



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 Report 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 report, 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 report 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 report 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 2012 together with the comparative figures for the corresponding period in 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2012

	Note	Three months ended 30 September		Nine months ended 30 September	
		2012	2011	2012	2011
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	3	5,443	9,500	33,041	20,839
Cost of services rendered and cost of good sold		(1,839)	(3,668)	(13,053)	(7,871)
Gross profit		3,604	5,832	19,988	12,968
Other income		419	40	673	244
Administrative and other expenses		(4,802)	(5,182)	(17,717)	(13,765)
Finance costs		(299)	(328)	(877)	(968)
Share of results of associates		1,500	800	3,548	1,150
Profit (Loss) before taxation		422	1,162	5,615	(371)
Income tax expense	4	(221)	(515)	(1,396)	(562)
Profit (Loss) for the period		201	647	4,219	(933)

		Three months ended 30 September		Nine months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Note					
Other comprehensive income for the period					
	Currency translation differences	-	-	-	-
Total comprehensive Profit (loss) for the period					
		201	647	4,219	(933)
Profit (loss) attributable to:					
	Equity holders of the Company	108	(461)	1,147	(3,649)
	Non-controlling interests	93	1,108	3,072	2,716
		201	647	4,219	(933)
Total comprehensive Profit (loss) attributable to:					
	Equity holders of the Company	108	(461)	1,147	(3,649)
	Non-controlling interests	93	1,108	3,072	2,716
		201	647	4,219	(933)
Dividends					
5		-	-	-	-
Earnings (loss) per share					
6					
	Basic	HK0.005 cents	HK(0.02) cents	HK0.05 cents	HK(0.17) cents
	Diluted	HK0.005 cents	HK(0.02) cents	HK0.05 cents	HK(0.17) cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2012

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Warrant reserve HK\$'000	Convertible notes reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated (losses) profits HK\$'000	Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
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 income (loss) for the period	-	-	-	-	-	-	-	(3,649)	(3,649)	2,716	(933)
At 30 September 2011	111,059	162,375	10,084	291	6,260	86	12,251	(145,502)	156,904	8,628	165,532
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
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	1,147	1,147	3,072	4,219
At 30 September 2012	113,405	162,886	10,084	291	5,680	178	12,251	(178,563)	126,212	11,578	137,790

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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards 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 consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

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 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
e-Licensing business	1,862	6,676	22,296	12,966
e-Learning business	3,581	2,824	10,745	7,873
	5,443	9,500	33,041	20,839

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 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current				
– Hong Kong	80	17	264	64
– PRC	141	498	1,132	498
	221	515	1,396	562

5. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the nine months ended 30 September 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 30 September		Nine months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Profit (loss) attributable to equity holders of the Company	108	(461)	1,147	(3,649)

	Number of shares		Number of shares	
	2012	2011	2012	2011
Shares				
Weighted average number of ordinary shares in issue during the period	2,268,101,039	2,221,186,146	2,267,115,638	2,206,175,967
Basic earnings (loss) per share	HK0.005 cents	HK(0.02) cents	HK0.05 cents	HK(0.17) cents

(b) Diluted earnings (loss) per share

	Three months ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit (loss) attributable to equity holders of the Company	108	(461)	1,147	(3,649)

	Number of shares		Number of shares	
	2012	2011	2012	2011
Shares				
Weighted average number of ordinary shares in issue during the period	2,268,101,039	2,221,186,146	2,267,115,638	2,206,175,967
Effect of dilutive potential ordinary shares:				
Convertible bonds	123,196,269	–	151,383,896	–
Weighted average number of shares for the purpose of calculating diluted earnings (loss) per share	2,391,297,308	2,221,186,146	2,418,499,534	2,206,175,967
Diluted earnings (loss) per share	HK0.005 cents	HK(0.02) cents	HK0.05 cents	HK(0.17) 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.

7. EVENT AFTER THE REPORTING PERIOD

On 24 October 2012, the Board of the Company proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda; and upon the change of domicile becoming effective, to implement a capital reorganisation by way of (a) capital reduction which involves (i) the reduction of the issued share capital of the Company by cancelling the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued shares such that the nominal value of each issued share will be reduced from HK\$0.05 to HK\$0.01; and (ii) the reduction of the authorised share capital of the Company by reducing the nominal value of all shares from HK\$0.05 each to HK\$0.01 each resulting in the reduction of the authorised share capital of the Company from HK\$200,000,000 divided into 4,000,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 new shares; and (b) the Increase in authorised share capital, which involves the increase of authorised share capital from HK\$40,000,000 (divided into 4,000,000,000 new shares) to HK\$200,000,000 (divided into 20,000,000,000 new shares) by the creation of 16,000,000,000 new shares. Details of the change of domicile and the capital reorganization are both set out in the announcement and circular of the Company dated 24 October 2012 and 9 November 2012 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2012, the Group recorded a turnover of approximately HK\$33,041,000 (30 September 2011: HK\$20,839,000) and a profit attributable to shareholders of the Company of HK\$1,147,000 (30 September 2011: loss of HK\$3,649,000).

I. e-Licensing Business

For the nine months ended 30 September 2012, the e-Licensing business recorded a turnover of approximately HK\$22,296,000 (30 September 2011: HK\$12,966,000).

During the quarter, two latest popular hit songs became the most downloaded songs and the hottest ringtones in all provinces in the PRC, namely “Gangnam Style” (江南Style) by South Korean singer Park Jae-Sang (PSY) and “You Exist in My Song” (在我的歌聲裡) by Qu Wanting (曲婉婷) from northeast China.

As regards our in-depth collaboration with provincial branches of the telecommunication operators in the PRC, the Group provides several network-wide ringtone products to the subscribers of the telecommunication operators. With the extensive promotion campaigns complemented by telephone marketing and local outlets, the number of subscriptions continued to grow steadily, especially a breakthrough in Guangxi province (廣西省) where the music business was relatively stagnant in the past. In addition, the Group has carried out trial runs of music special zones on the music platforms of China Unicom, on which the subscribers will experience better and comprehensive music products. Upon completion of the trial runs, such music zones will be launched in all provinces in the PRC.

II. e-Learning Business

For the nine months ended 30 September 2012, the e-Learning business recorded a turnover of approximately HK\$10,745,000 (30 September 2011: HK\$7,873,000).

During the period, the Group is pleased to be appointed by Educational Testing Service (ETS) as the official representative of TOEFL Junior tests in Hong Kong and Macao. The Group will start to offer TOEFL Junior tests to primary and secondary schools in the coming quarter. In addition, the Group has been invited by the Education Bureau to participate in the E-textbook Market Development Scheme (EMADs), and the Group is working with National Geographic Learning for the development of e-textbooks and has filed several applications with the Education Bureau.

FINANCIAL REVIEW

For the nine months ended 30 September 2012, the Group recorded a turnover of approximately HK\$33,041,000 (30 September 2011: HK\$20,839,000).

The Group reported a net profit attributable to equity holders of approximately HK\$1,147,000 for the nine months ended 30 September 2012, compared to a net loss of approximately HK\$3,649,000 in the corresponding period of last year.

Administrative expenses for the nine months ended 30 September 2012 amounted to approximately HK\$17,717,000 (2011: approximately HK\$13,765,000), representing an increase of approximately 28.7% 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

In January 2012, the Group entered into an agreement with third parties to acquire 20% equity interest in a company incorporated in the British Virgin Islands at an aggregate consideration of HK\$400,000. The target company will be principally engaged in the promotion, sales and distribution of licensed digital music contents in the PRC.

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

As at 30 September 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:

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 72,984,893 shares. Under the SFO, Mr. Hsu is deemed to be interested in 72,984,893 shares owned by Daily Technology.

(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 30 September 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 30 September 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 period under the Scheme are as follows:

Categories of grantees	As at 1 January 2012	Exercised during the period	Outstanding at 30 September 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 30 September 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%

(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 owned by Manciple. 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 shareholdings 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.

(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)	15,000,000 (L)	0.66%
	Deemed	Convertible bonds (Note)	376,509,456 (L)	16.60%

(L) denotes long position

Note:

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.

Save as disclosed above, as at 30 September 2012, the directors were not aware of any other person (other than the directors and the chief executive officer 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 30 September 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 30 September 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 30 September 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 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 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 report, 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, 13 November 2012