
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF APPROXIMATELY 9.17% SHAREHOLDING INTEREST IN A COPYRIGHT MANAGEMENT AND DIGITAL LICENSING BUSINESS

Financial Adviser to the Company



INCU Corporate Finance Limited

Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders

VEDA | CAPITAL
智略資本

A letter from the independent committee (the “Independent Board Committee”) of the board of directors of the Company is set out on page 14 of this circular. A letter from Veda Capital Limited, the independent financial adviser of the Company, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 15 to 35 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on 24 September 2009 at 11:00 a.m. is set out on pages 42 and 43 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular.

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

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

8 September 2009

CHARACTERISTICS OF GEM

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

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition of the Sale Shares on the terms contained in the Agreement
“Agreement”	the conditional agreement dated 14 August 2009 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Announcement”	the announcement of the Company dated 18 August 2009 in relation to the Acquisition
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing e-License”	Beijing YiLaiShen Technology Company Limited (北京易來申科技有限公司)
“BLTC”	Beijing LianYiHuiZhong Technology Company Limited (北京聯易匯眾科技有限公司)
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, a Sunday and a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Digital Licensing (Group) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$13,755,000
“Consideration Shares”	an aggregate of 146,329,787 Shares to be issued and allotted to the Vendor for the Consideration
“Director(s)”	the director(s) of the Company from time to time

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, among other matters, the Acquisition and the transactions contemplated thereunder
“Far Glory”	Far Glory Limited, a company incorporated in the British Virgin Islands
“Former Profit Guarantee”	the profit guarantee of at least HK\$15 million being the average of the audited consolidated net profit after tax and extraordinary or exceptional items of the Target Group for the financial years ending 31 December 2009 and 31 December 2010 given by Mr. Hsu Tung Chi and guaranteed by Mr. Hsu Tung Sheng under the acquisition agreement entered into between among the Company, and Mr. Hsu Tung Chi and Mr. Hsu Tung Sheng dated 5 May 2008, details of which have been disclosed in the circular of the Company dated 30 May 2008
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the resolution approving the Acquisition and the transactions contemplated thereunder
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation under the SFO to conduct type 6 regulated activity, appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi and Mr. Lau Kim Hung, Jack and their respective associates or others who are interested in the Acquisition to be abstained from voting at the forthcoming EGM
“Issue Price”	approximately HK\$0.094 per Consideration Share
“Latest Practicable Date”	4 September 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Cheer Plan Limited, a wholly owned subsidiary of the Company
“Sale Shares”	1,000 ordinary shares of Far Glory, representing approximately 9.17% of the total issued share capital of Far Glory
“SFO”	the Hong Kong Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Far Glory and its subsidiaries
“Vendor”	Mr. Yuan Sheng Jun
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



China Digital Licensing (Group) Limited

中國數碼版權(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

Executive Directors:

Mr. Hsu Tung Sheng

Mr. Pang Hong Tao

Ms. Au Shui Ming, Anna

Non-executive Director:

Mr. Ma She Shing, Albert

Independent non-executive Directors:

Mr. Hsu William Shiu Foo

Mr. Lee Kun Hung

Mr. Kwok Chi Sun, Vincent

Registered office:

Caledonian Bank & Trust Limited

Caledonian House

P.O. Box 1043, George Town

Grand Cayman, Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Unit 1601, Ruttonjee House

Ruttonjee Centre

11 Duddell Street

Central, Hong Kong

8 September 2009

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF APPROXIMATELY 9.17%
SHAREHOLDING INTEREST IN A COPYRIGHT MANAGEMENT AND
DIGITAL LICENSING BUSINESS**

INTRODUCTION

Reference is made to the Announcement, in which the Board announced that on 14 August 2009, the Purchaser, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser shall purchase and the Vendor shall sell, the Sale Shares, represent approximately 9.17% of the total issued share capital of Far Glory as at the date of the Agreement, for a total consideration of HK\$13,755,000.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other matters, (i) further details regarding the Acquisition and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice and recommendation in respect of the Acquisition and the transactions contemplated thereunder; (iii) a letter from Veda Capital to the Independent Board Committee and Independent Shareholders in respect to the Acquisition and the transactions contemplated thereunder; and (iv) a notice convening the EGM, in compliance with the GEM Listing Rules.

THE AGREEMENT

Date: 14 August 2009 (after trading hours)

Parties:

The purchaser: Cheer Plan Limited, a wholly owned subsidiary of the Company.

The Vendor: Mr. Yuan Sheng Jun

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is third party independent of the Company and its connected persons (as defined in the GEM Listing Rules).

The Vendor is a merchant and a private investor who has extensive experience in the telecommunication, information technology and patent and digital licensing management businesses in the PRC.

Assets to be acquired

The Sale Shares, representing approximately 9.17% of the total issued share capital of Far Glory.

Far Glory, which is owned as to 20.26%, 28.37%, 1.50%, 9.17% and 19.91% by the Purchaser, Mr. Hsu Tung Chi, Mr. Hsu Tung Sheng, the Vendor and Mr. Lau Kim Hung, Jack ("Mr. Lau") respectively and the balance of 20.79% by two parties who are all third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Mr. Lau is a substantial Shareholder. Mr. Hsu Tung Sheng is an executive Director and Mr. Hsu Tung Chi is the younger brother of Mr. Hsu Tung Sheng. Mr. Lau, Mr. Hsu Tung Chi and Mr. Hsu Tung Sheng each owns 19.91%, 28.37% and 1.50% shareholdings of Far Glory respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for aforesaid, Far Glory and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

LETTER FROM THE BOARD

Consideration

The Consideration for the Sale Shares is HK\$13,755,000, which shall be payable by the Purchaser by procuring the Company to allot and issue the Consideration Shares at the Issue Price upon Completion.

The Consideration represents 10 price earning multiples (which is the lower range of the profit earning ratios of a number of listed companies engaging similar business to Far Glory in Hong Kong as stated below) of the Former Profit Guarantee and equity interest to be acquired in Far Glory (i.e. $\text{HK\$}15,000,000 \times 10 \times 9.17\% = \text{HK\$}13,755,000$).

The Consideration was agreed between the Vendor and the Purchaser after arm's length negotiations after considering: (i) the discussion with the management and shareholders of Far Glory in relation to the business development of the Target Group, who are of the view that, despite the fact that the business development of the Target Group has been delayed by the restructuring of telecommunication industry in the PRC in 2008 and the global financial tsunami in the second half of 2008, the prospect of the business of the Target Group remain the same as when the Former Profit Guarantee was arrived at. As the Target Group will commence operation in the fourth quarter of 2009, the management of the Target Group is optimistic that the Former Profit Guarantee of at least HK\$15 million being the average of the audited consolidated net profit after tax and extraordinary or exceptional items of the Target Group for the financial years ending 31 December 2009 and 31 December 2010 will be achievable; (ii) the 10 price earning multiples is lower than the previous acquisition of 12% Far Glory shareholding interest of 15 price earning multiples; and (iii) the current price earning ratios of companies listed on the Stock Exchange engaging in information technology business similar to the Target Group (“**Comparables**”) ranging from about 4.07 to about 36.10 times, the 10 price earning multiples is in the low-end of such range and represents that the business of the Target Group is in developing stage as compared to the Comparables.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and the terms and conditions of the Acquisition are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Acquisition having been obtained;
- (b) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition having been obtained;
- (c) the warranties provided by the Vendor under the Agreement remaining true and accurate in all respects;

LETTER FROM THE BOARD

- (d) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares; and
- (e) the passing by the Independent Shareholders who are entitled to vote and not required to abstain from voting under the GEM Listing Rules at the EGM to convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Vendor.

Conditions (a) and (c) above are waivable by the Purchaser under the Agreement. The Purchaser has no current intention to waive such condition as at the Latest Practicable Date. Save for conditions (a) and (c), the other conditions are incapable of being waived.

Completion

Completion shall take place at 4:00 p.m. within three Business Days after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

As at the Latest Practicable Date, the Purchaser beneficially owns approximately 20.26% of the total issued share capital of Far Glory and will own approximately 29.43% of the total issued capital of Far Glory upon Completion.

Upon Completion, Far Glory will continue to be accounted for as the associated company of the Company.

Long-stop date

If all the conditions are not fulfilled (or as the case may be, waived by the Purchaser) within three months from the date of the Agreement (or such later date as the Purchaser and the Vendor may agree), the Agreement shall cease and terminate and neither party shall have any obligations towards each other.

CONSIDERATION SHARES

The 146,329,787 new Consideration Shares will be issued at an Issue Price of approximately HK\$0.094 per Consideration Share, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

LETTER FROM THE BOARD

The Issue Price represents:

- (i) a discount of approximately 5.05% to the closing price of HK\$0.099 per Share as quoted on the Stock Exchange on 13 August 2009, being the last trading day immediately prior to the entering into of the Agreement;
- (ii) a discount of approximately 5.81% to the average of the closing price of HK\$0.0998 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 13 August 2009, being the last trading day immediately prior to the entering into of the Agreement; and
- (iii) a discount of approximately 30.37% to the closing price of HK\$0.135 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Consideration Shares represent approximately 10.23% of the existing issued share capital of the Company and approximately 9.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Vendor undertakes to and covenants with the Purchaser that it will not, within the period commencing on the date of Completion and ending on the date falling 90 days after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of more than 73,164,893 Consideration Shares or any interests therein or grant any options or rights in respect of more than 73,164,893 Consideration Shares without prior approval from the Purchaser.

The Issue Price was determined by the Board after taking into consideration of various factors including, the current market price of the Shares and the Directors (excluding the independent non-executive Directors) consider that the issue Price is fair and reasonable.

The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the EGM and will be allotted and issued on the date of Completion.

Application for listing

Application has been made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date and before Completion; and (ii) immediately after Completion and the allotment and issue of the Consideration Shares:

Shareholders	As at the Latest Practicable Date and before Completion		Immediately after Completion and the allotment and issue of the Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Manciple Enterprises Limited (<i>Note 1</i>)	360,698,238	25.24%	360,698,238	22.89%
Ms. Chan Yiu Kan Katie (<i>Note 1</i>)	4,500,000	0.31%	4,500,000	0.29%
Subtotal	365,198,238	25.55%	365,198,238	23.18%
Directors (<i>Note 2</i>)				
Hsu Tung Sheng	13,000,000	0.91%	13,000,000	0.83%
Pang Hong Tao	21,500,000	1.51%	21,500,000	1.36%
Ma She Shing, Albert	9,870,000	0.69%	9,870,000	0.63%
Au Shui Ming Anna	35,500,000	2.48%	35,500,000	2.25%
Subtotal	79,870,000	5.59%	79,870,000	5.07%
The Vendor	–	–	146,329,787	9.29%
Public	984,206,842	68.86%	984,206,842	62.46%
Total:	<u>1,429,275,080</u>	<u>100.00%</u>	<u>1,575,604,867</u>	<u>100.00%</u>

Notes:

- Manciple Enterprises Limited, a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Lau. Accordingly, Mr. Lau is deemed to be interested in 360,698,238 Shares.

Ms. Chan Yiu Kan Katie (“Ms. Chan”) owns 4,500,000 Shares, by virtue of being spouse of Ms. Chan. Mr. Lau is deemed to be interested in 4,500,000 Shares held by Ms. Chan.
- Mr. Hsu Tung Sheng, Mr. Pang Hong Tao, and Ms. Au Shui Ming, Anna are executive Directors. Mr. Ma She Shing, Albert is a non-executive Director.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET GROUP

The Target Group are currently 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 online entertainment and media related items) through Beijing e-License and distribution of other entertainment related business in the PRC through BLTC. BLTC is 100% owned by the Target Group and Beijing e-License is 50% beneficially owned by the Target Group and the rest of the shareholding interest is indirectly owned by e-License Inc. (Japan).

According to the audited financial statements of the Target Group for the period commencing from 8 June 2007 (the date of incorporation) to 31 December 2008, there was no turnover, and the net loss before and after taxation and extraordinary items was approximately HK\$107,000. As at 31 December 2008, the total assets and net asset value of the Target Group were approximately HK\$25,318,000 and HK\$25,271,000 respectively.

According to the unaudited financial statements of the Target Group for the six months ended 30 June 2009, there was no turnover, and the net loss before and after taxation and extraordinary items was approximately HK\$188,000. As at 30 June 2009, the total assets and net asset value of the Target Group were approximately HK\$25,108,000 and HK\$25,083,000 respectively.

REASONS FOR THE ACQUISITION

The Group is principally 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 Macau. The Group also invests in copyright management and digital licensing business through investment in Far Glory.

With the increasing emphasis on anti-privacy placed by the PRC Government following the entry into the World Trade Organization in 2001, the Directors are of the view that the provision of legal and copyright protected items in particular, the on-line entertainment and media related items, are in high demand in telecommunication industry, music and entertainment industry as well as media industry in the PRC. Moreover, the related copyright management and digital content licensing solutions are particularly vital to the practitioners of the aforesaid industries. Moreover, 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 business development of the Target Group has been delayed in 2008. The negotiations with the telecommunication operators have taken longer time than expected due to restructuring of the telecommunication industry and the resulted changes in personnel in 2008. Moreover, the negotiations with other potential business partners have also been delayed mainly due to the global financial tsunami in the second half of 2008 and their respective business plans have been hold back due to negative changes in the global business environment. As a result, the business plan of the Target Group has been delayed and the Target Group has not yet generated any revenue up to the period ended 30 June 2009.

LETTER FROM THE BOARD

The Target Group has entered into agreement with a PRC Government authority, which is the sole governmental authority in the PRC responsible for management of the copyrights of audio and video items in the PRC, in April 2009 in relation to the Co-operation in the area of provision of copyright management solution, the digital content licensing solution and the distribution of copyright protected items (such as online entertainment and media related items) on Internet. The Board is of the view that with the support of such PRC Governmental authority and e-License Inc. (Japan), the business plan of the Target Group will be implemented in an efficient manner and hence, the business development of the Group will be enhanced.

The Group 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.) to the subscribers of 3G mobile of the telecommunication operators. The entire telecommunication industry has been focusing on the development of 3G and such market is expected to take into shape in imminent future. The Board is of the view that, with the increasing popularity of 3G in the PRC and the mass customer base of the telecommunication operators, such co-operation will generate high profitability to the Group.

The Target Group has also entered into distribution agreement with one of the leading global music companies for the provision of copyright protected contents (such as music, video contents and mobile network games, etc.) to the two telecommunication operators in the PRC. Through such agreement, the copyright protected contents to be provided to the telecommunication operators will be enriched. Hence, the co-operation with the telecommunication operators will be facilitated and thus will enhance the business development and profitability of the Group.

The management of the Target Group is of the view that it will commence operation in the fourth quarter of 2009.

In light of the above business development of the Target Group, the Directors believe that the Target Group is well positioned to become the pioneer in the provision of legal copyright protected on-line entertainment and media related items and the related copyright management and digital content licensing solutions in the PRC and generate significant profitability in the future. Thus, despite of the fact that the business development of the Target Group has been delayed, the Directors (excluding the independent non-executive Directors who would give their views on the terms of the Acquisition after having been advised by the independent financial adviser) view that further investment into the Target Group is in the interest of the Group and the Shareholders as a whole in view of its profitability potential in the future.

GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules. Since Mr. Hsu Tung Sheng, an executive Director and his younger brother, Mr. Hsu Tung Chi are substantial shareholders of Far Glory, the Acquisition therefore also constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements by way of poll under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

Approval of the Independent Shareholders by way of poll is proposed to be sought at the EGM in respect of the Acquisition and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares.

Mr. Lau, Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi and their respective associates, are in aggregate interested in 390,198,238 Shares representing approximately 27.30% of the total issued Shares of 1,429,275,080 Shares as at the Latest Practicable Date and are required to abstain from voting in respect of the Acquisition and the transactions contemplated thereunder at the forthcoming EGM. Save as disclosed, no other Shareholders have material interest in the Acquisition and the transactions contemplated thereunder and are required to abstain from voting in respect of the approval of the Acquisition and the transactions contemplated thereunder at the forthcoming EGM.

EGM

Set out on pages 42 and 43 is a notice convening the EGM to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on 24 September 2009 at 11:00 a.m. at which an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares.

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

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

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Hsu William Shiu Foo, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder.

Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, consider that the Agreement was entered into on normal commercial terms and that the terms of the Agreement are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM for approving the Acquisition and the transactions contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on page 14 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 15 to 35 of this circular.

RECOMMENDATION

The Board having taken into account the advice of the Independent Financial Adviser and the Independent Board Committee considers that the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 14 of this circular which contains its views in relation to the Acquisition and transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and transactions contemplated thereunder and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 15 to 35 of this circular.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
China Digital Licensing (Group) Limited
Mr. Pang Hong Tao
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

8 September 2009

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

**INVOLVING ACQUISITION OF APPROXIMATELY 9.17% SHAREHOLDING
INTEREST IN A COPYRIGHT MANAGEMENT
AND DIGITAL LICENCING BUSINESS**

We refer to the circular of the Company dated 8 September 2009 (the “Circular”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you as to whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Veda Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 15 to 35 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 13 of the Circular and the additional information set out in the appendix of the Circular.

Having considered the terms of the Agreement, the principal reasons and factors considered by, and the advice of Veda Capital Limited, we are of the opinion that the Acquisition and the transactions contemplated thereunder is on normal commercial terms and the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee of

China Digital Licensing (Group) Limited

Mr. Hsu William Shiu Foo
*Independent non-executive
Director*

Mr. Lee Kun Hung
*Independent non-executive
Director*

Mr. Kwok Chi Sun, Vincent
*Independent non-executive
Director*

LETTER FROM VEDA CAPITAL

The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智略資本

Veda Capital Limited
Suite 1302, 13/F, Takshing House
20 Des Voeux Road Central
Hong Kong

8 September 2009

*To the Independent Board Committee and
the Independent Shareholders of
China Digital Licensing (Group) Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and the reasonableness of the terms of the Agreement, details of which are set out in the circular to the Shareholders dated 8 September 2009 (the “**Circular**”), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

On 14 April 2008, the Purchaser, a wholly-owned subsidiary of the Company, entered into a subscription agreement (the “**First Agreement**”) to acquire approximately 8.26% shareholding interest in Far Glory (the “**First Acquisition**”) at a total consideration of HK\$20,250,000. The First Acquisition was completed on 21 April 2008. Details of the First Acquisition have been set out in the Company’s announcement (the “**First Acquisition Announcement**”) and circular dated 15 April 2008 and 5 May 2008 respectively. On 5 May 2008, the Purchaser entered into a sale and purchase agreement (the “**Second Agreement**”) to further acquire 12% shareholding interest in Far Glory (the “**Second Acquisition**”) at a maximum consideration of HK\$45,000,000. Details of the Second Acquisition have been set out in the Company’s announcement (the “**Second Acquisition Announcement**”) and circular dated 6 May 2008 and 30 May 2008 respectively. Upon completion of the Second Acquisition which has taken place on 20 June 2008 the Purchaser was interested in 20.26% shareholding interest in Far Glory.

On 18 August 2009, the Board announced that on 14 August 2009, the Purchaser entered into the Agreement with the Vendor, pursuant to which the Purchaser shall purchase and the Vendor shall sell, the Sale Shares, which represents approximately 9.17% of the total issued share capital of Far Glory, for a total consideration of HK\$13,755,000. Upon completion of the Acquisition, the Purchaser will own approximately 29.43% shareholding interest in Far Glory, which in turn owns 50% indirect shareholding interest in Beijing e-License.

LETTER FROM VEDA CAPITAL

The Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Since Mr. Hsu Tung Sheng, an executive Director and his younger brother, Mr. Hsu Tung Chi are substantial shareholders of Far Glory, the Acquisition therefore also constitutes a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements by way of poll under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee, comprising Mr. Hsu William Shiu Foo, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent, has been established to advise the Independent Shareholders as to (i) whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the terms of the Agreement are in the interests of the Company and the Independent Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Agreement at the EGM. The appointment of Veda Capital has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Director(s) and the management. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Director(s) and the management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Director(s) and have been confirmed by the Director(s) that no material facts and representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendation regarding the Agreement.

LETTER FROM VEDA CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Agreement, we have taken into consideration the following factors and reasons:

1. Information on the Target Group

As set out in the Letter from the Board (the “**Board Letter**”), as at the Latest Practicable Date, Far Glory is owned as to approximately 20.26%, approximately 28.37%, approximately 1.50%, approximately 9.17%, approximately 19.91% and approximately 20.79% by the Purchaser, Mr. Hsu Tung Chi (being the younger brother of Mr. Hsu Tung Sheng who is an executive Director), Mr. Hsu Tung Sheng (being an executive Director), the Vendor, Mr. Lau Kim Hung, Jack (being a substantial Shareholder) and two independent third parties who are independent of the Company and its connected persons (as defined in the GEM Listing Rules) respectively. The Target Group are currently 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 online entertainment and media related items) through Beijing e-License and distribution of other entertainment related business in the PRC through BLTC.

BLTC is 100% owned by the Target Group whilst Beijing e-License is 50% beneficially owned by the Target Group and the rest of the shareholding interest is indirectly owned by e-License Inc. (Japan). According to the audited financial statements of the Target Group for the period commencing from 8 June 2007 (the date of incorporation) to 31 December 2008, there was no turnover, and the net loss before and after taxation and extraordinary items was approximately HK\$107,000. As at 31 December 2008, the total assets and net asset value of the Target Group were approximately HK\$25,318,000 and approximately HK\$25,271,000 respectively.

According to the unaudited financial statements of the Target Group for the six months ended 30 June 2009, there was no turnover, and the net loss before and after taxation and extraordinary items were both approximately HK\$188,000. As at 30 June 2009, the total assets and net asset value of the Target Group were approximately HK\$25,108,000 and approximately HK\$25,083,000 respectively.

2. Background and Financial information of the Group

The Group is principally 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 Macau. The Group also invests in copyright management and digital licensing business through investment in Far Glory.

LETTER FROM VEDA CAPITAL

According to the Group's 2008 annual report (the "AR 2008"), the turnover of the Group was approximately HK\$10.04 million (comprising turnover generated from continuing operation of approximately HK\$0.98 million and discontinued operation of approximately HK\$9.06 million) for the year ended 31 December 2008, which represented a decrease of approximately 52.73% as compared to the turnover for the year ended 31 December 2007 of approximately HK\$21.24 million generated from the discontinued operation. As set out in AR 2008, such decrease in turnover was mainly attributable to the disposal of agricultural-related business which contributed to approximately 67.4% of the turnover for the year ended 31 December 2007.

The loss attributable to Shareholders was approximately HK\$66.16 million for the year ended 31 December 2008, which represented an increase in net loss attributable to Shareholders of approximately 2,578.54% as compared to the loss attributable to Shareholders for the year ended 31 December 2007 of approximately HK\$2.47 million. As advised by the Directors, the increase in net loss was mainly due to (i) an impairment of goodwill in the organic fertilizer business; (ii) the increase in legal and professional expenses associated with the acquisition and disposal of subsidiaries; (iii) impairment allowance on trade and other receivables; (iv) the written-off of inventories; and (v) the share-based payment arising from granting of share options.

According to the Group's 2009 interim report (the "IR 2009"), the turnover of the Group was approximately HK\$2.09 million (comprising turnover generated from continuing operation of approximately HK\$1.92 million and discontinued operation of approximately HK\$0.17 million) for the six months ended 30 June 2009, represented a decrease of approximately 62.14% as compared to the corresponding figure of approximately HK\$5.52 million generated from the discontinued operation for the six months ended 30 June 2008. As set out in IR 2009, such decrease in turnover was mainly attributable to the disposal of agricultural-related business in the previous business and the disposal of language related software business in the first quarter of 2009.

The Group has recorded profit attributable to Shareholders of approximately HK\$0.12 million for the six months ended 30 June 2009 and loss attributable to Shareholders of approximately HK\$41.87 million for the six months ended 30 June 2008. As advised by the Company, such financial improvement was due to the disposal of loss making businesses and the corresponding decrease in the overhead expense.

3. Reasons for the Acquisition

As at the Latest Practicable Date, the Group, through the First Acquisition and the Second Acquisition, is interested in an aggregate of 20.26% shareholding interests in Far Glory. Upon completion of the Acquisition, the Group will be interested in approximately 29.43% shareholding interests in Far Glory.

LETTER FROM VEDA CAPITAL

As set out in the Board Letter, with the increasing emphasis on anti-privacy placed by the PRC Government following the entry into the World Trade Organization in 2001, the Directors are of the view that the provision of legal and copyright protected items in particular, the on-line entertainment and media related items, are in high demand in telecommunication industry, music and entertainment industry as well as media industry in the PRC. Moreover, the related copyright management and digital content licensing solutions are particularly vital to the practitioners of the aforesaid industries. Moreover, with the introduction of 3G in the PRC earlier in the year 2009 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.

Also set out in the Board Letter, the business development of the Target Group has been delayed in 2008. The negotiations with the telecommunication operators have taken longer time than expected due to restructuring of the telecommunication industry and the resulted changes in personnel in 2008. Moreover, the negotiations with other potential business partners have also been delayed mainly due to the global financial tsunami in the second half of 2008 and their respective business plans have been hold back due to negative changes in the global business environment. As a result, the business plan of the Target Group has been delayed and the Target Group has not yet generated any revenue up to the period ended 30 June 2009. The management of the Target Group is of the view that it will commence operation in the fourth quarter of 2009.

The Target Group has entered into agreement with a PRC Government authority, which is the sole governmental authority in the PRC responsible for management of the copyrights of audio and video items in the PRC, in April 2009 in relation to the co-operation in the area of provision of copyright management solution, the digital content licensing solution and the distribution of copyright protected items (such as online entertainment and media related items) on internet (the “**Co-operation Agreement**”). The Board is of the view that with the support of such PRC Governmental authority and e-License Inc. (Japan), the business plan of the Target Group will be implemented in an efficient manner and hence, the business development of the Group will be enhanced.

The Target Group 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.) to the subscribers of 3G mobile of the telecommunication operators. The entire telecommunication industry has been focusing on the development of 3G and such market is expected to take into shape in imminent future. The Board is of the view that, with the increasing popularity of 3G in the PRC and the mass customer base of the telecommunication operators, such co-operation will generate high profitability to the Group.

LETTER FROM VEDA CAPITAL

The Target Group has also entered into distribution agreement with one of the leading global music companies for the provision of copyright protected contents (such as music, video contents and mobile network games, etc.) to the two telecommunication operators in the PRC (the “**Distribution Agreement**”). Through such agreement, the copyright protected contents to be provided to the telecommunication operators will be enriched. Hence, the co-operation with the telecommunication operators will be facilitated and thus will enhance the business development and profitability of the Group.

In light of the above business development of the Target Group, the Directors believe that the Target Group is well positioned to become the pioneer in the provision of legal copyright protected on-line entertainment and media related items and the related copyright management and digital content licensing solutions in the PRC and generate significant profitability in the future. Thus, despite the fact that the business development of the Target Group has been delayed, the Directors view that further investment into the Target Group is in the interest of the Group and the Shareholders as a whole in view of its profitability potential in the future.

We have reviewed the financial statements of the Group and noted that the Group has been loss making from the financial years from 2003 to 2008 and we noted from IR 2009 that the e-Learning business is the only remaining continuing operation of the Group. As stated in AR 2008 that despite at very high and painful costs, the Group has, once and for all, written off and disposed of all the unpromising businesses and paved the way for the developments of the e-Learning and digital licensing and copyrights management businesses, which the Group believes will have promising future and generate significant profitability in medium to long term.

We also noted from the Company’s circular dated 30 May 2008 in relation to the Second Acquisition, e-License Inc. (Japan), being the business partner of the Target Group with 50% shareholding interest in Beijing e-License, is a pioneer in the development of copyright management and digital licensing technologies in Japan and is one of the leading Japan based copyright management companies specializing in the digital media industry to provide international copyright management solution and consultancy services. e-License Inc. (Japan) owns or is licensed with a large amount of copyright protected items (such as on-line entertainment and media related items) which may serve as value-added services or merchandises of mobile devices, internet, fixed line communication devices and global positioning devices. The shareholders of e-License Inc. (Japan) are large and reputable international corporations such as Toyota Tsusho Corporation. As set out in AR 2008, with the established leading status of e-License Inc. (Japan) in the digital media industry and the strategic business relationship between the Group and e-License Inc. (Japan), the Directors believe that the Group is well positioned to become the pioneer in the provision of legal copyright protected online entertainment and media related items and the related copyright management and digital content licensing solutions in the PRC.

LETTER FROM VEDA CAPITAL

Having considered (i) the Acquisition provides opportunities to the Company to enhance its revenue sources; (ii) the optimistic prospect of the Target Group supported by the Co-operation Agreement, the Distribution Agreement and the increasing popularity of 3G mobile in PRC; (iii) the potential synergies to be brought by the strategic business relationship with e-License Inc. (Japan); and (iv) the Acquisition is aligned with the business strategy as set out in AR 2008, we agree with the view of the Directors that the Acquisition is in the ordinary course of business of the Company and in the interests of the Company and the Shareholders as a whole.

2. Consideration for the Acquisition

(a) Consideration

The Consideration for the Sale Shares is HK\$13,755,000, which shall be payable by the Purchaser by procuring the Company to allot and issue the Consideration Shares at the Issue Price upon Completion.

As set out in the Board Letter, the Consideration represents a price earning multiple of 10 times (the “**PER**”) of the Former Profit Guarantee and equity interest to be acquired in Far Glory (i.e. $\text{HK\$}15,000,000 \times 10 \times 9.17\% = \text{HK\$}13,755,000$). The Consideration was agreed between the Vendor and the Purchaser after arm’s length negotiations after considering: (i) the discussion with the management and shareholders of Far Glory in relation to the business development of the Target Group, who are of the view that, despite the fact that the business development of the Target Group has been delayed by the restructuring of telecommunication industry in the PRC in 2008 and the global financial tsunami in the second half of 2008, the prospect of the business of the Target Group remain the same as when the Former Profit Guarantee was arrived at. As the Target Group will commence operation in the fourth quarter of 2009, the management of the Target Group is optimistic that the Former Profit Guarantee of at least HK\$15 million being the average of the audited consolidated net profit after tax and extraordinary or exceptional items of the Target Group for the financial years ending 31 December 2009 and 31 December 2010 will be achievable; (ii) the PER for the First Acquisition is lower than the PER of 15 times for the Second Acquisition; and (iii) the current PER of companies listed on the Stock Exchange engaging in information technology business similar to the Target Group ranging from about 4.07 times to about 36.10 times, the price earning multiple of 10 times is in the low-end of such range and represents that the business of the Target Group is in developing stage as compared to those comparable companies.

The Directors consider that the Consideration is fair and reasonable and the terms and conditions of the Acquisition are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

LETTER FROM VEDA CAPITAL

In order to access the fairness and reasonableness of the PER of the Acquisition, We have identified comparable companies (the “**Industry Comparables**”) being listed companies on the Stock Exchange (on GEM or Main Board) engaging in businesses similar to those of the Target Group including, but not limited to, (i) provision of services in software licensing, customized information system consultancy; and/or (ii) distribution of other entertainment related business. To the best of our knowledge, we have identified 13 Industry Comparables for the Information technology sector (the “**IT Comparables**”) and 16 Industry Comparables for entertainment sector (the “**Entertainment Comparables**”) by searching through published information on the Stock Exchange’s website. The Industry Comparables may not contain all listed companies in the related industries. The PERs are based on their respective market capitalizations which are with reference to the closing prices of shares on 14 August 2009, being the date of the Agreement, and their issued shares as at the Latest Practicable Date and the profit attributable to the equity holders as set out in their latest annual reports. As the Industry Comparables are engaged in similar business of the Target Group and their respective PERs are determined with reference to the date of the Agreement, we consider the Industry Comparables are fair and representative samples. Independent Shareholders should note that the stated PERs of the respective companies could be sensitive to, amongst other things, each of their particular businesses, financial position and market price performance of the shares of the respective companies and therefore, the PERs of the Industry Comparables listed below are for information and reference purposes only.

IT Comparables:

Industry Comparables (Stock code)	Principal business	PER (times)
Champion Technology Holdings Ltd. (92)	Sales of general systems products, provision of services and software licensing, leasing of systems products and investments in telecommunications networks and e-commerce projects.	6.10
CCT Telecom Holdings Ltd. (138)	Manufacture and sale of telecom and electronic products, accessories and components, infant and child products, provision of e-commerce services, investment in securities, investment and development of property.	Not available because of loss making

LETTER FROM VEDA CAPITAL

Industry Comparables (Stock code)	Principal business	PER (times)
CCT Tech International Ltd. (261)	Manufacture, sale, design and development of telecom and electronic products and accessories.	Not available because of loss making
VTech Holdings Ltd. (303)	Design, manufacture, distribution of electronic consumer products.	13.43 <i>(Note 1)</i>
SunCorp Technologies Ltd. (1063)	Design, manufacture and sale of telephones and related equipment.	7.26
China Energene International (Holdings) Ltd. (1185)	Manufacture, distribute and develop of communication products, REPM, global positioning system application products, broadband system, equipment and accessories, and wind energy business.	Not available because of loss making
SIM Technology Group Ltd. (2000)	Manufacturing, design and development and sale of liquid crystal display modules, mobile handset solutions, and wireless communication module and modems.	9.84
Foxconn International Holdings Ltd (2038)	Providing vertically integrated manufacturing services for the handset industry worldwide	39.72 <i>(Note 1)</i>
TCL Communication Technology Holdings Ltd. (2618)	Research, development, manufacturing and sale of mobile phones and related components.	24.60

LETTER FROM VEDA CAPITAL

Industry Comparables (Stock code)	Principal business	PER (times)
DBA Telecommunication (Asia) Holdings Ltd. (3335)	Design, manufacture and sales of telecommunication equipment and related products, self-service business, agency business for telecommunication products and advertising business.	2.57 (Note 2)
Great World Company Holdings Ltd (8003)	Assembly, distribution and integration of telecommunications products and the exploration, mining and processing of iron.	Not available because of loss making
Global Resources Development (Holding) Ltd (8116)	Sales of automobile stamping and welding parts and related accessories, sales of radio trunking systems integration and provision of telemedia- related services and other value-added telecommunication- related technical services.	Not available because of loss making
Xi'an Haitian Antenna Technologies Co. Ltd. – H Shares (8227)	Research and development, manufacture and sale of base station antennas and related products	Not available because of loss making
Maximum		39.72
Minimum		2.56
Mean		14.79

LETTER FROM VEDA CAPITAL

Notes:

1. For calculation purposes, the profit attributable to equity holders recorded in US\$ will be converted into HK\$ under the exchange rate of HK\$7.78 to US\$1.0.
2. For calculation purposes, the profit attributable to equity holders recorded in RMB will be converted into HK\$ under the exchange rate of HK\$1.13 to RMB1.0

Entertainment Comparables:

Industry Comparables

(Stock code)	Principal business	PER (times)
A8 Digital Music Holdings Ltd. (800)	An integrated digital music company is provided music content to mobile phone subscribers.	19.61 (<i>Note</i>)
eSun Holdings Ltd. (571)	Development, operation and investment in media and entertainment; production and distribution of music, film and video format products; provision of advertising agency services and development of integrated leisure resort.	Not available because of loss making
Big Media Group Ltd (8167)	Product and sales of videos and films, and the licensing of video and copyrights/film rights.	Not available because of loss making
Imagi International Holdings Ltd. (585)	Production, licensing and sales of Computer Graphics animation pictures.	Not available because of loss making

LETTER FROM VEDA CAPITAL

Industry Comparables (Stock code)	Principal business	PER (times)
Intelli-Media Group (Holdings) Ltd. (8173)	Distribution of video products and provision of sub-licensing services and trading of metals.	Not available because of loss making
Golden Harvest Entertainment (Holdings) Ltd. (1132)	Worldwide film distribution, film exhibition, film processing, film production and television drama series production and video distribution	50.23
Mei Ah Entertainment Group Ltd. (391)	Television operations, film exhibition, film rights licensing and sub-licensing, sale and distribution of films and programs and processing of audio usual products through its associated companies.	Not available because of loss making
China Mandarin Holdings Ltd. (009)	Film distribution and licensing, film processing and advertising and promotional services.	Not available because of loss making
Global Digital Creations Holdings Ltd. (8271)	CG creation and production, digital content distribution and exhibitions and the provision of CG training courses.	Not available because of loss making

LETTER FROM VEDA CAPITAL

Industry Comparables (Stock code)	Principal business	PER (times)
Emperor Entertainment Group Ltd. (8078)	Artiste management, event production, music production and distribution, film and television programme production, distribution and licensing.	Not available because of loss making
Universe International Holdings Ltd (1046)	Distribution of films in various videogram formats, film exhibition, licensing and sub-licensing of film rights and leasing of investment properties.	Not available because of loss making
ERA Holdings Global Ltd. (8043)	Home video products distribution, theatrical release arrangement, film rights sub-licensing and games distribution.	Not available because of loss making
China Star Entertainment Ltd. (326)	Film production, distribution of film and television drama series, provision of post-production services.	3.55
China Star Investment Holdings Ltd. (764)	Distribution of films; sub-licensing of film rights; sales of financial assets; leasing of rental properties; provision of management services to concierge department of gaming promoters appointed by Macau casinos.	Not available because of loss making

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Industry Comparables (Stock code)	Principal business	PER (times)
SMI Corporation Ltd. (198)	Production, distribution and licensing of content in relation to movies and films, leisure business including theme restaurant, talent management, investments in cinema businesses and cyber cafe.	Not available because of loss making
Brilliant Arts Multi-Media Holding Ltd. (8130)	Film production, film distribution and properties investment.	Not available because of loss making
Maximum		50.23
Minimum		3.55
Mean		24.46

Source: www.hkex.com.hk

Note: For calculation purposes, the profit attributable to equity holders recorded in RMB will be converted into HK\$ under the exchange rate of HK\$1.13 to RMB1.0.

As indicated in the above table, the PER based on the Former Profit Guarantee, being 10 times, is below the means and falls within the ranges of the PERs of the IT Comparables from approximately 2.56 times to approximately 39.72 times and Entertainment Comparables from approximately 3.55 times to approximately 50.23 times.

According to the First Acquisition Announcement, the consideration for the initial acquisition of 8.26% shareholding interest in Far Glory was HK\$20.25 million and on such basis, the consideration for 100% shareholding interest in Far Glory was approximately HK\$245.16 million. According to the Second Acquisition Announcement, the minimum consideration for the second Acquisition of 12% shareholding interest in Far Glory was HK\$27 million, representing a PER of 15 times to the Former Profit Guarantee, and on such basis, the consideration for 100% shareholding interest in Far Glory was approximately HK\$225 million. Based on the Consideration for the Acquisition, the consideration for 100% shareholding interest in Far Glory was approximately HK\$150 million. As such, we consider the Consideration is not more favorable than the considerations for the First Acquisition and the Second Acquisition.

LETTER FROM VEDA CAPITAL

Having considered (i) the Consideration represents a PER which is below the means and falls within the range of the Industry Comparables PERs; (ii) the PER for the Acquisition is lower than PER for the Second Acquisition; and (iii) the Consideration is not more favorable than the considerations for the First Acquisition and the Second Acquisition, we consider the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

(b) Consideration Shares

Pursuant to the Agreement, the Consideration shall be payable by the Purchaser by procuring the Company to allot and issue the Consideration Shares at the Issue Price of HK\$0.094 upon Completion.

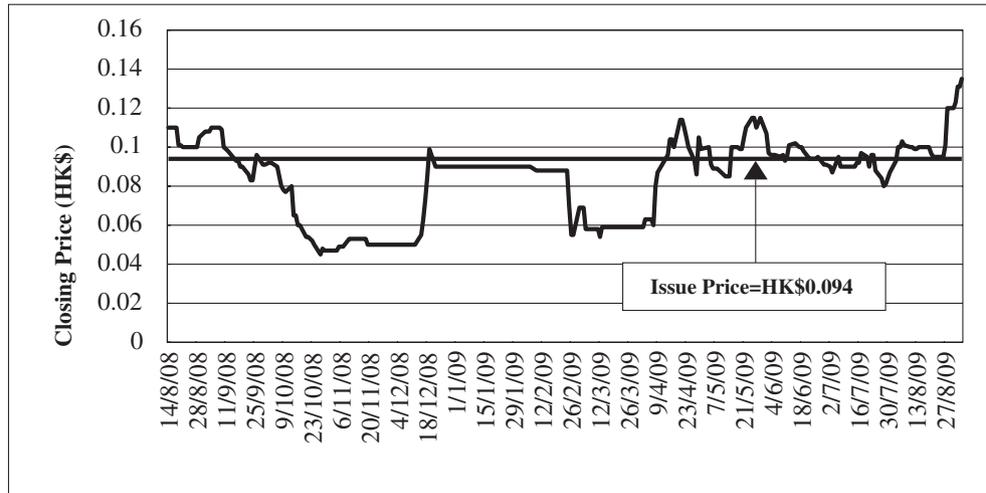
The Issue Price represents:

- (i) a discount of approximately 5.05% to the closing price of HK\$0.099 per Share as quoted on the Stock Exchange on 13 August 2009, being the last trading day immediately prior to the entering into of the Agreement (the “**Last Trading Day**”);
- (ii) a discount of approximately 5.81% to the average of the closing prices of HK\$0.0998 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 30.37% the closing price of HK\$0.135 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM VEDA CAPITAL

(i) Historical Price Performance

The graph below illustrates the closing price levels of the Shares during the period from 14 August 2008 (being the 12 calendar months period prior to the date of the Agreement) up to the Latest Practicable Date (the “**Review Period**”).



Source: website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in Shares was suspended from 8 December to 10 December 2008 and from 17 August to 18 August 2009.

During the Review Period, the closing price of the Shares recorded lowest closing price of HK\$0.045 per Share recorded on 27 October 2008 and highest closing price of HK\$0.135 recorded on 4 September 2009. As can be seen from the graph above, the closing price of the Shares have experienced cyclic trends commencing from early October 2008 and till the end of the first quarter of 2009. Thereafter, the closing prices have been fluctuated between the range from HK\$0.08 to HK\$0.135.

(ii) Comparable Analyses

In order to assess the fairness and reasonableness of the terms of the Consideration Shares, to the best of our knowledge, we have looked into companies listed on the Main Board or GEM of the Stock Exchange which have made announcements for acquisition of assets by issuing consideration shares (the “**Share Comparables**”) from 14 May 2009 up to and including 14 August 2009, being the date of the Agreement, for reference. As the stock market sentiment in Hong Kong has experienced abrupt changes since the global financial crisis and yet to be stable, we consider fund raising announced three months prior to the date of the Agreement would be an adequate time frame to reflect the recent market conditions. As the terms of the Share Comparables are determined under similar market conditions and sentiments as the Consideration Shares, we consider the Share Comparables are fair and representative samples.

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Share Comparable (stock code)	Date of announcement	Value of the consideration shares <i>HK\$</i>	Approximate	Approximate premium/ (discount) of issue price
			premium/(discount) of issue price over/ to the closing price prior to the release of the announcement %	over/to the average closing price for the last five consecutive trading days prior to the release of the announcement %
Tongda Group Holdings Limited (698)	14-Aug-09	71,188,000	0.63	5.02
Sino Union Petroleum & Chemical International Limited (346)	14-Aug-09	2,500,000,000	3.40	0.00
Pearl Oriental Innovation Limited (632)	4-Aug-09	50,000,000	4.17	(3.60)
BEL Global Resources Holdings Limited (761)	28-Jul-09	150,000,000	14.68	16.06
Wing On Travel (Holdings) Limited (1189)	24-Jul-09	640,000,000	(18.60)	(8.90)
Prosperity International Holdings (H.K.) Limited (803)	24-Jul-09	1,621,863,240	(35.06)	(33.33)
China Renji Medical Group Limited (648)	21-Jul-09	128,700,000	51.52	47.06
China Electric Power Technology Holdings Limited (8053)	10-Jul-09	45,400,000	2.95	0.00
Shougang Concord International Enterprises Company Limited (697)	8-Jul-09	580,500,000	0.00	(1.98)
Green Global Resources Limited (61)	8-Jul-09	31,500,000	(71.10)	(63.40)

LETTER FROM VEDA CAPITAL

Share Comparable (stock code)	Date of announcement	Value of the consideration shares <i>HK\$</i>	Approximate premium/(discount) of issue price over/ to the closing price prior to the release of the announcement	Approximate premium/ (discount) of issue price over/to the average closing price for the last five consecutive trading days prior to the release of the announcement
			%	%
North Mining Shares Company Limited (433)	8-Jul-09	820,164,000	(20.00)	(7.98)
Emperor Entertainment Hotel Limited (296)	7-Jul-09	196,926,000	2.94	0.00
Emperor International Holdings Limited (163)	7-Jul-09	196,926,000	4.08	0.00
Vongroup Limited (318)	6-Jul-09	28,695,652	12.79	0.00
China Precious Metal Resources Holdings Co., Ltd. (1194)	3-Jul-09	98,612,500	(19.50)	(13.31)
GreaterChina Technology Group Limited (8032)	2-Jul-09	89,350,000	(38.14)	(18.89)
China Bio Cassava Holdings Limited (8129)	24-Jun-09	143,992,000	(0.07)	0.00
GCL-Poly Energy Holdings Limited (3800)	22-Jun-09	22,088,061,236	(12.00)	(1.70)
Shenzhen High-Tech Holdings Limited (106)	16-Jun-09	172,250,000	(10.17)	(7.34)
Big Media Group Limited (8167)	10-Jun-09	136,200,000	(9.60)	3.16
Pearl Oriental Innovation Limited (632)	4-Jun-09	58,000,000	(11.00)	(13.00)
Emcom International Limited (8220)	4-Jun-09	75,000,000	(5.66)	(3.10)

LETTER FROM VEDA CAPITAL

Share Comparable (stock code)	Date of announcement	Value of the consideration shares <i>HK\$</i>	Approximate premium/(discount) of issue price over/ to the closing price prior to the release of the announcement <i>%</i>	Approximate premium/ (discount) of issue price over/to the average closing price for the last five consecutive trading days prior to the release of the announcement <i>%</i>
Town Health International Holdings Company Limited (3886)	1-Jun-09	32,000,000	2.6	0
Long Far Pharmaceutical Holdings Limited (2898)	25-May-09	100,000,000	(46.80)	(45.20)
Quaypoint Corporation Limited (2330)	21-May-09	78,750,000	(16.67)	(22.41)
China Timber Resources Group Limited (269)	21-May-09	186,000,000	(48.21)	(44.94)
China Water Industry Group Limited (1129)	14-May-09	139,204,234	(17.65)	(4.01)
<i>For all Share Comparables:</i>				
Maximum			51.52	47.06
Minimum			(71.10)	(63.40)
Mean			(10.39)	(8.21)
<i>For those Share Comparables which have their issue prices represent or represent a discount to the closing price on the last trading day and the average closing price for the last 5 trading days prior the release of the relevant announcements (the "Subset Comparables"):</i>				
Maximum Discount			(71.10)	(63.40)
Minimum Discount			0	0
Mean			(23.16)	(18.09)
Company			(5.05)	(5.81)

Source: website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM VEDA CAPITAL

Based on the above illustration, the discount represented by the issue price per consideration shares issued by respective Subset Comparables to their respective closing prices on the last trading day before the suspension of trading in the shares pending for the release of the relevant announcements ranged from approximately 0% to approximately 71.10% and with an average of approximately 23.16%. Upon comparison, we note that the discount of the Issue Price to the closing price on the Last Trading Day falls within the relevant range of the Subset Comparables and is well below the average of the Subset Comparables.

In addition, the discount represented by the issue price per consideration shares issued by respective Subset Comparables to their respective 5-day-average closing prices up to the last trading day before the suspension of trading in the shares pending for the release of the relevant announcements ranged from approximately 0% to approximately 63.40% and with an average of approximately 18.09%. Upon comparison, we note that the discount of the Issue Price to the 5-day-average closing price up to the Last Trading Day falls within the relevant range of the Subset Comparables and is also well below the average of the Subset Comparables.

In light of the fact that (i) the Issue Price is determined with reference to the current market price of the Share; (ii) the discount of the Issue Price to the closing price on the Last Trading Day falls within the relevant range of the Share Comparables and is well below the average of the Subset Comparables; and (iii) the discount of the Issue Price to the 5-day-average closing price up to the Last Trading Day falls within the relevant range of the Share Comparables and is well below the average of the Subset Comparables, we consider the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

FINANCIAL EFFECT OF THE ACQUISITION

(i) Net asset value

As reported in the IR 2009, the unaudited net asset value of the Group as at 30 June 2009 was approximately HK\$44.38 million. As advised by the Company, upon completion of the Acquisition, the net assets of the Company will increase to approximately HK\$58.14 million.

(ii) Earnings

In view of the optimistic prospect of the Target Group and the synergistic effects to the Group as mentioned in the section headed “3. Reasons for the Acquisition”, we consider that it is a fair expectation that the Acquisition will have a positive impact on the earnings position of the Group upon Completion.

POTENTIAL DILUTION EFFECT TO THE PUBLIC SHAREHOLDERS

The table showing the effect of the Acquisition on the shareholding structure of the Company has been set out under the section headed “CHANGES IN SHAREHOLDING STRUCTURE” in the Board Letter.

LETTER FROM VEDA CAPITAL

As shown in the shareholding table, the shareholding of the existing public Shareholders will be decreased from approximately 68.86% to approximately 62.46% upon following the allotment and issue of the Consideration Shares. We consider the dilution effect is immaterial and is acceptable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, in particular, taking into account that:

- (i) the Acquisition is aligned with the business strategy as set out in AR 2008;
- (ii) the Acquisition provides opportunities to the Company to enhance its revenue sources;
- (iii) the optimistic prospect of the Target Group supported by the Co-operation Agreement and the Distribution Agreement and the increasing popularity of 3G mobile in PRC;
- (iv) the potential synergies to be brought by the strategic business relationship with e-License Inc. (Japan);
- (v) the discounts of Issue Price to the closing price on the Last Trading Day and to the 5-day-average closing price up to the Last Trading Day falls within the relevant ranges of the Subset Comparables and are well below the averages of the Subset Comparables; and
- (vi) by satisfying the Consideration by issue of Consideration Shares to the Purchaser, the Group can preserve its cash position and at the same time strengthen its equity base,

Taking into account the foregoing, we consider (i) the Acquisition is in the ordinary course of business of the Company; (ii) the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Acquisition and the terms thereof are in the interests of the Company and the Independent Shareholders as a whole. We would therefore recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Acquisition to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Hans Wong **Julisa Fong**
Managing Director *Executive Director*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (1) the information contained in this circular 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 circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) interest in Shares:

Name of Director	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Mr. Pang Hong Tao	21,500,000 (L)	Beneficial owner	1.50
Mr. Ma She Shing, Albert	9,870,000 (L)	Beneficial owner	0.69

Name of Director	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Ms. Au Shui Ming, Anna	35,500,000 (L)	Beneficial owner	2.48
Mr. Hsu Tung Sheng	13,000,000 (L)	Beneficial owner	0.91

L: Long Position

(ii) *Interest in share options:*

Name of Director	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options granted
Mr. Pang Hong Tao	21 December 2007	18 January 2008 – 20 December 2017	0.151	6,300,000 (L)
	28 August 2008	16 September 2008 – 27 August 2018	0.101	2,000,000 (L)
Ms. Au Shui Ming, Anna	21 December 2007	18 January 2008 – 20 December 2017	0.151	6,000,000 (L)
Mr. Ma She Shing, Albert	28 August 2008	16 September 2008 – 27 August 2018	0.101	1,000,000 (L)

L: Long Position

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the share of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and other persons' interests in Shares and underlying shares

As at the Latest Practicable Date, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Mr. Lau Kim Hung, Jack (Note 1)	360,698,238 (L)	Interest of controlled corporation	25.24
	4,500,000 (L)	Deemed	0.31
Ms. Chan Yiu Kan Katie (Note 1)	4,500,000 (L)	Beneficial owner	0.31
	360,698,238 (L)	Deemed	25.24
Manciple Enterprises Limited (Note 1)	360,698,238 (L)	Beneficial owner	25.24
Mr. Hsu Tung Chi (Note 2)	177,777,778 (L)	Beneficial owner	12.44
Ms. Chuang Meng Hua (Note 2)	177,777,778 (L)	Deemed	12.44

L: Long Position

Notes:

- Manciple Enterprises Limited ("Manciple") is wholly and beneficially owned by 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 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 of principal amount of HK\$40,000,000 to Mr. Hsu Tung Chi. The Company redeemed 22,222,222 convertible notes of principal amount of HK\$4,000,000 and 22,222,222 convertible notes of principal amount of HK\$4,000,000 on 3 July 2009 and 17 July 2009 respectively, as at the Latest Practicable Date, there were maximum of 177,777,778 convertible notes outstanding.

Ms. Chuang Meng Hua is deemed to be interested in 177,777,778 convertible notes of the Company by virtue of her being the spouse of Mr. Hsu Tung Chi.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualification of the expert who have given opinions or advice which are contained in this circular:

Name	Qualifications
Veda Capital Limited ("Veda Capital")	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity pursuant to the SFO

As at the Latest Practicable Date, Veda Capital did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, Veda Capital was not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Veda Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group was made up.

6. INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries is a party and in which any Director has a material interest, whether directly or indirectly, subsist at the date of this circular.

None of the Directors and expert referred in the paragraph headed "Qualification and consent of expert" in this appendix has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were compiled, up to and including the Latest Practicable Date.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, controlling shareholder or substantial shareholders or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person has or may have within the Group.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 14 in this circular;

- (b) the letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 35 in this circular;
- (c) the Agreement; and
- (d) this circular.

9. MISCELLANEOUS

The English text of this circular shall prevail over Chinese text in case of any inconsistency.

NOTICE OF THE EGM



China Digital Licensing (Group) Limited

中國數碼版權(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders of China Digital Licensing (Group) Limited (the “Company”) will be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on 24 September 2009 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

- (a) “**THAT** the conditional sale and purchase agreement (the “**Agreement**”) dated 14 August 2009 and entered into between Cheer Plan Limited, a wholly owned subsidiary of the Company, as purchaser, Mr. Yuan Sheng Jun as vendor (the “**Vendor**”) in relation to the sale and purchase of 1,000 ordinary shares of Far Glory Limited, at a total consideration of HK\$13,755,000 (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder; and
- (c) the allotment and issue of an aggregate of 146,329,787 shares (the “**Consideration Shares**” and each a “**Consideration Share**”) of HK\$0.05 each in the share capital of the Company credited as fully paid at an issue price of HK\$0.094 per Consideration Share to the Vendor in accordance with the terms and conditions of the Agreement and the transactions contemplated thereunder be and is hereby approved.”

Yours faithfully,

For and on behalf of the Board of

China Digital Licensing (Group) Limited

Pang Hong Tao

Chairman

Hong Kong, 8 September 2009

NOTICE OF THE EGM

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

Unit 1601, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use of the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.