



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2012

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.

FIRST 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 three months ended 31 March 2012 together with the comparative figures for the corresponding period in 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2012

		Three Months ended 31 March	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	14,816	2,544
Cost of services rendered and cost of good sold		(6,101)	(1,109)
Gross profit		8,715	1,435
Other income		127	96
Administrative and other expenses		(6,035)	(3,294)
Finance costs		(292)	(321)
Share of profits of associates		979	–
Profit (loss) before taxation		3,494	(2,084)
Income tax expense	4	(704)	(25)
Profit (loss) for the period		2,790	(2,109)
Other comprehensive income for the period			
Currency translation differences		–	–
Total comprehensive profit (loss) for the period		2,790	(2,109)
Profit (loss) attributable to:			
Equity holders of the Company		802	(1,937)
Non-controlling interests		1,988	(172)
		2,790	(2,109)
Total comprehensive profit (loss) attributable to:			
Equity holders of the Company		802	(1,937)
Non-controlling interests		1,988	(172)
		2,790	(2,109)
Dividends	5	–	–
Profit (loss) per share	6		
Basic		HK0.04 cents	HK(0.09) cents
Diluted		HK0.03 cents	HK(0.09) cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2012

	Share capital	Share premium	Special reserve	Warrant reserve	Convertible bonds reserve	Foreign currency translation reserve	Share option 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)								
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
Loss for the period	-	-	-	-	-	-	-	(1,937)	(1,937)	(172)	(2,109)
At 31 March 2011	109,754	149,585	10,084	291	6,260	86	12,251	(143,790)	144,521	5,740	150,261
2012											
At 1 January 2012	112,655	159,556	10,084	291	5,680	178	12,251	(179,710)	120,985	8,506	129,491
Issue of shares upon exercise											
of unlisted warrants	750	3,330	-	-	-	-	-	-	4,080	-	4,080
Profit for the period	-	-	-	-	-	-	-	802	802	1,988	2,790
At 31 March 2012	113,405	162,886	10,084	291	5,680	178	12,251	(178,908)	125,867	10,494	136,361

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

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 2011 financial statements.

3. TURNOVER

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

	Three months ended	
	31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
e-Licensing business	11,384	–
e-Learning business	3,432	2,544
	14,816	2,544

4. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

	Three months ended	
	31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current		
– Hong Kong	111	25
– PRC	593	–
	704	25

5. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months ended 31 March 2012 (2011: Nil).

6. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to equity holders of the Company is based on the following data:

(a) Basic earnings (loss) per share

	Three months ended	
	31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit (loss) attributable to equity holders of the Company	802	(1,937)
Shares		
Weighted average number of ordinary shares in issue during the period	2,265,134,006	2,195,085,643
Basic earnings (loss) per share	HK0.04 cents	HK(0.09) cents

(b) Diluted earnings (loss) per share

	Three months ended	
	31 March	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit (loss) attributable to equity holders of the Company	802	(1,937)
	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the period	2,265,134,006	2,195,085,643
Effect of dilutive potential ordinary shares:		
Convertible bonds	169,728,841	–
Weighted average number of shares for the purpose of calculating diluted earnings (loss) per share	2,434,862,847	2,195,085,643
Diluted earnings (loss) per share	HK0.03 cents	HK(0.09) cents

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 March 2012, the Group recorded a turnover of approximately HK\$14,816,000, representing approximately a 5.8-fold increase from approximately HK\$2,544,000 in the same period last year. Benefiting from the substantial growth in revenue, the Group reported a profit attributable to shareholders of the Company of approximately HK\$802,000, a significant turnaround from a loss of approximately HK\$1,937,000 in the same period last year.

I. e-Licensing Business

The e-Licensing business started kicking in revenue in the second quarter last year and has grown at an accelerating pace since then. The Group recorded a turnover of approximately HK\$11,384,000 (2011: Nil) which has made significant contribution to the Group's results for the three months ended 31 March 2012.

As for the provision of music contents licensed by OneStop China Limited on the music platform of China Unicom, the Group has expanded the monthly packaged products such as ringtone, ring-back tone, full track download and music video download to several additional provinces and municipal cities in the PRC during the period.

Meanwhile, the Group is in the final stage of negotiation with Strait Global (Beijing) Technology Limited (海峽全球(北京)科技有限公司) ("Strait Global"), according to which the Group will co-operate with Strait Global to provide the licensed music contents on the music platform of a major telecommunication operator in the PRC and to explore entertainment and related services. The full operation is expected to commence in the coming quarter.

During the period, the Group has also entered into an agreement for the provision of system development consultancy services through the co-operation with Socle Limited in delivering an application for Apple platform. Such application is officially authorized by the Chinese Football Association Super League ("CSL") and users can watch more than 240 edited video clips of CSL match highlights, as well as ladder positions and other statistics.

In February 2012, the Group obtained authorisation from Crypton Future Media, Inc for the provision of the music albums and songs sung by Hatsune Miku (初音未來) ("Miku") on the music platforms of China Mobile, China Telecom and China Unicom in the PRC. In April 2012, the Group officially launched the licensed music contents of Miku on the music platforms of China Telecom and China Unicom. Being the only virtual reality singer on the telecommunication networks, Miku's music is well-received since its launch. As a virtual idol, Miku was produced as the leading character in various best-selling games, and she also performed in several concerts across the world, of which the record-breaking live broadcast was simultaneously shown in cinemas. According to a recent unofficial poll carried out on the website "The Top Tens" for selecting singer to perform at the opening ceremony for the 2012 Olympic in London, Miku was one of the top ten ranked singers in the poll.

II. e-Learning Business

For the three months ended 31 March 2012, the e-Learning business recorded an increase in turnover of approximately 35% to approximately HK\$3,432,000 as compared to approximately HK\$2,544,000 in the same period last year.

During the period, the Group signed collaborative agreements with City University of Macao, University of Saint Joseph, University of Macao and Macau Productivity and Technology Transfer Center to provide TOEIC Tests (Test of English for International Communication) to Macao residents. The successful launch of TOEIC Tests together with the provision of e-Learning platform to schools in Macao have enabled the Group to capture over 40% of the market share in the education institutions in Macao. In March 2012, the Group also appointed the Hong Kong Examinations and Assessment Authority as the official TOEIC Speaking & Writing Test Center in Hong Kong. Meanwhile, the Group is finalizing a collaborative agreement for the provision of National Geographic Learning materials via the e-Learning platform in Hong Kong and Macao. Such product is expected to be rolled out in the coming quarters.

Leveraging on the existing infrastructure, platform, massive licensing music and professional sports contents and the rapidly growing strategic alliances, the Board believed that the Group has entered into a harvesting stage. With the above-mentioned progress, the management is confident that the Group will generate accelerating growth in revenue and profitability in the coming quarters.

FINANCIAL REVIEW

For the three months ended 31 March 2012, the Group recorded approximately a 5.8 fold increase in its turnover to approximately HK\$14,816,000 as compared to approximately HK\$2,544,000 of previous corresponding period.

The Group reported a net profit attributable to equity holders of approximately HK\$802,000 during the reporting period, compared to a net loss of approximately HK\$1,937,000 in the corresponding period of last year.

Administrative expenses for the three months ended 31 March 2012 amounted to approximately HK\$6,035,000 (2011: approximately HK\$3,294,000), representing an increase of approximately 83.2% 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

During the three months ended 31 March 2012, the Group did not have any material acquisition and disposal of subsidiaries.

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

As at 31 March 2012, 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)	0.84%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	19,000,000 (L) 72,984,893 (L)	0.84% 3.22%
Daily Technology Company Limited (Note 1)	Beneficial	72,984,893 (L)	3.22%
Mr. Pang Hong Tao	Beneficial	42,800,000 (L)	1.89%
Ms. Au Shui Ming, Anna	Beneficial	54,500,000 (L)	2.40%

(L) denotes long position

Note:

- 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 72,984,893 shares. Under the SFO, Mr. Hsu is deemed to be interested in 72,984,893 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)	0.66%
Mr. Hsu Tung Chi	Beneficial	15,000,000 (L)	0.66%
Mr. Pang Hong Tao	Beneficial	8,000,000 (L)	0.35%
Ms. Au Shui Ming, Anna	Beneficial	8,000,000 (L)	0.35%

(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 (Note 1)	122,222,222 (L)	5.39%
	Interest of controlled corporation	Convertible bonds (Note 1)	254,287,234 (L)	11.21%
Daily Technology Company Limited	Beneficial	Convertible bonds (Note 1)	254,287,234 (L)	11.21%

(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 31 March 2012, 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 allotted 286,202,127 convertible bonds to Daily Technology. Daily Technology subsequently exercised the conversion rights on 11 October 2011 and the convertible bonds in the principal amount of HK\$3,000,000 were converted into 31,914,893 shares of the Company. Under the SFO, Mr. Hsu is deemed to be interested in the outstanding 254,287,234 convertible bonds.

Save as disclosed above, as at 31 March 2012, 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 year under the Scheme are as follows:

Categories of grantees	As at 1 January 2012	Exercised during the period	Outstanding at 31 March 2012	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
	98,000,000	–	98,000,000			

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors, as at 31 March 2012, 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)	21.94%
	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)	21.94%
Manciple Enterprises Limited (Note 1)	Beneficial	482,698,238 (L)	21.28%
Eagle Strategy Limited (Note 1)	Beneficial	15,000,000 (L)	0.66%
Ms. Chuang Meng Hua (Note 2)	Deemed	91,984,893 (L)	4.06%
Decade Talent Limited (Note 3)	Beneficial	90,000,000 (L)	3.97%

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. Wan Wah Chung	Beneficial	6,520,000 (L)	0.29%
(Note 3)	Interest of controlled corporation	90,000,000 (L)	3.97%
	Deemed	700,000 (L)	0.03%
Ms. Yeung Wing Suen	Beneficial	700,000 (L)	0.03%
(Note 3)	Deemed	96,520,000 (L)	4.26%

(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 91,984,893 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 6,520,000 shares. Decade Talent Limited ("Decade Talent") is wholly and beneficially owned by Mr. Wan. Decade Talent beneficially owns 90,000,000 shares. Under the SFO, Mr. Wan is deemed to be interested in 90,000,000 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 (Note 1)	15,000,000 (L)	0.66%
	Deemed	Convertible bonds (Note 1)	376,509,456 (L)	16.60%
Decade Talent Limited	Beneficial	Warrants (Note 2)	130,000,000 (L)	5.73%
Mr. Wan Wah Chung	Interest of controlled corporation	Warrants (Note 2)	130,000,000 (L)	5.73%
Ms. Yeung Wing Suen	Deemed	Warrants (Note 2)	130,000,000 (L)	5.73%

(L) denotes long position

Note:

1. Ms. Chuang Meng Hua is deemed to be interested in 15,000,000 share options and 376,509,456 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 and 15,000,000 warrants on 26 November 2010 and 19 January 2012 respectively. Under the SFO, Mr. Wan is deemed to be interested in the outstanding 130,000,000 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 31 March 2012, the directors 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 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 31 March 2012, 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 31 March 2012.

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 31 March 2012.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

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

The Group's unaudited first quarterly results for the three months ended 31 March 2012 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, 14 May 2012

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