



China Digital Licensing (Group) Limited
中國數碼版權(集團)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the 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.

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This announcement, for which the directors (the “Directors”) of China Digital Licensing (Group) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

THIRD QUARTERLY RESULTS (UNAUDITED)

The board (the “Board”) of directors (the “Directors”) is pleased to present an unaudited consolidated financial statements of China Digital Licensing (Group) Limited (the “Company”) and its subsidiaries (together the “Group”) for the nine months ended 30 September 2011 together with the comparative figures for the corresponding period in 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2011

		Three months ended 30 September		Nine months ended 30 September	
		2011	2010	2011	2010
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	9,500	1,905	20,839	4,670
Cost of services rendered and cost of good sold		(3,668)	(602)	(7,871)	(1,233)
Gross profit		5,832	1,303	12,968	3,437
Other income		40	–	244	–
Administrative and other expenses		(5,182)	(3,061)	(13,765)	(7,680)
Finance costs		(328)	(314)	(968)	(911)
Share of profits of associates		800	–	1,150	–
Profit (Loss) before taxation		1,162	(2,072)	(371)	(5,154)
Income tax expense	4	(515)	(16)	(562)	(96)
Profit (Loss) for the period		647	(2,088)	(933)	(5,250)
Other comprehensive income for the period					
Currency translation differences		–	(80)	–	(80)
Total comprehensive Profit (loss) for the period		647	(2,168)	(933)	(5,330)
Profit (loss) attributable to:					
Equity holders of the Company		(461)	(2,059)	(3,649)	(4,867)
Non-controlling interests		1,108	(29)	2,716	(383)
		647	(2,088)	(933)	(5,250)
Total comprehensive Profit (loss) attributable to:					
Equity holders of the Company		(461)	(2,100)	(3,649)	(4,908)
Non-controlling interests		1,108	(68)	2,716	(422)
		647	(2,168)	(933)	(5,330)
Dividends	5	–	–	–	–
Loss per share	6				
Basic		HK(0.02) cents	HK(0.10) cents	HK(0.17) cents	HK(0.24) cents
Diluted		–	–	–	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2011

	Share capital	Share premium	Special reserve	Warrant reserve	Convertible notes reserve	Exchange reserve	Employee share-based compensation reserve	Accumulated losses	Subtotal	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note a)								
2010											
At 1 January 2010	97,029	100,826	10,084	-	6,260	-	7,645	(120,401)	101,443	13,205	114,648
Exercise of share options	6,550	22,278	-	-	-	-	(5,717)	-	23,111	-	23,111
Issue of unlisted warrants	-	-	-	311	-	-	-	-	311	-	311
Issue of new shares	5,175	23,080	-	-	-	-	-	-	28,255	-	28,255
Share issue expenses	-	(353)	-	-	-	-	-	-	(353)	-	(353)
Total comprehensive loss for the period	-	-	-	-	-	(41)	-	(4,867)	(4,908)	(422)	(5,330)
At 30 September 2010	<u>108,754</u>	<u>145,831</u>	<u>10,084</u>	<u>311</u>	<u>6,260</u>	<u>(41)</u>	<u>1,928</u>	<u>(125,268)</u>	<u>147,859</u>	<u>12,783</u>	<u>160,642</u>
2011											
At 1 January 2011	109,754	149,585	10,084	291	6,260	86	12,251	(141,853)	146,458	5,912	152,370
Issue of consideration shares	1,305	12,790	-	-	-	-	-	-	14,095	-	14,095
Total comprehensive loss for the period	-	-	-	-	-	-	-	(3,649)	(3,649)	2,716	(933)
At 30 September 2011	<u>111,059</u>	<u>162,375</u>	<u>10,084</u>	<u>291</u>	<u>6,260</u>	<u>86</u>	<u>12,251</u>	<u>(145,502)</u>	<u>156,904</u>	<u>8,628</u>	<u>165,532</u>

Note:

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2. STATEMENT OF COMPLIANCE

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2010 financial statements.

3. TURNOVER

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

	Three months ended 30 September		Nine months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
e-Licensing business	6,676	–	12,966	–
e-Learning business	<u>2,824</u>	<u>1,905</u>	<u>7,873</u>	<u>4,670</u>
	<u>9,500</u>	<u>1,905</u>	<u>20,839</u>	<u>4,670</u>

4. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the relevant jurisdictions.

5. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the nine months ended 30 September 2011 (2010: Nil).

6. LOSS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Loss attributable to equity holders of the Company	<u>(461)</u>	<u>(2,059)</u>	<u>(3,649)</u>	<u>(4,867)</u>
Shares	Number of shares		Number of shares	
	2011	2010	2011	2010
Weighted average number of ordinary shares in issue during the period	<u>2,221,186,146</u>	<u>2,104,210,643</u>	<u>2,206,175,967</u>	<u>2,047,796,266</u>

Diluted loss per share for 2011 and 2010 is the same as basic loss per share as the potential ordinary shares under the convertible bonds and share options have anti-dilutive effects on the basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2011, the Group recorded a turnover of approximately HK\$20,839,000, representing a 4.5-fold increase from approximately HK\$4,670,000 in the same period last year. For the three months ended 30 September 2011, the Group has recorded a profit before taxation and non-controlling interests amounting to approximately HK\$1,162,000.

I. e-Licensing Business

During the period under review, the digital copyright management business has achieved significant breakthroughs. In August 2011, the Group officially signed a cooperation agreement with China eMusic Limited (“China eMusic”), according to which China eMusic cooperates with the Group to manage the copyrights of music, songs and lyrics granted by Universal, Warner, Sony and EMI which are being uploaded on the music platform of China Unicom. The music, songs and lyrics owned by the top four record labels captures over 60% of the market shares of the music industry.

The Group has also entered into agreements with several licensed content providers in the PRC for the provision of digital copyrights management system.

Meanwhile, the Group has collaborated with China Unicom to launch the music contents licensed by On Stop China Limited on the music platform of China Unicom (the “UM Platform”). Over 20,000 pieces of the latest and the popular licensed music and songs have been uploaded by the Group on the UM Platform, including songs from well-known international artists like Lady Gaga, Justin Bieber and Taylor Swift, as well as the original sound track of the popular motion pictures like Harry Potter VII and Transformer III.

The Group has also been working aggressively with the operating units of China Unicom in various provinces/cities to roll out and promote the monthly packaged product (the “MPP”) such as ringtone, ring-back tone, full track download, and music video download through the UM Platform during the third quarter. Rolling out of the MPP is now in full swing in a number of provinces and major cities in the PRC, including, Kiangsu (江蘇), Zhejiang (浙江), Sichuan (四川), and etc. It is expected that the MPP will expand to the remaining provinces and cities in the coming quarters. The MPP, coupled with the above nationwide music contents (based on download rate), are likely to generate robust growth in revenue and profit in the coming quarters.

The Group has been exploring other business opportunities that would strengthen the business scope of the Group and at the same time, capitalize the existing platform/technology, strategic alliances and directions of the Group.

II. e-Learning Business

During the period under review, the e-Learning business delivered growth in turnover of 68.6% over the same period last year to approximately HK\$7,873,000. The Group has continued its strong position in the development of e-learning platforms, e-learning contents and latest educational solutions in Hong Kong and Macao. With its high penetration rate into the primary and secondary schools, this will exemplify the Group's leadership position in the e-learning sector.

In July 2011, the Group signed a contract with Educational Testing Service (ETS) of the United States to be the official representative of TOEIC (Test of English for International Communication) in Hong Kong and Macao. During the period, the Group began to offer TOEIC tests to corporate clients, universities and secondary schools. The Group is also working with major universities in Hong Kong and Macao and appointing them as test centers for TOEIC.

During the period under review, the e-Learning business made significant breakthroughs in the above-mentioned projects. The management is confident that those projects will bring meaningful profit contributions to the Group.

FINANCIAL REVIEW

For the nine months ended 30 September 2011, the Group recorded a 4.5-fold increase in its turnover to approximately HK\$20,839,000 as compared to approximately HK\$4,670,000 of previous corresponding period. The increase was mainly attributable to the revenue generated by the e-Licensing business which contributed to approximately 62.2% of the total turnover.

The Group recorded an increase in gross profit of approximately 277.3% to approximately HK\$12,968,000 for the nine months ended 30 September 2011 as compared to approximately HK\$3,437,000 in the same period of last year. The increase was mainly due to the increased turnover contribution from the e-Licensing business.

The Group reported a net loss attributable to equity holders of approximately HK\$3,649,000 for the nine months ended 30 September 2011, compared to a net loss of approximately HK\$4,867,000 in the corresponding period of last year.

Administrative expenses for the nine months ended 30 September 2011 amounted to approximately HK\$13,765,000 (2010: approximately HK\$7,680,000), representing an increase of approximately 79.2% compared with the same period last year. Such increase was in-line with the increase in turnover.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 14 January 2011, Marvel Cosmos Limited ("Marvel Cosmos"), a wholly-owned subsidiary of the Company entered into an agreement with Mr. Chang Li Cheng (the "Vendor") to acquire 25% equity interest of Socle Limited ("Socle") and 25% of its obligations, indebtedness and liabilities due by Socle to the Vendor for a total consideration of US\$3,810,300 (equivalent to approximately HK\$29,720,340). The consideration was settled as to US\$2,000,000 by cash and balance of US\$1,810,300 by the Issue of new shares.

Socle and its subsidiaries are principally engaged in the provision of the leading professional sports events and entertainment content mainly in the PRC.

Upon completion of the acquisition on 7 June 2011, Marvel Cosmos holds 25% equity interest of Socle. Details of the acquisition was set out in the circular dated 17 May 2011.

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

As at 30 September 2011, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in Shares

Name of director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Hsu Tung Sheng	Beneficial	19,000,000 (L)	0.86%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	19,000,000 (L) 41,070,000 (L)	0.86% 1.85%
Daily Technology Company Limited (Note 1)	Beneficial	41,070,000 (L)	1.85%
Mr. Pang Hong Tao	Beneficial	42,800,000 (L)	1.93%
Ms. Au Shui Ming, Anna	Beneficial	54,500,000 (L)	2.45%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 19,000,000 shares. Daily Technology Company Limited ("Daily Technology") is beneficially owned as to 98% by Mr. Hsu. Daily Technology beneficially owns 41,070,000 shares. Under the SFO, Mr. Hsu is deemed to be interested in 41,070,000 shares.

(ii) Interest in share options

Name of director	Nature of interests	Number of share options granted	Approximate percentage of interests
Mr. Hsu Tung Sheng	Beneficial	15,000,000 (L)	0.68%
Mr. Hsu Tung Chi	Beneficial	15,000,000 (L)	0.68%
Mr. Pang Hong Tao	Beneficial	8,000,000 (L)	0.36%
Ms. Au Shui Ming, Anna	Beneficial	8,000,000 (L)	0.36%

(L) denotes long position

(iii) Interest in underlying shares

Name of shareholder	Nature of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Mr. Hsu Tung Chi	Beneficial	Convertible bonds <i>(Note 1)</i>	122,222,222 (L)	5.50%
	Interest of controlled corporation	Convertible bonds <i>(Note 1)</i>	286,202,127 (L)	12.89%
Daily Technology Company Limited	Beneficial	Convertible bonds <i>(Note 1)</i>	286,202,127 (L)	12.89%

(L) denotes long position

Note:

1. According to the sale and purchase agreement entered into among Cheer Plan Limited (“Cheer Plan”), a wholly owned subsidiary of the Company, Mr. Hsu Tung Chi (“Mr. Hsu”) and Mr. Hsu Tung Sheng on 5 May 2008, subject to the fulfillment of certain conditions, the Company will allot a maximum of 222,222,222 convertible bonds to Mr. Hsu. 100,000,000 convertible bonds were redeemed by the Company. As at 30 September 2011, there were 122,222,222 convertible bonds outstanding.

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

Save as disclosed above, as at 30 September 2011, none of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

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

Categories of grantees	As at 1 January 2011	Exercised during the period	Outstanding at 30 September 2011	Exercise price HK\$	Grant date	Exercisable period
Directors						
Mr. Hsu Tung Sheng	15,000,000	–	15,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
Mr. Hsu Tung Chi	15,000,000	–	15,000,000	0.475	16/12/2010	16/12/2010- 15/12/2013
Mr. Pang Hong Tao	8,000,000	–	8,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
Ms. Au Shui Ming, Anna	8,000,000	–	8,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
Employees						
	48,000,000	–	48,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
	4,000,000	–	4,000,000	0.475	16/12/2010	16/12/2010- 15/12/2013
	<u>98,000,000</u>	<u>–</u>	<u>98,000,000</u>			

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 30 September 2011, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Interest in shares

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Lau Kim Hung, Jack (Note 1)	Interest of controlled corporations	497,698,238 (L)	22.41%
	Deemed	4,500,000 (L)	0.20%
Ms. Chan Yiu Kan Katie (Note 1)	Beneficial	4,500,000 (L)	0.20%
	Deemed	497,698,238 (L)	22.41%
Manciple Enterprises Limited (Note 1)	Beneficial	482,698,238 (L)	21.73%
Eagle Strategy Limited (Note 1)	Beneficial	15,000,000 (L)	0.68%
Ms. Chuang Meng Hua (Note 2)	Deemed	60,070,000 (L)	2.71%
Decade Talent Limited (Note 3)	Beneficial	75,000,000 (L)	3.38%
Mr. Wan Wah Chung (Note 3)	Beneficial	3,000,000 (L)	0.14%
	Interest of controlled corporation	75,000,000 (L)	3.38%
	Deemed	700,000 (L)	0.03%
Ms. Yeung Wing Suen (Note 3)	Beneficial	700,000 (L)	0.03%
	Deemed	78,000,000 (L)	3.51%

(L) denotes long position

Notes:

1. Manciple Enterprises Limited (“Manciple”) is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“Mr. Lau”). Manciple beneficially owns 482,698,238 shares. Under the SFO, Mr. Lau is deemed to be interested in 482,698,238 shares. Mr. Lau is also deemed to be interested in 15,000,000 shares owned by Eagle Strategy Limited, which is wholly and beneficially owned by Mr. Lau.

Ms. Chan Yiu Kan Katie (“Ms. Chan”), the wife of Mr. Lau, is personally interested in 4,500,000 shares. Being spouses, Mr. Lau and Ms. Chan are deemed to be interested in their respective shareholding in the Company under the SFO.

2. Ms. Chuang Meng Hua is deemed to be interested in 60,070,000 shares by virtue of being the spouse of Mr. Hsu Tung Chi who is the executive director and chief executive officer of the Company.
3. Mr. Wan Wah Chung (“Mr. Wan”) beneficially owns 3,000,000 shares. Decade Talent Limited (“Decade Talent”) is wholly and beneficially owned by Mr. Wan. Decade Talent beneficially owns 75,000,000 shares. Under the SFO, Mr. Wan is deemed to be interested in 75,000,000 shares. Ms. Yeung Wing Suen (“Ms. Yeung”), the wife of Mr. Wan, is personally interested in 700,000 shares. Being spouses, Mr. Wan and Ms. Yeung are deemed to be interested in their respective shareholding in the Company under the SFO.

(ii) Interest in underlying shares

Name of shareholder	Nature of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Chuang Meng Hua	Deemed	Share Options (<i>Note 1</i>)	15,000,000 (L)	0.68%
	Deemed	Convertible bonds (<i>Note 1</i>)	408,424,349 (L)	18.39%
Decade Talent Limited	Beneficial	Warrants (<i>Note 2</i>)	145,000,000 (L)	6.53%
Mr. Wan Wah Chung	Interest of controlled corporation	Warrants (<i>Note 2</i>)	145,000,000 (L)	6.53%
Ms. Yeung Wing Suen	Deemed	Warrants (<i>Note 2</i>)	145,000,000 (L)	6.53%

(L) denotes long position

Note:

1. Ms. Chuang Meng Hua is deemed to be interested in 15,000,000 share options and 408,424,349 convertible bonds by virtue of being the spouse of Mr. Hsu Tung Chi, who is the executive director and chief executive officer of the Company.
2. Pursuant to the conditional warrant subscription agreement dated 10 August 2010 and entered into among the Company, Decade Talent and Mr. Wan in relation to the subscription of 165,000,000 warrants by Decade Talent, Decade Talent subsequently exercised 20,000,000 warrants on 26 November 2010. Under the SFO, Mr. Wan is deemed to be interested in the outstanding 145,000,000 warrants by virtue of his being the ultimate beneficial owner of Decade Talent.

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

Save as disclosed above, as at 30 September 2011, the directors were not aware of any other person (other than the directors and the chief executive the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

COMPETING INTERESTS

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

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

During the period ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the period ended 30 September 2011.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the period ended 30 September 2011 except that no nomination committee of the Board is established.

The Board does not establish a nomination committee in consideration of the size of the Group. The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Suitable candidates will be proposed to the Board for consideration, and the Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

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

The Group's unaudited quarterly results for the nine months ended 30 September 2011 has been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosure has been made.

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

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

Hong Kong, 11 November 2011

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