



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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 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 of China Digital Licensing (Group) Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Digital Licensing (Group) Limited. The directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM RESULTS (UNAUDITED)

The board of directors (the “Board”) of China Digital Licensing (Group) Limited (the “Company”) would like to report the unaudited consolidated results of the Company and its subsidiaries (together, “the Group”) for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008 as follows:–

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	Three months ended 30 June		Six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover	3				
Continuing operations		982	–	1,919	–
Discontinued operations		–	3,268	173	5,515
		<u>982</u>	<u>3,268</u>	<u>2,092</u>	<u>5,515</u>
Cost of sales		(144)	(1,455)	(336)	(2,841)
Gross profit		838	1,813	1,756	2,674
Other revenues and gains		35	717	35	975
Research and development expenses		–	(263)	(47)	(474)
Selling and distribution expenses		–	(293)	(37)	(633)
Administrative expenses		(3,319)	(9,889)	(5,161)	(15,037)
Other expenses		–	(40,570)	–	(40,570)
Finance costs		(316)	(193)	(569)	(193)
Loss from operating activities		(2,762)	(48,678)	(4,023)	(53,258)
Gain on disposal of subsidiaries		–	4,556	4,703	4,556
Share of losses from associates		(21)	–	(38)	–
Profit (Loss) before taxation	5	(2,783)	(4,103)	(4,032)	(6,256)
Continuing operations		(2,783)	(4,103)	(4,032)	(6,256)
Discontinued operations		–	(40,019)	4,674	(42,446)
		<u>(2,783)</u>	<u>(44,122)</u>	<u>642</u>	<u>(48,702)</u>
Taxation	6				
Continuing operations		(73)	–	(150)	–
Discontinued operations		–	3,654	–	3,654
		<u>(73)</u>	<u>3,654</u>	<u>(150)</u>	<u>3,654</u>
Profit (Loss) for the period					
Continuing operations		(2,856)	(4,103)	(4,182)	(6,256)
Discontinued operations		–	(36,365)	4,674	(38,792)
		<u>(2,856)</u>	<u>(40,468)</u>	<u>492</u>	<u>(45,048)</u>
Attributable to:					
Equity holders of the Company		(3,036)	(37,947)	121	(41,871)
Minority interests		180	(2,521)	371	(3,177)
		<u>(2,856)</u>	<u>(40,468)</u>	<u>492</u>	<u>(45,048)</u>
Earnings (Loss) per share – Basic	8				
From continuing and discontinued operations		<u>(0.22 cents)</u>	<u>(2.85 cents)</u>	<u>0.01 cents</u>	<u>(3.15 cents)</u>
From continuing operations		<u>(0.22 cents)</u>	<u>(0.31 cents)</u>	<u>(0.34 cents)</u>	<u>(0.47 cents)</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		152	204
Interests in associates		65,212	65,228
Goodwill		19,826	19,826
		<u>85,190</u>	<u>85,258</u>
CURRENT ASSETS			
Trade and other receivables	9	1,997	1,473
Due from a director		20	20
Cash and bank balances		9,926	12,109
Assets of a disposal group classified as held for sale		–	2,324
		<u>11,943</u>	<u>15,926</u>
CURRENT LIABILITIES			
Other payables		834	2,416
Tax payable		194	44
Liabilities associated with assets classified as held for sale		–	6,067
		<u>1,028</u>	<u>8,527</u>
NET CURRENT ASSETS		<u>10,915</u>	<u>7,399</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>96,105</u>	<u>92,657</u>
NON-CURRENT LIABILITIES			
Other payables	10	26,160	26,160
Convertible notes	11	23,289	22,735
Promissory note	12	2,240	3,740
Deferred tax liabilities		33	33
		<u>51,722</u>	<u>52,668</u>
NET ASSETS		<u><u>44,383</u></u>	<u><u>39,989</u></u>
EQUITY			
Share capital		68,254	66,519
Reserves		(24,914)	(27,202)
		<u>43,340</u>	<u>39,317</u>
MINORITY INTERESTS		<u>1,043</u>	<u>672</u>
		<u><u>44,383</u></u>	<u><u>39,989</u></u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	Six months ended 30 June 2009 HK\$'000	Six months ended 30 June 2008 HK\$'000
Net cash (used in)/from operating activities	(4,858)	2,585
Net cash from/(used in) investing activities	<u>971</u>	<u>(31,770)</u>
Net cash outflow before financing activities	(3,887)	(29,185)
Net cash from/(used in) financing activities	<u>1,704</u>	<u>(456)</u>
Net decrease in cash and cash equivalents	(2,183)	(29,641)
Cash and cash equivalents at beginning of the period	12,109	48,287
Effect of exchange rate fluctuations, net	<u>–</u>	<u>909</u>
Cash and cash equivalents at end of the period	<u><u>9,926</u></u>	<u><u>19,555</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 10 October 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange on 25 February 2003.

The Group is principally engaged in the development and provision of on-line education programs, through its self-developed websites to provide languages (English and Chinese) and mathematics learning programs to students in secondary and primary schools in Hong Kong and Macau. The Group has also invested in copyright management and digital licensing business.

2. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The measurement basis used in the preparation of these unaudited consolidated results is historical cost.

The accounting policies adopted in preparing the unaudited consolidated results are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2008.

3. TURNOVER

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

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
E-learning business	982	13	1,919	13
Discontinued operations				
Sales of licensed software	–	1,994	71	2,853
Software maintenance	–	353	78	641
Software rental and subscription income	–	153	18	240
Website development	–	108	–	358
Putonghua learning platform	–	219	6	449
Agriculture-related products	–	428	–	961
	<u>982</u>	<u>3,268</u>	<u>2,092</u>	<u>5,515</u>

4. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

Six months ended 30 June

	Continuing operation		Discontinued operations				Consolidated	
	E-learning business		Server-based technology		Agriculture-related products			
	2009	2008	2009	2008	2009	2008	2009	2008
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	<u>1,919</u>	<u>13</u>	<u>173</u>	<u>4,541</u>	<u>-</u>	<u>961</u>	<u>2,092</u>	<u>5,515</u>
Segment results	<u>1,670</u>	<u>11</u>	<u>86</u>	<u>3,093</u>	<u>-</u>	<u>(430)</u>	<u>1,756</u>	<u>2,674</u>
Other revenue and gains							35	975
Research and development expenses							(47)	(474)
Selling and distribution expenses							(37)	(633)
Administrative expenses							(5,161)	(15,037)
Other expenses							-	(40,570)
Finance costs							(569)	(193)
Gain on disposal of subsidiaries							4,703	4,556
Share of losses from associates							(38)	-
Profit/(Loss) before tax							642	(48,702)
Tax							(150)	3,654
Profit/(Loss) for the period							<u>492</u>	<u>(45,048)</u>

As at 30 June

	Continuing operation		Discontinued operations					
	E-learning business		Server-based technology		Agriculture-related products		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Assets								
Segment assets	3,064	21,131	-	2,473	-	49,953	3,064	73,557
Unallocated assets							94,069	68,521
Total assets							97,133	142,078
Liabilities								
Segment liabilities	928	182	-	5,626	-	1,217	928	7,025
Unallocated liabilities							51,822	57,644
Total liabilities							52,750	64,669
Other segment information:								
Depreciation	59	2	6	28	-	2,286	65	2,316
Capital expenditure	7	-	-	6	-	1,438	7	1,444

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Six months ended 30 June,					
	Mainland China		Hong Kong		Consolidated	
	2009	2008	2009	2008	2009	2008
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	11	992	2,081	4,523	2,092	5,515
Other segment information:						
Segment assets	-	50,005	97,133	92,073	97,133	142,078
Capital expenditure	-	1,440	7	4	7	1,444

5. PROFIT (LOSS) BEFORE TAXATION

Profit (Loss) before taxation is stated after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	30	1,341	65	2,316
Employee share-based payment	1,711	626	1,711	626
Impairment allowance on trade receivables	<u>–</u>	<u>2,491</u>	<u>–</u>	<u>2,491</u>

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% on the assessable profits arising in Hong Kong during the periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Three months ended		Six months ended	
	30 June		30 June	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current year provision				
Hong Kong profits tax	(73)	–	(150)	–
Overprovision in prior year	<u>–</u>	<u>3,654</u>	<u>–</u>	<u>3,654</u>
Tax credit/(charge) for the period	<u>(73)</u>	<u>3,654</u>	<u>(150)</u>	<u>3,654</u>

In May 2008, a subsidiary of the Company has been granted an exemption of PRC enterprise income tax by the Taxation Bureau.

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30 June 2009 respectively (2008: Nil).

An ageing analysis of the trade receivables is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0-30 days	364	589
31-60 days	42	4
61-90 days	162	97
Over 90 days	15	41
	<hr/> 583 <hr/>	<hr/> 731 <hr/>

10. OTHER PAYABLES

Included in the other payables, HK\$18,000,000 represents the partial consideration for the acquisition of 12% equity interest in Far Glory Limited, which is extra convertible note that shall be issued by the Company if the average actual profit of Far Glory Limited and its subsidiaries is not less than HK\$25,000,000. This amount is unsecured and interest-free.

The remaining HK\$8,160,000 represents the partial consideration for the acquisition of 51% equity interest in Start Bright Limited, which is earn out convertible note that shall be issued by the Company if the vendor can fulfill the profit requirements of the earn out convertible note. This amount is unsecured and interest-free.

11. CONVERTIBLE NOTES

On 20 June 2008, the Company issued 1% convertible notes with principal amounts of HK\$18,000,000 and HK\$4,000,000, respectively. The convertible notes were issued as partial consideration for the acquisition of 12% shareholding interest in Far Glory Limited.

On 24 June 2008, the Company issued the convertible note in the principal amount of HK\$3,000,000 with an interest rate of 1% per annum. The convertible note was issued as partial consideration for the acquisition of 51% equity interest in Start Bright Limited.

The fair values of the liability component and the equity conversion component were determined at the date of issuance of the convertible notes. The fair value of the liability component was calculated using a market interest rate of 5%.

12. PROMISSORY NOTE

On 24 June 2008, a promissory note with principal amount of HK\$7,240,000 was issued by the Company as partial consideration for the acquisition of 51% of equity interest in Start Bright Limited. During the reporting period and 2008, HK\$1,500,000 and HK\$3,500,000 were repaid respectively.

13. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with current period's presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The performance of the Group was less than satisfactory in the first half of 2009 which was mainly attributable to the impacts of swine flu on its E-Learning business and an one-off accounting adjustment.

Investment in Digital Licensing and Copyright Management Business and Prospects

The Group owns 20.26% shareholding interest in a digital licensing business which is principally engaged in the provision of copyright management solution and the related consultancy services, the digital content licensing solution and the distribution of copyright protected items (such as on-line entertainment and media related items) in the PRC.

Over the past three years, the Group has been working closely with the PRC Government authorities, major players in the industries and its Japan partners to complete the negotiation of mutually beneficial agreements which lay the ground works for a new era. With the introduction of 3G in the PRC earlier this year and the growing popularity of Internet for entertainment purpose in the PRC, the Group is of the view that development of its digital licensing business in the areas of Internet and telecommunications are of high profitability potential in the PRC.

The Group has entered into agreement with the relevant PRC Government authorities and is in the final negotiation stage with the telecommunication operators in the PRC for the provision of copyright management solution and the distribution of copyright protected contents (such as music, video contents and mobile network games, etc.). The Group has entered into an exclusive distribution agreement with one of the leading global music companies for the provision of licensed entertainment items to two telecommunication operators in the PRC. The Group has also clinched the distribution right of one of the most popular multi-media Japanese drama series in the Greater China Region.

Such businesses are of high growth potential and will generate meaningful profitability to the Group.

E-Learning Business

The development of the business was affected by swine flu during the period. Nevertheless, the Group successfully organized two major events – the “Create My Smart Cambridge Storybook Contest” with Cambridge University Press. Over 60,000 students from over 80 primary schools in Hong Kong and Macao participated in the competition, and the “Smart Maths Brain Contest” with over 100,000 contestants from 100 primary schools in Hong Kong.

Furthermore, the Group was appointed by Cambridge University Press as the exclusive distributor of two of their latest English learning products in Hong Kong and Macao, and the Group started the promotion of these two products to schools in the region during the period.

The Group will commence to provide its online English platform to all primary and secondary school students in Macao in September 2009. The Group will also commence to provide online Portuguese learning platform to students in Macao in September 2009.

FINANCIAL REVIEW

For the six months ended 30 June 2009, the Group recorded a turnover of approximately HK\$2,092,000 (2008: approximately HK\$5,515,000), representing a decrease of approximately 62% compared to the same period last year. The decrease in turnover was mainly attributable to the disposal of agriculture-related business in the previous year and the disposal of language related software business in the first quarter of 2009.

The gross margin of the Group increased from approximately 48% in the previous corresponding period to approximately 84% in the current period. Such increase was mainly attributable to the e-Learning business which contributed high profit margin.

The administrative expenses for the second quarter of 2009 amounted to approximately HK\$3,319,000, representing an increase of 80% as compared with HK\$1,842,000 for the first quarter of 2009. Such increase was mainly due to the recognition of share-based payment of approximately HK\$1,711,000 in respect of the share options granted during the second quarter.

The Group reported a net profit attributable to shareholders of approximately HK\$121,000 for the six months ended 30 June 2009, compared to a net loss of approximately HK\$41,871,000 in the previous corresponding period. The improvement was due to the disposal of loss making businesses and the corresponding decrease in the overhead expenses.

Liquidity and financial resources

As at 30 June 2009, the Group had current assets of approximately HK\$11,943,000 (31 December 2008: HK\$15,926,000). The current assets were comprised mainly of cash and bank balances of HK\$9,926,000 (31 December 2008: HK\$12,109,000) together with trade and other receivables of HK\$1,997,000 (31 December 2008: HK\$1,473,000). The Group's current liabilities were comprised mainly of other payables of approximately HK\$834,000 (31 December 2008: HK\$2,416,000). The Group had no bank borrowings at 30 June 2009 (31 December 2008: Nil).

The Group principally finances its operations and investing activities with its operating revenue and internal resources. 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 30 June 2009, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

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 30 June 2009, the group had no material contingent liabilities.

Employee information

As at 30 June 2009, the Group had 13 (31 December 2008: 40) full-time employees. 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.

The Group also adopts employee share option scheme to provide eligible employees a performance incentive 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 OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 19 January 2009, the Company completed the disposal of 100% equity interest 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.

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

As at 30 June 2009, 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 the 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:

Long positions in shares

Name of director	Nature of interest	Number of shares held	Approximate percentage of issued share capital of the Company
Mr. Pang Hong Tao	Beneficial	16,500,000	1.21%
Mr. Ma She Shing, Albert	Beneficial	870,000	0.06%
Ms. Au Shui Ming, Anna	Beneficial	28,500,000	2.09%

Save as disclosed above, as at 30 June 2009, 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 the 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

On 24 January 2003, a Share Option Scheme (the “Scheme”) was approved by a written resolution of the Company. Details of the movements in the number of share options during the period under the Scheme were as follows:

Categories of grantees	As at 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2009	Exercise price HK\$	Grant date	Exercisable period
Directors								
Mr. Hsu Tung Sheng	-	13,000,000	-	-	13,000,000	0.059	2/4/2009	2/4/2009 – 1/4/2014
Mr. Pang Hong Tao	6,300,000	-	-	-	6,300,000	0.151	21/12/2007	18/1/2008 – 20/12/2017
	7,000,000	-	-	-	7,000,000	0.101	28/8/2008	16/9/2008 – 27/8/2018
	-	6,000,000	(6,000,000)	-	-	0.059	2/4/2009	2/4/2009-1/4/2014
Ms. Au Shui Ming, Anna	6,000,000	-	-	-	6,000,000	0.151	21/12/2007	18/1/2008 – 20/12/2017
	7,000,000	-	-	-	7,000,000	0.101	28/8/2008	16/9/2008 – 27/8/2018
	-	6,000,000	(6,000,000)	-	-	0.059	2/4/2009	2/4/2009-1/4/2014
Mr. Ma She Shing, Albert	10,000,000	-	-	-	10,000,000	0.101	28/8/2008	16/9/2008 – 27/8/2018
Employees								
	31,000,000	-	(1,800,000)	-	29,200,000	0.101	28/8/2008	16/9/2008 – 27/8/2018
	-	30,000,000	(20,900,000)	-	9,100,000	0.059	2/4/2009	2/4/2009 – 1/4/2014
	<u>67,300,000</u>	<u>55,000,000</u>	<u>(34,700,000)</u>	<u>-</u>	<u>87,600,000</u>			

SUBSTANTIAL SHAREHOLDERS

Interests of substantial shareholders

So far as is known to the directors, as at 30 June 2009, 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:

Name of shareholder	Nature of interest	Number of shares held	Approximate percentage of issued share capital of the Company
Mr. Lau Kim Hung, Jack (Note 1)	Interest of controlled corporation	360,698,238(L)	26.42%
	Deemed	4,500,000(L)	0.33%
Ms. Chan Yiu Kan Katie (Note 1)	Beneficial	4,500,000(L)	0.33%
	Deemed	360,698,238(L)	26.42%
Manciple Enterprises Limited (Note 1)	Beneficial	360,698,238(L)	26.42%
Mr. Hsu Tung Chi (Note 2)	Beneficial	222,222,222(L)	16.28%
Ms. Chuang Meng Hua (Note 2)	Deemed	222,222,222(L)	16.28%

(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 360,698,238 shares. Under the SFO, Mr. Lau is deemed to be interested in 360,698,238 shares.

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. According to the sale and purchase agreement entered into among Cheer Plan Limited, 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 notes to Mr. Hsu.

Ms. Chuang Meng Hua is deemed to be interested in 222,222,222 convertible notes of the Company by virtue of her being the spouse of Mr. Hsu.

Save as disclosed above, as at 30 June 2009, 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 business of the Group.

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

During the period ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company was not aware of any non-compliance with such required standard of dealings and its code of conduct regarding securities transactions throughout the period ended 30 June 2009.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

During the six months ended 30 June 2009, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules, except that no nomination committee of the Board is established.

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 on 24 January 2003 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The audit committee comprises Mr. Hsu William Shiu Foo, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent, who are the independent non-executive directors of the Company.

The Group's unaudited consolidated financial statements for the six months ended 30 June 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

As at the date of this announcement, the executive directors are Mr. Hsu Tung Sheng, Mr. Pang Hong Tao and Ms. Au Shui Ming, Anna. The non-executive director is Mr. Ma She Shing, Albert. The independent non-executive directors are Mr. Hsu William Shiu Foo, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent.

By order of the Board of
China Digital Licensing (Group) Limited
Pang Hong Tao
Chairman

Hong Kong, 13 August 2009

As at the date of this announcement, the executive Directors are Mr. Hsu Tung Sheng, Mr. Pang Hong Tao and Ms. Au Shui Ming, Anna. The non-executive Director is Mr. Ma She Shing, Albert. The independent non-executive Directors are Mr. Hsu William Shiu Foo, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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.