Group. It is not guaranteed that the Target Group is able to meet these new regulatory requirements and thus, the operations and future prospects of the Target Group could be seriously affected. In addition, if the Target Group fails to observe and comply with relevant laws and regulation as amended from time to time, the Target Group could be exposed to penalties, fines, suspension of actions in other forms. These may hinder the business and operation of the Target Group.

8. *Risks relating to the contractual arrangements with the PRC Companies and their respective shareholders*

The Target has no equity ownership interest in each of the PRC Companies and relies on contractual arrangements to control and operate the business of the PRC Companies under the control agreements as discussed under the section "TARGET'S GROUP STRUCTURE". Though the Group are advised by the PRC legal advisers that these control agreements entered into among the Shenzhen Company with each of the PRC Companies and their respective shareholders and directors are legal, effective, binding and enforceable and in compliance with the relevant rules and regulations of the PRC, these contractual arrangements may not be as effective in providing control over the PRC Companies as compared with direct ownership since (i) there is no assurance that these control agreements could comply with future changes in the licensing registration or other regulatory requirements in the PRC; (ii) these arrangements will not preserve the Shenzhen Company's control in the occurrence of certain events which may be outside the control of the PRC Companies and their respective shareholders; and (iii) potential conflicts of interest between the Target Group and the PRC Companies and their respective shareholders exists and whether Mr. Li Yidong and Ms. Meng Xin will act completely in the interest of the Target Group, e.g. third-party creditors may have recourse to the assets of the PRC Companies or those of their respective shareholders; governmental authorities may impose fines on, or seize, freeze or force the forfeiture of assets of the PRC Companies or its shareholders.

Any of the above may materially and adversely affect the validity, effectiveness and enforceability of the control of the Shenzhen Company on the PRC Companies and their respective shareholders. Any inability, or limitation on the Shenzhen Company's ability to enforce the contractual arrangements with the PRC Companies and their respective shareholders or to take any legal remedies under the PRC law could disrupt the business of the Target Group and have a material adverse effect on the financial condition, results of operations and prospects of the Target Group. Whether such conflicts of interest could be effectively managed or otherwise be resolved in the favour of the Target Group will be crucial to the effectiveness of contractual arrangements.

D. REASONS FOR AND BENEFITS OF 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.

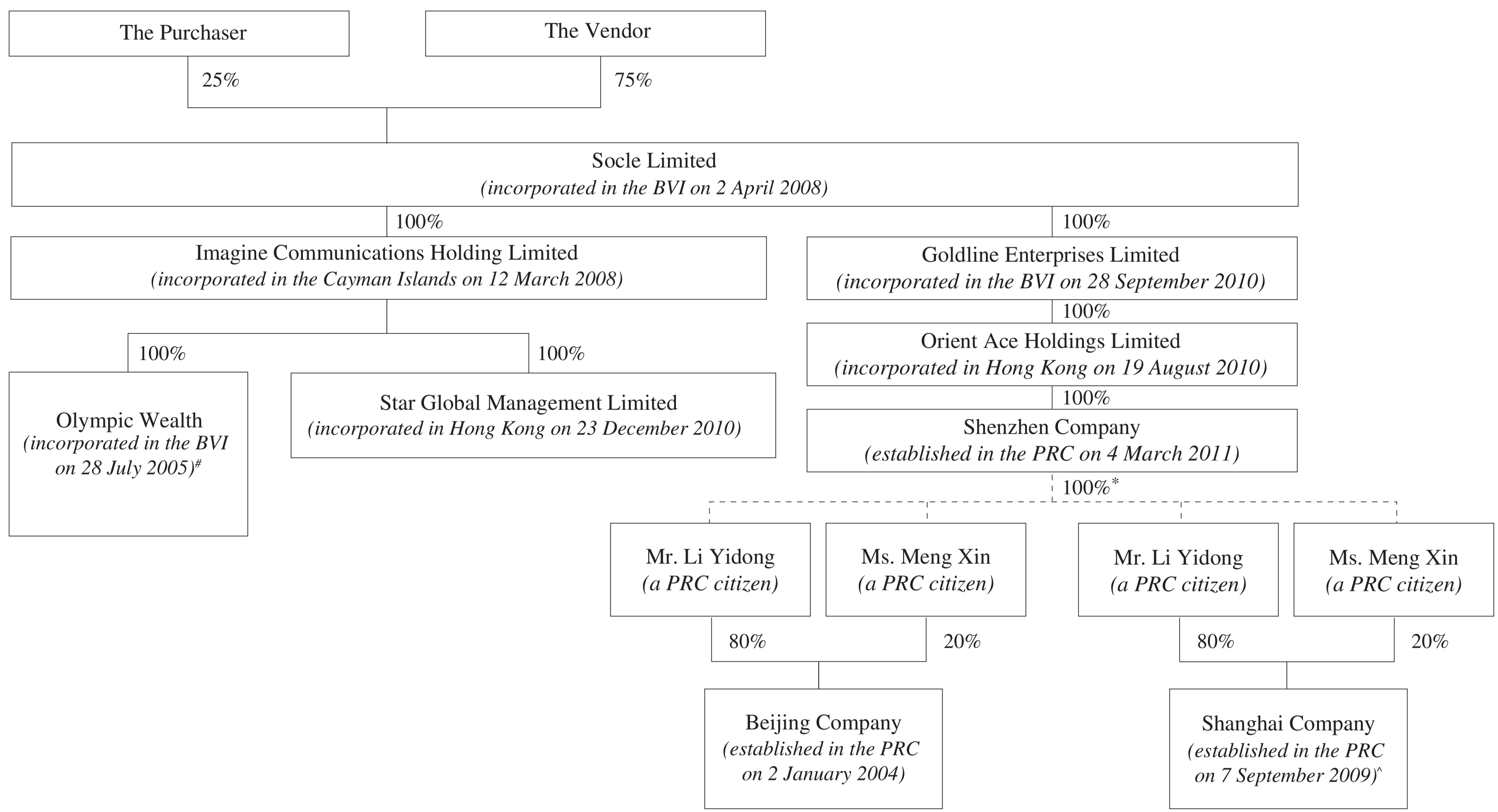
The Group is currently providing the exclusive licensed music content authorized by avex (the largest record label in Asia) on the mobile music platform developed by China Unicom and will further enrich the music content with the exclusive licensed music content authorized by Universal, Warner and Sony 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 additions 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/global positioning system (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 music television (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 opine 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.

E. TARGET GROUP'S STRUCTURE

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



* *under contractual arrangements disclosed in the following section.*

^ *the Shanghai Company has been granted local government subsidy in relation to the business tax and the enterprise income tax by the local government.*

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, the Shanghai Company and the Beijing Company which are principally engaged in the provision of professional sports events and entertainment content mainly in the PRC.

The contractual arrangements

Pursuant to the completion of the Reorganization, the Target Company will obtain the rights to have effective control over the operation of the PRC Companies and the right to enjoy the economic benefits in the business and/or asset of the PRC Companies, and that each of the PRC Companies will be accounted for as a 100% owned subsidiary of the Target Group in which their financial results be consolidated with that of the Target Group. Accordingly, the Shenzhen Company has entered into two sets of control agreements with each of the Beijing Company and the Shanghai Company and their respective shareholders holding the entire equity interests in each of the Beijing Company and the Shanghai Company. Each of the Shanghai Company and the Beijing Company are held as to 80% by Mr. Li Yi Dong (the Guarantor) and 20% by Ms. Meng Xin. Ms. Meng Xin is the wife of the Vendor's nephew. Each of Mr. Li Yi Dong and Ms. Meng Xin is an Independent Third Party. Ms. Meng Xin is the director and the legal representative of the Beijing Company. As advised by the Vendor, completion of the control agreements as part of the Reorganization which is one of the conditions precedent to the Agreement will take place on or before Completion.

Set out below are the major terms of the control agreements executed amongst Shenzhen Company, each of the PRC Companies and their respective shareholders and directors:

1) Loan agreements

Pursuant to the loan agreements executed on 29 April 2011, an interest free loan in the aggregate amount of not more than RMB3 million and RMB7 million will be provided by the Shenzhen Company to the existing shareholders of the Beijing Company and Shanghai Company respectively for the exclusive use for repaying their contributions in the registered capital of the PRC Companies and for future general working capital of the PRC Companies. The loan is with a term of five (5) years from the date of the loan agreements.

2) Share charge

Pursuant to the share charge executed on 29 April 2011, all existing shareholders of the PRC Companies pledged their entire equity interests in their respective PRC Companies to the Shenzhen Company, in which each of them will convey to the Shenzhen Company all their respective interests in the dividends, distribution, capital bonus and other assets distributed, payable or paid by the PRC Companies for securing the repayment obligations of the shareholders of the PRC Companies under the loan agreements.

3) Exclusive share purchase agreements

For the purposes of obtaining the rights to purchase all (or part) of the equity interest in the PRC Companies, the Shenzhen Company entered into the exclusive share purchase agreements on 29 April 2011 with the shareholders of the PRC Companies pursuant to which, an irrevocable and exclusive right was granted by the shareholders to the Shenzhen Company (or its nominee) to purchase all (or part) of the shareholders' equity interest in the PRC Companies for a period of five (5) years from the date of the agreements (extendable at the option of the Shenzhen Company). The consideration will be determined based on the higher of the outstanding loan amount under the loan agreements and the minimum amount of consideration as permissible under the then PRC laws and regulations.

4) Management appointment agreements

Pursuant to the management appointment agreements executed on 29 April 2011, the PRC Companies shall appoint the person(s) nominated by the Shenzhen Company as directors to the board of directors of the each of the PRC Companies thereby creating an effective control on the board of directors of the PRC Companies. In addition, the Shenzhen Company has the right to remove directors, the general manager and legal representatives of each of the PRC Companies and replace them with its nominees as it thinks fit.

5) Exclusive consultancy service agreement

Pursuant to the exclusive consultancy service agreement executed on 29 April 2011, the Shenzhen Company will provide consultancy services to each of the PRC Companies in return for service fees for a term of five (5) years.

6) Directors' undertaking

Each of the existing directors of the PRC Companies undertakes to pass a copy of all notices of directors' meetings received from the PRC Companies to the Shenzhen Company and to vote in accordance with the voting instructions given by the Shenzhen Company on any directors' resolutions proposed at the directors' meeting respectively. The directors also procure that such other new directors to be introduced will provide the same undertaking.

7) Shareholders' undertaking

Each of the existing shareholders of the PRC Companies undertakes to the Shenzhen Company to vote in accordance with the directions of the Shenzhen Company on any resolution proposed at a general meeting of the shareholders of the PRC Companies respectively.

The Company has reviewed the two sets control agreements provided by the Vendor and discussed with the PRC legal advisers. As advised by the PRC legal advisers, the control agreements entered into among the Target Group with each of the PRC Companies and their respective shareholders are legal, effective, binding and enforceable and in compliance with the relevant rules and regulations of the PRC and could give effect to the completion of the Reorganization.

The control agreements taken as a whole, upon completion the Target Group will be able to govern the financial and operating policies of the PRC Companies respectively and the Target Group enjoys all of the economic benefits of the PRC Companies because (i) the board of directors of the PRC Companies will be controlled by the Shenzhen Company pursuant to the management appointment agreements and the directors' undertakings; (ii) the general meeting of the PRC Companies will be controlled by the Shenzhen Company pursuant to the shareholders' undertakings and the directors' undertakings; and (iii) all the benefits arising from entire equity interests in the PRC Companies will be entirely conveyed to the Shenzhen Company pursuant to the share charge, exclusive consultancy service agreements and loan agreements.

As advised by the Vendor, the acquisition by way of contractual arrangements rather than direct equity interests can save time for the completion of the Reorganization and meet up with the timetable of the Acquisition.

Having consulted with the independent auditor of the Company, upon completion of the Reorganization, it is appropriate under Hong Kong Accounting Standard 27 "Consolidated and Separate Financial Statements" to account for the PRC Companies as wholly-owned subsidiaries of the Target Company.

Upon Completion, the Group will be interested in 25% equity interests in the Target Company and its subsidiaries and the Target Company will be accounted for as an associate of the Group.

In view of (i) the execution of the respective control agreements will ensure the consolidation of the financial results of each of the PRC Companies to the Target Group as advised by the auditor of the Company; (ii) the control agreements are legal, effective, binding and enforceable and in compliance with the relevant rules and regulations of the PRC as advised by the PRC legal advisor; (iii) the control agreements are entered amongst the parties thereto on normal commercial terms; and (iv) the potential benefits from the Acquisition, the Directors considered that such contractual arrangements are in the interest of the Company and the Shareholders as a whole.

F. FINANCIAL INFORMATION ON THE TARGET GROUP

As advised by the Vendor, the Target Company, Imagine Communications Holding Limited, Star Global Management Limited, Goldline Enterprises Limited, Orient Ace Holdings Limited and the Shenzhen Company are investment holding companies. These companies have no business operation since its respective date of incorporation. In March 2011, Socle Limited acquired 100% equity interests in Goldline Enterprises Limited (together with its wholly-owned subsidiaries, i.e. Orient Ace Holdings Limited and the Shenzhen Company) at an aggregate consideration of US$1. As at the Latest Practicable Date, the sole asset of Goldline Enterprises Limited is paid-up share capital of US$1 and no liability is recorded, the sole asset of Orient Ace Holdings Limited is paid-up share capital of HK$1 and no liability is recorded, the Shenzhen Company has no asset and liability but has capital commitment of RMB500,000 for the registered share capital contribution to be settled by the Vendor and contingent liabilities of an interest free loan in the aggregate amount of not more than RMB3 million and RMB7 million to be provided to the existing shareholders of the Beijing Company and Shanghai Company respectively (of which RMB1 million and RMB2 million will be provided to the existing shareholders of the Beijing Company and Shanghai Company on or before 19 May 2011 (or such a later date as agreed by the parties to the loan agreements) for repaying their respective contributions in the registered capital of the Beijing Company and the Shanghai Company. While the remaining amount of RMB2 million and RMB5 million will be provided after the existing shareholders of the Beijing Company and the Shanghai Company serve notice to the Shenzhen Company requesting the loan solely for financing the future general working capital of the Beijing Company and the Shanghai

Company) under the control agreements as set out in the above section. Since Goldline Enterprises Limited and its wholly-owned subsidiaries were established for investment purpose only, save for the control agreements executed between the Shenzhen Company and each of the Beijing Company and the Shanghai Company on 29 April 2011, Goldline Enterprises Limited and its wholly-owned subsidiaries did not have any material assets as at the Latest Practicable Date. Meanwhile, Olympic Wealth, the Shanghai Company and the Beijing Company are the major operating subsidiaries of the Target Group. The audited financial information of the Target Group have been set out in appendices II, III and IV.

Set out below is the key audited consolidated financial information of Scole Limited extracted from Appendix II:

	From 2 April 2008 to 31 December 2008 (audited) *HK$'000*	**Financial year ended 31 December 2009 (audited)** *HK$'000*	**Financial year ended 31 December 2010 (audited)** *HK$'000*
Turnover	–	–	5,416
(Loss)/Profit before taxation	(11)	(76)	1,559
(Loss)/Profit after taxation	(11)	(76)	1,159

	As at 31 December 2008 (audited) *HK$'000*	**As at 31 December 2009 (audited)** *HK$'000*	**As at 31 December 2010 (audited)** *HK$'000*
(Net liabilities)/Net assets value	(11)	(87)	1,072

Set out below is the key audited financial information of the Shanghai Company extracted from Appendix III:

	Period from 7 September 2009 (date of incorporation) to 31 December 2009 (audited) *HK$'000*	**Financial year ended 31 December 2010 (audited)** *HK$'000*
Turnover	1,092	39,366
Profit before taxation	983	7,137
Profit after taxation	737	3,650

	As at 31 December 2009 (audited) *HK$'000*	**As at 31 December 2010 (audited)** *HK$'000*
Net assets value	3,009	6,881

Set out below is the key audited financial information of the Beijing Company extracted from Appendix IV:

	Financial year ended 31 December 2008 (audited) *HK$'000*	Financial year ended 31 December 2009 (audited) *HK$'000*	Financial year ended 31 December 2010 (audited) *HK$'000*
Turnover	71,070	76,170	42,020
Profit before taxation	1,934	1,559	1,055
Profit after taxation	1,392	1,085	1,055

	As at 31 December 2008 (audited) *HK$'000*	As at 31 December 2009 (audited) *HK$'000*	As at 31 December 2010 (audited) *HK$'000*
(Net liabilities)/Net assets value	(865)	219	1,008

Please refer to Appendix VI for the management discussion and analysis of the Target Group for further information.

G. INTENTION OF EXISTING BUSINESS OF THE GROUP

In relation to the Acquisition, 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.

Save as disclosed above, as at the Latest Practicable Date, the Directors confirm that the Company has no intention and has not entered into any agreement, arrangement, understanding or negotiation to dispose of or discontinue its existing business including e-Leaning business and digital copyright licensing and management solution business.

H. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Group will be interested in 25% equity interests in the Target Company and its subsidiaries and the Target Company will be accounted for as an associated company of the Group.

(1) Effect on assets

Based on the pro forma financial information in Appendix V of this circular, after the Completion, the unaudited pro forma net assets value of the Enlarged Group will be increased by HK$14.38 million from approximately HK$152.37 million to approximately HK$166.75 million as at 31 December 2010. The increase was due to increase in interest in associates of the amount of approximately HK$31.18 million less the cash consideration of the amount of approximately HK$15.60 million payable by the Group and the payment for the cost of acquisition of approximately HK$1.20 million.

(2) Effect on liabilities

Based on the pro forma financial information in Appendix V of this circular, the liabilities of the Enlarged Group upon Completion will remain at HK$48.25 million. However, as the total assets have been increased, the overall financial position of the Enlarged Group will be improved.

(3) Effect on earnings

Based on the pro forma financial information in Appendix V of this circular, the total comprehensive loss for the year of the Enlarged Group will be decreased by approximately HK$0.26 million to a loss of approximately HK$28.66 million due to the sharing of results of the Target Group.

The Acquisition is expected to provide an additional and stable income source to the Group in the medium to long term by way of dividend and sharing of profit or loss of the Target Group as an associate of the Group and the Enlarged Group looks forward to the business opportunities to be brought by the Acquisition in the PRC.

I. DUE DILIGENCE AND FEASIBILITY STUDIES ON THE TARGET GROUP PERFORMED BY THE COMPANY

As one of the conditions precedent to proceed to Completion, the Company shall conduct due diligence on several aspects of the Target Group and the result of the due diligence review on the Target Group shall be satisfactory.

Prior to the entering into of the Agreement, the Company has met and discussed with the Vendor to understand the business model, competitive strengths and future development of the Target Group. The Company has reviewed (i) the basic corporate documents to understand the Target Group's establishment history, shareholding structure and group structure; (ii) the business contracts of the Target Group, company profile to understand the operation of the Target Group; and (iii) the financial information of the Target Group to understand its historical financial performance and financial forecast. The Company also studied the business of the Target Group by collecting and reviewing market information and related legal requirements of the industry.

Subsequent to the entering into of the Agreement on 14 January 2011 and up to the Latest Practicable Date, the Company also performed the following due diligence works:

(i) reviewed the legal opinion prepared by the PRC legal advisers in relation to the legality and the validity in respect to the establishment and subsistence of the Beijing Company and the Shanghai Company and the completion of the control agreements as part of the Reorganization;

(ii) reviewed the audited financial information of the Target Group as reported on by the independent auditor;

(iii) reviewed the business plan of the Target Group prepared by the Vendor;

(iv) reviewed the profit forecast made by the Target Group to assess the basis of the profit guarantee made by the Vendor;

(v) reviewed the pro forma financial information of the Enlarged Group as reported on by the independent auditor; and

(vi) discussed with the Vendor and the management of the Target Group regarding the legal, financial and business aspects of the Target Group.

The result of the above-mentioned due diligence works on the Target Group performed so far is satisfactory and so far nothing has come to the attention of the Company that constitutes any impediments to proceed with the Acquisition.

J. 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, except the Vendor, no Shareholder has a material interest in the Acquisition. Accordingly, except the Vendor who holds 700,000 Shares, representing 0.03% of the issued share capital of the Company as at the Latest Practicable Date, no Shareholder is required to abstain from voting for the ordinary resolution to approve the Agreement and the transactions contemplated thereunder at the EGM.

K. EGM

Set out on pages 160 to 161 of the circular is a notice convening the EGM to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Thursday, 2 June 2011 at 11:00 a.m. at which ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy of the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete and return the same to the Company's Hong Kong branch share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at EGM or any adjournment thereof if you so wish.

L. RECOMMENDATION

The Board considers that the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution(s) as set out in the notice of the EGM.

M. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
China Digital Licensing (Group) Limited
Hsu Tung Sheng
Chairman

1. FINANCIAL SUMMARY

Financial information on the Group for each of the three years ended 31 December 2008, 2009 and 2010 are set out in the audited consolidated financial statements of the Group for the years ended 31 December 2008, 2009 and 2010 respectively, which are included in the annual reports of the Company for the respective years and are published on both the GEM website (www.hkgem.com) and the website of the Company (www.chinadigitallic.com) respectively.

2. INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2011, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding borrowings of approximately HK$46,708,000, details of which are set out below:

	HK$'000
Current liabilities	
Accruals and other payables (unsecured)	2,295
Non-current liabilities	
Other payables (unsecured)	18,000
Convertible bonds (unsecured)	26,413
	44,413
	46,708

Contingent liabilities

As at 31 March 2011, the Enlarged Group had no material contingent liabilities.

Commitments

As at 31 March 2011, the Enlarged Group did not have any commitments.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 March 2011.

The Directors are not aware of any material changes in the financial position of the Enlarged Group since 31 March 2011, the date to which the indebtedness statement is made.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group and the internally generated funds, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

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.

a) Digital copyright management business

As mentioned in the annual report of the Company for the year ended 31 December 2010, during the financial year ended 31 December 2010, the digital copyright management business of the Group has achieved significant breakthroughs. The Group officially signed an exclusive cooperation agreement in December 2010 with OneStop China Limited ("OSC"), the joint venture established by Universal, Warner and Sony, in relation to obtaining the exclusive license for the provision of the music contents licensed by the top three record labels on the music platform of China Unicom. Up to 450,000 pieces of music content are retrieved from domestic and overseas music libraries.

In February 2011, the Group formally launched the music contents licensed by OSC on the music platform of China Unicom. By the end of March 2011, several thousands of the latest and the most popular licensed songs have been uploaded by the Group, including songs from Chinese artists like Eason Chan (陳奕迅), Faye Wong (王菲), Khalil Fong (方大同), Jam Hsiao (蕭敬騰), Leehom Wang (王力宏) and Rainie Yang (楊丞琳) and international artists like Lady Gaga, Michael Jackson and Mariah Carey. Most of these songs are the nationwide hit of the weekly pop chart of China Unicom.

As one of the leading mobile operators in China, China Unicom's customer base reached approximately 160 million (of which 17 million customers subscribed to the 3G network), and the number of 3G network subscribers is accelerating at a rapid pace. Being the largest music content provider of China Unicom, the Group will further co-operate with China Unicom on the special music zones under the music platform of China Unicom to provide music oriented value-added services which are likely to generate substantial immediate revenue to the Group.

The Directors are confident that through the Acquisition, in addition to the benefit to be drawn from being an investor having 25% in the Target Group, the Acquisition would bring more business opportunities to the Group through distributing sports content with our cooperation with the telecommunication sectors which would further strength our business in the digital copyright management. The Group is working closely with the Target Group for the penetration of the sports content into the telecommunication sector and other digital media networks.

b) 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 evolved from an e-Learning provider to a leading turnkey supplier to provide various e-Learning platforms, joint school competitions, extra-curricular activities, various e-Learning contents and resources, and the provision of the latest educational/ green technology solutions.

The Hong Kong Government and the Macao Government both place high emphasis on education. In view of the buoyant economies condition, increasing financial resources have been diverted to nearly to all the secondary and primary schools.

During the financial year ended 31 December 2010, the Group has successfully clinched over 30 primary schools in the first batch of the Hong Kong Government funding education projects for provision of various language enhancement programs. The Group is in the process of preparing the proposals for around 50 primary schools in the second batch of the above mentioned projects which will commence in September 2011. Similar projects for secondary schools will also commence in 2011 and the Group is actively working with around 100 secondary schools to prepare on such.

In addition to Hong Kong, the Group has also succeeded in replicating its business model to Macao. Other than providing e-Learning contents such as e-storybooks and Mathematics learning programs, the Group has been recently appointed by the Macao Education & Youth Affairs Bureau for three consecutive years to provide all primary and secondary school students in Macao with the Group's online reading platforms. The Group is actively working with schools in Macao to design other educational technology solutions which meet the needs of students and teachers there.

The Group has overcome all the challenges in the past two to three years and has now established China's most complete and unprecedented digital copyright management infrastructure, strategic partnerships, business networks and the most needed licensing contents such as music and professional sports. The management of the Group is optimistic that substantial revenue and profits are likely to be generated in the 2011 fiscal year.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from Mazars CPA Limited, Certified Public Accountants.

The Directors
China Digital Licensing (Group) Limited
Unit 1601, 16/F., Ruttonjee House
Ruttonjee Centre, 11 Duddell Street
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Socle Limited ("Socle") and its subsidiaries (collective referred to as "Socle Group") for inclusion in the circular of China Digital Licensing (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") dated 17 May 2011 (the "Circular") in connection with the proposed acquisition of 25% equity interest of Socle as disclosed in the Company's announcement dated 21 January 2011. The Financial Information comprises the consolidated statements of financial position of Socle Group as at 31 December 2008, 2009 and 2010, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Socle Group for the period from 2 April 2008 (date of incorporation) to 31 December 2008 and for each year of the two years ended 31 December 2010 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

Socle is a limited liability company incorporated in the British Virgin Islands (the "BVI"). The principal activity of Socle is investment holding and the principal activity of its major operating subsidiary is the licensing of professional sports events and entertainment content in the People's Republic of China (the "PRC"). They have adopted 31 December as their financial year end for statutory financial reporting purposes.

The Financial Information as set out in this report has been prepared based on the unaudited management accounts of Socle for the Relevant Periods (hereinafter collectively referred to as the "Underlying Financial Statements") prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

The director of Socle is responsible for preparing the Financial Information which gives a true and fair view in accordance with HKFRS. In preparing the Financial Information of Socle Group which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable, and that the reasons for any significant departure/non-applicable accounting standards are stated. It is our responsibility to form an independent opinion, on such information in respect of the Relevant Periods, and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

For the purpose of this report, we have examined the Underlying Financial Statements of Socle Group for the Relevant Periods and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA, after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information of Socle Group, for the purpose of this report, gives a true and fair view of the results and cash flows of Socle Group for the Relevant Periods and of the state of affairs of Socle Group as at 31 December 2008, 2009 and 2010 in accordance with HKFRS.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 17 May 2011

Eunice Y M Kwok
Practising Certificate number: P04604

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

The following is a summary of the consolidated statements of comprehensive income of Socle Group for the Relevant Periods, which have been prepared on the basis set out in Section B.

		Period from 2 April 2008 (date of incorporation) to 31 December	Year ended 31 December	
		2008	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*3*	–	–	5,416
Cost of services rendered		–	–	(3,795)
Gross profit		–	–	1,621
Other income		–	–	1
		–	–	1,622
Administrative expenses		(11)	(76)	(63)
(Loss) Profit before taxation	*4*	(11)	(76)	1,559
Taxation charges	*6*	–	–	(400)
(Loss) Profit for the period/year		(11)	(76)	1,159
Other comprehensive income		–	–	–
Total comprehensive (loss) income for the period/year		(11)	(76)	1,159

Consolidated Statements of Financial Position

The following is a summary of the consolidated statements of financial position of Socle Group as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section B.

		2008	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Due from a director of a subsidiary	*9*	–	–	4,489
Bank balances		–	–	1,535
		–	–	6,024
Current liabilities				
Other payables	*10*	11	87	4,552
Taxation		–	–	400
		11	87	4,952
Net current (liabilities) assets		(11)	(87)	1,072
NET (LIABILITIES) ASSETS		(11)	(87)	1,072
Capital and reserves				
Share capital	*11*	–	–	–
Accumulated (losses) profits		(11)	(87)	1,072
TOTAL (DEFICITS) EQUITY		(11)	(87)	1,072

Consolidated Statements of Changes in Equity

The following is a summary of the consolidated statements of changes in equity of Socle Group for the Relevant Periods, which have been prepared on the basis set out in Section B.

	Share capital	**Accumulated profits (loss)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Loss for the period and total comprehensive loss for the period	–	(11)	(11)
As at 31 December 2008	–	(11)	(11)
Loss for the year and total comprehensive loss for the year	–	(76)	(76)
As at 31 December 2009	–	(87)	(87)
Profit for the year and total comprehensive income for the year	–	1,159	1,159
As at 31 December 2010	–	1,072	1,072

Consolidated Statements of Cash Flows

The following is a summary of the consolidated statements of cash flows of Socle Group for the Relevant Periods, which have been prepared on the basis set out in Section B.

	Period from 2 April 2008 (date of incorporation) to 31 December	Year ended 31 December	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
(Loss) Profit before taxation	(11)	(76)	1,559
Changes in working capital			
Due from a director of a subsidiary	–	–	(4,489)
Other payables	11	76	4,465
Cash generated from operations	–	–	1,535
Net cash generated from operating activities	–	–	1,535
Net increase in cash and cash equivalents	–	–	1,535
Cash and cash equivalents at beginning of period/year	–	–	–
Cash and cash equivalents at end of period/year, represented by bank balances	–	–	1,535

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Socle Limited ("Socle") is a limited company incorporated in the British Virgin Islands. Socle's principal place of business is located at Room 187, Block A, 18W Ring Road, South, Jing Ji Ji Shu Kai Fa Qu, Daxing, Beijing, the PRC. The principal activity of Socle is investment holding and the principal activities of its subsidiaries are detailed in note 16 to the Financial Information.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, 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 applicable disclosure requirements under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Application of HKFRS

Throughout the Relevant Periods, Socle Group has applied all of the new/revised HKFRS issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods.

At the date of this report, Socle Group has not early adopted the following new/revised HKFRS issued by the HKICPA that are not yet effective for the Relevant Periods.

Amendments to HKAS 32	*Classification of Rights Issues* [1]
Amendments to HKFRS 1 (Revised)	*Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
Amendments to HK(IFRIC) – Int 14	*Prepayments of a Minimum Funding Requirement* [3]
Improvements to HKFRSs 2010	*Improvements to HKFRSs 2010* [4]
Amendments to HKFRS 7	*Disclosures – Transfer of Financial Assets* [5]
Amendments to HKFRS 1 (Revised)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [5]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [6]
HKFRS 9	*Financial Instruments* [7]

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
[5] Effective for annual periods beginning on or after 1 July 2011
[6] Effective for annual periods beginning on or after 1 January 2012
[7] Effective for annual periods beginning on or after 1 January 2013

Socle Group is in the process of assessing the possible impact on the adoption of these new/revised HKFRS in future. So far it has concluded that the adoption is unlikely to have a material impact on Socle Group's results or financial position in future.

A summary of the principal accounting policies adopted by Socle Group is set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Socle and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as Socle using consistent accounting policies.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which Socle obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from owners of the parent. The non-controlling interests in the acquiree are measured initially either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Subsidiary

A subsidiary is an entity in which Socle Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Financial instruments

Financial assets and financial liabilities are recognised when Socle Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

Financial assets and financial liabilities are measured as set out below.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Impairment of financial assets

At the end of each reporting period, Socle Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities

Socle Group's financial liabilities include other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Derecognition of financial assets and liabilities

A financial asset is derecognised when Socle Group's contractual rights to future cash flows from the financial asset expire or when Socle Group transfers the financial asset and has substantially transferred all the risks and rewards of ownership of the financial assets. A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Socle Group and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

Income from licensing of programme rights is recognised over the contract period in accordance with the terms of the underlying contracts.

Foreign currency translation

Items included in the financial statements of each of Socle Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is Socle's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the Socle Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

2. **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

Foreign currency translation *(continued)*

- Income and expenses for each statement of comprehensive income are translated at average exchange rate; and

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of Socle Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are recognised as an expense on the straight-line basis over the term of the relevant leases.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Socle Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A party is related to Socle Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with Socle Group; or has an interest in Socle Group that gives it significant influence over Socle Group; or has joint control over Socle Group;

(b) the party is an associate of Socle Group;

2. **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

Related parties *(continued)*

(c) the party is a joint venture in which Socle Group is a venturer;

(d) the party is a member of the key management personnel of Socle Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of Socle Group or of any entity that is a related party of Socle Group.

Critical accounting estimates and judgements

Impairment of receivables

The Socle Group follows the guidance of HKAS 39 in determining whether amount due from a director of a subsidiary is impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future settlements by the director. Future changes in financial position of the director would affect the estimation of impairment loss and cause the adjustments of the carrying amount of the amount due.

3. **TURNOVER**

	Period from 2 April 2008 (date of incorporation) to 31 December	Year ended 31 December	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Income from licensing of license rights	–	–	5,416

4. (LOSS) PROFIT BEFORE TAXATION

(Loss) Profit before taxation is stated after charging the following:

	Period from 2 April 2008 (date of incorporation) to 31 December	Year ended 31 December	
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Staff salaries, allowances and other benefits in kind	–	–	–
Contributions to retirement scheme	–	–	–
Total staff costs	–	–	–

5. DIRECTOR'S REMUNERATION

The aggregate amounts of remuneration received and receivable by Socle's director are as follows:

	Director's fees	Other emoluments	Total
	HK$'000	*HK$'000*	*HK$'000*
Period ended 31 December 2008			
Executive director			
TUNG, Michael *(appointed on 2 April 2008)*	–	–	–

	Director's fees	Other emoluments	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2009			
Executive director			
TUNG, Michael *(resigned on 9 November 2009)*	–	–	–
CHANG, Li-Cheng *(appointed on 9 November 2009)*	–	–	–
	–	–	–

5. DIRECTORS' REMUNERATION *(continued)*

	Director's fees	Other emoluments	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2010			
Executive director			
CHANG, Li-Cheng	–	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration for the Relevant Periods. In addition, no emoluments were paid by the Socle Group to any of the directors as an inducement to join, or upon joining the Socle Group or as a compensation for loss of office for the Relevant Periods.

6. TAXATION

Socle Group is subject to Enterprise Income Tax ("EIT") of Mainland China at a statutory rate of 25%.

Reconciliation of effective tax rate

	Period from 2 April 2008 (date of incorporation) to 31 December	Year ended 31 December	
	2008	**2009**	**2010**
	%	%	%
Applicable tax rate	(25.0)	(25.0)	25.0
Non-deductible expenses	25.0	25.0	–
Other	–	–	0.7
Effective tax rate for the period/year	–	–	25.7

7. EARNINGS PER SHARE

Earnings per share has not been presented as such information is not considered meaningful for the purpose of this report.

8. DIVIDENDS

No dividends were declared or paid during the Relevant Periods.

9. DUE FROM A DIRECTOR OF A SUBSIDIARY

The amount due from a director of a subsidiary is unsecured, interest-free and has no fixed repayment term. The recoverability of the amount due is undertaken by a director of Socle.

10. OTHER PAYABLES

	Note	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*
Accruals and other creditors		11	–	8
Due to a director	*(a)*	–	87	142
Due to a third party	*(b)*	–	–	4,402
		11	87	4,552

(a) The amounts due to a director is unsecured, interest-free and has no fixed repayment term.

(b) The amount due to a third party is unsecured, interest-free and has no fixed repayment term. Socle and the third party have common beneficial owner subsequent to the Relevant Periods.

11. SHARE CAPITAL

	2008		2009		2010	
	No. of ordinary share	*HK$'000*	*No. of ordinary share*	*HK$'000*	*No. of ordinary share*	*HK$'000*
Authorised						
At beginning of reporting period	–	–	50,000	–	50,000	–
Authorised on incorporation	50,000	–	–	–	–	–
At end of reporting period, 50,000 shares with no par value	50,000	–	50,000	–	50,000	–
Issued and fully paid						
At beginning of reporting period	–	–	100	–	100	–
Issued on incorporation	100	–	–	–	–	–
At end of reporting period, 100 shares with no par value	100	–	100	–	100	–

12. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Financial Information, during the period/years ended 31 December 2008, 2009 and 2010, Socle Group had the following transactions with related parties:

		Period from 2 April 2008 (date of incorporation) to 31 December	Year ended 31 December	
Relationship	**Nature of transactions**	**2008**	**2009**	**2010**
		HK$'000	*HK$'000*	*HK$'000*
A third party*	Recharge of cost of services rendered	–	–	3,795

During the Relevant Periods, no compensation of any kind was paid to Socle's directors who were the key management personnel of Socle Group.

* *The third party and Socle have common beneficial owner subsequent to the Relevant Periods.*

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Socle Group's principal financial instruments comprise bank balances. The main purpose of these financial instruments is to raise or maintain financial resources for Socle Group's operations. Socle Group has various other financial instruments such as other receivables and payables which arise directly from its business activities.

The main risks arising from Socle Group's financial instruments are credit risk and liquidity risk. Socle Group does not have any written risk management policies and guidelines. However, the management of Socle Group generally adopts conservative strategies on Socle Group's risk management and limits Socle Group's exposure to these risks to a minimum. The management of Socle Group reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Socle Group's credit risk is primarily attributable to other receivables and bank balances.

A detailed discussion of Socle Group's credit risk in respect of the amount due from a director of a subsidiary is set out in note 9 to the Financial Information. Management closely monitors all outstanding debts and reviews the collectability of debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Socle Group's bank balances are placed with credit-worthy banks in Hong Kong.

Liquidity risk

Liquidity risk refers to the risk in which Socle Group is unable to meet its short-term obligations. Liquidity risk is minimal and is managed by matching the payment and receipt cycles. Socle Group's operations are financed mainly through operating cash flows and equity.

All of the Socle Group's financial liabilities were on demand at the end of each of the Relevant Periods.

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Fair value

The carrying values of all financial instruments approximated their fair values as at the end of each of the Relevant Periods.

14. CAPITAL MANAGEMENT

The objectives of Socle Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. Socle Group manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in Socle Group's objectives, policies or processes in managing capital during the Relevant Periods.

15. SEGMENTAL INFORMATION

In a manner consistent with the way in which information is reported to Socle Group's chief operating decision maker for the purposes of resource allocation and performance assessment, Socle Group has only one operating segment of licensing of professional sports events and entertainment content in the PRC. Socle Group's revenue from external customers and non-current assets are located in the PRC. Therefore, no operating segment or geographical segment information is presented.

16. PARTICULARS OF THE SUBSIDIARIES OF SOCLE ARE AS FOLLOWS:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/paid-up registered capital	Percentage of equity attribution to Socle		Principal activity
			Direct	*Indirect*	
Imagine Communications Holding Limited	Cayman Islands	2,000 shares of US$0.001 each	100%	–	Investment holding
Olympic Wealth Limited	BVI	1 share of US$1 each	–	100%	Licensing of professional sports events and entertainment content in the PRC and other regions
Star Global Management Limited	Hong Kong	1 share of HK$1 each	–	100%	Inactive
Imagine Communications Hong Kong Limited	Hong Kong	1 share of HK$0.01 each	–	100%	Investment holding
青春海洋傳媒技術(北京)有限公司 (unofficial English name as Qingchun Haiyang Media Technology (Beijing) Limited)*	PRC	US$Nil	–	100%	Inactive

* *Foreign wholly-owned enterprise.*

17. EVENTS AFTER THE REPORTING PERIOD

In March 2011, Socle acquired 100% equity interest in Goldline Enterprises Limited ("Goldline"), a company incorporated in the British Virgin Islands, at an aggregate consideration of US$1. The principal activity of Goldline is investment holding. Particulars of the subsidiaries of Goldline have been set out below:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/paid-up registered capital	Percentage of equity attribution to Socle		Principal activity
			Direct	*Indirect*	
Orient Ace Holdings Limited	Hong Kong	1 shares of HK$1 each	100%		Investing holding
深圳創展企業形象策劃有限公司 (unofficial English name as Shenzhen Chuangzhan Corporate Image Planning Limited) ("Shenzhen Chuangzhan")*	PRC	Paid-up capital of RMBNil		100%	Inactive

* *Foreign wholly-owned enterprise.*

In April 2011, Socle disposed 100% equity interest in Imagine Communications Hong Kong Limited and its wholly-owned subsidiary, 青春海洋傳媒技術(北京)有限公司 (unofficial English name as Qingchun Haiyang Media Technology (Beijing) Limited), to Socle's director, Mr. Chang Li-Cheng, at an aggregate consideration of HK$1.

On 29 April 2011, Shenzhen Chuangzhan entered into two sets of control agreements with each of the 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) and 體奧動力(北京)體育傳播有限公司 (unofficial English name as China Sports Media Limited). Details of the control agreements have been set out in "The Contractual Arrangements" under Section E of the LETTER FROM THE BOARD in the Circular."

Other than as disclosed above, no significant event has been noted for Socle Group in respect of any period subsequent to 31 December 2010.

C. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared by Socle Group in respect of the Relevant Periods and any period subsequent to 31 December 2010.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from Mazars CPA Limited, Certified Public Accountants.

The Directors
China Digital Licensing (Group) Limited
Unit 1601, 16/F., Ruttonjee House
Ruttonjee Centre, 11 Duddell Street
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 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) ("SYCSCL") for inclusion in the circular of China Digital Licensing (Group) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") dated 17 May 2011 (the "Circular") in connection with the proposed acquisition of 25% equity interest of Socle Limited as disclosed in the Company's announcement dated 21 January 2011. SYCSCL will be one of the principal operating subsidiaries of Socle Limited upon the completion of the reorganisation as mentioned in the LETTER FROM THE BOARD in the Circular. The Financial Information comprises the statements of financial position of SYCSCL as at 31 December 2009 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of SYCSCL for the period from 7 September 2009 (date of incorporation) to 31 December 2009 and the year ended 31 December 2010 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

SYCSCL is a limited liability company incorporated in the People's Republic of China (the "PRC") on 7 September 2009. The principal activity of SYCSCL is the licensing of professional sports events and entertainment content in the PRC. It has adopted 31 December as its financial year end for statutory financial reporting purposes.

The Financial Information as set out in this report has been prepared based on the unaudited management accounts of SYCSCL for the Relevant Periods (hereinafter collectively referred to as the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

The director and supervisor of SYCSCL are responsible for preparing the Financial Information which gives a true and fair view in accordance with HKFRS. In preparing the Financial Information of SYCSCL which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable, and that the reasons for any significant departure/non-applicable accounting standards are stated. It is our responsibility to form an independent opinion, on such information in respect of the Relevant Periods, and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

For the purpose of this report, we have examined the Underlying Financial Statements of SYCSCL for the Relevant Periods and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA, after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information of SYCSCL, for the purpose of this report, gives a true and fair view of the results and cash flows of SYCSCL for the Relevant Periods and of the state of affairs of SYCSCL as at 31 December 2009 and 2010 in accordance with HKFRS.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 17 May 2011

Eunice Y M Kwok
Practising Certificate number: P04604

A. FINANCIAL INFORMATION

Statements of Comprehensive Income

The following is a summary of the statements of comprehensive income of SYCSCL for the Relevant Periods, which have been prepared on the basis set out in Section B.

	Notes	Period from 7 September 2009 (date of incorporation) to 31 December 2009 HK$'000	Year ended 31 December 2010 HK$'000
Turnover	3	1,092	39,366
Cost of services rendered		–	(26,931)
Gross profit		1,092	12,435
Other revenue	3	3	28
Selling and distribution expenses		(1)	(417)
Administrative expenses		(111)	(4,909)
Profit before taxation	4	983	7,137
Taxation charges	7	(246)	(3,487)
Profit for the period/year		737	3,650
Other comprehensive income			
Exchange differences on translation to presentation currency		12	222
Total comprehensive income for the period/year		749	3,872

Statements of Financial Position

The following is a summary of the financial position of SYCSCL as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section B.

		As at 31 December	
		2009	**2010**
	Notes	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	*10*	5	4
Current assets			
Account and other receivables	*11*	1,099	3,750
Cash and bank balances		2,228	13,600
		3,327	17,350
Current liabilities			
Account and other payables	*12*	77	6,630
Taxation payable		246	3,843
		323	10,473
Net current assets		3,004	6,877
NET ASSETS		3,009	6,881
Capital and reserves			
Paid-up capital	*13*	2,260	2,260
Reserves		749	4,621
TOTAL EQUITY		3,009	6,881

Statements of Changes in Equity

The movements in the statements of changes in equity of SYCSCL for the Relevant Periods, which have been prepared on the basis set out in Section B, are as follows.

		Reserves				
	Paid-up capital	**Statutory reserve**	**Exchange reserve**	**Accumulated profits**	**Total reserve**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Transaction with owners						
Paid-up capital on date of incorporation	2,260	–	–	–	–	2,260
Profit for the period	–	–	–	737	737	737
Other comprehensive income:						
Exchange differences on translation to presentation currency	–	–	12	–	12	12
Total comprehensive income for the period	–	–	12	737	749	749
Transfer to statutory reserve	–	74	–	(74)	–	–
As at 31 December 2009 and 1 January 2010	2,260	74	12	663	749	3,009
Profit for the year	–	–	–	3,650	3,650	3,650
Other comprehensive income:						
Exchange differences on translation to presentation currency	–	–	222	–	222	222
Total comprehensive income for the year	–	–	222	3,650	3,872	3,872
Transfer to statutory reserve	–	1,042	–	(1,042)	–	–
As at 31 December 2010	2,260	1,116	234	3,271	4,621	6,881

Statements of Changes in Equity *(Continued)*

Note on reserves of SYCSCL:

(a) Distributable earnings

The statutory financial statements of SYCSCL are prepared under generally accepted accounting principles in the People's Republic of China ("PRC") which differ from Hong Kong Financial Reporting Standards. Any dividends paid by SYCSCL will be based on profits as reported in its statutory financial statements. Accordingly, distributable earnings would be limited to the amounts of available accumulated profits as recorded in the statutory financial statements of SYCSCL.

(b) Statutory reserve

In accordance with the relevant laws and regulations, domestic company established in the PRC must maintain statutory reserve for specific purposes. The board of directors of the SYCSCL will determine on an annual basis the amount of the annual appropriations to statutory reserve.

In 2009 and 2010, 10% of SYCSCL's profit in its local accounts has been appropriated to the reserve.

(c) Exchange reserve

Exchange difference relating to the translation of the net assets of the Company's operation from its functional currency to the presentation currency is recognised directly in other comprehensive income and accumulated in the exchange reserve.

Statements of Cash Flows

The statements of cash flows of SYCSCL for the Relevant Periods, which have been prepared on the basis set out in Section B, are as follows.

	Period from 7 September 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	983	7,137
Depreciation	–	1
Interest income	(3)	(28)
Exchange difference	12	206
Changes in working capital:		
Account and other receivables	(1,099)	(250)
Account and other payables	77	6,550
Cash used in operations	(30)	13,616
Interest received	3	28
Net cash (used in) generated from operating activities	(27)	13,644
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(5)	–
Net cash used in investing activities	(5)	–
FINANCING ACTIVITIES		
Issue of capital	2,260	–
Advance to a third party	–	(2,358)
Net cash generated from (used in) financing activities	2,260	(2,358)
Net increase in cash and cash equivalents	2,228	11,286
Cash and cash equivalents at beginning of period/year	–	2,228
Effect of change in foreign currency rate	–	86
Cash and cash equivalents at end of period/year, represented by bank balances and cash	2,228	13,600

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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) ("SYCSCL") is a limited company incorporated in the PRC. Its principal place of business is located at Room 3005, Block 2, 1147 Kang Ding Lu, Jing An Qu, Shanghai, PRC. The principal activity of SYCSCL is the licensing of professional sports events and entertainment content in the PRC.

The Financial Information of SYCSCL is presented in Hong Kong dollar ("HK$"), whereas the functional currency of SYCSCL is Renminbi ("RMB").

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, 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 applicable disclosure requirements under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Application of HKFRS

Throughout the Relevant Periods, SYCSCL has applied all of the new/revised HKFRS issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods.

At the date of this report, SYCSCL has not early adopted the following new/revised HKFRS issued by the HKICPA that are not yet effective.

Amendments to HKAS 32	*Classification of Rights Issues* [1]
Amendments to HKFRS 1 (Revised)	*Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
Amendments to HK(IFRIC) – Int 14	*Prepayments of a Minimum Funding Requirement* [3]
Improvements to HKFRSs 2010	*Improvements to HKFRSs 2010* [4]
Amendments to HKFRS 7	*Disclosures – Transfer of Financial Assets* [5]
Amendments to HKFRS 1 (Revised)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adoption* [5]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [6]
HKFRS 9	*Financial Instruments* [7]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2012
7 Effective for annual periods beginning on or after 1 January 2013

SYCSCL is in the process of assessing the possible impact on the adoption of these new/revised HKFRS in future. So far it has concluded that the adoption is unlikely to have a material impact on SYCSCL's results or financial position in future.

A summary of the principal accounting policies adopted by SYCSCL is set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Computer equipment	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and SYCSCL has sufficient resources to complete the development. The capitalised expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in profit or loss as incurred. When the asset is available for use, the capitalised development costs are amortised and subject to impairment review on the same basis as intangible assets acquired separately.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is expensed in profit or loss when incurred.

Financial instruments

Financial assets and financial liabilities are recognised when SYCSCL becomes a party to the contractual provisions of the instruments and on a trade date basis.

Financial assets and financial liabilities are measured as set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Loans and receivables

Loans and receivables including account and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Impairment of financial assets

At the end of each reporting period, SYCSCL assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

SYCSCL's financial liabilities include account and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Derecognition of financial assets and liabilities

A financial asset is derecognised when SYCSCL's contractual rights to future cash flows from the financial asset expire or when SYCSCL transfers substantially all the risks and rewards of ownership of the financial assets. A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Cash equivalents

For the purpose of the statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to SYCSCL and when the revenue can be measured reliably and on the following bases:

Income from licensing of license rights for professional sports event and entertainment content is recognised over the contract period in accordance with the terms of the underlying contracts.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

For the purposes of presenting the Financial Information, the assets and liabilities of SYCSCL are translated into the presentation currency of SYCSCL (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period.

Impairment of non-financial assets

At the end of each reporting period, SYCSCL reviews internal and external sources of information to determine whether its property, plant and equipment have suffered impairment losses or that impairment losses previously recognised no longer exist or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, SYCSCL estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are recognised as an expense on the straight-line basis over the terms of the relevant leases.

Employee benefits

Defined contribution plan

Pursuant to the law and regulations of the PRC, contributions to the defined contribution retirement schemes for SYCSCL's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed as incurred.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A party is related to SYCSCL if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with SYCSCL; or has an interest in SYCSCL that gives it significant influence over SYCSCL; or has joint control over SYCSCL;

(b) the party is an associate of SYCSCL;

(c) the party is a joint venture in which SYCSCL is an investor;

(d) the party is a member of the key management personnel of SYCSCL;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of SYCSCL or of any entity that is a related party of SYCSCL.

Critical accounting estimates and judgements

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of SYCSCL is based on the evaluation of collectability of the account receivables. A considerable amount of judgement is required in assessing the ultimate realisation of receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

3. TURNOVER AND REVENUE

	Period from 7 September 2009 (date of incorporation) to 31 December 2009 *HK$'000*	Year ended 31 December 2010 *HK$'000*
Turnover		
Income from licensing of license rights	1,092	39,366
Other revenue		
Interest income	3	28
Total revenue	1,095	39,394

4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	Period from 7 September 2009 (date of incorporation) to 31 December 2009 *HK$'000*	Year ended 31 December 2010 *HK$'000*
Salaries, allowances and other benefits in kind (including director)	20	318
Contributions to retirement scheme	4	41
Total staff costs	24	359

	Period from 7 September 2009 (date of incorporation) to 31 December 2009 *HK$'000*	Year ended 31 December 2010 *HK$'000*
Depreciation charge	–	1
Research and development costs	–	4,581

During the Relevant Periods, SYCSCL used the office premises of China Sports Media Company Limited ("CSML"), a company with common beneficial owner subsequent to the Relevant Periods, for free.

5. DIRECTOR'S AND SUPERVISOR'S REMUNERATION

The aggregate amounts of remuneration received and receivable by SYCSCL's director and supervisor are as follows:

	Director's/ supervisor's fees	Salaries, allowances and other benefits in kind	Contributions to defined retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Period from 7 September 2009 to 31 December 2009				
Executive director				
– 陳寶民 (Chen Baomin)	–	12	3	15
Supervisor				
– 周義曉 (Zhou Yixiao)	–	–	–	–
	–	12	3	15

	Director's/ supervisor's fees	Salaries, allowances and other benefits in kind	Contributions to defined retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010				
Executive director				
– 陳寶民 (Chen Baomin)	–	75	13	88
Supervisor				
– 周義曉 (Zhou Yixiao)	–	–	–	–
	–	75	13	88

6. HIGHEST PAID INDIVIDUALS

SYCSCL employed two individuals, excluding temporary staff, during the Relevant Periods. The highest paid individuals during the period/year ended 31 December 2009 and 2010 included one director, details of whose remuneration are set out in note 5 to the Financial Information. Details of the remuneration of the remaining one highest paid individual for the period/year ended 31 December 2009 and 2010 are as follows:

	Period from 7 September 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	8	56
Contributions to defined retirement scheme	1	28
	9	84

The above highest paid individual whose remuneration fell within the following band:

	Number of individuals	
	Period from 7 September 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**
Band		
Nil to HK$1,000,000	1	1

During the Relevant Periods, no remuneration was paid by SYCSCL to any of the two highest paid individuals as an inducement to join or upon joining SYCSCL, or as compensation for loss of office.

There was no arrangement under which any of the two highest paid individuals waived or agreed to waive any remuneration during the Relevant Periods.

7. TAXATION

SYCSCL is subject to Enterprise Income Tax ("EIT") of Mainland China at a statutory rate of 25%.

	Period from 7 September 2009 (date of incorporation) to 31 December 2009	**Year ended 31 December 2010**
	HK$'000	*HK$'000*
Current tax		
EIT	246	3,487

7. TAXATION *(Continued)*

Reconciliation of effective tax rate

	Period from 7 September 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010
	%	%
Applicable tax rate	25.0	25.0
Non-deductible expenses	–	23.9
Effective tax rate for the period/year	25.0	48.9

8. DIVIDENDS

No dividends were declared or paid during the Relevant Periods.

9. EARNINGS PER SHARE

Earnings per share has not been presented as such information is not considered meaningful for the purpose of this report.

10. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment
	HK$'000
Additions	5
As at 31 December 2009	5
As at 1 January 2010	5
Depreciation	(1)
As at 31 December 2010	4
Representing:	
Cost	5
Accumulated depreciation	–
As at 31 December 2009	5
Cost	5
Accumulated depreciation	(1)
As at 31 December 2010	4

11. ACCOUNT AND OTHER RECEIVABLES

	Note	2009 *HK$'000*	2010 *HK$'000*
Account receivables from third parties	*(a)*	1,099	1,391
Other receivables			
Other debtor	*(b)*	–	2,359
		1,099	3,750

(a) Majority of SYCSCL's sales are due upon presentation of the invoices. The remaining sales are with credit terms ranging from 30 days to 90 days. Included in SYCSCL's account receivables balance are debtors with carrying amounts of HK$113,000 and HK$Nil as at 31 December 2009 and 2010 respectively, which are past due at the end of the reporting period but not impaired as there has not been a significant change in their credit quality and management believes that the amounts are recoverable. These relate to certain major customers for whom there is no recent history of default. SYCSCL does not hold any collateral over these balances.

The ageing analysis of account receivables by due date which are past due but not impaired are as follows:

	2009 *HK$'000*	2010 *HK$'000*
Current	986	1,391
Less than 1 month past due	113	–
	1,099	1,391

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there have been no histories of defaults.

(b) Other debtor included an advance to a third party of RMB2,000,000 (equivalent to HK$2,359,000), which is interest-free, unsecured and repayable on demand. The recoverability of the amount due is undertaken by the beneficial owner of SYCSCL.

12. ACCOUNT AND OTHER PAYABLES

	Note	2009 *HK$'000*	2010 *HK$'000*
Account payables to third party		–	249
Other payables			
Accruals and other creditors		77	91
Advance payments from customers		–	5,141
Due to a third party	*(a)*	–	1,149
		77	6,381
		77	6,630

12. ACCOUNT AND OTHER PAYABLES *(Continued)*

Included in account and other payables are creditors with the following ageing analysis by invoice date:

	2009	2010
	HK$'000	*HK$'000*
Over 3 months	–	249

(a) The amount due to a third party, a company having common beneficial owner with SYCSCL subsequent to the Relevant Periods, is unsecured, interest-free and repayable on demand.

13. PAID-UP CAPITAL

	2009	2010
	HK$'000	*HK$'000*
Registered capital		
On incorporation and **at end of reporting period**	2,260	2,260
Paid-up capital		
On incorporation and **at end of reporting period**	2,260	2,260

SYCSCL was incorporated in the PRC with limited liability on 7 September 2009 with registered capital of RMB2,000,000 (equivalent to HK$2,260,000). The registered capital was fully paid on incorporation.

14. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Financial Information, during the period/year ended 31 December 2009 and 2010, SYCSCL had the following transactions with related parties:

Relationship	Nature of transactions	Period from 7 September 2009 (date of incorporation) to 31 December 2009	Year ended 31 December 2010
		HK$'000	*HK$'000*
Key management personnel including director	Salaries and allowances	15	88
A third party*	Recharge of cost of services rendered	–	6,778

* *The third party and SYCSCL have common beneficial owner subsequent to the Relevant Periods.*

15. CONTRIBUTION TO RETIREMENT SCHEME

SYCSCL participated in defined contribution retirement schemes covering its PRC employees. The schemes are administered by the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of SYCSCL.

During the period/year ended 31 December 2009 and 2010, the amount of employer's contributions made by SYCSCL to the defined contribution plans was approximately HK$4,000 and HK$41,000 respectively.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

SYCSCL's principal financial instruments comprise bank balance and cash. The main purpose of these financial instruments is to raise or maintain financial resources for SYCSCL's operations. SYCSCL has various other financial instruments such as account receivables and account payables which arise directly from its business activities.

The main risks arising from SYCSCL's financial instruments are credit risk and liquidity risk. SYCSCL does not have any written risk management policies and guidelines. However, the management of SYCSCL generally adopts conservative strategies on SYCSCL's risk management and limits SYCSCL's exposure to these risks to a minimum. The management of SYCSCL reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to SYCSCL resulting in a loss to SYCSCL. SYCSCL's credit risk is primarily attributable to account and other receivables and bank balances.

A detailed discussion of SYCSCL's credit risk in respect of account and other receivables is set out in note 11 to the Financial Information. SYCSCL trades only with recognised, creditworthy third parties. It is SYCSCL's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In extending credit terms to customers SYCSCL has carefully assessed creditworthiness and financial standing of each customer. Management also closely monitors all outstanding debts and reviews the collectability of debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

At 31 December 2009 and 2010, SYCSCL had a concentration of credit risk as 72% and 64% of the total account receivables were made up by SYCSCL's largest customer's outstanding balances respectively.

SYCSCL's bank balances are placed with credit-worthy banks in the PRC.

Liquidity risk

Liquidity risk refers to the risk in which SYCSCL is unable to meet its short-term obligations. Liquidity risk is minimal and is managed by matching the payment and receipt cycles. SYCSCL's operations are financed mainly through operating cash flows and equity.

All SYCSCL's financial liabilities at the end of the Relevant Periods based on contractual undiscounted payments are payable on demand.

Fair value

The carrying values of all financial instruments approximate their fair values as at the end of the Relevant Periods.

17. CAPITAL MANAGEMENT

The objectives of SYCSCL's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. SYCSCL manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in SYCSCL's objectives, policies or processes in managing capital during the Relevant Periods.

18. SEGMENTAL INFORMATION

In a manner consistent with the way in which information is reported to SYCSCL's chief operating decision maker for the purposes of resource allocation and performance assessment, SYCSCL has only one operating segment of licensing of professional sports events and entertainment content in the PRC. SYCSCL's revenue from external customers and non-current assets are located in the PRC. Therefore, no operating segment or geographical segment information is presented.

19. EVENTS AFTER THE REPORTING PERIOD

On 29 April 2011, SYCSCL entered into a set of control agreements with its shareholders and directors and a subsidiary of Socle Limited, pursuant to which SYCSCL agrees and facilitates the execution of the control agreements. Details of the control agreements have been set out in "The Contractual Arrangements" under Section E of the LETTER FROM THE BOARD in the Circular."

In addition to the events disclosed elsewhere in the Financial Information, no significant event has been noted for SYCSCL in respect of any period subsequent to 31 December 2010.

C. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared by SYCSCL in respect of any period subsequent to 31 December 2010.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from Mazars CPA Limited, Certified Public Accountants.

The Directors
China Digital Licensing (Group) Limited
Unit 1601, 16/F., Ruttonjee House
Ruttonjee Centre, 11 Duddell Street
Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 體奧動力(北京)體育傳播有限公司 (unofficial English name as China Sports Media Limited) ("CSML") for inclusion in the circular of China Digital Licensing (Group) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") dated 17 May 2011 (the "Circular") in connection with the proposed acquisition of 25% equity interest of Socle Limited as disclosed in the Company's announcement dated 21 January 2011. CSML will be one of the principal operating subsidiaries of Socle Limited upon the completion of the reorganisation mentioned in the LETTER FROM THE BOARD in the Circular. The Financial Information comprises the statements of financial position of CSML as at 31 December 2008, 2009 and 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of CSML for each of the three years ended 31 December 2008, 2009 and 2010 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

CSML is a limited liability company incorporated in the People's Republic of China (the "PRC") on 2 January 2004. The principal activity of CSML is the licensing of professional sports events and entertainment content in the PRC. It has adopted 31 December as its financial year end for statutory financial reporting purposes.

The Financial Information as set out in this report has been prepared based on the unaudited management accounts of CSML for the Relevant Periods (hereinafter collectively referred to as the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

The directors and supervisor of CSML are responsible for preparing the Financial Information which gives a true and fair view in accordance with HKFRS. In preparing the Financial Information of CSML which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable, and that the reasons for any significant departure/non-applicable accounting standards are stated. It is our responsibility to form an independent opinion, on such information in respect of the Relevant Periods, and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

For the purpose of this report, we have examined the Underlying Financial Statements of CSML for the Relevant Periods and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA, after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information of CSML, for the purpose of this report, gives a true and fair view of the results and cash flows of CSML for the Relevant Periods and of the state of affairs of CSML as at 31 December 2008, 2009 and 2010 in accordance with HKFRS.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 17 May 2011

Eunice Y M Kwok
Practising Certificate number: P04604

A. FINANCIAL INFORMATION

Statements of Comprehensive Income

The following is a summary of the statements of comprehensive income of CSML for the Relevant Periods, which have been prepared on the basis set out in Section B.

		Year ended 31 December		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*3*	71,070	76,170	42,020
Cost of services rendered		(60,202)	(69,726)	(35,973)
Gross profit		10,868	6,444	6,047
Other revenue	*3*	32	38	37
Selling and distribution expenses		(1,537)	(2,239)	(2,609)
Administrative expenses		(7,429)	(2,684)	(2,420)
Profit before taxation	*4*	1,934	1,559	1,055
Taxation charges	*7*	(542)	(474)	–
Profit for the year		1,392	1,085	1,055
Other comprehensive loss				
Exchange differences on translation to presentation currency		(115)	(1)	(266)
Total comprehensive income for the year		1,277	1,084	789

Statements of Financial Position

The following is a summary of the financial position of CSML as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section B.

		As at 31 December		
		2008	**2009**	**2010**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*10*	368	840	770
Intangible assets	*11*	75,536	113,783	78,831
		75,904	114,623	79,601
Current assets				
Account and other receivables	*12*	12,790	14,574	15,739
Cash and bank balances		16,379	10,228	13,134
		29,169	24,802	28,873
Current liabilities				
Account and other payables	*13*	54,181	68,903	74,347
Taxation		262	608	346
		54,443	69,511	74,693
Net current liabilities		(25,274)	(44,709)	(45,820)
Total assets less current liabilities		50,630	69,914	33,781
Non-current liabilities				
Other payables	*13(c)*	51,495	69,695	32,773
NET (LIABILITIES) ASSETS		(865)	219	1,008
Capital and reserves				
Paid-up capital	*14*	937	937	937
Reserves		(1,802)	(718)	71
TOTAL (DEFICIT) EQUITY		(865)	219	1,008

Statements of Changes in Equity

The movements in the statements of changes in equity of CSML for the Relevant Periods, which have been prepared on the basis set out in Section B, are as follows.

		Reserves				
	Paid-up capital	Statutory reserve	Exchange reserve	Accumulated (losses) profits	Total reserves	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2008	937	583	344	(4,006)	(3,079)	(2,142)
Profit for the year	–	–	–	1,392	1,392	1,392
Other comprehensive loss						
Exchange differences on translation to presentation currency	–	–	(115)	–	(115)	(115)
Total comprehensive income (loss) for the year	–	–	(115)	1,392	1,277	1,277
As at 31 December 2008 and 1 January 2009	937	583	229	(2,614)	(1,802)	(865)
Profit for the year	–	–	–	1,085	1,085	1,085
Other comprehensive loss						
Exchange differences on translation to presentation currency	–	–	(1)	–	(1)	(1)
Total comprehensive income (loss) for the year	–	–	(1)	1,085	1,084	1,084
As at 31 December 2009 1 January 2010	937	583	228	(1,529)	(718)	219
Profit for the year	–	–	–	1,055	1,055	1,055
Other comprehensive loss						
Exchange differences on translation to presentation currency	–	–	(266)	–	(266)	(266)
Total comprehensive income (loss) for the year	–	–	(266)	1,055	789	789
As at 31 December 2010	937	583	(38)	(474)	71	1,008

Statements of Changes in Equity *(continued)*

Note on reserves of CSML:

(a) Distributable Earnings

The statutory financial statements of CSML are prepared under generally accepted accounting principles in the People's Republic of China ("PRC") which differ from Hong Kong Financial Reporting Standards. Any dividends paid by CSML will be based on profits as reported in its statutory financial statements. Accordingly, distributable earnings would be limited to the amounts of available accumulated profits as recorded in the statutory financial statements of CSML.

(b) Statutory reserve

In accordance with the relevant laws and regulations, domestic company established in the PRC must maintain statutory reserve for specific purposes. The board of directors of the CSML will determine on an annual basis the amount of the annual appropriations to statutory reserve.

No appropriation of reserves during the years ended 31 December 2008, 2009 and 2010 had been made as the reserve balance has reached 50% of CSML's registered capital.

(c) Exchange reserve

Exchange difference relating to the translation of the net assets or net liabilities of the CSML's operation from its functional currency to the presentation currency is recognised directly in other comprehensive income and accumulated in the exchange reserve.

Statements of Cash Flows

The statements of cash flows of CSML for the Relevant Periods, which have been prepared on the basis set out in Section B, are as follows.

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation	1,934	1,559	1,055
Depreciation	81	96	103
Amortisation	28,707	51,386	46,071
Allowance for doubtful debts	–	–	344
Bad debts written off	5,277	269	–
Exchange differences	(72)	(230)	971
Interest income	(32)	(38)	(37)
Changes in working capital:			
Account and other receivables	(3,574)	(2,001)	(1,251)
Account and other payables	(24,400)	32,493	(36,825)
Cash generated from operations	7,921	83,534	10,431
Income taxes paid	(103)	(155)	(192)
Interest received	32	38	37
Net cash generated from operating activities	7,850	83,417	10,276
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	–	(565)	(4)
Additions of intangible assets	(3,644)	(89,070)	(7,761)
Net cash used in investing activities	(3,644)	(89,635)	(7,765)
Net increase (decrease) in cash and cash equivalents	4,206	(6,218)	2,511
Cash and cash equivalents at beginning of year	11,479	16,379	10,228
Effect of change in foreign currency rate	694	67	395
Cash and cash equivalents at end of year, represented by bank balances and cash	16,379	10,228	13,134

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

體奧動力(北京)體育傳播有限公司 (unofficial English name as China Sports Media Limited) ("CSML") is a limited company incorporated in the PRC. Its principal place of business is located at Room 187, Block A, 18 W Ring Road, South, Jing Ji Ji Shu Kai Fa Qu, Daxing, Beijing, China. The principal activity of CSML is licensing of professional sports events and entertainment content in the PRC.

The Financial Information of CSML is presented in Hong Kong dollar ("HK$"), whereas the functional currency of CSML is Renminbi ("RMB").

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, 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 applicable disclosure requirements under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Application of HKFRS

Throughout the Relevant Periods, CSML has applied all of the new/revised HKFRS issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods.

At the date of this report, CSML has not early adopted the following new/revised HKFRS issued by the HKICPA that are not yet effective.

Amendments to HKAS 32	*Classification of Rights Issues* [1]
Amendments to HKFRS 1 (Revised)	*Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HK(IFRIC) – Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
Amendments to HK (IFRIC) – Int 14	*Prepayments of a Minimum Funding Requirement* [3]
Improvements to HKFRSs 2010	*Improvements to HKFRSs 2010* [4]
Amendments to HKFRS 7	*Disclosures – Transfer of Financial Assets* [5]
Amendments to HKFRS 1 (Revised)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adoption* [5]
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets* [6]
HKFRS 9	*Financial Instruments* [7]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2012
7 Effective for annual periods beginning on or after 1 January 2013

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of HKFRS *(continued)*

CSML is in the process of assessing the possible impact on the adoption of these new/revised HKFRS in future. So far it has concluded that the adoption is unlikely to have a material impact on CSML's results or financial position in future.

A summary of the principal accounting policies adopted by CSML is set out below.

Going Concern

The Financial Information has been prepared in conformity with the principle applicable to a going concern basis. The applicability of the going concern basis is dependent upon continued availability of adequate finance or attaining profitable operation in the future in view of the excess of current liabilities over current assets. The beneficial owner of CSML has confirmed his intention to make available adequate funds to CSML as and when required to maintain CSML as a going concern. The beneficial owner further undertakes to designate the cash consideration of HK$15.6 million that he will be entitled to for the disposal of certain of his interest in CSML to support the continued operation of CSML.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	3 years
Computer equipment	3 years
Furniture and fixture	3 years
Motor vehicle	10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

License rights

License rights for professional sports event and entertainment content are stated at cost less amounts expensed and any provision considered necessary by the management. Their costs are amortised over the shorter of their economic lives and the underlying licence period.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when CSML becomes a party to the contractual provisions of the instruments and on a trade date basis.

Financial assets and financial liabilities are measured as set out below.

Loans and receivables

Loans and receivables including account and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Impairment of financial assets

At the end of each reporting period, CSML assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

CSML's financial liabilities include account and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Derecognition of financial assets and liabilities

A financial asset is derecognised when CSML's contractual rights to future cash flows from the financial asset expire or when CSML transfers substantially all the risks and rewards of ownership of the financial assets. A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Cash equivalents

For the purpose of the statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to CSML and when the revenue can be measured reliably and on the following bases:

Income from licensing of license rights for professional sports event and entertainment content is recognised over the contract period in accordance with the terms of the underlying contracts.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency translation

For the purposes of presenting the Financial Information, the assets and liabilities of CSML are translated into the presentation currency of CSML (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period.

Impairment of non-financial assets

At the end of each reporting period, CSML reviews internal and external sources of information to determine whether its property, plant and equipment and license rights have suffered impairment losses or that impairment losses previously recognised no longer exist or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, CSML estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are recognised as an expense on the straight-line basis over the terms of the relevant leases.

Employee benefits

Defined contribution plan

Pursuant to the law and regulations of the PRC, contributions to the defined contribution retirement schemes for CSML's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed as incurred.

2. **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A party is related to CSML if:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with CSML; or has an interest in CSML that gives it significant influence over CSML; or has joint control over CSML;

(b) the party is an associate of CSML;

(c) the party is a joint venture in which CSML is an investor;

(d) the party is a member of the key management personnel of CSML;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of CSML or of any entity that is a related party of CSML.

Critical accounting estimates and judgements

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of CSML is based on the evaluation of collectability of the account receivables. A considerable amount of judgement is required in assessing the ultimate realisation of receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

3. TURNOVER AND REVENUE

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
Income from licensing of license rights	71,070	76,170	42,020
Other revenue			
Interest income on bank deposit	32	38	37
Total revenue	71,102	76,208	42,057

4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Staff salaries, allowances and other benefits in kind (including directors and supervisor)	1,237	1,048	885
Contributions to retirement scheme	225	237	225
Total staff costs	1,462	1,285	1,110

4. **PROFIT BEFORE TAXATION** *(continued)*

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Depreciation charge	81	96	103
Amortisation of intangible assets included in cost of services rendered	28,707	51,386	46,071
Allowance for bad and doubtful debts	–	–	344
Bad debts written off	5,277	269	–
Operating lease charges on premises	402	262	247

5. **DIRECTORS' AND SUPERVISOR'S REMUNERATION**

The aggregate amounts of remuneration received and receivable by CSML's directors and supervisor are as follows:

	Directors'/ supervisor's fees	**Salaries, allowances and other benefits in kind**	**Contributions to defined retirement scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008				
Executive director				
李義東 (Li Yidong)	–	217	10	227
Non-executive directors				
羅妍 (Luo Yan)	–	–	–	–
張莅政 (Chang Li Cheng)	–	–	–	–
蘇聰儒 (Su Congru)	–	–	–	–
趙弘曲 (Zhao Hongqu)	–	–	–	–
	–	–	–	–
	–	–	–	–
Supervisor				
楊斯華 (Yang Sihua)	–	–	–	–
Total	–	217	10	227

5. DIRECTORS' AND SUPERVISOR'S REMUNERATION *(continued)*

	Directors'/ supervisor's fees *HK$'000*	Salaries, allowances and other benefits in kind *HK$'000*	Contributions to defined retirement scheme *HK$'000*	Total *HK$'000*
Year ended 31 December 2009				
Executive director				
李義東 (Li Yidong)	–	204	9	213
Non-executive directors				
羅妍 (Luo Yan)	–	–	–	–
張莅政 (Chang Ki Cheng)	–	–	–	–
蘇聰儒 (Su Congru) (resigned on 5 November 2009)	–	–	–	–
趙弘曲 (Zhao Hongqu) (resigned on 5 November 2009)	–	–	–	–
	–	–	–	–
Supervisor				
陶潔 (Tao Jie) (appointed on 5 November 2009)	–	113	25	138
楊斯華 (Yang Sihua) (resigned on 5 November 2009)	–	–	–	–
	–	113	25	138
Total	–	317	34	351

	Directors'/ supervisor's fees *HK$'000*	Salaries, allowances and other benefits in kind *HK$'000*	Contributions to defined retirement scheme *HK$'000*	Total *HK$'000*
Year ended 31 December 2010				
Executive director				
李義東 (Li Yidong)	–	206	13	219
Non-executive directors				
羅妍 (Luo Yan)	–	–	–	–
張莅政 (Chang Li Cheng)	–	–	–	–
	–	–	–	–
Supervisor				
陶潔 (Tao Jie)	–	124	41	165
Total	–	330	54	384

6. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the years ended 31 December 2008, 2009 and 2010 included one director, two director/supervisor and two director/supervisor respectively, of whose remuneration is set out in note 5 to the Financial Information. Details of the remuneration of the remaining four, three and three non-directors, highest paid individuals for the years ended 31 December 2008, 2009 and 2010 respectively are as follows:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits in kind	380	383	411
Contributions to defined retirement scheme	103	97	114
	483	480	525

The number of non-directors, highest paid individuals whose remuneration fell within the following band:

	Number of individuals		
Band	**2008**	**2009**	**2010**
Nil to HK$1,000,000	4	3	3

During the Relevant Periods, no remuneration was paid by CSML to any of the five highest paid individuals as an inducement to join or upon joining CSML, or as compensation for loss of office.

There was no arrangement under which any of the five highest paid individuals waived or agreed to waive any remuneration during the Relevant Periods.

7. TAXATION

CSML is subject to Enterprise Income Tax ("EIT") of Mainland China at a statutory rate of 25%.

	Year ended 31 December		
	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Current tax			
EIT	542	474	–

Reconciliation of effective tax rate

	Year ended 31 December		
	2008	**2009**	**2010**
	%	*%*	*%*
Applicable tax rate	25.0	25.0	25.0
Non-deductible expenses	3.0	5.4	20.3
Non-taxable recharge of cost of services rendered	–	–	(250.6)
Unrecognised tax loss	–	–	205.3
Effective tax rate for the year	28.0	30.4	–

7. **TAXATION** *(continued)*

Unrecognised deferred tax assets

The tax loss of RMB7,557,000 (equivalent to HK$8,910,000) arising in the PRC as at 31 December 2010 can be used to offset against future taxable profits of CSML for a maximum of 5 years. CSML has not recognised deferred tax asset in respect of these tax losses because it is not probable the future taxable profit will be available against which CSML can utilise the benefits therefrom.

The unrecognised tax losses arising in the PRC at the end of the reporting period will expire as follows:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
In the fifth year	–	–	8,910

8. **DIVIDENDS**

No dividends were declared or paid during the Relevant Periods.

9. **EARNINGS PER SHARE**

Earnings per share has not been presented as such information is not considered meaningful for the purpose of this report.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Computer equipment *HK$'000*	Furniture and fixture *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
As at 1 January 2008	2	39	9	374	424
Depreciation	(2)	(29)	(7)	(43)	(81)
Effect of foreign currency exchange differences	–	2	1	22	25
As at 31 December 2008	–	12	3	353	368
As at 1 January 2009	–	12	3	353	368
Additions	–	–	–	565	565
Depreciation	–	(8)	(3)	(85)	(96)
Effect of foreign currency exchange differences	–	–	–	3	3
As at 31 December 2009	–	4	–	836	840
As at 1 January 2010	–	4	–	836	840
Additions	–	3	–	1	4
Depreciation	–	(3)	–	(100)	(103)
Effect of foreign currency exchange differences	–	–	–	29	29
As at 31 December 2010	–	4	–	766	770
Representing:					
Cost	6	198	29	452	685
Accumulated depreciation	(6)	(186)	(26)	(99)	(317)
As at 31 December 2008	–	12	3	353	368
Cost	6	199	29	1,020	1,254
Accumulated depreciation	(6)	(195)	(29)	(184)	(414)
As at 31 December 2009	–	4	–	836	840
Cost	6	210	30	1,060	1,306
Accumulated depreciation	(6)	(206)	(30)	(294)	(536)
As at 31 December 2010	–	4	–	766	770

11. INTANGIBLE ASSETS

	License rights
	HK$'000
As at 1 January 2008	94,945
Additions	3,644
Amortisation	(28,707)
Effect of foreign currency exchange differences	5,654
As at 31 December 2008	75,536
As at 1 January 2009	75,536
Additions	89,070
Amortisation	(51,386)
Effect of foreign currency exchange differences	563
As at 31 December 2009	113,783
As at 1 January 2010	113,783
Additions	7,761
Amortisation	(46,071)
Effect of foreign currency exchange differences	3,358
As at 31 December 2010	78,831
Representing:	
Costs	136,803
Accumulated amortisation	(61,267)
As at 31 December 2008	75,536
Costs	226,792
Accumulated amortisation	(113,009)
As at 31 December 2009	113,783
Costs	243,601
Accumulated amortisation	(164,770)
As at 31 December 2010	78,831

12. ACCOUNT AND OTHER RECEIVABLES

	Note	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*
Account receivables from third parties		9,370	10,952	8,472
Allowance for doubtful debts	*(a)*	–	–	(354)
		9,370	10,952	8,118
Other receivables				
Deposits and other debtors	*(b)*	2,839	1,806	2,114
Advance payments to suppliers		581	1,816	43
Due from third parties	*(c)*	–	–	5,464
		3,420	3,622	7,621
		12,790	14,574	15,739

(a) Allowance for doubtful debts

	2008 *HK$'000*	2009 *HK$'000*	2010 *HK$'000*
Balance at beginning of reporting period	–	–	–
Increase in allowance	–	–	344
Effect of foreign currency exchange differences	–	–	10
Balance at end of reporting period	–	–	354

Majority of CSML's sales are due upon presentation of the invoices. The remaining sales are with credit terms ranging from 30 days to 90 days. Included in CSML's account receivable balances are debtors with carrying amounts of HK$97,000, HK$2,874,000 and HK$7,729,000 as at 31 December 2008, 2009 and 2010 respectively, which are past due at the end of the reporting period but not impaired as there has not been a significant change in their credit quality and management believes that the amounts are recoverable. These relate to certain major customers for whom there is no recent history of default. CSML does not hold any collateral over these balances.

12. ACCOUNT AND OTHER RECEIVABLES *(continued)*

(a) Allowance for doubtful debts *(continued)*

The ageing analysis of account receivables by due date which are past due but not impaired is as follow:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Current	9,273	8,078	389
Less than 1 month past due	68	1,589	6,637
1 month to 3 months past due	–	965	–
Over 3 months past due	29	320	1,092
	97	2,874	7,729
	9,370	10,952	8,118

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there have been no histories of defaults.

(b) Deposits and other debtors included advances to third parties of RMB1,114,871 (equivalent to HK$1,260,696), RMB1,390,871 (equivalent to HK$1,579,195) and RMB585,570 (equivalent to HK$690,507) as at 31 December 2008, 2009 and 2010 respectively, which is unsecured, interest-free and repayable on demand. The recoverability of the amount due is undertaken by the beneficial owner of SYCSCL.

(c) The amount due from third parties, companies having common beneficial owner with CSML subsequent to the Relevant Periods, are unsecured, interest-free and repayable on demand. At the end of the reporting period, no provision was made for non-repayment of the amounts due.

13. ACCOUNT AND OTHER PAYABLES

		2008	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Account payables to third parties	*(a)*	15,097	14,288	5,979
Other payables				
Accruals and other creditors	*(b), (c)*	32,938	41,501	45,943
Advance payments from customers		6,146	13,114	22,425
		39,084	54,615	68,368
		54,181	68,903	74,347

13. ACCOUNT AND OTHER PAYABLES *(continued)*

(a) Included in account payables to third parties are creditors with the following ageing analysis by invoice date:

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Less than 1 month	8,369	11,166	23
1 month to 3 months	–	–	825
Over 3 months	6,728	3,122	5,131
	15,097	14,288	5,979

(b) Accruals and other creditors included advances from third parties of RMB8,200,000 (equivalent to HK$9,272,560) as at 31 December 2008, which is unsecured, interest-free and repayable on demand.

(c) Other payables

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
License right payables			
At end of reporting period	72,709	109,242	76,237
Current portion (included in accruals and other creditors)	(21,214)	(39,547)	(43,464)
Non-current portion	51,495	69,695	32,773

14. PAID-UP CAPITAL

	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*
Registered capital			
At beginning of reporting period and **at end of reporting period**	937	937	937
Paid-up capital			
At beginning of reporting period and **at end of reporting period**	937	937	937

15. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Financial Information, during the years ended 31 December 2008, 2009 and 2010, CSML had the following transactions with related parties:

Relationship	Nature of transactions	2008	2009	2010
		HK$'000	*HK$'000*	*HK$'000*
Key management personnel including directors and supervisor	Salaries and allowances	361	352	384
Third parties*	Recharge of cost of services rendered	–	–	10,573

* *The third parties and CSML have common beneficial owner subsequent to the Relevant Periods.*

During the Relevant Periods, CSML allowed Shanghai YiTiDongLi Cultural and Sports Communications Limited, a third party with common beneficial owner subsequent to the Relevant Periods, to use its office premises for free.

16. CONTRIBUTION TO RETIREMENT SCHEME

CSML participated in defined contribution retirement schemes covering its PRC employees. The schemes are administered by the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of CSML.

During the years ended 31 December 2008, 2009 and 2010, the amount of employer's contributions made by CSML to the defined contribution plans was approximately HK$225,000, HK$237,000 and HK$225,000 respectively.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

CSML's principal financial instruments comprise bank balance and cash. The main purpose of these financial instruments is to raise or maintain financial resources for CSML's operations. CSML has various other financial instruments such as account receivables and account payables which arise directly from its business activities.

The main risks arising from CSML's financial instruments are credit risk and liquidity risk. CSML does not have any written risk management policies and guidelines. However, the management of CSML generally adopts conservative strategies on CSML's risk management and limits CSML's exposure to these risks to a minimum. The management of CSML reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to CSML resulting in a loss to CSML. CSML's credit risk is primarily attributable to account and other receivables and bank balances.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

A detailed discussion of CSML's credit risk in respect of account and other receivables is set out in note 12 to the Financial Information. CSML trades only with recognised, creditworthy third parties. It is CSML's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In extending credit terms to customers CSML has carefully assessed creditworthiness and financial standing of each customer. Management also closely monitors all outstanding debts and reviews the collectability of debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

At 31 December 2008, 2009 and 2010, CSML had a concentration of credit risk as 42%, 50% and 56% of the total account receivables were made up by CSML's largest customer's outstanding balances respectively.

CSML's bank balances are placed with credit-worthy banks in the PRC.

Liquidity risk

Liquidity risk refers to the risk in which CSML is unable to meet its short-term obligations. Liquidity risk is minimal and is managed by matching the payment and receipt cycles. CSML's operations are financed mainly through operating cash flows and equity.

The maturity profile of CSML's financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	On demand	**Less than 3 months**	**3-12 months**	**Over 12 months**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2008					
Account and other payables	43,546	2,680	1,809	51,495	99,530

	On demand	**Less than 3 months**	**3-12 months**	**Over 12 months**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2009					
Account and other payables	55,505	–	284	69,695	125,484

	On demand	**Less than 3 months**	**3-12 months**	**Over 12 months**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2010					
Account and other payables	51,922	–	–	32,773	84,695

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Fair value

The carrying values of all financial instruments approximate their fair values as at the end of the Relevant Periods.

18. CAPITAL MANAGEMENT

The objectives of CSML's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. CSML manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in CSML's objectives, policies or processes in managing capital during the Relevant Periods.

19. COMMITMENTS

Commitments under operating leases

At the end of each of the Relevant Periods, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	2008	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	393	395	386
In the second to fifth years inclusive	763	371	–
Over five years	–	–	–
At end of reporting period	1,156	766	386

Operating lease payments represent rentals payable for certain of its office premises. The average lease terms during the Relevant Periods were 3 years.

20. SEGMENTAL INFORMATION

In a manner consistent with the way in which information is reported to CSML's chief operating decision maker for the purposes of resource allocation and performance assessment, CSML has only one operating segment of licensing of professional sports events and entertainment content in the PRC. CSML's revenue from external customers and non-current assets are located in the PRC. Therefore, no operating segment or geographical segment information is presented.

21. SUBSEQUENT EVENTS

On 29 April 2011, CSML entered into a set of control agreements with its shareholders and directors and a subsidiary of Socle Limited, pursuant to which CSML agrees and facilitates the execution of the control agreements. Details of the control agreements have been set out in "The Contractual Arrangements" under Section E of the LETTER FROM THE BOARD in the Circular."

In addition to the events disclosed elsewhere in the Financial Information, no significant event has been noted for CSML in respect of any period subsequent to 31 December 2010.

C. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared by CSML in respect of any period subsequent to 31 December 2010.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from Mazars CPA Limited, Certified Public Accountants in respect of the unaudited pro forma financial information.

A REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Directors
China Digital Licensing (Group) Limited
Unit 1601, 16/F., Ruttonjee House
Ruttonjee Centre, 11 Duddell Street
Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of China Digital Licensing (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which has been prepared by the directors for illustrative purpose only and set out in Section B of Appendix V to the circular dated 17 May 2011 (the "Circular") in connection with the proposed acquisition of 25% equity interest in Socle Limited and its subsidiaries (collectively referred to as "Socle Group", and together with the Group hereinafter collectively referred to as the "Enlarged Group") might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information is set out in Section B of Appendix V to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31 (7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31 (1) of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Group as at 31 December 2010 or any future date; or

– the results and cash flows of the Group for the year ended 31 December 2010 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31 (1) of the GEM Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 17 May 2011

Eunice Y M Kwok
Practising Certificate number: P04604

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

Pursuant to the Agreement as described in the announcement of the Company dated 21 January 2011 (the "announcement"), the Group will acquire 25% of equity interest of Socle Limited and its subsidiaries, (collectively referred to as "Socle Group") (hereinafter referred as the "Transaction"). The completion of the Transaction is conditional, among other things, upon the consummation of the reorganisation of the Socle Group, under which Shanghai YiTiDongLi Cultural and Sports Communications Limited ("SYCSCL") and China Sports Media Limited ("CSML") will become the wholly-owned subsidiaries of Socle Limited.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2010 is prepared as if the Transaction had been completed on 31 December 2010 and is based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2010, which has been extracted from the annual report of the Company for the year then ended; and (ii) the statements of financial position of Socle Group, SYCSCL and CSML as at 31 December 2010 as extracted from the accountants' report thereon as set out in Appendices II, III and IV to the Circular respectively, after making pro forma adjustments that are directly attributable to the Transaction, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

The unaudited pro forma consolidated statement of comprehensive income and consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2010 are prepared as if the Transaction had been completed on 1 January 2010 and are based on (i) the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2010, as extracted from the annual report of the Company for the year then ended; and (ii) the statements of comprehensive income and statements of cash flows of Socle Group, SYCSCL and CSML for the year ended 31 December 2010 as extracted from the accountants' report thereon as set out in Appendices II, III and IV to the Circular respectively, after making pro forma adjustments that are directly attributable to the Transaction, factually supportable and clearly identified as to those have/have no continuing effect on the Enlarged Group.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of completion of the Transaction. As it is prepared for illustrative purposes only, it does not purport to represent what the financial position or the results or cash flows of the Enlarged Group will be on completion of the Transaction.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 31 December 2010	Pro forma adjustments of the Transaction			Pro forma Enlarged Group as at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property, plant and equipment	**54**	–	–	–	**54**
Interest in associates	**–**	29,720	1,466	–	**31,186**
Interests in jointly controlled entities	**–**	–	–	–	**–**
Due from jointly controlled entities	**15,706**	–	–	–	**15,706**
Goodwill	**109,296**	–	–	–	**109,296**
	125,056	29,720	1,466	–	**156,242**
Current assets					
Inventories	**246**	–	–	–	**246**
Trade and other receivables	**28,922**	–	–	–	**28,922**
Tax recoverable	**163**	–	–	–	**163**
Due from a director of a subsidiary	**1,585**	–	–	–	**1,585**
Bank balances and cash	**44,645**	(15,600)	–	(1,205)	**27,840**
	75,561	(15,600)	–	(1,205)	**58,756**
Current liabilities					
Other payables	**4,141**	–	–	–	**4,141**
Convertible bonds	**3,928**	–	–	–	**3,928**
Earn-out payable	**18,000**	–	–	–	**18,000**
	26,069	–	–	–	**26,069**

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP *(continued)*

	The Group as at 31 December 2010	Pro forma adjustments of the Transaction			Pro forma Enlarged Group as at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Net current assets	**49,492**	(15,600)	–	(1,205)	**32,687**
Total assets less current liabilities	**174,548**	14,120	1,466	(1,205)	**188,929**
Non-current liabilities					
Convertible bonds	**22,174**	–	–	–	**22,174**
Deferred tax liabilities	**4**	–	–	–	**4**
	22,178	–	–	–	**22,178**
NET ASSETS	**152,370**	14,120	1,466	(1,205)	**166,751**
Capital and reserves					
Share capital	**109,754**	1,305	–	–	**111,059**
Reserves	**36,704**	12,815	1,466	(1,205)	**49,780**
Equity attributable to equity holders of the Company	**146,458**	14,120	1,466	(1,205)	**160,839**
Non-controlling interests	**5,912**	–	–	–	**5,912**
TOTAL EQUITY	**152,370**	14,120	1,466	(1,205)	**166,751**

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2010	Pro forma adjustments of the Transaction		Pro forma Enlarged Group for the year ended 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	*(Note 4)*	
Turnover	**6,973**	–	–	**6,973**
Cost of services rendered and cost of good sold	**(2,244)**	–	–	**(2,244)**
Gross profit	**4,729**	–	–	**4,729**
Other income	**40**	–	–	**40**
Selling and distribution costs	**(363)**	–	–	**(363)**
Administrative and other expenses	**(32,186)**	–	(1,205)	**(33,391)**
Finance costs	**(1,247)**	–	–	**(1,247)**
Share of profits of associates	**–**	1,466	–	**1,466**
Loss before taxation	**(29,027)**	1,466	(1,205)	**(28,766)**
Income tax expense	**(65)**	–	–	**(65)**
Loss for the year	**(29,092)**	1,466	(1,205)	**(28,831)**
Other comprehensive income for the year				
Currency translation differences	**169**	–	–	**169**
Total comprehensive loss for the year	**(28,923)**	1,466	(1,205)	**(28,662)**

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2010	Pro forma adjustments of the Transaction			Pro forma Enlarged Group for the year ended 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5)*	*(Note 6)*	*(Note 4)*	
OPERATING ACTIVITIES					
Loss before taxation	**(29,027)**	–	1,466	(1,205)	**(28,766)**
Depreciation of property, plant and equipment	**88**	–	–	–	**88**
Employee share-based payment	**10,323**	–	–	–	**10,323**
Bad debt written off	**11**	–	–	–	**11**
Impairment loss of deposits paid	**10,735**	–	–	–	**10,735**
Share of profits of associates	**–**	–	(1,466)	–	**(1,466)**
Finance costs	**1,247**	–	–	–	**1,247**
Interest income	**(11)**	–	–	–	**(11)**
Gain on disposal of subsidiaries	**(5)**	–	–	–	**(5)**
Changes in working capital:					
Inventories	**(103)**	–	–	–	**(103)**
Trade and other receivables	**(27,994)**	–	–	–	**(27,994)**
Other payables	**637**	–	–	–	**637**
Cash used in operating activities	**(34,099)**	–	–	(1,205)	**(35,304)**
Income taxes paid	**(437)**	–	–	–	**(437)**
Net cash used in operating activities	**(34,536)**	–	–	(1,205)	**(35,741)**

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP *(continued)*

	The Group for the year ended 31 December 2010	Pro forma adjustments of the Transaction			Pro forma Enlarged Group for the year ended 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5)*	*(Note 6)*	*(Note 4)*	
INVESTING ACTIVITIES					
Advance to jointly controlled entities	**(6,251)**	–	–	–	**(6,251)**
Net cash inflow from disposal of subsidiaries	**184**	–	–	–	**184**
Interest received	**11**	–	–	–	**11**
Acquisition of interest in associates	**–**	(15,600)	–	–	**(15,600)**
Purchases of property, plant and equipment	**(42)**	–	–	–	**(42)**
Net cash used in investing activities	**(6,098)**	(15,600)	–	–	**(21,698)**
FINANCING ACTIVITIES					
Proceeds from issue of share capital	**28,256**	–	–	–	**28,256**
Proceeds from shares issued under share-based payment scheme	**23,111**	–	–	–	**23,111**
Proceeds from issue of unlisted warrants	**311**	–	–	–	**311**
Proceeds from shares issued upon exercise of unlisted warrants	**5,440**	–	–	–	**5,440**
Shares issue expenses	**(1,060)**	–	–	–	**(1,060)**
Net cash from financing activities	**56,058**	–	–	–	**56,058**

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP *(continued)*

	The Group for the year ended 31 December 2010	Pro forma adjustments of the Transaction			Pro forma Enlarged Group for the year ended 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 5)*	*(Note 6)*	*(Note 4)*	
Net increase (decrease) in cash and cash equivalents	**15,424**	(15,600)	–	(1,205)	**(1,381)**
Cash and cash equivalents at beginning of reporting period	**29,052**	–	–	–	**29,052**
Effect of foreign exchange rate changes, net	**169**	–	–	–	**169**
Cash and cash equivalents at end of reporting period	**44,645**	(15,600)	–	(1,205)	**27,840**

Notes to the Unaudited Pro Forma Financial Information

1. The financial information of the Group is extracted from the annual report of the Company for the year ended 31 December 2010.

2. The adjustment relates to the recognition of the Group's 25% interests in Socle Group as if the Transaction had taken place on 1 January 2010. For the purpose of the unaudited pro forma statement of financial position of the Enlarged Group, it has been assumed that SYCSCL and CSML had become wholly-owned subsidiaries of Socle Group as at 31 December 2010.

   The consideration offered by the Group of US$3,810,300 (equivalent to HK$29,720,340) will be satisfied by:

   (a) US$2,000,000 (equivalent to approximately HK$15,600,000) in cash; and

   (b) US$1,810,300 (equivalent to approximately HK$14,120,340) in 26,100,503 shares of HK$0.05 each of the Company at the issue price of HK$0.54 per share.

Notes to the Unaudited Pro Forma Financial Information (continued)

3. The adjustment represents the Group's 25% share of the pro forma results of the Socle Group using equity method of accounting which are projected based on the combined results of Socle Group, SYCSCL and CSML for the year ended 31 December 2010. The share of net assets of the combined result of Socle Group, SYCSCL and CSML for the year ended 31 December 2010 is calculated as follows:

	HK$'000
Net profit for the year	
Socle Group (extracted from Appendix II of the Circular)	1,159
SYCSCL (extracted from Appendix III of the Circular)	3,650
CSML (extracted from Appendix IV of the Circular)	1,055
Combined net profit for the year	5,864
Share of 25% net profit for the year	1,466

4. The adjustment reflects the estimated expenses (including legal and professional fees, printing charges, etc) of approximately HK$1.2 million that are directly attributable to the Transaction and will be settled by cash. This adjustment will not have continuing profit or loss effect to the Enlarged Group.

5. The adjustment represents the net cash consideration paid for the acquisition of the 25% interests in Socle Group, assuming that the Transaction had taken place in 1 January 2010. The adjustment will not have continuing cash flow effect to the Enlarged Group.

6. The adjustment represents the Group's 25% share of the pro forma cash flows of Socle Group using equity method of accounting, assuming that the Transaction had taken place on 1 January 2010.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULT AND POSITION OF THE GROUP

The following is the management discussion and analysis of the performance of the Group extracted from the annual reports of the Company for each of the three years ended 31 December 2008, 2009 and 2010.

For the years ended 31 December 2010

Business Review

I. E-Licensing Business

During the year under review, the digital copyright management business of the Group has achieved significant breakthroughs.

The Group officially signed an exclusive cooperation agreement in December 2010 with OneStop China Limited ("OSC"), the joint venture established by Universal, Warner and Sony, in relation to obtaining the exclusive license for the provision of the music contents licensed by the top three record labels on the music platform of China Unicom. Up to 450,000 pieces of music content are retrieved from domestic and overseas music libraries.

In February 2011, the Group formally launched the music contents licensed by OSC on the music platform of China Unicom. By the end of March 2011, several thousands of the latest and the most popular licensed songs have been uploaded by the Group, including songs from Chinese artists like Eason Chan (陳奕迅), Faye Wong (王菲), Khalil Fong (方大同), Jam Hsiao (蕭敬騰), Leehom Wang (王力宏) and Rainie Yang (楊丞琳) and international artists like Lady Gaga, Michael Jackson and Mariah Carey. Most of these songs are the nationwide hit of the weekly pop chart of China Unicom.

The Group also obtained an exclusive licensing from the major record label, Avex in Asia Pacific in March 2010 for providing music content retrieved from its Chinese and Japanese music libraries on the music platform of China Unicom and the music website of Baidu.

In January 2011, the Group entered into an agreement to acquire 25% equity interest of Socle Limited and its subsidiaries ("Socle Group"), one of the leading distributors of professional sports licensed media content in China. Socle Group possesses diversified professional sporting events contents, including the Chinese Basketball Association, China Football Association Super League, Mission Hills Golf World Cup and FIFA Club World Cup, which captures over 50% of the market share of China's professional sports events licensing market with over 2,000 hours of events and special sports programs output every year. Socle Group built a sports TV broadcast platform that spans across the country and overseas regions.

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 evolved from an e-Learning provider to a leading turnkey supplier to provide various e-Learning platforms, joint school competitions, extra-curricular activities, various e-Learning contents and resources, and the provision of the latest educational/ green technology solutions.

The Hong Kong Government and the Macao Government both place high emphasis on education. In view of the buoyant economies condition, increasing financial resources have been diverted to nearly to all the secondary and primary schools.

During the reporting year, the Group has successfully clinched over 30 primary schools in the first batch of the Hong Kong Government funding education projects for provision of various language enhancement programs.

In addition to Hong Kong, the Group has also succeeded in replicating its business model to Macao. Other than providing e-Learning contents such as e-storybooks and Mathematics learning programs, the Group has been recently appointed by the Macao Education & Youth Affairs Bureau for three consecutive years to provide all primary and secondary school students in Macao with the Group's online reading platforms. The Group is actively working with schools in Macao to design other educational technology solutions which meet the needs of students and teachers there.

Financial Review

Results

The Group incurred a net loss attributable to Shareholders of approximately HK$21,452,000 for the year ended 31 December 2010 compared with that of approximately HK$8,767,000 the previous year. Revenue from continuing operations for the year amounted to approximately HK$6,973,000 (2009: HK$4,150,000), representing an increase of approximately 68% compared to the previous year. The increase in turnover was mainly contributed by the increase in sales of e-Learning business, driven by the successful launch of the e-Learning English enhancement programs in the third quarter of this year.

Administrative expenses for the year ended 31 December 2010 amounted to approximately HK$32,186,000 (2009: HK$15,044,000), representing an increase of approximately HK$17,142,000 as comparing with the previous year. The increase was mainly attributed to (i) the share based payment arising from granting of share options and (ii) the impairment loss of deposits paid for the music contents in relation to the e-Licensing business.

Liquidity and financial resources

As at 31 December 2010, the Group had current assets of approximately HK$75,561,000 (2009: HK$42,454,000) and current liabilities of approximately HK$26,069,000 (2009: HK$3,746,000). The current assets were comprised mainly of cash and bank balances of HK$44,645,000 (2009: HK$29,052,000) and trade and other receivables of HK$28,922,000 (2009: HK$11,674,000). The Group's current liabilities were comprised mainly of other payables of approximately HK$4,141,000 (2009: HK$3,059,000) and earn-out payable of HK$18,000,000 (2009: Nil). The Group had no bank borrowings at 31 December 2010 (2009: Nil). As at 31 December 2010, the Group had a current ratio of approximately 2.9 as compared to that of 11.3 at 31 December 2009. There was no charge on the Group's assets as at 31 March 2010.

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2010, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

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.

Foreign Exchange Risk

Since almost all transactions of the Group are denominated either in Hong Kong dollars and Renminbi and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Contingent Liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Employee Information

As at 31 December 2010, the Group had 40 (2009: 23) full-time employees. Employee costs for the year 2010, excluding directors' emoluments, amounted to approximately HK$11,414,000 (2009: HK$5,772,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopts an employee share option scheme to provide eligible employees performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

Material acquisitions and disposal of subsidiaries and affiliated companies

There was no material acquisitions or disposal of subsidiaries and affiliated companies of during the financial year ended 31 December 2010.

For the years ended 31 December 2009

Business Review

The digital licensing and copyright management business became a 51% subsidiary of the Group during the year. After years of negotiations, collaboration arrangements with the Government authorities and major players in the industries were finalised during the year. The ground works for co-operations to create an unprecedented digital copyright management industry in the PRC were laid down. The technical interfacing with a major telecommunication operator and the largest audio/video entertainment on-line portal in the PRC is completed and tested this quarter. Hence, the business will fully launch in the coming quarter of 2010.

I. Digital Licensing and Copyright Management Business

A. Government/Industry

In April 2009, the Group has entered into a memorandum of understanding with China Audio and Video Copyright Association ("CAVCA"), the only audio/video copyrights management organisation approved by the National Copyright Administration of the PRC (國家版權局), according to which CAVCA will co-operate with the Group to provide digital copyright management solution in the wireless network territory. On 25 October, 2009, at the China International Copyright Fair in Beijing, CAVCA formally announced such technology partnership with the Group.

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

B. Telecommunication

A tripartite agreement was reached among CAVCA, a major telecommunication operator in the PRC and the Group for the provision of e-License digital copyrights management system. The operation is expected to commence in the coming quarter of 2010.

The Group is in final negotiation stage on a tripartite agreement similar to the aforesaid with CAVCA and another major telecommunication operator in the PRC.

C. The Internet

Through the partnership with CAVCA, the Group has reached agreement with the largest audio/video entertainment on-line portal in the PRC for the provision of e-License digital copyrights management system and the development of digital Japanese audio/video entertainment contents (including music, animation, comic, etc) platform on such portal.

II. Digital Contents

The Group has obtained authorisations from two major record labels, avex and Warner/Chappell, for the provision of licensed audio entertainment contents. The Group has entered into agreements with China Unicom for the provision of such licensed contents. The Group is also in negotiation with other major record labels, another major telecommunication operator in the PRC and the largest audio/video entertainment on-line portal 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」) in the PRC, Hong Kong, Taiwan, Macao and is in final negotiation with China Mobile Multimedia Broadcasting, a wholly owned subsidiary of the State Administration of Radio, Film and Television (廣電總局) on broadcasting of such drama series on the mobile network with CMMB specification of a major telecommunication operator in the PRC. The broadcasting is expected to commence in the second quarter of 2010. The Group is in negotiation with an European cultural organization on assignment of broadcasting time on such mobile network.

III. E-Learning business

The E-Learning business has achieved significant steps forward in 2009.

The Hong Kong Government, in recent years, has placed high emphasis on education particularly the language proficiency and on-line education. The Group is actively working with primary schools in Hong Kong to secure funding from the Hong Kong Government on language enhancement and E-Learning resources projects. 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 is well-positioned to capture such business opportunity and hence, the business will be further expanded.

The Group has entered into an exclusive distribution agreement with mimio, a subsidiary of Newell Rubbermaid (a Standard & Poor's 500 company). The Group is now the exclusive distributor in Hong Kong and Macao of the mimio interactive whiteboard technologies, and such interactive educational solutions are being widely adopted in the United States, Mexico and many parts of the world.

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.

The Group will build up the necessary profile and expertise to expand the business into the PRC and at the same time, the Group will explore business opportunities to develop on-line digital education platform in the PRC through its existing networks and relationships.

IV. In-car navigation system and other developments

To capitalise on the aforesaid developments of the digital licensing and copyright management and content businesses, the Group has deployed all the necessary resources on research and development, system localisation and customisation to further enter into in-car navigation system and other digital media.

The Group will provide licensed/invested audio and video entertainment contents to the in-car navigation system installed in the high-ended brands of Japanese automakers using e-License digital copyrights management system for allocation of copyrights income and will subsequently extend to other high-ended brands. The Group will also provide e-License digital copyrights management system and licensed/invested contents for Background Music (BGM), Internet bar and Karaoke (Web-based) via fixed line and broadband network.

Financial review

Results

For the year ended 31 December 2009, the Group recorded a turnover of approximately HK$4,150,000 (2008: approximately HK$985,000). The increase in turnover was driven by the robust growth in sales of e-Learning business.

Administrative expenses for the year ended 31 December 2009 decreased by approximately 48.6 % to approximately HK$15,044,000 as compared to approximately HK$29,284,000 in last year.

Net loss attributable to shareholders for the year ended 31 December 2009 was reduced to approximately HK$8,767,000, a 86.7% improvement as compared to a net loss of approximately HK$66,159,000 in last year. Such improvement was mainly attributable to the decrease in the overhead expenses resulting from the disposal of loss-making businesses in the previous year.

Liquidity and financial resources

As at 31 December 2009, the Group had current assets of approximately HK$42,454,000 (2008: HK$15,926,000) and current liabilities of approximately HK$3,746,000 (2008: HK$8,527,000). The current assets were comprised mainly of cash and bank balances of HK$29,052,000 (2008: HK$12,109,000) and trade and other receivables of HK$11,674,000 (2008: HK$1,473,000). The Group's current liabilities were comprised mainly of trade and other payables of approximately HK$3,059,000 (2008: HK$2,416,000). The Group had no bank borrowings at 31 December 2009 (2008: Nil). As at 31 December 2009, the Group had a current ratio of approximately 11.3 as compared to that of 1.87 at 31 December 2008. There was no charge on the Group's assets as at 31 December 2009.

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2009, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Material acquisitions and disposal of subsidiaries and affiliated companies

(a) On 19 January 2009, the Company completed the disposal of 100% equity interests in KanHan Technologies Inc. at a consideration of HK$1,000,000. Details of the disposal were set out in the circular of the Company dated 31 December 2008.

(b) On 14 August 2009, Cheer Plan Limited ("Cheer Plan"), a wholly-owned subsidiary of the Company entered into an agreement with Mr. Yuan Sheng Jun (the "Vendor") in relation to the acquisition of 9.17% equity interests held by the Vendor in Far Glory Limited ("Far Glory") for a total consideration of HK$13,755,000 and such acquisition was completed on 28 September 2009. The consideration was fully settled by the issue of 146,329,787 new shares of the Company to the Vendor on 28 September 2009.

Upon completion of the acquisition, Cheer Plan holds 29.43% equity interests in Far Glory. Details of the acquisition were set out in the circular dated 8 September 2009.

(c) On 8 October 2009, Cheer Plan a wholly-owned subsidiary of the Company entered into an agreement with Daily Technology Company Limited (the "Vendor") in relation to the acquisition of 21.57% equity interests held by the Vendor in Far Glory for a total consideration of HK$32,355,000. The consideration was partially settled by the issue of convertible bonds with nominal value of HK$26,903,000, and the balance of HK$5,452,000 was settled by the issue of 58,000,000 new shares of the Company.

Upon completion of the acquisition on 16 December 2009, Cheer Plan holds 51% equity interests in Far Glory. Details of the acquisition were set out in the circular dated 23 November 2009.

Post Balance Sheet Events

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

(ii) 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 interests 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.

Distributable Reserves

As at 31 December 2009, the Company does not have any reserves available for cash distribution and/or distribution in specie. In addition, the Company's share premium account with a balance of approximately HK$100,826,000 as at 31 December 2009 (2008: HK$68,103,000).

Foreign Exchange Risk

Since almost all transactions of the Group are denominated either in Hong Kong dollars and Renminbi and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Contingent Liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

Employee Information

As at 31 December 2009, the Group had 23 (2008: 40) full-time employees. Employee costs for the year 2009, excluding directors' emoluments, amounted to approximately HK$5,772,000 (2008: HK$8,151,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopts an employee share option scheme to provide eligible employees performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

For the years ended 31 December 2008

Business Review

Disposal of agricultural related businesses

The unprecedented natural disasters occurred in the PRC during 2008, coupled with certain management problems at the operation level, led to the failure on executions of the business plans of the water supply and fertilizer businesses and accordingly, these businesses were disposed during the year.

Disposal of language related software business

The Hong Kong based language related software business had been in loss making positions in the past and hence was disposed during the year.

Acquisition of the e-Learning business

The business engages in the provision and development of e-Learning programs, through its platform to provide languages (English and Chinese) and mathematics e-Learning programs to students in secondary and primary schools in the Greater China Region.

The Directors are of the view that quality education is the on-going pursuit in the Greater China Region, in particular, the PRC, with its growing economy and improving living standard and Internet is the most common platform and media of global communication nowadays, especially for the young generations. Thus, provision of e-Learning is of high profitability potential in the PRC.

The business has achieved significant steps forward during the year.

Over 400 schools in Hong Kong and Macao have subscribed to the Group's online e-Learning programs. The Group will replicate the successes in Hong Kong and Macao into the PRC during 2009 with Shenzhen as the first target city.

In addition to the co-operation agreement with a reputable telecommunication provider in Jiangsu, the PRC, the Group entered into a service agreement with the Education and Youth Affairs Bureau in Macao through which the Group will provide its e-Learning programs to all the primary and secondary schools in Macao. As part of a series of promotional activities for the e-Learning business in the PRC, the Group is holding a nationwide English storytelling contest in the PRC with Cambridge University Press as one of the partners of the contest.

The Group is engaged in research and development for the educational contents and applications suitable for the mobile phone markets in the PRC and South East Asia.

Investment in digital licensing and copyright management business

The business engages 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.

e-License Inc. (Japan) is the 50% shareholder of e-License Beijing, the company which the Group is invested in. e-License Inc. (Japan) is a pioneer in the development of copyright management and digital licensing technologies in Japan and is one of the leading Japan based copyright management companies specialized in the digital media industry to provide international copyright management solution and consultancy services with Google and YouTube as its clients. e-License Inc. (Japan) owns or is licensed with a large amount of copyright protected items (such as on-line entertainment and media related items) which may serve as value-added services or merchandises of mobile devices, internet, fixed line communication devices and global positioning devices. The shareholders of e-License Inc. (Japan) include Toyota Tsusho Corporation (豐田通商) and other leading Japanese corporations.

In view of the increasing emphasis on anti-privacy placed by the PRC Government following the entry into the World Trade Organization in 2001, the Directors are of the view that the provision of legal and copyright protected items in particular, the on-line entertainment and media related items, are in high demand in telecommunication industry, music and entertainment industry as well as media industry in the PRC. Moreover, the related copyright management and digital content licensing solutions are particularly vital to the practitioners of the aforesaid industries. In view of the established leading status of e-License Inc. (Japan) in the digital media industry and the strategic business relationship between the Group and e-License Inc. (Japan), the Directors believe that the Group is well positioned to become the pioneer in the provision of legal copyright protected on-line entertainment and media related items and the related copyright management and digital content licensing solutions in the PRC.

The Group is in final negotiation stage of entering into the co-operation agreements with government bodies/enterprises in the PRC for 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) through digital networks such as KTV, mobile phone, Internet and network television, etc.

Financial Review

Results

For the year ended 31 December 2008, the Group recorded a turnover of approximately HK$10,044,000 (2007: approximately HK$21,238,000), representing a decrease of 52.7% compared to last year. The decrease in turnover was mainly attributable to the disposal of agriculture-related business which contributed 67.4% of the last year's turnover.

During the year, the Group reported a net loss attributable to shareholders of approximately HK$66,159,000 compared to a net loss of approximately HK$2,470,000 last year. The loss was mainly attributed to (i) an impairment of goodwill in the organic fertilizer business of approximately HK$36,000,000; (ii) the increase in legal and professional expenses associated with the acquisition and disposal of subsidiaries HK$4,139,000; (iii) impairment allowance on intangible assets and doubtful debts of approximately HK$21,315,000; (iv) the written-off of inventories of approximately HK$1,416,000; and (v) the share-based payment of approximately HK$4,354,000 arising from granting of share options.

Liquidity and Financial Resources

As at 31 December 2008, the Group had current assets of approximately HK$15,926,000 (2007: HK$74,112,000) and current liabilities of approximately HK$8,527,000 (2007: HK$12,607,000). The current assets were comprised mainly of cash and bank balances of HK$12,109,000 (2007: HK$48,287,000) and trade and other receivables of HK$1,473,000 (2007: HK$24,772,000). The Group's current liabilities were comprised mainly of trade and other payables of approximately HK$2,416,000 (2007: HK$8,813,000). The Group had no bank borrowings at 31 December 2008 (2007: Nil). As at 31 December 2008, the Group had a current ratio of approximately 1.87 as compared to that of 5.88 at 31 December 2007. There was no charge on the Group's assets as at 31 March 2008.

The Group principally finances its operations and investing activities with its own working capital. The directors of the Company believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2008, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Material acquisitions and disposal of subsidiaries and affiliated companies

(a) On 6 February 2008, Rise Assets Limited ("Rise Assets"), a wholly-owned subsidiary of the Company completed the acquisition of 100% equity interests in Proud Dragon Limited with a total consideration of HK$47,600,000. The Proud Dragon Group is principally engaged in the provision of water supply in the rural areas of Anhui, the PRC.

Details of the acquisition were set out in the circular of the Company dated 18 January 2008.

(b) On 14 April 2008, Cheer Plan Limited ("Cheer Plan"), a wholly-owned subsidiary of the Company entered into a conditional agreement with Far Glory Limited ("Far Glory") in relation to the subscription of 8.26% of the entire issued share capital of Far Glory for a total consideration of HK$20,250,000 and such subscription was completed on 21 April 2008.

Following the completion of the above subscription, Cheer Plan entered into a conditional agreement with Mr. Hsu Tung Chi (the "Vendor") on 5 May 2008 in relation to the acquisition of 12% equity interests held by the Vendor in Far Glory for a maximum total consideration of HK$45,000,000. Upon the completion of the acquisition on 20 June 2008, Cheer Plan holds 20.26% equity interests in Far Glory.

Far Glory and its subsidiaries are 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.

Details of the subscription were set out the circular of the Company dated 5 May 2008, while the details of the acquisition were set out in the circular dated 30 May 2008.

(c) On 21 April 2008, Rise Assets entered into a conditional Sales and Purchase Agreement (the "Agreement") with Mr. Lao Kuai Hong, in relation to the disposal of the 100% equity interests in Proud Dragon Group held by Rise Assets for a total consideration of HK$50,000,000. The disposal transaction was completed on 23 May 2008.

Details of the disposal were set out in the circular of the Company dated 5 May 2008.

(d) On 2 June 2008, Wonder Link Limited, a wholly-owned subsidiary of the Company entered into the conditional agreement with Smart Great International Limited in relation to the acquisition of 51% equity interests in Start Bright Limited ("Start Bright") for a maximum total consideration of HK$20,400,000 and such acquisition was completed on 24 June 2008.

Start Bright and its subsidiaries are principally engaged in the development and provision of e-Learning programs, through its self-developed websites to provide languages (English and Chinese) and mathematics learning programs.

Details of the acquisition were set out in the circular of the Company dated 23 June 2008.

(e) On 7 July 2008, Rise Assets entered into the agreement to dispose of its 100% equity interests in Silky Sky Investments Limited for a total consideration of HK$15,000,000. Such disposal was completed on 25 September 2008.

Details of the disposal were set out in the circular of the Company dated 29 August 2008.

(f) On 5 December 2008, the Company entered into the agreement to dispose of its entire equity interests in KanHan Technologies Inc. Such disposal was completed on 19 January 2009.

Details of the disposal were set out in the circular of the Company dated 31 December 2008.

Distributable Reserves

As at 31 December 2008, the accumulated losses of the Company exceeded the aggregate of share premium and contributed surplus, thus the Company did not have any reserve available for distribution.

Foreign Exchange Risk

Since almost all transactions of the Group are denominated either in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Contingent Liabilities

As at 31 December 2008, the Group had no material contingent liabilities.

Employee Information

As at 31 December 2008, the Group had 40 (2007: 40) full-time employees. Employee costs for the year 2008, excluding directors' emoluments, amounted to approximately HK$8,151,000 (2007: HK$5,866,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopts an employee share option scheme to provide eligible employees performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE CONSOLIDATED FINANCIAL RESULTS AND POSITION OF SOCLE LIMITED

Financial summary

Set out below is the key consolidated financial data of Socle Limited and its subsidiaries (the "Socle Group"), which are extracted from the accountants' report on Socle Limited contained in Appendix II to this circular.

	For the period from 2 April 2008 (date of incorporation of Socle Limited) to 31 December 2008	For the financial year ended 31 December 2009	For the financial year ended 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*
Turnover	–	–	5,416
Gross profit	–	–	1,621
(Loss)/profit before taxation	(11)	(76)	1,559
(Loss)/profit after taxation	(11)	(76)	1,159
Total comprehensive (loss)/income	(11)	(76)	1,159

	As at 31 December 2008 *HK$'000*	As at 31 December 2009 *HK$'000*	As at 31 December 2010 *HK$'000*
Non-current assets	–	–	–
Current assets	–	–	6,024
Total assets	–	–	6,024
Current liabilities	11	87	4,952
Non-current liabilities	–	–	–
Net (liabilities)/assets	(11)	(87)	1,072

Set out below is the management discussion and analysis on the performance of the Socle Group for the period from 2 April 2008 (date of incorporation of Socle Limited) to 31 December 2008 and the two financial years ended 31 December 2010.

(a) Financial Review

Results

During the period from 2 April 2008 (date of incorporation of Socle Limited) to 31 December 2008 and the financial year ended 31 December 2009, the Socle Group was principally an investment holding company without any business operation, therefore no turnover and gross profit was recorded during the period ended 31 December 2008 and the financial year ended 31 December 2009.

During the financial year ended 31 December 2010, the Socle Group commenced the provision of professional sports events and entertainment content business and started to generate turnover and profit for the financial year. The consolidated turnover for the financial year ended 31 December 2010 was approximately HK$5.42 million and the consolidated gross profit was approximately HK$1.62 million. The consolidated gross profit margin of the Socle Group was approximately 29.89% for the financial year ended 31 December 2010.

Administrative expenses was approximately HK$63,000 for the financial year ended 31 December 2010 as compared to that of approximately HK$76,000 and approximately HK$11,000 for the financial years ended 31 December 2009 and 31 December 2008 respectively.

The total consolidated comprehensive income for the financial year ended 31 December 2010 was approximately HK$1.16 million as compared to the total consolidated comprehensive loss of approximately HK$76,000 and approximately HK$11,000 for the financial years ended 31 December 2009 and 31 December 2008 respectively. The reverse of the loss position in the financial year ended 31 December 2010 was mainly due to the commencement of business in the year that contributed profit to the Socle Group.

(b) Liquidity and Financial Resources

The registered and paid up capital of the Socle Group was nil as Socle Limited is a company incorporated in the BVI without par value. The Socle Group had no bank borrowings and has no gearing as at 31 December 2010, 31 December 2009 and 31 December 2008 respectively. The Socle Group generally financed its operations with its internally generated resources.

The consolidated current assets of the Socle Group increased to approximately HK$6.02 million as at 31 December 2010 as compared to zero as at 31 December 2009 and 31 December 2008. The increase in current assets for the financial year ended 31 December 2010 as compared to that for the financial year ended 31 December 2009 was due to acquisition of 100% equity interests in Olympic Wealth Limited since 5 March 2010. Consolidated current assets as at 31 December 2010 comprised mainly amount due from a director of a subsidiary of approximately HK$4.49 million (2009: nil; 2008: nil) and cash and bank balances of approximately HK$1.53 million (2009: nil, 2008: nil).

Consolidated current liabilities of the Socle Group as at 31 December 2010 mainly comprised i) other payables of approximately HK$4.55 million, increased from that of approximately HK$87,000 as at 31 December 2009 and approximately HK$11,000 as at 31 December 2008 respectively and ii) provision for taxation of approximately HK$400,000 (2009: nil, 2008: nil).

As at 31 December 2010, the financial position of the Socle Group was strengthened, the consolidated net assets was approximately HK$1.07 million, as compared to the consolidated net liabilities of the Socle Group as at 31 December 2009 and 31 December 2008 of approximately HK$87,000 and approximately HK$11,000 respectively.

(c) Contingent Liabilities

The Socle Group had no contingent liabilities as at 31 December 2010, 31 December 2009 and 31 December 2008 respectively.

(d) Exposure to Fluctuations in Exchange Rates

The functional and presentation currency of the Socle Group is Hong Kong Dollars. The business transactions of the Socle Group are mainly transacted in United States dollars. Since the exchange rate between United States dollars and HK$ was linked, there is limited exposure in foreign exchange risk. Therefore, the Socle Group had not implemented any formal hedging or other alternative policies to deal with such exposure since its incorporation.

(e) Charges on assets

As at 31 December 2010, 31 December 2009 and 31 December 2008, there were no charges on the assets of the Socle Group respectively.

(f) Capital commitments

As at 31 December 2010, 31 December 2009 and 31 December 2008, the Socle Group did not have any capital commitments respectively.

(g) Segment information

During the financial year ended 31 December 2010, the Socle Group was principally engaged in one operating segment (the provision of professional sports events and entertainment content) in the PRC only and accordingly no operating segment or geographical segment information is presented.

For the financial year ended 31 December 2009 and during the period ended 31 December 2008, the Socle Group had no business operation, and therefore no segment information is presented.

(h) Employees

For the two financial years ended 31 December 2010 and 31 December 2009 and during the period ended 31 December 2008, the Socle Group had no employees and no staff cost was incurred during the three financial years or period respectively.

(i) Significant investments

Save for the 100% equity interests in Olympic Wealth Limited indirectly held, Socle Limited did not have any significant investments as at 31 December 2010, 31 December 2009 and 31 December 2008 respectively.

(j) Material acquisitions and disposal of subsidiaries and affiliated companies

For the financial year ended 31 December 2009

During the financial year ended 31 December 2009, Socle Limited acquired the 100% equity interests in Imagine Communications Holding Limited and its subsidiaries, which was a company incorporated in the Cayman Islands with limited liability on 12 March 2008.

For the financial year ended 31 December 2010

On 5 March 2010, Socle Limited through its wholly-owned subsidiary, Imagine Communications Holding Limited acquired 100% equity interests in Olympic Wealth Limited, a company incorporated in the BVI at a nominal consideration of US$1.

Save for the above, there was no material acquisitions or disposal of subsidiaries and affiliated companies of the Socle Group during the three financial period/years ended 31 December 2010.

(k) Future plans for material investments

On 10 January 2011, Socle Limited acquired 100% equity interests in Star Global Management Limited at a nominal consideration of HK$1.

On 19 April 2011, Socle Limited disposed the 100% equity interests in Imagine Communications Hong Kong Limited and its wholly-owned subsidiary, at a nominal consideration of HK$1.

On 17 March 2011, Socle Group acquired 100% equity interests in Goldline Enterprises Limited at a total consideration of US$1. Goldline Enterprises Limited through its wholly-owned subsidiaries was interested in 100% equity interests in the Shenzhen Company. On 29 April 2011, the Shenzhen Company entered into the control agreements with the Beijing Company, the Shanghai Company and their respective shareholders and directors. For further details of the control agreements, please refer to the Letter from the Board in this circular.

As at the Latest Practicable Date, there were no proposed material investments by the Socle Group.

C. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND POSITION OF THE SHANGHAI COMPANY

Financial summary

Set out below is the key financial data of the Shanghai Company, which are extracted from the accountants' report on the Shanghai Company contained in Appendix III to this circular:

	For the period from 7 September 2009 (date of establishment) to 31 December 2009	For the financial year ended 31 December 2010
	HK$'000	*HK$'000*
Turnover	1,092	39,366
Gross profit	1,092	12,435
Profit before taxation	983	7,137
Profit after taxation	737	3,650
Total comprehensive income	749	3,872

	As at 31 December 2009	As at 31 December 2010
	HK$'000	*HK$'000*
Non-current assets	5	4
Current assets	3,327	17,350
Total assets	3,332	17,354
Current liabilities	323	10,473
Non-current liabilities	–	–
Net assets	3,009	6,881

Set out below is the management discussion and analysis on the performance of the Shanghai Company for the period from 7 September 2009 (date of establishment of the Shanghai Company) to 31 December 2009 and the financial year ended 31 December 2010.

(a) Financial review

During the financial year ended 31 December 2010, the Shanghai Company was principally engaged in the provision of professional sports events and entertainment content in the PRC. The Shanghai Company has been granted local government subsidy in relation to the business tax and the enterprise income tax by the local government. During the financial years, as advised by the Vendor, in order for the Target Group to increase the above-mentioned local government subsidy and to increase the overall profitability of the Target Group, some of the business of the Target Group were carried out by the Shanghai Company. Therefore, the overall turnover and profits of the Shanghai Company have been increased for the financial year ended 31 December 2010.

Results

Turnover

The turnover of the Shanghai Company for financial year ended 31 December 2010 was approximately HK$39.37 million, representing an increase of approximately HK$38.28 million as compared to that of approximately HK$1.09 million for the period from 7 September 2009 (date of establishment) to 31 December 2009, representing an increase of approximately 1,103.98% on an annualized basis, the significant increase in the turnover was due to the increase of business volume during the financial year.

Gross profit

The gross profit for the financial year ended 31 December 2010 was approximately HK$12.44 million, an increase of approximately HK$11.35 million as compared to approximately HK$1.09 million for the period from 7 September 2009 (date of establishment) to 31 December 2009. The gross profit margin of the Target Company was 31.60% for the financial year ended 31 December 2010.

Net profit

The profit of the Shanghai Company also grew with the increase in turnover. The net profit after taxation for the financial year ended 31 December 2010 was approximately HK$3.65 million, an increase of approximately HK$2.91 million as compared to that of approximately HK$0.74 million for the period from 7 September 2009 (date of establishment) to 31 December 2009, and represented an increase of approximately 64.41% on an annualized basis.

The total comprehensive income for the financial year ended 31 December 2010 was approximately HK$3.87 million, an increase of approximately HK$3.12 million as compared to that of approximately HK$0.75 million for the period from 7 September 2009 to 31 December 2009, and represented an increase of approximately 72.00% on an annualized basis.

Administrative expenses

Administrative expenses was approximately HK$4.91 million for the financial year ended 31 December 2010, mainly comprised research and development cost of HK$4.58 million related to the research on football games and golf games for exploring business opportunities. The increase of administrative expenses as compared to that of approximately HK$0.11 million for the period from 7 September 2009 to 31 December 2009 was in line with the growth of the business.

(b) Liquidity and financial resources

The registered and paid up capital of the Shanghai Company maintained at RMB2 million (approximately HK$2.26 million) as at 31 December 2010 and 31 December 2009. The Shanghai Company had no bank borrowings and gearing as at 31 December 2010 and 31 December 2009 respectively. The Shanghai Company generally financed its operations with its capital and reserves and internally generated resources.

The current assets of the Shanghai Company increased to approximately HK$17.35 million as at 31 December 2010 as compared to approximately HK$3.33 million as at 31 December 2009, represented an increase of HK$14.02 million. The increase in current assets was due to the increase in the scale of operation and business during the financial year. Current assets as at 31 December 2010 comprised account and other receivables of approximately HK$3.75 million (2009: approximately HK$1.10 million) and cash and bank balances of approximately HK$13.60 million (2009: approximately HK$2.23 million).

Current liabilities of the Shanghai Company as at 31 December 2010 amounted to approximately HK$10.47 million, increased from that of approximately HK$0.32 million as at 31 December 2009. The current liabilities as at 31 December 2010 comprised account and other payables of approximately HK$6.63 million (2009: approximately HK$0.08 million) and taxation payable of approximately HK$3.84 million (2009: approximately HK$0.25 million).

As at 31 December 2010, the net assets was approximately HK$6.88 million, increased from that of approximately HK$3.01 million as at 31 December 2009. The increase in net assets was due to the increase in scale of operation which required more working capital.

(c) Contingent liabilities

The Shanghai Company had no contingent liabilities as at 31 December 2010 and 31 December 2009 respectively.

(d) Exposure to fluctuations in exchange rates

During the two financial years ended 31 December 2010 and 31 December 2009, the Shanghai Company operated in the PRC and the business activities were transacted mainly in Renminbi, there is limited exposure in foreign exchange risk. Therefore, the Shanghai Company had not implemented any formal hedging or other alternative policies to deal with such exposure during the financial year.

(e) Charges on assets

As at 31 December 2010 and 31 December 2009, there were no charges on the assets of the Shanghai Company respectively.

(f) Capital commitments

As at 31 December 2010 and 31 December 2009, the Shanghai Company did not have any capital commitments respectively.

(g) Segment information

During the two financial years ended 31 December 2010 and 31 December 2009, the Shanghai Company was principally engaged in one operating segment (i.e. the provision of professional sports events and entertainment content) in the PRC only and accordingly no operating segment or geographical segment information is presented.

(h) Employees

As at 31 December 2010 and 31 December 2009, the Shanghai Company had 4 employees and 4 employees respectively. The Shanghai Company remunerated its employees mainly based on industry practices and individual's performance and experience. Total salaries, allowance and other benefits in kinds and contributions to retirement scheme in accordance with the PRC requirements of the staff and director for the financial year ended 31 December 2010 was approximately HK$0.36 million as compared to approximately HK$0.02 million for the period from 7 September 2009 to 31 December 2009.

(i) Significant investments

The Shanghai Company did not have any significant investments as at 31 December 2010 and 31 December 2009 respectively.

(j) Material acquisitions and disposal of subsidiaries and affiliated companies

There was no material acquisitions or disposal of subsidiaries and affiliated companies of the Shanghai Company during the two financial years ended 31 December 2010.

(k) Future plans for material investments

As at the Latest Practicable Date, there were no proposed material investments by the Shanghai Company.

D. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND POSITION OF THE BEIJING COMPANY

Financial summary

Set out below is the key financial data of the Beijing Company, which are extracted from the accountants' report on the Beijing Company contained in Appendix IV to this circular:

	For the financial year ended 31 December 2008	For the financial year ended 31 December 2009	For the financial year ended 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*
Turnover	71,070	76,170	42,020
Gross profit	10,868	6,444	6,047
Profit before taxation	1,934	1,559	1,055
Profit after taxation	1,392	1,085	1,055
Total comprehensive income	1,277	1,084	789

	As at 31 December 2008	As at 31 December 2009	As at 31 December 2010
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	75,904	114,623	79,601
Current assets	29,169	24,802	28,873
Total assets	105,073	139,425	108,474
Current liabilities	54,443	69,511	74,693
Non-current liabilities	51,495	69,695	32,773
Net (liabilities)/assets	(865)	219	1,008

Set out below is the management discussion and analysis on the performance of the Beijing Company for the three financial years ended 31 December 2010.

For the financial year ended 31 December 2010 as compared to 31 December 2009

(a) Financial Review

During the two financial years ended 31 December 2010, the Beijing Company was principally engaged in the provision of professional sports events and entertainment content in the PRC.

Since the Shanghai Company has been granted local government subsidy in relation to the business tax and the enterprise income tax by the local government. During the financial years, as advised by the Vendor, in order for the Target Group to increase the above-mentioned local government subsidy and to increase the overall profitability of the Target Group, some of the business of the Target Group were carried out by the Shanghai Company. Therefore, the overall turnover and profits of the Beijing Company decreased for the financial year ended 31 December 2010.

Results

During the financial year ended 31 December 2010, the scale of operation of the Beijing Company was reduced and the Beijing Company remains as the license holder for major professional sports events and entertainment content for the Target Group. Therefore, the turnover of the Beijing Company was significantly reduced by 44.83% from approximately HK$76.17 million for the financial year ended 31 December 2009 to approximately HK$42.02 million for the financial year ended 31 December 2010, represented a reduction of approximately HK$ 34.15 million.

The profit after taxation for the financial year ended 31 December 2010 for the Beijing Company was approximately HK$1.06 million, as compared to the profit after taxation of approximately HK$1.09 million for the financial year ended 31 December 2009. The reduction in the profit for the financial year ended 31 December 2010 was due to the reduced scale of operation of the Beijing Company during the year.

Administrative expenses of the Beijing Company was approximately HK$2.42 million for the financial year ended 31 December 2010, moderately reduced by approximately HK$0.26 million or 9.70% as compared to that of approximately HK$2.68 million for the financial year ended 31 December 2009.

(b) Liquidity and Financial Resources

The registered and paid up capital of the Beijing Company maintained at RMB1 million (approximately HK$0.94 million) as at 31 December 2010 and 31 December 2009 respectively. The Beijing Company has no bank borrowings and gearing as at 31 December 2010 and 31 December 2009 respectively. The Beijing Company generally financed its operations with its capital and reserves and its internally generated resources.

As at 31 December 2010, the non-current assets of the Beijing Company amounted to approximately HK$79.60 million, comprised mainly intangible assets of approximately HK$78.83 million and property, plant and equipment of approximately HK$0.77 million. The intangible assets represent intangible assets in relation to the license rights obtained from the professional sports events organizers and content providers for the sports events, i.e. China Football Association Super League, China Basketball Association, AFC Champions League and East Asian Football Championships.

As at 31 December 2010, the current assets of the Beijing Company amounted to approximately HK$28.87 million, maintained at stable level as compared to HK$24.80 million as at 31 December 2009. The current assets as at 31 December 2010 comprised account and other receivables of approximately HK$15.74 million (2009: approximately 14.57 million) and cash and bank balances of approximately HK$13.13 million (2009: approximately 10.23 million). Out of the account and other receivables of approximately HK$15.74 million, HK$8.12 million are account receivables from third parties, in which approximately HK$1.09 million are amount due for over 3 months period. The Beijing Company is in the process of negotiating with the debtors for the settlement of the amount due and are confident on the recoverability of the amount as there is long established relationship and no default background of the debtors. Accordingly, no provision for such amount of HK$1.09 million is made for the financial year ended 31 December 2010.

As at 31 December 2010, the current liabilities of the Beijing Company amounted to approximately HK$74.69 million, increased from that of HK$69.51 million as at 31 December 2009. The current liabilities as at 31 December 2010 comprised mainly account and other payables of approximately HK$74.35 million (2009: approximately HK$68.90 million), of which approximately HK$43.46 million are other payables in relation to the license rights and approximately HK$22.43 million are the advance payments from customers.

Net current liabilities position remained during the financial year ended 31 December 2010. The net current liabilities was approximately HK$45.82 million as at 31 December 2010 which mainly represents the current portion of the other payables for the use of license right in year 2011 compared with that of approximately HK$44.71 million as at 31 December 2009. The Beijing Company will keep monitoring the financial position of the Beijing Company to meet the current liabilities of the Beijing Company as they fall due from internal resources.

(c) Contingent Liabilities

The Beijing Company had no contingent liabilities as at 31 December 2010 and 31 December 2009 respectively.

(d) Exposure to Fluctuations in Exchange Rates

The Beijing Company was exposed to foreign currency risk as part of its cost was denominated in United States dollars whereas its revenue was principally denominated in Renminbi. As Renminbi is generally appreciating against United States dollars during the financial year, the Beijing Company considered that such exchange rate risk is minimal and did not implement any formal hedging or other alternative policies to deal with such exposure during the two financial years ended 31 December 2010.

(e) Charges on assets

As at 31 December 2010 and 31 December 2009, there were no charges on the assets of the Beijing Company respectively.

(f) Capital commitments

As at 31 December 2010 and 31 December 2009, the Beijing Company did not have any capital commitments.

(g) Segment information

During the two financial years ended 31 December 2010, the Beijing Company was principally engaged in one operating segment (i.e. the provision of professional sports events and entertainment content) in the PRC and accordingly no operating segment or geographical segment information is presented.

(h) Employees

As at 31 December 2010 and 31 December 2009, the Beijing Company had 9 employees and 10 employees respectively. The Beijing Company remunerated its employees mainly based on industry practices and individual's performance and experience. Total salaries, allowance and other benefits in kinds and contributions to retirement scheme in accordance with the PRC requirements of the staff and directors for the financial year ended 31 December 2010 and 31 December 2009 was approximately HK$1.11 million and approximately HK$1.29 million respectively.

(i) Significant investments

The Beijing Company did not have any significant investments as at 31 December 2010 and 31 December 2009 respectively.

(j) Material acquisitions and disposal of subsidiaries and affiliated companies

There was no material acquisitions or disposal of subsidiaries and affiliated companies of the Beijing Company for the two financial years ended 31 December 2010.

(k) Future plans for material investments

As at the Latest Practicable Date, there were no proposed material investments by the Beijing Company.

For the financial year ended 31 December 2009 as compared to 31 December 2008

During the two financial years ended 31 December 2009, the Beijing Company was principally engaged in the provision of professional sports events and entertainment content in the PRC.

(a) Results

During the financial year ended 31 December 2009, the turnover was approximately HK$76.17 million, an increase of approximately HK$5.10 million as compared to approximately HK$71.07 million for the financial year ended 31 December 2008, representing an increase of 7.18%.

The gross profit for the financial year ended 31 December 2009 was HK$6.44 million, reduced by 40.75% as compared to that of approximately HK$10.87 million for the financial year ended 31 December 2008. However, since the Beijing Company managed to reduce in the administrative expenses from approximately HK$7.43 million for the financial year ended 31 December 2008 to approximately HK$2.68 million for the financial year ended 31 December 2009, the profit after taxation was moderately decreased from approximately HK$1.39 million for the financial year ended 31 December 2008 to approximately HK$1.09 million for the financial year ended 31 December 2009, a reduction of 21.58%.

(b) Liquidity and Financial Resources

The registered and paid up capital of the Beijing Company was RMB1 million (approximately HK$0.94 million) as at 31 December 2009 and 31 December 2008. The Beijing Company has no bank borrowings and gearing as at 31 December 2009 and 31 December 2008 respectively. The Beijing Company generally financed its operations with its capital and reserves and internally generated resources.

As at 31 December 2009, the non-current assets of the Beijing Company amounted to approximately HK$114.62 million, comprised mainly intangible assets of approximately HK$113.78 million and property, plant and equipment of approximately HK$0.84 million. The intangible assets represent the intangible assets in relation to the license rights obtained from the professional sports events organizers and content providers for the sports events, i.e. China Football Association Super League, China Basketball Association, AFC Champions League and FIFA World Cup Qualification.

As at 31 December 2009, the current assets of the Beijing Company amounted to approximately HK$24.80 million, reduced from that of approximately HK$29.17 million as at 31 December 2008, represented a decrease of 14.98%. The current assets as at 31 December 2009 comprised account and other receivables of approximately HK$14.57 million (2008: approximately HK$12.79 million) and cash and bank balances of approximately HK$10.23 million (2008: approximately HK$16.38 million).

As at 31 December 2009, the current liabilities of the Beijing Company amounted to approximately HK$69.51 million, increased from that of approximately HK$54.44 million. The current liabilities as at 31 December 2009 comprised mainly account and other payables of approximately HK$68.90 million (2008: approximately HK$54.18 million), of which approximately HK$39.55 million are other payables in relation to the license rights and approximately HK$13.11 million are the advance payments from customers.

Net current liabilities was approximately HK$44.71 million as at 31 December 2009, has been increased from that of approximately HK$25.27 million as at 31 December 2008.

(c) Contingent Liabilities

The Beijing Company had no contingent liabilities as at 31 December 2009 and 31 December 2008 respectively.

(d) Exposure to Fluctuations in Exchange Rates

The Beijing Company was exposed to foreign currency risk as part of its cost was denominated in United States dollars whereas its revenue was principally denominated in Renminbi. As Renminbi is generally appreciating against United States dollars during the financial year, the Beijing Company considered that such exchange rate risk is minimal and did not implement any formal hedging or other alternative policies to deal with such exposure during the financial year ended 31 December 2009 and 31 December 2008 respectively.

(e) Charges on assets

As at 31 December 2009 and 31 December 2008, there were no charges on the assets of the Beijing Company respectively.

(f) Capital commitments

As at 31 December 2009 and 31 December 2008, the Beijing Company did not have any capital commitments.

(g) Segment information

During the two financial years ended 31 December 2009, the Beijing Company was principally engaged in one operating segment (the provision of professional sports events and entertainment content) in the PRC and accordingly no operating segment or geographical segment information is presented.

(h) Employees

As at 31 December 2009 and 31 December 2008, the Beijing Company had 10 employees and 10 employees respectively. The Beijing Company remunerated its employees mainly based on industry practices and individual's performance and experience. Total salaries, allowance and other benefits in kinds and contributions to retirement scheme in accordance with the PRC requirements of the staff and directors for the financial year ended 31 December 2009 and 31 December 2008 was approximately HK$1.29 million and approximately HK$1.46 million respectively.

(i) Significant investments

The Beijing Company did not have any significant investments as at 31 December 2009 and 31 December 2008 respectively.

(j) Material acquisitions and disposal of subsidiaries and affiliated companies

There was no material acquisition or disposal of subsidiaries and affiliated companies of the Beijing Company for the two financial years ended 31 December 2009.

1. RESPONSIBILITY STATEMENT

This circular, 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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(i) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and

(ii) there are no other matters the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

Authorised:		*HK$*
4,000,000,000	Shares	200,000,000.00
Issued, fully paid or credited as fully paid:		
2,195,085,643	Shares in issue as at the Latest Practicable Date	109,754,282.15
26,100,503	Consideration Shares to be issued upon Completion	1,305,025.15
2,221,186,146	Total Shares in issue upon Completion	111,059,307.30

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of 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 Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Interest in Shares:

Name of Director	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
Mr. Hsu Tung Sheng	19,000,000(L)	Beneficial owner	0.87
Mr. Hsu Tung Chi *(Note 1)*	141,222,222(L)	Beneficial owner	6.43
	327,272,127(L)	Interest of controlled corporation	14.91
Mr. Pang Hong Tao	42,800,000(L)	Beneficial owner	1.95
Ms. Au Shui Ming, Anna	54,500,000(L)	Beneficial owner	2.48

Note:

1. Mr. Hsu Tung Chi is beneficially interested in 19,000,000 Shares, 15,000,000 Share options and convertible bonds in the principal amount of HK$4,000,000 entitling him the right to convert into 22,222,222 Shares at HK$0.18 each.

   In addition, subject to the fulfillment of certain conditions, the Company will allot to Mr. Hsu Tung Chi convertible bonds in the maximum principal amount of HK$18,000,000 entitling him the right to convert into 100,000,000 Shares at HK$0.18 per share, pursuant 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 and Mr. Hsu Tung Sheng on 5 May 2008.

   Daily Technology Company Limited ("Daily Technology") beneficially owns 41,070,000 Shares. Pursuant to the agreement entered into among Cheer Plan and Daily Technology on 8 October 2009, the Company has issued convertible bonds in the principal amount of HK$26,903,000 (with conversion right to convert into 286,202,127 shares at HK$0.094 per share) to Daily Technology. Daily Technology beneficially owned as to 98% by Mr. Hsu Tung Chi, therefore he is deemed to be interested in the 327,272,127 Shares Daily Technology interested in under the SFO.

(ii) Interest in share options:

Name of Director	Date of grant	Exercisable period	Exercise price per share	Number of share options granted
Mr. Hsu Tung Sheng	13 December 2010	13 December 2010– 12 December 2013	HK$0.44	15,000,000
Mr. Hsu Tung Chi	16 December 2010	16 December 2010– 15 December 2013	HK$0.475	15,000,000
Mr. Pang Hong Tao	13 December 2010	13 December 2010– 12 December 2013	HK$0.44	8,000,000
Ms. Au Shui Ming, Anna	13 December 2010	13 December 2010– 12 December 2013	HK$0.44	8,000,000

L: Long Position

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the share of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and other persons' interests in Shares and underlying shares

As at the Latest Practicable Date, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
Mr. Lau Kim Hung, Jack *(Note 1)*	497,698,238(L)	Interest of controlled corporation	22.67
	4,500,000(L)	Deemed	0.21
Ms. Chan Yiu Kan Katie *(Note 1)*	4,500,000(L)	Beneficial owner	0.21
	497,698,238(L)	Deemed	22.67
Manciple Enterprises Limited *(Note 1)*	482,698,238(L)	Beneficial owner	21.99
Eagle Strategy Limited *(Note 1)*	15,000,000(L)	Beneficial owner	0.68
Mr. Hsu Tung Chi *(Note 2)*	156,222,222(L)	Beneficial owner	7.12
	327,272,127(L)	Interest of controlled corporation	14.91
Ms. Chuang Meng Hua *(Note 2)*	483,494,349(L)	Deemed	22.03
Daily Technology Company Limited *(Note 2)*	327,272,127(L)	Beneficial owner	14.91
Mr. Wan Wah Chung *(Note 3)*	220,000,000(L)	Interest of controlled corporation	10.02
	3,000,000(L)	Beneficial owner	0.14
	700,000(L)	Deemed	0.03
Ms. Yeung Wing Suen *(Note 3)*	700,000(L)	Beneficial owner	0.03
	223,000,000(L)	Deemed	10.16
Decade Talent Limited *(Note 3)*	220,000,000(L)	Beneficial owner	10.02

L: Long Position

Notes:

1. Manciple Enterprises Limited ("Manciple") is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("Mr. Lau"). Manciple is beneficially interested in 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 beneficially 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 is beneficially interested in 19,000,000 Shares, 15,000,000 Share options and convertible bonds in the principal amount of HK$4,000,000 entitling him the right to convert into 22,222,222 Shares at HK$0.18 per share. In addition, subject to the fulfillment of certain conditions, the Company will allot to Mr. Hsu Tung Chi convertible bonds in the maximum principal amount of HK$18,000,000 entitling him the right to convert into 100,000,000 Shares at HK$0.18 per share, pursuant to the sale and purchase agreement entered into among Cheer Plan, a wholly owned subsidiary of the Company, Mr. Hsu Tung Chi and Mr. Hsu Tung Sheng on 5 May 2008.

   Daily Technology is beneficially interested in 41,070,000 Shares. Pursuant to the agreement entered into among Cheer Plan and Daily Technology on 8 October 2009, the Company has issued convertible bonds in the principal amount of HK$26,903,000 (with conversion right to convert into 286,202,127 Shares at HK$0.094 per share) to Daily Technology. Daily Technology beneficially owned as to 98% by Mr. Hsu Tung Chi and therefore he is also deemed to be interested in the 327,272,127 Shares Daily Technology interested in under the SFO.

   Ms. Chuang Meng Hua is deemed to be interested in the aforesaid Shares, share options and convertible notes of the Company of Mr. Hsu Tung Chi and Daily Technology by virtue of her being the spouse of Mr. Hsu Tung Chi.

3. Decade Talent Limited is beneficially interested in 75,000,000 Shares and 145,000,000 warrants of the Company.

   Mr. Wan Wah Chung is beneficially interested in 3,000,000 Shares. Decade Talent Limited is wholly and beneficially owned by Mr. Wan Wah Chung and therefore he is deemed to be interested in the 75,000,000 Shares and 145,000,000 warrants Decade Talent Limited interested in under the SFO.

   Ms. Yeung Wing Suen is beneficially interested in 700,000 Shares. She is also deemed to be interested in the aforesaid Shares and warrants of the Company of Mr. Wan Wah Chung and Decade Talent Limited by virtue of her being the spouse of Mr. Wan Wah Chung.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), 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, or, who was directly or indirectly interested in 5% 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.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

5. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Mazars CPA Limited ("Mazars")	Certified Public Accountants

As at the Latest Practicable Date, Mazars did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, Mazars was not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Mazars has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters and reports and references to its name in the form and context in which it appears.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the conditional agreement dated 14 August 2009 entered into among Cheer Plan Limited, a wholly owned subsidiary of the Company, as purchaser, Mr. Yuan Sheng Jun as vendor in relation to the acquisition of 1,000 ordinary shares of Far Glory Limited, representing 9.17% of the total issued share capital of Far Glory Limited;

(b) the placing agreement entered between the Company and Phoenix Capital Securities Limited dated 8 September 2009 in relation to the placing of 273,000,000 Shares at HK$0.105 per Share;

(c) the conditional agreement dated 8 October 2009 (as supplemented by a supplemental agreement dated 15 October 2009) entered into among Cheer Plan Limited a wholly owned subsidiary of the Company as purchaser, Daily Technology Company Limited as vendor and Mr. Hsu Tung Chi, as guarantor in relation to the acquisition of the 21.57% interest in Far Glory Limited at a total consideration of HK$32.355 million;

(d) the conditional loan agreement dated 11 February 2010 entered into between the Company, as lender and Far Glory Limited, as borrower, pursuant to which, the Company has agreed to provide the loan in an amount up to a maximum amount of HK$9.5 million;

(e) the supplemental agreement dated 23 July 2010 entered into between the Company and Far Glory Limited, pursuant to which, the Company has agreed to revise the revolving facility to Far Glory Limited which would be an amount up to a maximum amount of HK$40 million;

(f) the conditional share subscription agreement dated 10 August 2010 and the conditional warrant subscription agreement dated 10 August 2010, entered into among the Company, Acute Capital Limited and Mr. Chan Poon Yau Adrian in relation to the subscription of 25,000,000 Shares at the subscription price of HK$0.273 per Share and 75,000,000 warrants at the issue price of HK$0.001 per warrant entitling the holder to subscribe share at HK$0.272 for a period of three (3) years from the date of issue by Acute Capital Limited;

(g) the conditional share subscription agreement dated 10 August 2010 and the conditional warrant subscription agreement dated 10 August 2010, entered into among the Company, Decade Talent Limited and Mr. Wan Wah Chung in relation to the subscription of 55,000,000 Shares at the subscription price of HK$0.273 per Share and 165,000,000 warrants at the issue price of HK$0.001 per warrant entitling the holder to subscribe share at HK$0.272 for a period of three (3) years from the date of issue by Decade Talent Limited;

(h) the conditional share subscription agreement dated 10 August 2010 and the conditional warrant subscription agreement dated 10 August 2010, entered into among the Company, Happy Pursuit Limited and Mr. Ho Hoi Lap in relation to the subscription of 23,500,000 Shares at the subscription price of HK$0.273 per Share and 70,500,000 warrants at the issue price of HK$0.001 per warrant entitling the holder to subscribe share at HK$0.272 for a period of three (3) years from the date of issue by Happy Pursuit Limited;

(i) the Agreement;

(j) the set of control agreements dated 29 April 2011 entered into among the Shenzhen Company, the Shanghai Company, and the shareholders of the Shanghai Company holding the entire equity interests in the Shanghai Company and the existing directors of the Shanghai Company, which includes loan agreements, share charge, exclusive share purchase agreements, management appointment agreements, exclusive consultancy service agreement, directors' undertaking and shareholders' undertaking;

(k) the set of control agreements dated 29 April 2011 entered into among the Shenzhen Company, the Beijing Company, the shareholders of the Beijing Company holding the entire equity interests in the Beijing Company and the existing directors of the Beijing Company which includes loan agreements, share charge, exclusive share purchase agreements, management appointment agreements, exclusive consultancy service agreement, directors' undertaking and shareholders' undertaking; and

(l) the conditional supplemental agreement dated 1 April 2011 entered into among Cheer Plan Limited as purchaser, Mr. Hsu Tung Chi as vendor and Mr. Hsu Tung Sheng, as guarantor in relation to, among others, the extension of the time for fulfilment of the agreed guaranteed profit provided under the conditional agreement dated 5 May 2008 entered into among the same parties in relation to the acquisition 12% shareholding interests in Far Glory Limited.

7. INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries is a party and in which any Director has a material interest, whether directly or indirectly, subsist at the date of this circular.

None of the Directors or expert referred in the paragraph headed "Qualification and consent of expert" in this appendix has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were complied, up to and including the Latest Practicable Date.

8. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, controlling shareholder or substantial shareholders or any of their respective associates has any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person has or may have within the Group.

9. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

10. MISCELLANEOUS

(a) The registered office of the Company is located at Caledonian Bank & Trust Limited, Caledonian House, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

(c) The company secretary and compliance officer of the Company is Ms. Au Shui Ming, Anna, who is a certified practicing accountant of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants.

(d) The Company has established an audit committee with written terms of reference prepared and adopted with reference to the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The audit committee comprises three members, namely Mr. Lee Kun Hung, Mr. Kwok Chi Sun, Vincent and Mr. Wong Tak Shing who are all independent non-executive Directors. Further details of them are set out below:

Mr. Kwok Chi Sun, Vincent, aged 48, a member of the audit committee and remuneration committee of the Company, is a sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of five other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Emperor Capital Group Limited and Palmpay China (Holdings) Limited, the former four named companies are listed on main board of the Stock Exchange while the last named company is listed on GEM of the Stock Exchange.

Mr. Lee Kun Hung, aged 45, a member of the audit committee and remuneration committee of the Company, has over 15 years of manufacturing experience in the watch industry. Mr. Lee holds a Bachelor of Arts degree from Boston College, Massachusetts, US.

Mr. Wong Tak Shing, aged 48, a member of the audit committee of the Company, graduated from the University of New England, Australia with a Postgraduate Diploma in Financial Management and from the University of Southampton, U.K. with a Bachelor of Social Science in Business Economics and Accounting. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in corporate finance, accounting, personnel and administration. Mr. Wong was previously an executive director of Palmpay China (Holdings) Limited, a company listed on the GEM of the Stock Exchange and an independent non-executive director of Sun Innovation Holdings Limited, a company listed on the main board of the Stock Exchange.

(e) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company:

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(c) the accountants' report on Socle Limited, the text of which is set out in Appendix II of this circular;

(d) the accountants' report on the Shanghai Company, the text of which is set out in Appendix III of this circular;

(e) the accountants' report on the Beijing Company, the text is set out in Appendix IV of this circular;

(f) the annual report of the Company for each of the two financial years ended 31 December 2010;

(g) the letter from Mazars CPA Limited in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix V of this circular;

(h) the written consent from each of the experts referred to in the paragraph headed "Expert and Consent" in this appendix;

(i) the Agreement; and

(j) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of China Digital Licensing (Group) Limited (the "**Company**") will be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Thursday, 2 June 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

"THAT

(a) the conditional agreement dated 14 January 2011 (the "**Agreement**") entered into among Marvel Cosmos Limited, a wholly-owned subsidiary of the Company as purchaser, Mr. Chang Li Cheng as vendor and Mr. Li Yidong as guarantor, in relation to the proposed acquisition of the 25% of the total issued share capital of Socle Limited (the "**Sale Shares**") and 25% of the obligations, indebtedness or liabilities due by Socle Limited and its subsidiaries to Mr. Chang Li Cheng on completion, whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on completion (the "Sale Loan") by way of loan assignment agreement (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Board of
China Digital Licensing (Group) Limited
Hsu Tung Sheng
Chairman

Hong Kong, 17 May 2011

Registered office:
Caledonian Bank & Trust Limited
Caledonian House
P.O. Box 1043
George Town
Grand Cayman
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 1601, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. A form of proxy for use of the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.