THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 CULTURE (GROUP) LIMITED, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

CHINA DIGITAL CULTURE (GROUP) LIMITED
中國數碼文化（集團）有限公司

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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8175)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ACQUISITION OF 40% EQUITY INTEREST IN SOCLE LIMITED; AND (2) NOTICE OF THE SPECIAL GENERAL MEETING

Financial adviser to the Company

INCU Corporate Finance Limited

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

Nuada Limited
Corporate Finance Advisory

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 46 of this circular. A letter from the Independent Board Committee is set out on pages 47 to 48 of this circular. A letter from Nuada, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 49 to 74 of this circular.

A notice convening the SGM to be held at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong on Tuesday, 22 October 2013 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are advised to read the notice and to complete and return the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., 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 fixed for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.cdculture.com.

3 October 2013

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 Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

Page

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

"Acquisition"	the proposed acquisition of the Sale Shares pursuant to the terms and conditions contained in the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement dated 3 June 2013 (as supplemented by the Supplemental Agreement dated 18 June 2013 and the Second Supplemental Agreement dated 16 September 2013) entered into among the Purchaser, the Vendor and the Guarantor in relation to the Acquisition
"associates"	has the same meanings ascribed to such term under the GEM Listing Rules
"Beijing Company"	體奧動力(北京)體育傳播有限公司 (China Sports (Beijing) Media Limited#), a company with limited liability established in the PRC, one of the principal operating subsidiaries of the Target Group
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	British Virgin Islands
"Company"	China Digital Culture (Group) Limited 中國數碼文化(集團)有限公司, previously known as "China Digital Licensing (Group) Limited" 「中國數碼版權(集團)有限公司」, a company incorporated in the Cayman Islands and continued in Bermuda 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 Acquisition Agreement (as amended and modified by the Supplemental Agreement and the Second Supplemental Agreement)
"connected persons"	has the meanings ascribed thereto in the GEM Listing Rules
"Consideration"	the consideration for the Acquisition, being HK$18,624,000

"Consideration Shares"	the new Shares to be allotted and issued to the Vendor as part of the Consideration, being 44,342,857 new Shares
"Deposit"	refundable deposit in an aggregate amount of HK$6,000,000, of which HK$4,000,000 was paid by the Purchaser to the Vendor upon signing of the MOU and HK$2,000,000 was paid by the Purchaser to the Vendor upon signing of the Acquisition Agreement
"Director(s)"	the director(s) of the Company from time to time
"Enlarged Group"	the Group as enlarged by the Acquisition
"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
"Guarantor"	Mr. Chan Poon Yau Adrian, the sole and beneficial owner of the Vendor, and the guarantor to the Acquisition Agreement
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a board committee comprising all the independent non-executive Directors to make recommendations to the Independent Shareholders as to the fairness and reasonableness of the Acquisition
"Independent Financial Adviser" or "Nuada"	Nuada Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
"Independent Shareholders"	in respect of the Shareholders other than the Vendor, Mr. Chang and their respective associates
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meanings ascribed to it under the GEM Listing Rules)
"Issue Price"	HK$0.175 per Consideration Share

"Latest Practicable Date"	27 September 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Long Stop Date"	31 October 2013 (or such later date as the Purchaser and the Vendor may agree), being the last day for the fulfillment or waiver (as the case may be) of the conditions precedent of the Acquisition Agreement (as amended and modified by the Supplemental Agreement and the Second Supplemental Agreement)
"MOU"	the non-legally binding memorandum of understanding dated 16 May 2013 entered into between the Purchaser and the Vendor setting out the preliminary understanding in relation to the Acquisition
"Mr. Chang"	Mr. Chang Li Cheng, an executive Director as at the Latest Practicable Date and also a substantial shareholder of the Target Company and a director of Nova Dragon and its subsidiary as at the date of the Acquisition Agreement
"Nova Dragon"	Nova Dragon International Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Previous Acquisition"	the acquisition by the Group of the 25% equity interest in the Target Group, completed on 7 June 2011
"Purchaser"	Marvel Cosmos Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company
"Sale Share(s)"	400 ordinary shares of the Target Company, representing 40% of the total issued share capital of the Target Company as at the date of the Acquisition Agreement
"Second Supplemental Agreement"	the supplemental agreement dated 16 September 2013 entered into among the Purchaser, the Vendor, and the Guarantor in relation to extension of the Long Stop Date
"SFO"	the Securities and Futures Ordinance (Chapter 571, laws of Hong Kong)

"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, among other matters, the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares
"Share(s)"	ordinary shares of HK$0.01 each in the capital of the Company
"Shanghai Company"	上海壹體動力文化體育傳播有限公司 (Shanghai YiTiDongLi Cultural and Sports Communications Limited#), a company established in the PRC, one of the principal operating subsidiaries of the Target Group
"Shareholders"	holders of the issued Shares
"Shenzhen Company"	深圳創展企業形象策劃有限公司 (Shenzhen Chuangzhan Corporate Image Planning Limited#), a company with limited liability established in the PRC, one of the subsidiaries of the Target Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplement agreement dated 18 June 2013 entered into among the Purchaser, the Vendor and the Guarantor in relation to the amendment and modification of certain terms of the Acquisition Agreement
"Target Company"	Socle Limited, a company incorporated in the BVI with limited liability, in which 40% equity interest is owned by the Vendor, 35% equity interest is owned by Mr. Chang and 25% equity interest is owned by the Purchaser as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries
"Vendor"	Swift Plus Limited, the vendor to the Acquisition Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names

CHINA DIGITAL CULTURE (GROUP) LIMITED
中國數碼文化(集團)有限公司

(previously known as China Digital Licensing (Group) Limited
中國數碼版權(集團)有限公司)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8175)

Executive Directors:
Mr. Hsu Tung Sheng *(Chairman)*
Mr. Hsu Tung Chi
Mr. Pang Hong Tao
Mr. Chang Li Cheng

Independent non-executive Directors:
Mr. Wong Tak Shing
Mr. Kwok Chi Sun, Vincent
Mr. Leung Hiu Kong, Edward

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business in Hong Kong:
Room 2801A, Tower 1
Lippo Centre
89 Queensway, Hong Kong

3 October 2013

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ACQUISITION OF 40% EQUITY INTEREST IN SOCLE LIMITED; AND (2) NOTICE OF THE SPECIAL GENERAL MEETING

A. INTRODUCTION

References are made to the announcements of the Company dated 16 May 2013, 20 June 2013 and 16 September 2013 respectively in relation to the Acquisition. On 3 June 2013, the Purchaser entered into the Acquisition Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) with the Vendor and the Guarantor, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 40% of the total issued share capital of the Target Company.

The purpose of this circular is to provide you with, among other matters, (i) further details regarding the Acquisition Agreement and the transactions contemplated thereunder; (ii) the financial information on the Group and the Target Group; (iii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Acquisition; (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (v) the general information of the Company; and (vi) a notice convening the SGM.

B. THE ACQUISITION

The Acquisition Agreement (as amended and modified by the Supplemental Agreement dated 18 June 2013 and the Second Supplemental Agreement dated 16 September 2013)

Date: 3 June 2013

Parties:

Purchaser: Marvel Cosmos Limited, an indirectly wholly-owned subsidiary of the Company

Vendor: Swift Plus Limited

Guarantor: Mr. Chan Poon Yau Adrian

The Vendor is a company incorporated in the BVI with limited liability. It is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Guarantor is the ultimate beneficial owner of the Vendor; and (ii) the Vendor and the Guarantor are both Independent Third Parties.

Assets to be acquired

Pursuant to the Acquisition Agreement (as amended and modified by the Supplemental Agreement dated 18 June 2013 and the Second Supplemental Agreement dated 16 September 2013), the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares.

The Sale Shares represent 40% of the total issued share capital of the Target Company as at the date of the Acquisition Agreement.

Consideration

The Consideration is HK$18,624,000 which shall be payable in the following manner:

(1) as to HK$4,000,000 in cash has been paid by the Company to the Vendor upon the signing of the MOU;

(2) as to HK$2,000,000 in cash has been paid by the Purchaser to the Vendor upon signing of the Acquisition Agreement;

(3) as to HK$4,864,000 in cash shall be payable by the Purchaser to the Vendor upon Completion; and

(4) as to HK$7,760,000 shall be payable by the Purchaser by procuring the Company to allot and issue the Consideration Shares at the Issue Price to the Vendor (or its nominee) upon Completion.

The cash portion of the Consideration is intended to be funded by the internal resources of the Group.

If the Completion does not take place on or before the Long Stop Date for whatsoever reason, the Vendor shall refund the Deposit (without interest) to the Purchaser and neither party shall have any obligations or liabilities towards each other and neither party shall take any action to claim for damages or to enforce specific performance or any other rights or remedies save for any antecedent breaches of the terms thereof.

As a security for the repayment of the Deposit by the Vendor, a share charge in respect of the Sale Shares was executed by the Vendor in favour of the Purchaser on the date of MOU.

The Consideration was agreed between the Vendor and the Purchaser after arm's length negotiations. The Consideration represents a price-earnings multiple of approximately 4.474 times of the audited consolidated profit after taxation for the financial year ended 31 December 2012 of the Target Company and the equity interest to be acquired in the Target Company. The Directors consider that such price-earnings multiple for the Acquisition is reasonable after considering the price-earnings multiples of comparable companies (the "**Comparable Companies**") listed on the Stock Exchange.

Set out below is the list of Comparable Companies identified by the Company:

Company name (stock code)	Business	Main business location	P/E	Market capitalisation (HK$ million)	Turnover (HK$ million)	% of revenue contributed by content and or distribution
A8 Digital Music Holdings Limited (A8電媒音樂控股有限公司) (800)	Selling music content through mobile phones as ringtone, ringback tone and interactive voice response music in the PRC.	The PRC	n/a	1,215	424.22	65.38%
Cheung Wo International Holdings Limited (長和國際實業集團有限公司) (9)	Film distribution and licensing; film processing; rental of property; and property and hotel development.	The PRC, Hong Kong	n/a	800	34.81	38.71%
ChinaVision Media Group Limited (文化中國傳播集團有限公司) (1060)	Production & distribution of film rights; mobile game & TV subscription; mobile value-added services; advertising agency & newspaper and magazine distribution; other agency services; securities trading & investments.	The PRC	20.63	3,833	1,016.49	40.92%
eSun Holdings Limited (豐德麗控股有限公司) (571)	Development, operation & invest in media, entertainment; production & distribution of music, TV programs, film & video format products; provision of advertising agency services; sale of cosmetic products; property development & investment.	The PRC, Hong Kong, Macao	1.26	1,467	728.22	63.98%
Media Asia Group Holdings Limited (寰亞傳媒集團有限公司) (8075)	Event organisation and event management; investment, production, sale and distribution of films; development and licensing of software and technology for use in connection with the provision of value added telecommunications services.	The PRC, Hong Kong, Macao	n/a	736	117.46	100.00%

Company name (stock code)	Business	Main business location	P/E	Market capitalisation (HK$ million)	Turnover (HK$ million)	% of revenue contributed by content and or distribution
Mei Ah Entertainment Group Limited (美亞娛樂資訊集團有限公司) (391)	Television operations, film exhibition, film rights licensing and sub-licensing, sales and distribution of films and programs in audio visual product format, artiste management and theatre operations.	The PRC	n/a	687	358.80	64.71%
National Arts Holdings Limited (國藝控股有限公司) (8228)	Film production and distribution, provision of artistes management, advertising and promotion services, provision of studio, theme park and hotels, digital solution services and investment in securities.	The PRC	n/a	357	6.79	48.46%
Universe International Holdings Limited (寰宇國際控股有限公司) (1046)	Distribution of films in various videogram formats, film exhibition, licensing and sub-licensing of film rights and leasing of investment properties.	Hong Kong, Macao, Asia	n/a	104	75.88	77.41%
Viva China Holdings Limited (非凡中國控股有限公司) (8032)	Sports talent management and competition/event production and management; sports and green themed community development; development and manufacture of energy saving air-conditioning systems and trading of health related products.	The PRC	n/a	2,826	68.19	76.99%
Target Group			4.474 times		91.57	
Average price-earnings ratio			10.95 times			

Sources: The Stock Exchange website and AAStocks website.

In the course of identifying the Comparable Companies, since there was no company listed in Hong Kong engaging in the distribution of the sports events and entertainment content, the Board expanded the selection scope by including listed companies engaging in the licensing and/or distribution of entertainment contents in the PRC, such as music, film and TV program etc. of which the segment revenue contributed more than 20% of the total revenue for the latest financial year of the companies in their annual report. The Company had, on a best efforts basis, identified nine Comparable Companies, only two of them are profitable with price-earnings multiples of approximately 1.26 times and 20.63 times. The Board believes that appropriate selection criteria have been adopted in identifying the Comparable Companies for the business and these selected companies are the best available comparables.

It is noted that the price-earnings multiple of 4.474 times of the Acquisition is at the low end of the price-earning multiples of the Comparable Companies means that it is in general priced lower than those comparables, however given the uniqueness of the business model of the Target Group, the Board considered there is limitation in using price-earnings multiple approach ratio since these comparables are not purely engaged in content distribution in the PRC, most of them are also engaged in the production of content and/or other related business and the revenue of the identified Comparable Companies are much larger than that of the Target Group.

Notwithstanding that there are limitations of price-earnings multiple approach, the Board also considered other factors, including (i) the business development and prospects of the Target Group in the medium to long term; (ii) the profitable performance of the Target Group in the financial years ended 31 December 2010, 2011 and 2012; (iii) the six months lock-up period of the Consideration Shares to ensure the Vendor will not dispose of the Consideration Shares immediately upon Completion as a mean to stabilize the trading volume and Shares price, therefore the Directors (including the independent non-executive Directors, after taking into consideration of the advice of the Independent Financial Adviser) consider that the Consideration and the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As compared with the Previous Acquisition, the price-earnings multiple for the Acquisition of 4.474 times is less than the price-earnings multiple of approximately 7.62 times for the Previous Acquisition. Having considered (i) the price-earnings multiple valuation approach is a simple and widely adopted method for accessing fair value of business; (ii) price-earnings multiple for the Consideration is 4.474 times and is at the lower end among the Comparable Companies; and (iii) the reasons and benefits of the Acquisition as discussed in the paragraph headed "REASONS FOR AND BENEFITS OF THE ACQUISITION", the Board considers that the valuation by means of price-earnings multiple approach is appropriate and there is no need to have an alternative valuation.

The Board did not use other valuation methods such as discounted cash flow method as this valuation method is also subject to limitation on the application of assumptions, cash flow projection and discount rate, and the value of the Target Group is not based on any asset, which means that asset valuation approach is not relevant. On the other hand, valuation by referencing to the price-earnings multiples of the Comparable

Companies as a whole would provide a general reference to the valuation multiples of listed companies in similar business, and thus the Board considered that to be fair and reasonable reference in this regard.

Conditions precedent

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

(1) all necessary consents and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the acquisition of the Sale Shares having been obtained;

(2) all necessary consents and approvals required to be obtained on the part of the Purchaser and the Company in respect of the acquisition of the Sale Shares having been obtained;

(3) there does not exist any matter, fact or circumstance which constitutes, or may constitute a breach of the warranties provided by the Vendor and terms of the Acquisition Agreement (as amended and modified by the Supplemental Agreement);

(4) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;

(5) the passing by the Independent Shareholders at the SGM to be convened and held of ordinary resolution(s) to approve the Acquisition Agreement (together with the Supplemental Agreement) and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares;

(6) the Purchaser being satisfied with the results of the due diligence review on the Target Group; and

(7) the completion of transfer of the entire equity interest in the Beijing Company by existing nominee equity holders of the Beijing Company to the Shenzhen Company.

Condition (3) above is waivable by the Purchaser under the Acquisition Agreement. Conditions (1), (2), (4), (5), (6) and (7) cannot be waived by either parties. The Purchaser has no current intention to waive such condition as at the Latest Practicable Date. If the conditions have not been satisfied on or before the Long Stop Date, the Acquisition Agreement (as amended and modified by the Supplemental Agreement and the Second Supplemental Agreement) shall cease and determine, and thereafter neither party thereto shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save for condition (7) above had been satisfied, none of the conditions had been fulfilled.

Completion

Completion shall take place within three (3) Business Days after all the conditions of the Acquisition Agreement (as amended and modified by the Supplemental Agreement and the Second Supplemental Agreement) have been fulfilled or waived or such later date as may be agreed between the Vendor and the Purchaser.

Upon Completion, the Company shall allot and issue to the Vendor the Consideration Shares and upon which the Company will be interested in 65% equity interest in the Target Company. The Target Group will become non-wholly owned subsidiaries of the Company and the financial information of the Target Group will be consolidated to the financial information of the Group upon Completion. The Directors confirmed that the Acquisition will not result in a change of control of the Company.

Consideration Shares

The number of Consideration Shares of 44,342,857, which is the quotient of HK$7,760,000 divided by the Issue Price of HK$0.175 per Consideration Share, represents approximately 1.34% of existing entire share capital of the Company and approximately 1.33% of the share capital of the Company as enlarged by the Consideration Shares.

The Consideration Shares will be allotted and issued at an Issue Price of HK$0.175 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.

The Issue Price represents:

(i) a discount of approximately 12.06% to the closing price of HK$0.199 per Share as quoted on the Stock Exchange on 3 June 2013, being the date of the Acquisition Agreement;

(ii) a discount of approximately 13.96% to the average of the closing prices of HK$0.2034 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 31 May 2013, being the last trading day immediately prior to the entering into of the Acquisition Agreement;

(iii) a discount of approximately 11.03% to the average of the closing prices of HK$0.1967 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 31 May 2013, being the last trading day immediately prior to the entering into of the Acquisition Agreement;

(iv) a discount of approximately 17.45% to the closing price of HK$0.212 per Share as at the Latest Practicable Date; and

(v) a premium of 7.4 times to the net asset value per Share of HK$0.0208 as at 31 December 2012 (based on the number of Shares on 31 December 2012).

The Issue Price was determined by the Board after taking into consideration of the prevailing trading volume and prices of the Shares and the Directors (including the independent non-executive Directors, after taking into consideration of the advice of the Independent Financial Adviser) consider that the Issue Price is fair and reasonable.

The 44,342,857 Consideration Shares represent approximately 1.34% of the existing issued share capital of the Company and approximately 1.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM and will be allotted and issued upon Completion.

In addition, 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 6 months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of such Consideration Shares, or any interests therein or grant any options or rights in respect of more than such amount of Consideration Shares without prior approval from the Purchaser.

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.

Changes in shareholding structure

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

	As at the Latest Practicable Date		Immediately after Completion	
Shareholders	*Number of Shares*	*Approximately %*	*Number of Shares*	*Approximately %*
Substantial Shareholders				
Golden Mabole Culture Media Company Limited *(note 1)*	497,698,238	15.08	497,698,238	14.88
Directors				
Mr. Hsu Tung Chi *(notes 2 and 3)*	127,784,893	3.87	127,784,893	3.82
Mr. Pang Hong Tao *(note 3)*	7,000,000	0.21	7,000,000	0.21
Mr. Hsu Tung Sheng *(note 3)*	73,500,000	2.23	73,500,000	2.20
Mr. Chang *(note 3)*	13,570,503	0.41	13,570,503	0.41
Mr. Leung Hiu Kong, Edward *(note 4)*	500,000	0.02	500,000	0.01
Subtotal	222,355,396	6.74	222,355,396	6.65
Public Shareholders				
The Vendor	–	–	44,342,857	1.33
Other public Shareholders	2,580,456,858	78.18	2,580,456,858	77.14
Total	3,300,510,492	100.00	3,344,853,349	100.00

Notes:

1. Golden Mabole Culture Media Company Limited is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Ma Bole.

2. Mr. Hsu Tung Chi, the executive Director and chief executive officer of the Company, is the legal and beneficial owner of 54,800,000 Shares. Mr. Hsu Tung Chi is also deemed to be interested in 72,984,893 Shares through his controlled corporation, Daily Technology Company Limited, which is owned as to 98% by Mr. Hsu Tung Chi.

3. Each of Mr. Hsu Tung Chi, Mr. Pang Hong Tao, Mr. Hsu Tung Sheng and Mr. Chang is an executive Director.

4. Mr. Leung Hiu Kong, Edward is an independent non-executive Director.

C. INFORMATION ON THE TARGET GROUP

1. Industry overview and regulatory framework

(a) Regulation framework

The Law of the PRC on Physical Cultures and Sports (《中華人民共和國體育法》) was passed at the 15th meeting of the Standing Committee of the Eighth National People's Congress on 29 August 1995 and amended pursuant to the Decision on the Amendments of Certain Laws (《關於修改部分法律的決定》) at the 10th meeting of the Standing Committee of the Eleventh National People's Congress on 27 August 2009. This law was formulated in accordance with the Constitution of the PRC for the purpose of developing the sports industry, improving people's physical fitness, raising the level of sports performance and promoting the material, ideological and cultural development of socialism. Apart from the PRC Law on Physical Cultures and Sports, other existing laws and regulations in effect for governing the sports industry, administrative regulations and documents issued including departmental rules, regulatory documents and local legislation. The existing laws and regulations in effect for governing the sports industry aim to establish and perfect the management system for sport activities as well as to strengthen the development of management organizations and teams of sport activities and continuously to improve the enforcement of laws, in order to establish a standard and scientific management system for sport activities.

According to "The Notice on the Classification of Sports and the Related Industries (Provisional)"# (《體育及相關產業分類(試行)》) issued by the General Administration of Sport of China (國家體育總局) and National Bureau of Statistics of China on 18 June 2008, sports and related industries are defined as activities for providing sports services and products to the public and any activities related thereto. In particular, there are eight categories as follows:

1. sports organization and management activities – activities of organizing and providing sports competition, training, coaching and management services to the public, such as organization activities of public sports and specific sports events management;

2. stadium management activities – activities of providing stadium management services to the public for watching sports competition and professional training, such as management of multi-purpose stadiums and training space;

3. fitness and recreational activities – activities of providing various accessible fitness and recreational activities to the public at their options and management of the activities space;

4. sports intermediary activities – intermediary activities provided to the public, such as sports business agency, brokerage and consultancy activities;

5. other sports activities – other sports services and activities provided to the public;

6. manufacturing of sportswear, outfits and related products – manufacturing of sportswear, outfits and related products necessary for sports events;

7. sales of sportswear, outfits and related products – sales of sportswear, outfits and related products necessary for sports events;

8. stadium construction activities – construction of stadiums necessary for sports events.

The purposes of "The Notice on the Classification of Sports and the Related Industries (Provisional)" was to qualify the classification of sports for the purpose of improving the sports and its related industries for their sustainable development. The scopes of business of the Target Group fall into category 4 of sport intermediary activities and category 5 of other sports activities.

The above classification of current business operation of the Target Group is also in compliance with the applicable laws of the respective industry classifications in the PRC.

In March 2010, the State Council of the PRC also issued the "Guiding Opinion on Accelerating the Development of the Sports Industry"# 《加快發展體育產業的指導意見》for the purpose of promoting the main sports industry in the PRC, enabling the sports industry to be in line with the international standard and increasing the proportion of sports industry in the GDP of the PRC. The Guidance aims at developing the markets of sports competition and sports performance, and actively regulating the commercialization of them. It also shows the direction of the government to encourage enterprises to organize commercial sports events, and actively introduces internationally well-known sports events.

With the issue of The Notice on the Classification of Sports and the Related Industries (Provisional) and Guiding Opinion on Accelerating the Development of the Sports Industry, it is expected that the sports industry and its related industries will be commercialised and there will be sustainable growth under comparatively lenient regulations and policies.

(b) Past development and future opportunities of domestic sports industry

According to the General Administration of Sport of China (國家體育總局), the industry value added of the China sports industry market was approximately RMB155.5 billion in 2008 an increase of approximately 16% compared to that of 2007. According to the National Program for Sport Reform and Development (2001-2010)# (《 2001-2010年體育改革與發展綱要》) released on 3 February 2010, the tertiary industry is expected to represent 35% or above of the GDP of China in 2010. The sports industry, which forms an integral part of the tertiary industry, will inevitably play a more important role in expanding domestic demand and driving economic growth in China.

The PRC has emerged as a sports giant, particularly after the 2008 Olympic Games in Beijing, 2009 East Asian Games in Hong Kong and 2010 Asian Games in Guangzhou. These appealing sports events will help enhance and maintain the public's interest towards sports in the PRC in the coming years. During the Olympic Games, there were nearly 3 billion people in average worldwide watching the television broadcasting each day. The last two World Cup matches drew the attention of as many as 2.5 to 3 billion television audiences. According to Olympic Marketing Fact File published by the International Olympic Committee, the revenue generated from the licensing business during the 2008 Beijing Olympic Games was more than US$1.7 billion.

The hosting of 2008 Beijing Olympic Games represented an opportunity for the sports industry to explore the business model, (such as audience participation, short message service (SMS) interaction and mass consumption) and integrates with sports media, which has great significance to the development of the domestic sports industry and constantly adds value to the industry. In addition to the unprecedented opportunity of the 2008 Beijing Olympic Games, domestic sports events and entertainment content providers also benefits from:

- the higher living standard and the growing sports awareness of people, the spending on sports tends to be more and more;
- the willingness of people to spend on watching the games with sports stars they are fond of due to the worship of such stars;
- the sports events and entertainment content industry is an emerging and booming industry contributing economic growth. Keeping abreast of the development of the new media market and enhancing the value of the sports events content are the major development trend; and

- sportswear manufacturers and sports service enterprises can take advantage on the demands arising from the 2008 Beijing Olympic Games to expand the domestic sports industry as well as nurture and develop new sports products.

(c) Characteristics of sports industry in the PRC

Pursuant to "12th Five-Year Plan of Sports Industry" issued on 29 April 2011 issued by General Administration of Sport of China (國家體育總局), sports industry in the PRC is generally in the stage of development. During the 11th Five-Year, the scale of the sport industry is small and it only contributed to the economy in relatively insignificant scale.

In general the current situation of sports industry in the PRC can be described as below:

- the sports industry only contributed a relatively low percentage in the GDP of the PRC, so that the potential and strength for developing into an emerging industry has yet to see.
- No market leader exists in the sports industry and the competitiveness is weak. The market mechanism for sports resources allocation is inefficient accordingly.
- The imbalance development and unsound structure of the sports industry becomes an impediment for the sports service industry to become the backbone of the sports industry.
- The sports market is immature with the absence of regulated management and poor monitoring system.
- The sports industry lacks talents for high-quality operation, and the operation and management level is low.

(d) Background of sports media broadcasting industry

Pursuant to a document headed "About the strengthening of sports TV coverage and broadcast management notice by the State Administration of Radio Film and Television"# (《國家廣播電影電視總局關於加強體育比賽電視報道和轉播管理工作的通知》) released in January 2001 by The State Administration of Radio, Film and Television (國家廣播電影電視總局), CCTV are the sole agent permitted to negotiate and obtain the broadcasting rights for the major international and domestic sports events in the PRC, such as Olympic Games, Asian Games, the World Cup, the National Games of the PRC (全國運動會), Inter-city Games# (城市運動會), Traditional Games of Ethnic Minorities# (少數民族運動會). Other sports license content is permitted to be negotiated by other licensing companies or media.

Based on the statistics from the "China Sports Television Program Research Report 2009"# (《中國體育電視研究報告2009》), the total airtime of the sports media program has increased from 66,245 hours in 2004 to more than 120,000 hours in 2008.

In late 2000s, apart from traditional broadcasting of sports content in television channel, new media such as real time streaming on the internet has become a new trend in the PRC's broadcasting industry and attracted an additional source of customers.

(e) Direction on the sports industry in the 12th Five-Year Plan

In the 12th Five-Year Plan, emphasis is put to the open up and promote the acceleration of the sports industry development. According to the 12th Five-Year Plan, the government plans to promote the development of sports industry in a number of ways:

- Promote the growth of different sectors of sports industry;
- Improve the structure of sports industry by developing sports services industry;
- Expand the consumer market of the sports industry;
- Speed up the development of different regional sports industry across the country;
- Promote the establishment of sports industry centre;
- Promote the interactive development of sports industry and its related industries;
- Nurture the growth of leading sports enterprises;
- Promote the trade of sports related services internationally;
- Develop the information system of the sports industry;
- Improve management of the sports facilities;
- Improve management of sports lottery.

According to the 12th Five-Year Plan, the government plans to develop the sports industry with the below measures:

1. Shifting the role of government in sports industry towards market orientation;
2. Speed up the development of sports industry system;

3. Increase the support of sports industry through capital markets;

4. Implement tax incentive policies;

5. Innovate the sport facilities management and operation mechanism;

6. Support and standardize the professional sports industry;

7. Accelerate the development of sports brand enterprises;

8. Strengthen and protect the development of intangible assets of sports;

9. Improve the sports talent training;

10. Strengthen the planning of development of sports industry of local governments.

It is the strategic plan of the PRC that by the end of the 12th Five-Year Plan, the industry value added of the sports industry will reach RMB400 billion.

(f) Characteristics of the businesses engaged in the Target Group

The business of sport events and entertainment contents provision in which the Target Group is engaging emphasizes the timely, standardized and non-duplicable nature of sport events. Moreover, those sports events are under demand of high-quality, large-scale, being linked and synchronized with the international events. Television and new media has been the media platform that are able to timely reflect and deliver such characteristics of sports. In recent years, the development of the technology application and the new media as a new platform has highlighted the degree of interactivity and convenience as demanded by the general public for different sports programs. These television stations and new media rely on intermediary like the Target Group to access different types of high-quality professional sports events and entertainment contents. On the other hand, the Target Group also relies on these television stations and new media to promote the popularity of these professional sports to the mass audience because (i) television stations and new media provide nationwide coverage with immense population in the PRC and other Asia regions; (ii) such income as the advertisement income and the television channel subscription received by television stations and new media facilitate the commercialization of sports industry and promotion of varies type of professional sports events; and (iii) the popularity of television stations and new media to deliver sports programs to the general public and timely, interactive and high quality transmission for the live broadcast strengthen the television stations and new media to continue to act as important channels for professional sport events.

With the ongoing application and development of advanced technologies in the field of media, new media of broadband, internet protocol television (IPTV), 3G, etc. are gaining their presence or being gradually included in the broadcasting platform. Currently, the sports license rights of the Target Group in the PRC are mainly granted by sports associations and other licensors.

(g) The competition in engaging in provision of professional sports events and entertainment content in the PRC

The Target Group was duly established in 2004 and is one of the foremost providers of sports events and entertainment content in the PRC. Through years of exploration and effort, the Target Group has continued its sustainable growth, of which a set of unique and industry-regulated commercial behaviours and model in respect of licensing for overseas and local major sports events was successfully developed, enriching the development in the area of local sports events. New market discipline for the domestic provision of professional sport events and entertainment contents has been established through the formulation of practicable and effective strategies of industry standard, which effectively protects the commercial benefits of licensors, television media and respective organisations.

The Target Group established a stable and strategic partnership with many domestic television stations in an effort to build a large-scale and effective broadcasting platform with coverage of the sports television program nationwide. The Target Group also have cooperation with overseas companies for the use of the content in the overseas regions.

Notwithstanding the above, in recent years, the Target Group face competition from other competitors including other PRC licensing companies, international sports and media contents provision companies, as well as indirect competitions from some PRC sports television channels. For the competitions from other PRC licensing companies, competitions begin in the stage of obtaining license rights from sport events organizers or other licensors which inevitably push up the cost in obtaining or renewing the license. Depending the specific terms of each licensing agreements, these media platforms may also distribute the licensing rights to other media platforms. Indirect competitions occur when some regional television stations obtain license rights from the contents providers directly while no other agents obtained such exclusive rights in a particular region for that league term.

However, as advised by the management of the Target Group, such competition is limited in the following ways:

a. Media platforms will only obtain content directly from content providers if the content is not represented by any licensing agents but is sold directly from the content providers. For example, NBA and Euro Cup.

b. Most media platforms could obtain the license rights for the use of their own without the redistributable rights as such cost is higher and it is not part of their business.

c. Potential competitors need to have a large amount of startup capital for obtaining license rights and building relationship with customers, and sometimes such potential customers are other media/television stations which are their competitors.

d. Sports event organizers maybe hesitant in granting license rights to new companies.

e. International sports and media companies obtain long-term licensing rights for a key sport event in the PRC and distribute the license rights to the media platforms in the PRC directly. However, those companies might not be familiar with the local business environment and might prefer to cooperate with local licensing companies, such as the Target Group which is one of the major industry players with extensive experience, to distribute the license content in the PRC. Therefore competitions from international sports and media companies is limited in the PRC market.

The other market players mainly operate as a media platform and will only distribute license rights if they also obtain the sub-license rights. As advised by the management of the Target Group, they believe that barrier entry to the industry include past experience, the large amount of initial contract commitment before securing customer agreements reflect underlying risk and uncertainty and the business connection with licensors and different media. The Target Group's competitive advantages over the other potential competitors are the management expertise and experience in the licensing distribution. The Target Group will continue to provide the best service quality to retain and strengthen the business relationship with licensors.

Since most of the licenses are obtained on an exclusive basis, there is limited competition in securing customers, such as TV stations and other new media.

Future Development Opportunities

Future development opportunities in the sports licensing industry in the PRC may be obtained depending on: 1) the introduction of new sports leagues; 2) the ability of the Target Group in securing different license in response to change in consumer preferences; and 3) the ability of the Target Group in securing favourable terms of license agreements from content providers. The management of the Target Group expected that soccer leagues such as The China Football Association Super League (中國足球協會超級聯賽), and AFC Champions League (亞足聯冠軍聯賽) will continue to grow their fans base by developing more exciting content or competition models. The growth of popularity of the soccer leagues will have a positive impact to the industry.

The Group will continue their effort in sourcing different license contents.

2. Information on the Target Group's business

The Target Company is a company incorporated in the BVI with limited liability and is an investment holding company. As at the Latest Practicable Date, the Group held 25% equity interest in the Target Company which is an associate of the Company.

The Target Group is principally engaged in the provision of professional sports events and entertainment contents. Since its commencement of business in 2004, the business of the Target Group has been growing. At present, the Target Group is one of the major professional sports events and entertainment contents providers in the PRC in terms of the professional sports events programs distributed in the PRC (excluding Hong Kong, Taiwan and Macao Special Administrative Region). With its partnership with various professional sports events and entertainment content providers, the Target Group is well-positioned to cater for the demand of the vast and ever increasing number of audiences in the PRC, Asia and other regions, with premium sports and quality entertainment professional sports events and entertainment content.

The Target Group is an intermediary between the sports event organizers or content licensors and the media. The sports event organizers or content licensors grant the Target Group an authorization to distribute sports events and entertainment contents in return for license fee. The Target Group has obtained the license right of major professional sports events and entertainment content from its sports events organizers or content licensors, including China Football Association Super League (CSL) (中國足球協會超級聯賽), the Bundesliga (德國足球甲組聯賽), AFC Champions League (亞足聯冠軍聯賽), East Asian Football Championships (東亞足球協會錦標賽), the Women's Tennis Association Tournament (國際女子網球協會巡迴賽) and The Badminton World Federation (BWF) Grand Prix (世界羽毛球協會超級系列賽). Most of these contents are obtained on an exclusive basis for different media, such as television channel and network television ranging from a period of 1 year to 4 years. Further details are set out in section headed (g) professional sports events and entertainment contents below.

Currently, the Target Group has maintained long term business relationship with well-known media and channels in the PRC and overseas media as its customers, such as CCTV (中央電視台), and other television stations in Beijing (北京), Guangdong (廣東), Jiangsu (江蘇), Tianjin (天津) and new media in the PRC and in the United States namely Sohu, Sina, Tencent, LETV, PPTV and International Management Group (IMG) etc.. The terms of most of the contracts entered into between the Target Group and the above mentioned media and channels in the PRC and overseas media for provision of professional sports events and entertainment contents ranging from a period of 1 year to 4 years. In light of partnership built by the Target Group with various professional sports event and entertainment content providers, the proposed Acquisition, if materialized, represents an opportunity for the Group to further tap into the growing sports entertainment business.

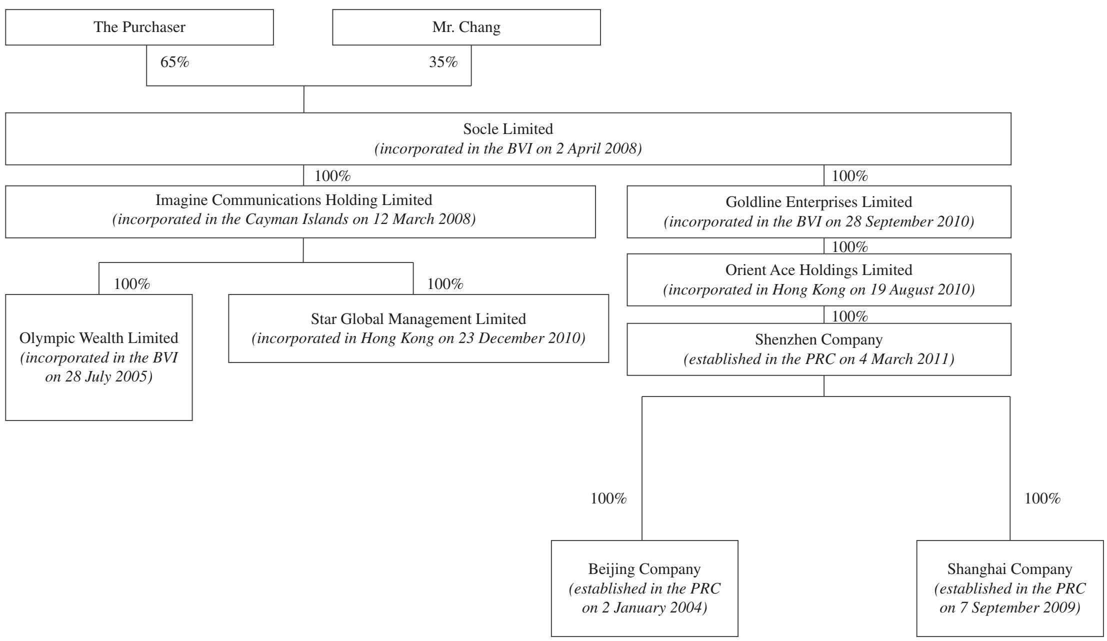
(a) The business development after the Previous Acquisition

Prior to the completion of the Previous Acquisition of 25% equity interest in the Target Company on 7 June 2011, the Target Group had obtained the license rights of several professional sports events and entertainment contents, in which three major distribution license rights are AFC Champions League (亞足聯冠軍聯賽), The China Football Association Super League (中國足球協會超級足球聯賽) and China Basketball Association league (CBA) (中國男子籃球職業聯賽). Subsequent to the Previous Acquisition, the Target Group successfully renewed the distribution license rights of China Football Association Super League (中國足球協會超級聯賽) which expired on 31 December 2011 for another three years until December 2014. The then license right of the AFC Champion League (亞足聯冠軍聯賽) expired in December 2012 and had subsequently been renewed for another 4 years with authorized location in Beijing region which is one of the highest profitability region in the PRC. The then distribution license rights of the China Basketball Association (CBA) league (中國男子籃球職業聯賽) expired in June 2012 was not renewed thereafter mainly due to the increase in license cost from keen competition and such high renewal fee was difficult to justify commercially.

The Board considered that the non-renewal of certain license rights was the professional judgment of the Target Group's management, which mainly involve the assessment of whether it is profitable to renew such license, after taken into account (i) the license fee to be paid to the licensors and other cost to be borne by the Target Group such as sharing the production costs and (ii) the projected income to be derived from the licensing of these professional sports events and entertainment contents which is dependent on the popularity of the leagues, and the expected demand of the content from media. Nevertheless, the Group has successfully renewed the license agreement for the exclusive authorisation to distribute the Chinese Football Association Super League (中國足球協會超級聯賽) in Beijing and obtained other new license rights for professional sports events like the Bundesliga (德國足球甲組聯賽), The Badminton World Federation (BWF) Grand Prix (世界羽毛球協會超級系列賽) and the Women's Tennis Association (WTA) Tournament (世界女子網球聯合會巡迴賽) to further diversify and enrich the professional sports events and entertainment content provided. Moreover, the Target Group has been expanding its business network with local television and new media namely Sohu, Sina, Tencent, PPTV, LETV and International Management Group (IMG), so as to capture the increasing number of audience using network TV. The Board remains optimistic that the Target Group will continue to obtain new contents from new sports events organisers or content licensors (whether locally or overseas) for further business growth and considered it is in the interests of the Company to proceed with the Acquisition.

(b) Target Group's structure

Set out below is the group structure of the Target Group immediately after Completion:



It is set out in the announcement of the Company dated 20 June 2013 that the Target Group's interest in the Beijing Company is held under a set of control agreements executed on 29 April 2011. As a condition precedent for the Acquisition, the Target Group exercised the exclusive share purchase rights under the control agreements to acquire the entire direct equity interest in the Beijing Company. Completion of the transfer and relevant registration took place in early July and the previous contractual arrangement has been unwound.

(c) Information on the principal operating subsidiaries of the Target Group

As at the Latest Practicable Date, the principal operating entities of the Target Group are Olympic Wealth Limited, the Beijing Company and the Shanghai Company. The Beijing Company and the Shanghai Company has obtained license rights from licensors as set out in the following paragraph headed "Professional sports events and entertainment contents". Each of these operating entities has entered into license agreements with television stations and other media.

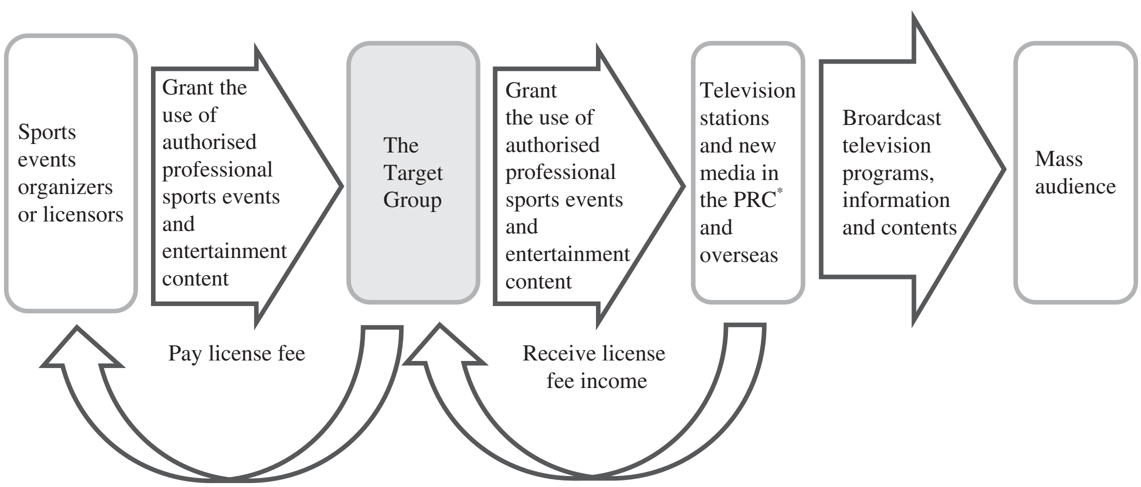
The main business scope of the Beijing Company is the organisation of sports cultural activities (except performances); copyright transfer and agency services etc.. The business scope of the Shanghai Company is mainly the sports events services, sports events copyright agency services, cultural and artistic activities planning. The Shenzhen Company is mainly an investment holding company which holds the equity interest in the Shanghai Company and the Beijing Company.

According to the scope of business stated in the corporate business licenses of the Shanghai Company and the Beijing Company issued by the respective Administration for Industry and Commerce, the Shanghai Company and the Beijing Company are not required to obtain any other licenses, permits or authorisations in addition to the corporate business licenses for running business in China. As advised by the management of the Target Group, the business of the Target Group does not require any special licenses or permit. The annual inspections for the Shanghai Company and the Beijing Company for the year 2012 were completed in early March 2013.

(d) Business model of the Target Group

Set out below is a diagram illustrating the business model of the Target Group:

Diagram 1: Business model



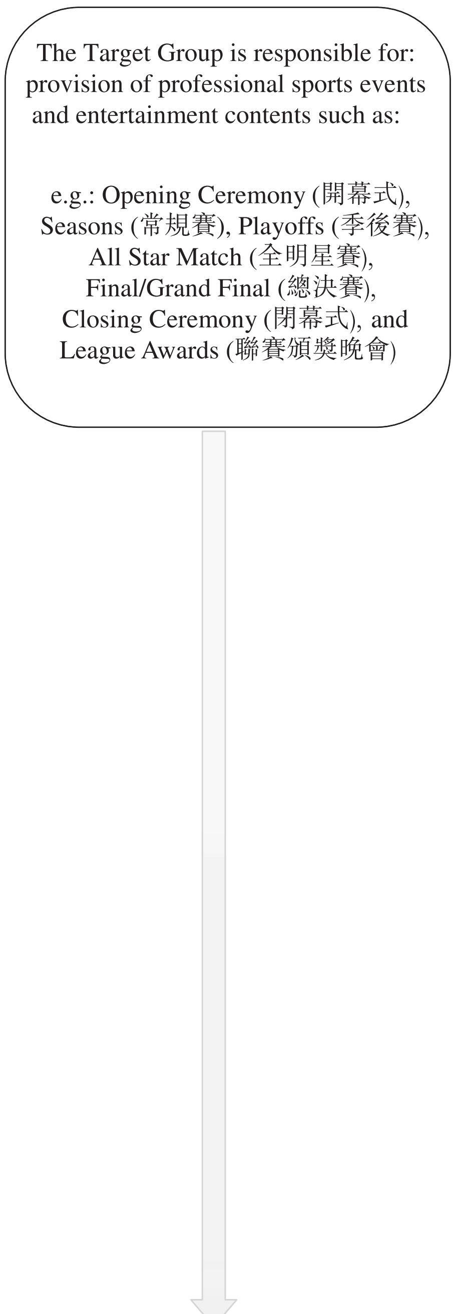
* *excluding Hong Kong, Taiwan and Macau Special Administrative Region*

As illustrated from the above diagram, the Target Group is an intermediary between the professional sports events organizers or content licensors and the media.

Further information on distribution of such rights and derivation of revenue is set out in the following paragraph headed "**Professional sports events and entertainment contents**".

(e) Operational model of the Target Group

Diagram 2: Operational model



The Target Group is responsible for:

– Evaluating the popularity of various local and overseas professional sports events and entertainment contents especially in the Asia-Pacific region.

– Evaluating the commercial value of various professional sports events and entertainment contents and choose the best available channel(s) for the promotion and marketing of such sports events in the PRC, e.g. conducting some market testing.

– Execution of license agreements with licensors (suppliers) and the television stations/new media (customers) respectively so as to commercialise sports events and facilitate the distribution of license rights for such professional sports events and entertainment contents.

– Ensuring promotion of such professional sports events and entertainment contents in proper channels and broadcast of such sports programs in popular channels both locally and overseas.

– Organisation and management for the flow of information on the professional sports events and entertainment contents between the sports events organizers and television stations/media in the PRC, such as providing statistics on the popularity of sports programs derived by the television stations to the sports events organizers.

Television stations or signal transmission companies are responsible for:
production of TV programs and transmission of signals through terrestrial, cable, digital, satellite delivery etc.

The Target Group is responsible for:

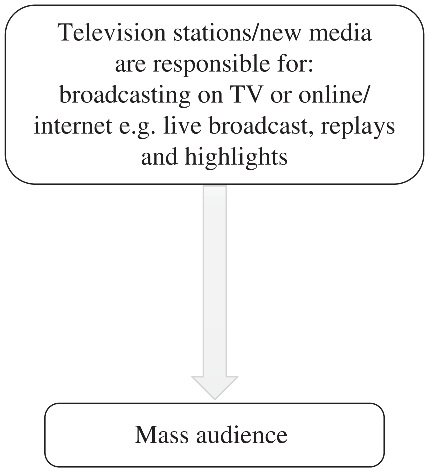
– Granting the non-exclusive use of license to the television stations/new media to produce and shoot television programs for certain professional sports events.

– Informing the television stations/new media the timing, shooting locations and other information of the professional sports events and entertainment contents.

– Cooperating with selected television stations/new media in the region/province where the sports events take place (host broadcaster) for the production and shooting of television programs for certain professional sports events and entertainment contents in the PRC and overseas and ensuring the quality of such television programs and information.

– Authorising selected television stations (usually responsible for the production of television programs)/signal transmission company to provide signal to television stations/new media for the broadcast of television programs in other regions/province in a timely manner and without any interruptions.

– Monitoring the transmission of signals and ensuring signals are of high international quality suitable for international/local broadcast and providing technical support/supervision.



The Target Group is responsible for:

– Authorising the broadcast of sports programs on a nationwide basis (both host broadcaster and guest broadcasters) and authorizing television stations (for general production of television program)/signal transmission companies to provide signal to other television/new media for sports events broadcast.

– Monitoring the broadcast of such sports programs with minimum number of hours, airtime, data, graphics and statistics, etc. in the way the sports events organizers and the Target Group have agreed.

(f) Revenue model of the Target Group

The revenue of the Target Group was mainly derived from the provision of use of license of professional sports events and entertainment contents by the three major operating subsidiaries, namely the Beijing Company, the Shanghai Company and Olympic Wealth Limited, to media and channels in the PRC and overseas media on a fixed annual income basis.

As advised by the management of the Target Group, there is no quantitative data/formula for determining the license fees (a) to be paid to the content providers or (b) to be received from the media and television stations. In determining the license fee payable by the Target Group's customers (e.g. television stations and new media), the Target Group makes reference to such factors as type of sports events/content provided, terms of license agreement, the type of media (television, radio or internet), the previous and current market price of the license, popularity of the television stations, and media and their size of the audience (the income from large television stations with more audience usually generate more income to the Target Group).

The major costs of the Target Group was the license fees paid for obtaining professional sports events and entertainment content from sports events organizers/licensers, through the license agreements between the Target Group and the sports events organizers or content licensors.

The license fees for each professional sports events content is negotiated and determined between the sports events organizers/licensors and the Target Group on normal commercial terms and is determined with respect to such factors as the previous and current market price of the license, degree of exclusivity, duration of license period, extent of coverage to use the license rights, the popularity of the content, expected demand and the expected income from the customers, etc..

As advised by the management of the Target Group, sports events organizers/licensors will generally consider the price level of the license fee, promotion and distribution network, industry expertise and service quality for granting the license right. The success of obtaining new license or renewal of license also depends on whether there is other competitors offering higher license fee.

The license agreements usually last for a period of 1 year to 4 years. According to these license agreements, the license fees are usually settled each year during each league term and in several installments in a year.

(g) Professional sports events and entertainment contents

Set out below are the major contents distributed by the Target Group as at the Latest Practicable Date.

Professional sports events	Date of agreement/ Valid period of the agreement	Licensor	Licensee	Exclusivity	Major customers	Valid period of major customers' agreement(s)
2013-2016 AFC Champions League (亞足聯冠軍聯賽)	24 May 2013, immediate effect upon execution and valid until one year after the last event ends	Shanghai Leshang Sports Culture Maida Limited# (上海樂尚體育文化傳播有限公司)	Beijing Company	Authorized in Beijing region exclusively	Beijing Television Station	Valid until 31 December 2014
2012-2014 The China Football Association Super League (中國足球協會超級聯賽)	7 March 2012, immediate effect upon execution and valid until 31 December 2014	CSL Limited Company (中超聯賽有限責任公司)	Beijing Company	Exclusive in television channel in the PRC and exclusive in overseas television channel and internet television	1. Television stations: Shanghai Media Group, Inc. (五星體育傳媒集團有限公司) and other television stations in Beijing, Shandong, Jiangsu, Tianjian, Hubei, Hangzhou, Wuhan, Shenzhen, IMG Sports Media and Guangzhou radio station. 2. Internet TV and website like Tencent (騰訊), 樂視 (LETV), 虎扑網, (Hupu Sports Net)	Valid until 31 December 2014 and will be renewed after expiry upon mutual agreement between the Target Group and customers

Professional sports events	Date of agreement/ Valid period of the agreement	Licensor	Licensee	Exclusivity	Major customers	Valid period of major customers' agreement(s)
2013 East Asian Football Championships (東亞足球協會錦標賽)	5 March 2013, immediate effect upon execution and valid until 28 July 2014	Shanghai Leshang Sports Culture Maida Limited# (上海樂尚體育文化傳播有限公司)	Shanghai Company	Exclusive in the PRC for all kinds of media	1. Television stations: Shandong Television Station and other television stations in Tianjin, Liaoning, Jiangsu 2. Internet TV like 樂視(LETV)	Valid until July 2016
2011-2013 The Badminton World Federation (BWF) Grand Prix (世界羽毛球協會超級系列賽)	6 October 2011, valid from 6 October 2011 to 31 December 2013	Shanghai Leshang Sports Culture Maida Limited# (上海樂尚體育文化傳播有限公司)	Shanghai Company	Exclusive in the PRC for all television channels	Television Stations: Shanghai Media Group, Inc. (五星體育傳媒集團有限公司) and other television stations in Beijing, Guangdong, Hunan and Zhengzhou.	Valid until 31 December 2013
2013-2016 Women's Tennis Association (WTA) Tournament (世界女子網球聯合會巡迴賽)	5 March 2013, immediate effect upon execution and valid until one year after the last event ends	Shanghai Leshang Sports Culture Maida Limited# (上海樂尚體育文化傳播有限公司)	Shanghai Company	Exclusive in the PRC for all kinds of media	Television Stations: Shanghai Media Group, Inc. (五星體育傳媒集團有限公司)	Valid until one year after the last event ends
2012-2015 Bundesliga (德國足球甲級聯賽)	1 October 2012 & 6 June 2013, immediate effect upon execution and valid until one year after the last event ends	Shanghai Leshang Sports Culture Maida Limited# (上海樂尚體育文化傳播有限公司)	Shanghai Company	Exclusive in the PRC, other than the CCTV (中央電視台) and CNTV (中國網絡電視)	1. Television stations in Beijing, Shandong, Shanghai Media Group. Inc (五星體育傳媒有限公司) 2. Internet TV like LETV (樂視), PPTV	Valid until one year after the last event ends

The Target Company obtained license rights from the licensors as stated above through the Beijing Company, the Shanghai Company and Olympic Wealth Limited. The license right allows the Target Group to obtain the copyright licenses for the provision of professional sports events distribution to the customers. The major customers of the Target Group are (i) regional television stations, namely CCTV, Beijing Television Station, Shanghai Media Group which broadcasts in most major cities in the PRC which includes Beijing, Guangdong, Shanghai, Qingdao, Tianjian, Shandong and Shanghai etc.; and (ii) internet TV and websites, namely LETV, Hupu Sports Net and Tencent.

(h) Management expertise

The Target Company has a team of expertise with more than ten years of experience in managing the professional sports events and entertainment business in the PRC.

Upon Completion, the Target Company will continue to lead by Mr. Chang, who has over 30 years experiences in the media segment in the Greater China Region.

Set out below are the biography of the key management of the Target Group.

Name	Positions held at the Target Group	The date/year of joining the Target Group	Years of relevant experience (Approximate)	Relevant experience	Educational background
Mr. Chang	Director of the Target Company	2004	32 years	Before joining the Target Group, Mr. Chang has been the vice president of SINA Greater China Area Union, responsible for the global operation, brand integration, marketing, and online advertisement sales. In 2003, Mr. Chang was promoted to the chief operating officer and executive vice-president of SINA (NASDAQ: SINA).	He holds a master degree in Business Administration in Department of International Business of College of Management of National Taiwan University and obtained his bachelor degree in Fu Jen University in Taiwan.
Li Yidong	Managing Director	2004	17 years	Before joining the Target Group, Mr. Li was a manager of the authorized department of a sports information broadcasting company in the PRC.	He holds a bachelor degree in Arts of College of Foreign Languages and Literature of Fudan University and a master degree in Management of the Sports degree in Management Programme co-organized by Tsinghua University in Beijing and University of Technology, Sydney.

Name	Positions held at the Target Group	The date/year of joining the Target Group	Years of relevant experience (Approximate)	Relevant experience	Educational background
Li Jie (李傑)	Technical/ Engineering Director	2004	14 years	Before joining the Target Group, Mr. Li held a position in China Football Industry Development Corp. (中國福特寶足球產業發展公司).	He holds a bachelor degree in Psychology of Peking University.
Zhao Jun (趙軍)	Deputy General Manager	2010	16 years	Before joining the Target Group, Ms. Zhao held a position in the sports channel of Beijing Television.	She holds a bachelor degree in International Journalism of Communication University of China.
Qian Xiao Yu (錢曉毓)	Financial Controller	2008	12 years	Before joining the Target Group, Ms. Qian held a position in Beijing Hongtian Tong Yu Financial Consultant Company (北京弘田同宇財務諮詢公司).	She holds the bachelor degree in Accountancy in Liaoning Industrial University.

(i) Competitive advantage of the Target Group

1. One of the major providers for the provision of professional sports events and entertainment contents in the PRC

The Target Group is one of the major providers for the provision of professional sports events and entertainment contents in the PRC in terms of the professional sports events programs distributed in the PRC. The Target Group currently obtains over 2,000 hours of professional sport events contents, including The China Football Association Super League which accounts as one of the most significant sport events in the PRC. The Target Group has maintained good relationship with and business reputation as an intermediary among the sports event organizers or content licensors and they have been the provider for the several popular professional sports events and entertainment contents. With the established business relationship with the professional sports event organizers and content licensors. The Target Group can obtain the supply of overseas professional sports events and entertainment contents for the use in the PRC. The long-established business relationship for over 8 years with major sports television corporations in the PRC, namely CCTV, dominant sports channels in Beijing, Shanghai, Guangdong etc. and with business relationship with new media (such as over 8 years business relationship with Sohu, and over 5 years business relationship with Sina etc.) forms a nationwide coverage in professional sports event and entertainment content distribution.

With the proven track record in the past years and the existing nationwide coverage in content distribution, the Target Group is prepared and able to obtain new contents from new sports event organizers or content licensors (whether locally or overseas) for future business growth. In view of the above, the Company considers that the Target Group has the ability to obtain new license agreements and renewals when existing agreements expire.

2. *The Target Group's role as an intermediary is valuable for both the sports event organizers and licensors and media (such as television stations and new media)*

As an intermediary, the Target Group helps those professional sports event content providers to distribute its contents in the PRC, Asia and other regions through the Target Group's extensive relationship with different television stations. The Target Group assists them to save time to source, manage and explore existing and new customers, especially in the PRC region where there are many local television stations in different provinces and cities.

In addition, as an intermediary, the Target Group pays license fees for the use of contents which eliminates the professional sports event organisers' and licensors' uncertainty and unnecessary delay in collecting and receiving fees from the end customers, so that they can devote effort and resources in other aspects.

The Target Group helps the customers (e.g. television stations and media) to access a variety of popular professional sports events content granted to the Target Group mainly on an exclusive basis in the PRC for use in TV channel and other media. Therefore, other than the Target Group, those television stations and media cannot obtain these popular contents with proper license.

3. *Supportive government policy and favorable business environment*

There is supportive government policy and favorable business environment of the sports industry in the PRC. The Target Group, being privately-owned enterprises, are more flexible in strategic planning and running of the business to grasp the growing opportunities of the sports industry in the PRC for the years to come.

4. *Experienced management team and business network*

The existing management team of the Target Group have more than 10 years' experience in the sports contents and media sector. Their extensive experience in these areas are crucial to the business management and future development of the Target Group. With their established and extensive business network, it helps the Target Group to expand the business.

As the Target Group will continue (i) to devote resources to maintain existing relationship with the professional sports organizers/licensors and the customers; (ii) based on the management's expertise, to negotiate reasonable license fee and license income; and (iii) to monitor the market trend and popularity of sports (including both local and overseas professional sports events), the Target Group is confident that it has the ability to secure the customers and to continue to obtain the rights from the professional sports events organizers/licensors upon expiry of those license agreements.

(j) Risks relating to the Target Group's business

Set out below are the risks and uncertainties which may be associated with the Target Group.

1. *Change of the nature of the Target Group's business/industry*

The Target Group acts as an intermediary in the distribution of the use of license rights for certain professional sports events and entertainment content between the sports events organizers/licensors and different television stations and new media. The Target Group cannot assure that its role as an intermediary will not be replaced by other competitors or other substitutes in the industry, or that it will be able to adopt to any material change in operational practice in the industry that supports the need for its role as an intermediary.

2. *Reliance on the license rights and license agreements*

As at the Latest Practicable Date, the Target Group have six major license agreements with license rights to use certain professional sports events and entertainment content in the PRC, as set out under the section "Professional sports events and entertainment contents", these license agreements usually last for 1 year to 4 years. The continuous operation of the Target Group relies on the renewal of those license agreements upon expiry, and though there is no legal impediments to obtain renewal of such license agreements, it is not guaranteed that the sports events organizers/licensors will extend or renew the term of the license agreements upon expiry on reasonable terms acceptable to the Target Group, despite there is an exclusivity period for mutual negotiation between the Target Group and the sports event organizers/licensors for the extension of the certain license agreements upon expiry.

The diversity of the different professional sports event and entertainment content available in the market allows the Target Group to obtain other new license rights. In 2013, the Target Group increased the number of license rights in order to further mitigate the risk of non-renewal of key licensed contents. In the future, the Target Group will continue to diversify its portfolio of licensed rights in order to further mitigate the risk of reliance on certain major event organizers through exploring more varieties of professional sports events content that are popular throughout Asia. In addition, with the solid relationships with key distribution channels in the PRC, the Target Group is confident in renewing the existing license rights and obtaining new professional sports events contents.

3. Increase in costs of obtaining valuable contents

The Target Group's business faces competition from other competitors, it unavoidably increase the cost of the Target Group through the increase in license fee paid to licensor or provision of other additional services or bearing other cost. There is no guarantee that such competition will not drive up the costs of renewing the license agreements. In case the Target Group is unable to devote more resources to extend existing license rights or obtain new license rights, then valuable content might not be obtained and the operation of the Target Group may be seriously and adversely affected.

4. Reliance on our customers and change in preference

The continuous growth of the business of the Target Group relies heavily on the ability of the Target Group to retain its existing customers and expand into new market and obtain new customers. As audience's preference changes from time to time, it is not guaranteed that existing professional sports events and entertainment content of the Target Group continues to meet the market demand and satisfy the needs of its customers (television stations and new media) and the ultimate audience at all time. If there is any change in audience preference which reduce the demand of those professional sport events and entertainment content from television stations and new media, the business of the Target Group may be affected.

In addition, the continuous success of the Target Group also depends on the ability of the Target Group to obtain and promote new contents which could keep up with the market demand and could yield profits. The Target Group might face intense competition from other competitors which could drive up the costs for the Target Group to obtain popular content.

The long-established business relationship for over 8 years with major sports television corporations in the PRC, namely CCTV, dominant sports channels in Beijing, Shanghai and Guangdong etc. and with business relationship with new media (such as over 8 years business relationship with Sohu, and over 5 years business relationship with Sina etc.), the Target Group is able to form a nationwide coverage in professional sports event and entertainment content distribution. Furthermore, the Target Group's client base is growing steadily as the number of new televisions stations and distribution channels in new media are increasing (i.e. websites with online-streaming) in the PRC. The Target Group will try to negotiate with content providers to extend the exclusive distribution rights for certain licenses obtained for use in Shanghai and Beijing region to cover more location in the PRC. The steady relationships with the existing customers along with a growing client base help mitigate the risk relating to the inability to market licensing content.

5. Reliance on the expertise of the Target Group

The senior management of the Target Group is responsible for the formulation of its business strategies, development of existing and new business, maintenance of business relationships with customers and licensors and overseeing the operation of business. The future success of the Target Group's business depends significantly on the continuing services of its key management as set out under the section headed "Management Expertise". The loss of a significant number of the senior management of the Target Group may materially and adversely affect the operation and business of the Target Group if the Target Group cannot find a suitable replacement in a timely manner.

(k) Financial information on the Target Group

Set out below is a summary of the key financial data of the Target Group based on the consolidated audited accounts of the Target Group for the two years ended 31 December 2011 and 2012 and the management accounts of the Target Group for four months ended 30 April 2013 which were prepared in accordance with the generally accepted accounting principles in Hong Kong:

	Financial year ended 31 December 2011	**Financial year ended 31 December 2012**	**Four months ended 30 April 2013**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	62,833	91,574	10,747
Net profit/(loss) before taxation	19,230	13,265	(1,868)
Net profit/(loss) after taxation	18,776	10,406	(2,095)

	As at 31 December 2011	**As at 31 December 2012**	**As at 30 April 2013**
	HK$'000	*HK$'000*	*HK$'000*
Net asset value	20,638	31,202	29,684

Breakdown of turnover and profit contribution among major operating subsidiaries of the Target Group for the financial year ended 31 December 2012.

	Turnover	**Turnover contribution**	**Net profit/(loss) after taxation contribution**	**Profit contribution**
	(HK$'000)		*(HK$'000)*	*(Note)*
Shanghai Company	58,098	63.44%	9,764	89.59%
Beijing Company	24,139	26.36%	1,135	10.41%
Olympic Wealth Limited	9,337	10.20%	(483)	–
Other subsidiaries	–	–	(10)	–
Total	91,574	100%	10,406	100%

Note: The profit contribution percentage only represents profit making subsidiaries.

Under the Previous Acquisition, the Group recognised a goodwill of HK$21,518,000, such goodwill was fully impaired for the financial year ended 31 December 2012 as a result of the expiry of certain licenses, mainly the license right of the China Basketball Association (CBA) league (中國男子籃球職業聯賽) and the AFC Champions League (亞足聯冠軍聯賽). At the time of valuation, the license right in relation to the AFC Champions League (亞足聯冠軍聯賽) was still under negotiation and the contribution from this content has not been included in the valuation. Such amount of impairment was determined by the Group with reference to an appraisal performed by an independent professional valuer on the market value of the business of the Target Group as at 31 December 2012, in which the recoverable amount of the business has been determined based on a value-in-use calculation using cash flow projections based on the financial budget covering a 5-year period.

As the license right of the AFC Champions League (亞足聯冠軍聯賽) has subsequently renewed for the Beijing region, one of the most profitable region, the Board is satisfied that the Target Group is able to secure license right from different content owners. Taken this into account and the price-earnings multiple of the Consideration was less than that of the Previous Acquisition and the reasons and benefits for the Acquisition discussed in the paragraph headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" below, the Board (including the independent non-executive Directors, after taking into consideration of the advice of the Independent Financial Adviser) considered that the Acquisition is in the interests of the Company as a whole, notwithstanding that there is impairment on the goodwill for the year ended 31 December 2012.

(l) Board composition

The board of the Target Group comprises 5 members. As at the Latest Practicable Date, the Group has appointed two representatives to the Target Group, upon Completion, the Group will appoint two additional representatives to the board of the Target Group to control the Target Group and to replace the board representatives of the Vendor.

(m) Future plans

With the proven track record in the past years, the Target Group will keep exploring new and popular professional sports events and entertainment content for its future business growth. The Target Group will also explore more new media for the distribution of the content to generate more income source.

The management of the Target Group expects that without any unforeseeable circumstances, there will not be any additional cash requirements of the Target Group for the next 12-month period, after taken into account (i) the current available cash resources of the Target Group of approximately HK$8.6 million as at 31 August 2013; (ii) the expected amount of revenue to be received and the license fee to be paid; (iii) payment of such license fees to professional sports events organizers and content licensors are usually by several instalments, it is expected that the payment of such cost will be supported by the available cash resources and the receipt of revenue; and (iv) the nature of the business does not involve heavy upfront capital investment.

D. INFORMATION OF THE VENDOR, THE GUARANTOR AND MR. CHANG

The Vendor is a company incorporated in the BVI with limited liability. It is principally engaged in investment holding. The Guarantor is a Hong Kong citizen with Canadian nationality. He is a merchant and is the sole beneficial owner of the Vendor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Guarantor is the ultimate beneficial owner of the Vendor and the Vendor and the Guarantor are both Independent Third Parties.

To the best of the Directors' knowledge after making reasonable enquiries, after completion of the Previous Acquisition on 7 June 2011, Mr. Chang disposed of 40% equity interest in the Target Company at a total consideration of US$6,096,480 (equivalent to approximately HK$47,552,544) in cash to the Vendor. Such consideration was determined on the same basis as that under the Previous Acquisition.

On 26 April 2013, the Company announced that the Group has commenced preliminary discussions with potential seller(s) relating to possible acquisition(s) of additional interests in its subsidiaries and/or its associated company. In late April 2013, the Board approached the Vendor indicating the Group's intention to acquire the Sale Shares but no concrete terms had been fixed. On 13 May 2013, the Vendor came up with its intended selling price of HK$46,560 for each Sale Share. In compliance with the terms of the shareholders' agreement of the Target Company, the Vendor proposed the offer to both Mr. Chang and the Purchaser. After Mr. Chang declined the Vendor's offer, the Purchaser considered that the offer price was reasonable and it was a good opportunity to acquire additional interest in the Target Group, and entered into the MOU with the Vendor on 16 May 2013 and proceeded for further discussion on details of the terms of the Acquisition.

Apart from being a substantial shareholder of the Target Company and a director of most of the group companies under the Target Group, Mr. Chang is also one of the vendors in the acquisition of 100% equity interest in Nova Dragon which completed on 12 April 2013. In the acquisition of Nova Dragon, Mr. Chang sold 40% of the issued share capital of Nova Dragon to the Group. As at the date of the Acquisition Agreement, he was a director of Nova Dragon and its subsidiary and thus a connected person of the Company.

As advised by the Vendor and Mr. Chang, save for the co-investment made in the Target Company, there is no other relationship among the Vendor and the Guarantor with Mr. Chang.

As advised by the Vendor, there is no other relationship among the Vendor and the vendors/purchasers for the acquisition of Nova Dragon, and acquisition of China Digital Entertainment Company Limited (which completed on 25 April 2013) and the disposal of Start Bright Limited and its subsidiaries (which completed on 16 July 2013).

E. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of copyright management solution and the related consultancy services and the distribution of copyright-protected items. In 2011, the Group acquired 25% equity interest in the Target Company as a strategic opportunity of the Group to strengthen its digital copyright management solution business and enrich the variety of licensed content of the Group.

Having taken into account the business model and financial performance of the Target Group as disclosed in the paragraph headed "INFORMATION ON THE TARGET GROUP", the Board considers that notwithstanding that some contracts with licensors were not renewed due to the reasons as set in the paragraph headed "INFORMATION ON THE TARGET GROUP", the Target Group is able to obtain other new professional sports events content such as The Badminton World Federation (BWF) Grand Prix (世界羽毛球協會超級系列賽), the Women's Tennis Association (WTA) Tournament (世界女子網球聯合會巡迴賽) and Bundesliga (德國足球甲組聯賽). The management of the Target Group remains optimistic on the future prospect of the Target Group.

The Board believes that the Acquisition would further enhance the profitability of the Group given the track record of the Target Group, and the Board are confident that the professional sports events and entertainment contents of the Target Group will enrich the existing music and entertainment contents of the Group that will contribute positively to the Group from the stable cash flow contribution of the Target Group. Hence the Directors are of the view that the acquisition of the controlling interests in the Target Company will maximize the future revenue contribution to the Group by broadening the portfolio of licensed contents, achieving economies of scale through attaining controlling interests in the Target Group and the Directors (including the independent non-executive Directors after taking into consideration of the advice of the Independent Financial Adviser) consider that the Acquisition is in the interest of the Group and the Shareholders as a whole. The Directors are not aware of the disadvantages of the transaction for the Company and the Shareholders as a whole.

The Group completed acquisitions of equity interest in Nova Dragon and acquisition of equity interest in China Digital Entertainment Company Limited, and it is now proposed to acquire further interest in the Target Company. These acquisitions will further strengthen the entertainment content business of the Group, such as music, movies and sports event content. The Board remains optimistic on future prospect of the e-licensing business and intends to concentrate in this e-licensing business. The Directors are of the view that the Acquisition is in the interest of the Group and the Shareholders as a whole in view of its profitability potential in the future.

As at the Latest Practicable Date, (i) other than the acquisition of 40% equity interest in the Target Group, the Group has no present intention to acquire further interest in the Target Company; (ii) the Board is in negotiation with the shareholders of Far Glory Limited for possible acquisition of further interest in Far Glory Limited in addition to its 51% equity interest. The Board considers that the acquisition of further interest will maximise the return from the business in future which may be in the benefit of the Group.

Save as disclosed above, as at the Latest Practicable Date, there is no concrete plan or terms for the acquisition of interests in Far Glory Limited. Save as above, as at the Latest Practicable Date, the Company had not identified any target for potential acquisition.

As at the Latest Practicable Date, save as disclosed above, the Group has no present intention to scale down or terminate its existing business subject to the Board's review of the business strategy from time to time. As at the Latest Practicable Date, the Board has no arrangement, intention, understanding or negotiation about any possible fund raising activities, however the Board does not rule out the possibility to consider fund raising activities if there is a need and if there is viable fund raising options which are in the interests of the Group and the Shareholders. The Enlarged Group expects that based on the existing scale of operation and in the absence of other unforeseeable circumstances, the Target Group has sufficient cash requirements of the Target Group in the following 12-month period and the Enlarged Group will not have any financing plan as at the Latest Practicable Date.

F. BOARD COMPOSITION

Mr. Chang has been appointed as an executive Director after the date of the Acquisition Agreement. Prior to his appointment, he was the directors of 2 subsidiaries of the Group, namely Nova Dragon and MVP Sports Marketing Company Limited. Save for the appointment of Mr. Chang, the Board would like to confirm that there is no present intention to change the board composition of the Company as a result of the Acquisition. However, the Board will not rule out the possibility of any future change in board composition which is a result of the resignation of any Directors for their own accord due to their personal matters or pursuing new career, and/or depending on the need of the Group, the recruitment of any director which the Board might consider appropriate from time to time who has the expertise in the Group's existing business or which the Board considers such recruitment would be beneficial to the Group to cater for its future development.

Neither the Vendor nor the Guarantor will be appointed as the Director after Completion.

G. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Group will be interested in 65% equity interest in the Target Company and its subsidiaries and the Target Company will be accounted for as a subsidiary of the Group.

(1) Effect on earnings

The financial impact of the Acquisition is set out in Appendix III to this circular. Please refer to the Appendix III to this circular for the unaudited pro forma financial information of the Enlarged Group and the basis of preparation thereof.

The Group recorded an audited turnover of approximately HK$28.69 million and loss after tax of approximately HK$98.25 million for the year ended 31 December 2012. Based on the unaudited pro forma financial information as set out in Appendix III of this circular, the turnover of the Enlarged Group for the year ended 31 December 2012 would have been increased by approximately HK$91.58 million to approximately HK$120.27 million as if the Acquisition had taken place at 1 January 2012. Therefore, given the historical financial performance of the Target Group, the Acquisition is expected to enhance the revenue base of the Enlarged Group. The loss of the Enlarged Group for the year ended 31 December 2012 would have been improved from approximately HK$98.25 million to approximately HK$90.82 million; and the loss attributable to equity holders of the Company would have been reduced from approximately HK$68.93 million to approximately HK$65.04 million as if the Acquisition had taken place at 1 January 2012.

(2) Effect on assets

Based on the unaudited pro forma financial information as set out in Appendix III of this circular, if the Acquisition had been completed on 30 June 2013, the unaudited pro forma total assets value of the Enlarged Group as at 30 June 2013 would have been increased by approximately HK$64.42 million from approximately HK$286.90 million to approximately HK$351.32 million. The increase of total assets was mainly due to increase in (i) the property, plant and equipment of approximately HK$1.06 million; (ii) intangible assets of approximately HK$31.59 million; (iii) account and other receivables of approximately HK$26.21 million; (iv) bank balances and cash of approximately HK$5.31 million (net amount after the payment of cash consideration of approximately HK$10.86 million; (v) the goodwill arising from the Acquisition of approximately HK$7.73 million; offset by the elimination of the interest in associates of approximately HK$7.48 million.

(3) Effect on liabilities

Based on the unaudited pro forma financial information as set out in Appendix III of this circular, if the Acquisition had been completed on 30 June 2013, the total liabilities of the Enlarged Group as at 30 June 2013 would have been increased by approximately HK$47 million from approximately HK$26.25 million to approximately HK$73.25 million, due to the increase in account and other payables of approximately HK$41.95 million and the increase in tax payable of approximately HK$5.05 million.

If the Acquisition had been completed on 30 June 2013, the net assets of the Enlarged Group as at 30 June 2013 would have been increased by approximately HK$17.41 million given the increase in total assets is greater than the increase in total liabilities. Therefore, the overall financial position of the Enlarged Group would have been improved.

The Acquisition is expected to provide an additional and stable income source to the Group in the medium to long term by way of direct profit contribution to the Target Group as a subsidiary of the Group and the Enlarged Group looks forward to the business opportunities to be brought by the Acquisition in the PRC.

H. GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules.

As one of the substantial shareholders of the Target Group, namely Mr. Chang, is a director of Nova Dragon and its subsidiary at the time of entering into the Acquisition Agreement, the Acquisition constitutes a connected transaction of the Company under Rule 20.13(1)(b)(i) of the GEM Listing Rules which is subject to the Independent Shareholders' approval requirements of the GEM Listing Rules.

On the date of the Board approving the Acquisition Agreement on 3 June 2013, none of the Directors has a material interest in the Acquisition and is required to abstain from voting on the board resolution approving the Acquisition Agreement and the transaction contemplated thereunder. Mr. Chang was appointed as the Director with effect from 15 July 2013 and he was not a member of the Board as at the date of approving the Board resolution for the Acquisition.

As at the Latest Practicable Date, the Vendor, Mr. Chang and their respective associates is interested in nil Share and 13,570,503 Shares respectively and are required to abstain from voting for the resolution approving the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder. Save as above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or Directors has a material interest in the Acquisition. Accordingly, save for the Vendor, Mr. Chang and their respective associates, no other Shareholder is required to abstain from voting for the resolution to approve the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares at the SGM.

I. SGM

Set out on pages SGM-1 to SGM-2 of the circular is a notice convening the SGM to be held at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong on Tuesday, 22 October 2013 at 10:00 a.m. at which ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder.

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 SGM is enclosed with this circular. Whether or not you are able to attend and vote at the SGM, 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 SGM. Completion and return of the form of proxy will not preclude you from attending and voting at SGM or any adjournment thereof if you so wish.

J. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 47 to 48 of this circular and the letter from Independent Financial Adviser on pages 49 to 74 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition and the transactions contemplated under the Acquisition Agreement (as amended and supplemented by the Supplemental Agreement and the Second Supplemental Agreement) as well as the principal factors and reasons taken into consideration in arriving at their advice.

Having taken into account of the advice of the Independent Financial Adviser, the Independent Board Committee considers that the Acquisition Agreement (as amended and supplemented by the Supplemental Agreement and the Second Supplemental Agreement) is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Acquisition Agreement (as amended and supplemented by the Supplemental agreement and the Second Supplemental Agreement) are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Acquisition Agreement (as amended and supplemented by the Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors who have expressed their views on the transactions contemplated under the Acquisition Agreement in this circular after receiving advice from Nuada) consider that the terms of the Acquisition Agreement, the Supplemental Agreement and the Second Supplemental Agreement) the transactions contemplated thereunder, are fair and reasonable and the entering into of the Acquisition Agreement and the Supplemental Agreement and the Second Supplemental Agreement are in the interest of the Company and the Shareholders as a whole, and accordingly, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Acquisition Agreement (as amended and supplemented by the Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder.

K. GENERAL

Your attention is drawn to the financial information and the general information set out in the appendices of this circular.

By order of the Board of
CHINA DIGITAL CULTURE (GROUP) LIMITED
Mr. Hsu Tung Sheng
Chairman

CHINA DIGITAL CULTURE (GROUP) LIMITED
中國數碼文化(集團)有限公司

(previously known as China Digital Licensing (Group) Limited
中國數碼版權(集團)有限公司)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8175)

3 October 2013

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ACQUISITION OF 40% EQUITY INTEREST IN SOCLE LIMITED

We refer to the circular dated 3 October 2013 issued by the Company (the "**Circular**"), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to consider the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder 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, and to recommend how the Independent Shareholders should vote at the SGM. Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of Nuada's advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 49 to 74 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 46 to the Circular and the additional information set out in the appendices of the Circular.

Having taken into account of the advice of Nuada, we consider that the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is 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 SGM to approve the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Mr. Wong Tak Shing	**Mr. Kwok Chi Sun, Vincent**	**Mr. Leung Hiu Kong, Edward**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from Nuada Limited in connection with the Acquisition which has been prepared for inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

19th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街111號 BLINK 19字樓

3 October 2013

To the Independent Board Committee and the Independent Shareholders of
CHINA DIGITAL CULTURE (GROUP) LIMITED
(previously known as China Digital Licensing (Group) Limited)

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING THE ACQUISITION OF 40% EQUITY INTEREST IN SOCLE LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholders should vote in favour of the Acquisition. Details of the Acquisition are set out in the letter from the board (the "**Board's Letter**") in the circular to the Shareholders dated 3 October 2013 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

On 3 June 2013, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor and the Guarantor entered into the Acquisition Agreement (as amended and modified by the Supplemental Agreement and the Second Supplemental Agreement) pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 40% of the entire issued share capital of the Target Company, at the Consideration of HK$18,624,000.

As disclosed in the Board's Letter, the Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules, and as Mr. Chang, being one of the substantial shareholders of the Target Group, is a director of Nova Dragon (an indirect wholly-owned subsidiary of the Company) and its subsidiary at the time of entering into the Acquisition Agreement, the Acquisition constitutes a connected transaction of the Company under Rule 20.13(1)(b)(i) of the GEM Listing Rules which is subject to the Independent Shareholders' approval requirements of the GEM Listing Rules.

Further information regarding the Vendor, the Guarantor and Mr. Chang are set out in the Board's Letter.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true, accurate and complete at the time they were made and continue to be true, accurate and complete as at the date of the SGM. We have also assumed the accuracy and truthfulness of the published information and the market data available from public domain referred to and relied on by us in our analysis.

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information to reach an informed view regarding the Acquisition, and to justify our reliance on the accuracy of the information contained in the Circular and to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided to and/or reviewed by us, nor have we carried out any in-depth investigation into the business, affairs and prospects of the Company, the Target Company, their respective subsidiaries, associates and/or any of their business partners or the markets in which they respectively operate.

We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Acquisition Agreement and/or any contracts/documents in relation to the business of the Target Group and/or the business existence and operations of the Target Group. We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorizations, licenses, clearances and approvals necessary for the effectiveness and implementation of the Acquisition Agreement and/or any contracts/documents in relation to the business of the Target Group and/or the business existence and operations of the Target Group have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Acquisition Agreement.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Acquisition. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the Acquisition Agreement and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

Business of the Group and reasons for the Acquisition

The Group is principally engaged in the provision of copyright management solution and the related consultancy services and the distribution of copyright-protected items (the "**e-Licensing Business**").

The Group previously also engaged in the development and provision of online education programs and provision of e-learning services, provide languages and mathematics learning programs to students in secondary and primary schools in Hong Kong and Macao (the "**e-Learning Business**"). On 26 April 2013, the Group entered into a conditional agreement in relation to the disposal of the e-Learning Business (completed on 16 July 2013), details of which are set out in the announcements dated 26 April 2013 and 16 July 2013, and the circular dated 25 June 2013 of the Company, upon completion of which the Group has ceased to engage in the e-Learning Business.

As advised by the Company, at all material time the e-Licensing Business was and is the core business of the Group. In the year 2012 and 2011, the e-Licensing Business contributed approximately 54% and 66% of the revenue of the Group respectively and accounted for approximately 66% and 74% of the total asset of the Group respectively. As disclosed in the annual report 2012 of the Company, the e-Licensing Business of the Group recorded turnover of approximately HK$15.29 million and loss before taxation of approximately HK$63.11 million for the financial year ended 31 December 2012. Such loss was mainly due to (i) written off of prepayment to licensors of approximately HK$39.38 million, of which approximately HK$34,180,000 was confirmed to be expired in May 2012 by entering into a supplemental agreement with the licensor in December 2012; and (ii) allowance for doubtful debts on loans to and due from jointly controlled entities of approximately HK$20.23 million. In addition, as noted from the annual report 2012 of the Company, the Group recognized an impairment loss on interest in associates (i.e. the Target Company, in which the Company is currently interested in 25%) of approximately HK$21.52 million for the financial year ended 31 December 2012 as certain content licenses of professional sports events cannot be renewed upon the expiry of the respective license period in late 2012. As advised by the Company, the above-mentioned written off of prepayment to licensors, allowance for doubtful debts and impairment loss on interest in associates are one-off and non-recurring in nature.

As advised by the Company, (i) the prepayment to licensors were for music content licences, the expiry of which are replaced by cooperative arrangement with the licensors based on sharing of income; and (ii) notwithstanding the expiry of certain content licences of professional sports events under the group of an associate of the Company (i.e. the Target Company, in which the Company is currently interested in 25%) in late 2012, the relevant license right of the AFC Champion League (亞足聯冠軍聯賽) for the Beijing region and the Chinese Football Association Super League (中國足球協會超級聯賽) under their respective terms was renewed and the Target Group is able to secure additional contents of major professional sports events and entertainment content from sports events organizers or content licensors, such as the Bundesliga (德國足球甲級聯賽) and the East Asia Football Championships (東亞足球協會錦標賽). In addition, as advised by the Company, the future development of the e-Licensing business would be exploring more channels for distribution of licensed contents, such as cooperation with corporations other than telecommunication operators, website and entertainment services providers on one hand, and enriching the variety of contents to cover areas of music, culture, entertainment and sports through strategic alliance and acquisitions on the other hand. However, the non-renewal of certain license rights as mentioned above reflects the business risks of the Target Group associated with heavy reliance on the obtaining and renewing of license rights for various professional sports events and entertainment contents, the failure of which may adversely affect the content portfolios as well as income stream of the Target Group. Please also refer the section headed "**Specific risks relating to the business of the Target Group**" below. As set out in the Board's Letter, we note that the Target Group mitigates the risk of reliance through exploring more varieties of professional sports events content that are popular throughout Asia.

In line with the Group's overall business strategy in the expansion of its core business in the e-Licensing Business, the Company proposed to acquire content business with a view to increase the varieties of content and broaden the market for its e-Licensing Business. In January 2013, the Group announced two acquisitions: (i) the acquisition of the entire equity interest in Nova Dragon (completed on 12 April 2013), which is principally engaged in assisting professional athletes with marketing and promotional activities in the Greater China Region; and (ii) the acquisition of 80% equity interest in China Digital Entertainment Company Limited (completed on 25 April 2013), which is engaged in the promotion, sales and distribution of movie and music licensed content worldwide and the organization of concerts, programs and related services. On 27 March 2013, the Group also entered into a strategic cooperation framework agreement with one of the prominent film distribution companies in the PRC, HuaXia Film Distribution Company (華夏電影發行有限公司), in relation to the overseas distribution of various films and programs produced in the PRC. On 31 May 2013, the Group also entered into an agreement with one of the leading record labels in the Greater China Region, Gold Typhoon Group (金牌大風音樂集團), in relation to an exclusive distribution of music content on music platform of China Unicom for a term of two years.

For the six months ended 30 June 2013, the Group recorded a turnover of HK$12,725,000 from continuing operations as compared to HK$20,434,000 in the same period in 2012. The decrease in turnover is primarily attributable to the temporary lack of demand in 2nd quarter of 2013. The Group projects turnover to increase in 3rd quarter and 4th quarter of 2013 through the increased music content from Gold Typhoon Group and the potential use of China Telecom as a distribution platform. The Group reported a net profit attributable to equity holders for both continuing and discontinued operations of approximately HK$2,981,000 for the six months ended 30 June 2013, compared to a net profit of approximately HK$1,039,000 in the corresponding period of last year. Such increase is mainly attributable to the reversal of HK$2,950,000 impairment loss on the amount due from a jointly controlled entity in 2013 and cost reduction relating to contract renegotiations.

The Target Group is principally engaged in the provision of professional sports events and entertainment contents. As at the Latest Practicable Date, the Target Company is owned as to 25% by the Purchaser, 40% by the Vendor and 35% by Mr. Chang. The 25% equity interest in the Target Company was acquired by the Purchaser under the Previous Acquisition completed in June 2011 as a strategic opportunity of the Group to strengthen its digital copyright management solution business and enrich the variety of licensed contents of the Group.

Upon Completion, the Company will be interested in 65% equity interest in the Target Company. The Target Group will become non-wholly owned subsidiaries of the Company and the financial information of the Target Group will be consolidated to the financial information of the Group upon Completion.

As disclosed in the Board's Letter, the Board believes that the Acquisition would further enhance the profitability of the Group given the track record of the Target Group, and the Board is confident that the professional sports events and entertainment contents of the Target Group will enrich the existing music and entertainment contents of the Group that will contribute positively to the Group from the stable cash flow contribution of the Target Group. Hence the Directors are of the view that the acquisition of the controlling interests in the Target Company will maximize the future revenue contribution to the Group by broadening the portfolio of licensed contents, achieving economies of scale through attaining controlling interests in the Target Group. As advised by the Company, the Board believes that the Acquisition would enhance the profitability of the Group based on the proven profit historical record for the two financial years ended 31 December 2012. However, the Independent Shareholders should note that the profitability of the Group and/or the Target Group in the future is not ascertained, in particularly in view of the loss record of the Target Group for the four months ended 30 April 2013 to be detailed below. Nevertheless, the Target Group is able to secure additional contents of major professional sport events and entertainment content, such as the Women's Tennis Association (WTA) Tournament (世界女子網球聯合會巡迴賽) in 2012, the Bundesliga (德國足球甲級聯賽) and East Asian Football Championships in 2013 (東亞足球協會錦標賽). Furthermore, we consider that leveraging on the existing license rights of sports events and entertainment contents entitled by the Target Group and the established business relationship of the Target Group with licensors of sports events and entertainment contents as well as media and/or channels, the Acquisition would enable the Group to enhance the business portfolios and the income stream of the Group is in line with its expansion strategy as detailed above.

Business and financial information of the Target Group

The Target Group is principally engaged in the provision of professional sports events and entertainment contents. As disclosed in the Board's Letter, the Target Group is currently one of the major professional sports events and entertainment contents providers in the PRC in terms of the professional sports events programs distributed in the PRC (excluding Hong Kong, Taiwan and Macao Special Administrative Region), and with its partnership with various professional sports events and entertainment content providers, the Target Group is well-positioned to cater for the demand of the vast and ever increasing number of audiences in the PRC, Asia and other regions, with premium sports and quality entertainment professional sports events and entertainment contents.

The Target Group is an intermediary between the sports event organizers or content licensors and the media. The sports event organizers or content licensors grant the Target Group authorization to distribute sports events and entertainment contents in return for license fee, most of these authorization are on an exclusive basis on selected media and region. The Target Group has obtained the license right of major professional sports events and entertainment contents from its sports events organizers or content licensors.

The revenue of the Target Group was mainly derived from the provision of use of license of professional sports events and entertainment contents by the three major operating subsidiaries, namely the Beijing Company, the Shanghai Company and Olympic Wealth Limited, to media and channels in the PRC and overseas media, while the major costs of the Target Group was the license fees paid for obtaining professional sports events and entertainment content from sports events organizers/licensers, through the license agreements between the Target Group and the sports events organizers or content licensors.

Set out below are the consolidated financial information of the Target Group for each of the three financial years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2013 prepared in accordance with the generally accepted accounting principles in Hong Kong as extracted from Appendix II to the Circular:

	Financial year ended 31 December			**Four months ended 30 April**
	2010	**2011**	**2012**	**2013**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(audited)	(audited)	(audited)	(audited)
Turnover	5,416	62,833	91,574	10,747
Gross profit	1,621	13,556	24,835	741
Net profit/(loss) before tax	1,559	19,230	13,265	(1,868)
Net profit/(loss) after tax	1,559	18,776	10,406	(2,095)
Total comprehensive income/(loss)	1,559	19,166	10,564	(1,518)

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(audited)	(audited)	(audited)	(audited)
Net asset value	1,472	20,638	31,202	29,684

For the financial year ended 31 December 2012

The Target Group recognized a consolidated turnover for the financial year ended 31 December 2012 of approximately HK$91.57 million as compared to that of approximately HK$62.83 million and approximately HK$5.42 million for the financial years ended 31 December 2011 and 31 December 2010 respectively. The increase in the consolidated turnover for the financial year ended 31 December 2012 was due to the increase in turnover contribution from licensing of license rights while the significant increase in 2011 was due to the completion of the acquisition of the Beijing Company and the Shanghai Company in April 2011 which started to have revenue and profit contribution to the Target Group.

The consolidated gross profit of the Target Group for the financial year ended 31 December 2012 was approximately HK$24.84 million as compared to that of approximately HK$13.56 million and approximately HK$1.62 million for the financial years ended 31 December 2011 and 31 December 2010 respectively. The Target Group recorded consolidated net profit for the financial year ended 31 December 2012 of approximately HK$10.41 million, as compared to approximately HK$18.78 million for the financial year ended 31 December 2011 and approximately HK$1.56 million for the financial year ended 31 December 2010 respectively. The decrease in consolidated net profit of the Target Group for the financial year ended 31 December 2012, as compared to that for the financial year ended 31 December 2011, was mainly due to the absence of other income of approximately HK$14.69 million (comprising government subsidy, gain on disposal of subsidiary and gain on bargain purchase on business combination) recorded for the financial year ended 31 December 2011, details of which are set out in Appendix II to the Circular. The total consolidated comprehensive income of the Target Group for the financial year ended 31 December 2012 was approximately HK$10.56 million as compared to that of approximately HK$19.17 million and approximately HK$1.56 million for the financial years ended 31 December 2011 and 31 December 2010 respectively.

Prior to completion of the Previous Acquisition of 25% equity interest in the Target Company on 7 June 2011, the Target Group had obtained the license rights of several professional sports events and entertainment contents. Set out below are three major license rights of contents obtained by the Target Group prior to completion of the Previous Acquisition:

License rights obtained prior to completion of the Previous Acquisition	**Expiry**	**Renewal**
AFC Champions League (亞足聯冠軍聯賽)	December 2012	Until 2016 *(Note 1)*
China Football Association Super League (中國足球協會超級聯賽)	December 2011	Until 2014
China Basketball Association league (CBA) league (中國男子籃球職業聯賽)	June 2012	Not renewed

Notes:

1. The renewal is for the Beijing region.

2. The license rights of above sports events and entertainments contents are subject to various scope and terms of exclusivity pursuant to the relevant licensing contracts.

Notwithstanding the non-renewal of certain license rights due to commercial judgment of the management of the Target Group as detailed in the Board's Letter, the Target Group succeeded in renewing the other license rights and was able to obtain other new license rights for professional sports events like The Badminton World Federation (BWF) Grand Prix (世界羽毛球協會超級系列賽) in October 2011, the Bundesliga (德國足球甲組聯賽) in October 2012, and the Women's Tennis Association (WTA) Tournament (世界女子網球聯合會巡迴賽) in March 2013 to further diversify and enrich the content of sports events provided.

Moreover, the Target Group has been expanding its business network with the local television and the new media namely Sohu, Sina, Tencent, PPTV, LETV and International Management Group (IMG), so as to capture the increasing number of audience using network TV. Currently, the Target Group has maintained long term business relationship with well-known media and channels in the PRC and overseas media as its customers, such as CCTV (中央電視台), and other television stations in Beijing (北京), Guangdong (廣東), Jiangsu (江蘇), Tianjin (天津) and new media in the PRC and in the United States namely Sohu, Sina, Tencent, LETV, PPTV and International Management Group (IMG) etc.. The terms of most of the contracts entered into between the Target Group and the above mentioned media and channels in the PRC and overseas media for provision of professional sports events and entertainment contents range from a period of 1 year to 4 years.

For the four months ended 30 April 2013

For the four months period ended 30 April 2013, the consolidated turnover of the Target Group was approximately HK$10.75 million compared to that of approximately HK$40.29 million for the four months ended 30 April 2012. Also, the gross profit of the Target Group was approximately HK$0.74 million for the four months period ended 30 April 2013, compared to that of approximately HK$11.56 million for the four months ended 30 April 2012. As advised by the Company, the decrease in turnover was mainly due to (i) the non-renewal of distribution license right for the China Basketball Association (CBA) league (中國男子籃球職業聯賽); and (ii) renewal of the distribution for the 2013 AFC Champion League (亞足聯冠軍聯賽) was still under negotiation during the period.

For the four months ended 30 April 2013, the administrative expenses of the Target Group was approximately HK$1.64 million compared to that of approximately HK$2.45 million for the four months ended 30 April 2012 due to the decrease in cost incurred by the Target Group. For the four months ended 30 April 2013, the total consolidated comprehensive loss of the Target Group was approximately HK$1.52 million compared to the total consolidated comprehensive income of approximately HK$2.37 million for the four months ended 30 April 2012. The resulted loss was mainly due to the decrease in turnover as mentioned above.

As advised by the Company, in 2013, the Target Group had succeeded in (i) renewing partially the license rights for the 2013-2016 AFC Champions League (亞足聯冠軍聯賽); (ii) securing new license rights for the 2013 East Asian Football Championships (東亞足球協會錦標賽) and the 2013-2016 Women's Tennis Association (WTA) Tournament (世界女子網球聯合會巡迴賽);and (iii) leveraging on the licensing contracts with the relevant content providers on hand, securing and entering into a number of revenue-generating licensing contracts with customers, in the ordinary course of its business.

As at the Latest Practicable Date, the Target Group had secured the license rights for a number of sports events and entertainment contents by contracting with the relevant licensors, mainly including:

– 2013-2016 AFC Champions League (亞足聯冠軍聯賽)

– 2012-2014 The China Football Association Super League (中國足球協會超級聯賽)

– 2013 East Asian Football Championships (東亞足球協會錦標賽)

– 2011-2013 Badminton World Federation (BWF) Grand Prix (世界羽毛球協會超級系列賽)

– 2013-2016 Women's Tennis Association (WTA) Tournament (世界女子網球聯合會巡迴賽)

– 2012-2015 Bundesliga (德國足球甲級聯賽)

Most of the above mentioned sports events and entertainment contents are obtained on an exclusive basis for different media, such as television channel and network television ranging from a period of 1 year to 4 years. Details regarding the licensing contracts (e.g. licensors, licensees, exclusivity and valid period), and the major customers and valid period of the major customers' agreements of each of the above-mentioned sports events and entertainment contents are listed in the sub-section headed "**(g) Professional sports events and entertainment contents**" under the section headed "**INFORMATION ON THE TARGET COMPANY**" in the Board's Letter.

In the future, as advised by the Company, the Target Group would continue its efforts in soliciting and securing new license rights with an aim to broaden its content portfolios on one hand, and enriching its customer base with various media and channels in the PRC and overseas for distribution of contents with an aim to maximizing its return on the other hand. However, it should be noted that the business of the Target Group are subject to business risks associated with heavy reliance on the obtaining and renewing of license rights for various professional sports events and entertainment contents, the failure of which may materially affect the content portfolios as well as income stream of the Target Group. Please also refer the section headed "**Specific risks relating to the business of the Target Group**" below.

Further details regarding the Target Group, including its organizational structure, the principal operating subsidiaries of the Target Company, the business, operational and revenue model and the competitive advantages of the Target Group as well as the risks relating to the Target Group's business are set out in the section headed "**INFORMATION ON THE TARGET GROUP**" in the Board's letter.

Taking into account the principal business of the Target Group in the provision of professional sports events and entertainment contents, the existing license rights of sports events and entertainment contents entitled by the Target Group as well as the established business relationship of the Target Group with licensors of sports events and entertainment contents as well as media and/or channels with proven historical profit record, we consider that the Acquisition represents an opportunity for the Group to obtain controlling interest in the Target Group strengthening the Group's existing business in the provision of copyright management solution and the related consultancy services and the distribution of copyright-protected items.

Specific risks relating to the business of the Target Group

Notwithstanding the foregoing, Independent Shareholders should note that the profitability of the Target Group in the future is not ascertained and the success of the Target Group's business mainly relies on its capability in obtaining license rights for various professional sports events and entertainment contents as well as securing contracts with media and/or channels for broadcasting of such professional sports events entertainment contents for return of license fees and maximizing such return so as to contribute positively to the financial performance of the Target Group in the future, and the business of the Target Group is subject to risks including but not limited to the expiry and non-renewal of existing licensing contracts and/or the failure to obtain new licensing contracts with licensors, and/or the failure in sustaining licensing contracts with customers for generating return from the sports and entertainment contents distributed by the Target Group.

As advised by the Company, (i) the Target Group has established business relationships with television stations and other distribution channels in the PRC and overseas and its customer base has been growing as mentioned above, and the Board consider that the growing customer base would help mitigate the risks associated with the failure in sustaining licensing contracts with customers; and (ii) the Target Group would continue to solicit and secure new license rights of sports and entertainment contents so as to broaden the content portfolios and help mitigate the risks associated with reliance on existing license rights obtained from the relevant content providers.

Industry overview

Sports industry in China

According to the information as available from the website of Wikipedia (http://en.wikipedia.org/wiki/Sport_in_China), since the 20th century, a large number of sports activities, both Western and traditionally Chinese, are popular in China. The country has its own national quadrennial multi-sport event similar to the Olympic Games, the National Games of the People's Republic of China. Prior to the 1990s, sport in China, as in some other countries, was completely government-funded. The situation began to change in 1994 when Chinese football became the first sport to take the professionalization road and in its wake similar reforms were carried out in basketball, volleyball, ping pong and weiqi. The process brought with it commercialization; sport associations became profit-making entities and a club system came into being; professional leagues formed, improving China's sports environment; and commercial management systems took shape. The professionalization of sports has encouraged the emergence of a sports management market and business-structured systems. Sports club operations now cover ticket sales, advertising, club transfers, commercial matches, television broadcasting and other commercial activities. The 2008 Summer Olympics were held in Beijing from 8 August to 24 August 2008. China will also host the 2014 Youth Olympic Games from 16 to 28 August 2014 and will continue the fever for bidding for 2030 or 2038 Winter Olympics and will choose a Chinese city which will host.

According to the Notice Regarding Publication of 12th Five Year Plan of Sports Industry (體育產業"十二五"規劃) published in 2011 as available from the website of General Administration of Sport of China (http://www.sport.gov.cn), during the period of the 11th Five Year Plan, against the backdrop of the accelerating development of the national economy and sports industry, the sports industry of the PRC grew with continuous expansion in scale and trend of relatively rapid development, realizing added-value of RMB155.5 billion in 2008, up 16% as compared to that in 2007. During the 12th Five Year Plan, the development target includes, amongst others, sustaining the rapid development of the sports industry with rapid average annual growth of above 15% of the added-value reaching RMB400.0 billion at the end of the period of the 12th Five Year Plan, while the promotion of sports competition and performance is being one of the foremost major duties of sports development in the PRC.

According to the information as available from the website of General Administration of Sport of China (http://www.sport.gov.cn), there is over 670 local sports competition events held/to be held at various locations in the PRC, and over 370 international sports competition events held/to be held at various locations in the PRC in 2013.

Television broadcasting and telecommunication industry in China

According to the information published in 2010 available from public domain,

(a) by the end of 2010, there were totally 247 television stations, 2,120 radio & television stations and 44 education television stations in mainland China. There were more than 400 million TV sets in mainland China covering a population of 1.4 billion. There were totally 1.3 billion radio listeners, covering 96.31% of the whole population, and 1.3 billion TV viewers, covering 97.23% of the whole population.

(b) by the end of 2009, driven by digital and network technologies, 25 radio and TV stations including CNTV launched network TV broadcasting services. China's cable TV networks owned 3.33 million-kilometer-long fiber optic cables, as well as 10 million-kilometer-long coaxial cables. The total number of cable subscribers increased by 10 million over 2008. The number of digital TV subscribers reached 61.99 million, increasing by 16.72 million, and the number of pay TV subscribers reached 7.05 million, increasing by 2.56 million. 44% of the whole population has opened up cable TV service, and the percentage of digital transition for cable TV service reached 35.63%.

(c) in 2009, China's total broadcasting revenues reached RMB166.5 billion, increasing by RMB8.2 billion over 2008. Among them there were RMB146.7 billion of operational revenues, accounting for 88.11%, and governmental subsidiary revenues reached RMB19.8 billion, accounting for 11.99%. The total advertisement revenues reached RMB75.2 billion, accounting for 51.62%. Cable TV networks achieved their revenues of RMB39.1 billion, accounting for 26.65%. And other revenues were RMB32.4 billion, accounting for 21.73%.

(d) Digital cable TV transition percentage in national or provincial capitals and cities directly under the central government reached 90%, while prefectural cities only achieved 50% of digital transition. Totally 106 cities in mainland China have already achieved total digital transition process, with their digital cable TV subscribers reaching 61.99 million households accounting for 35.63%. The number of HD TV channels continued to increase, and there were totally 13 HD TV channels in 2009, including CCTV HD and every provincial HD channels, and HD STBs delivery percentage in first-tier cities reached 40%.

(e) The three basic telecommunication operators are China Mobile, China Telecom and China Unicom, all qualified players in terms of both telephone and cell phone services. By the end of 2009, there were totally 1.06 billion telephone and cell phone users in mainland China, increasing by 79.47 million, or 8.1% over 2008. There were about 56 cell phones among every 100 persons in mainland China, increasing by about 7 cell phones over 2008.

(f) by the end of 2009 netizens in mainland China increased by 28.9% over 2008. China's internet penetration rate reached 28.9%. Households with broadband services increased by 24.6% over 2008.

(g) in 2009, China's total telecommunication revenues reached RMB870.73 billion, increasing by 4.1% over 2008. The mobile telecommunication revenues reached RMB509 billion, constituting the great bulk of China's total telecommunication revenues.

Opportunities, challenges, competitive landscape and entry barrier relating to the business of the Target Group

The development of the sports industry and the television broadcasting and telecommunication industry in the PRC may represent opportunities for the Target Group to capture any market potentials in its sports licensing business. In the future, the Target Group would continue sourcing sports content from different geographical regions and sports genre, soliciting exclusive rights for distribution of sports events and entertainment content with wider geographical coverage, and identifying potential customers, in particular online content providers. Against the backdrop of the development of the sports industry and the television broadcasting and telecommunication industry in the PRC, the challenge of the Target Group would be to keep up with the pace of development of the market to identify and solicit license rights for sports events with popularity at competitive price as well as to explore diversified distribution channels and expand market coverage, including the potentiality of new media in the PRC, so as to maximize its return.

Notwithstanding the established business connections with content providers as well as various customers, including broadcasters and online content providers, the Target Group may also face competition from local and/or foreign competitors both in obtaining license rights of sports events and entertainment content and in competing for broadcasting channels, in particular media platforms may obtain license rights from content providers directly. For information purpose, pursuant to a document headed "About the strengthening of sports TV coverage and broadcast management notice by the State Administration of Radio Film and Television"# (《國家廣播電影電視總局關於加強體育比賽電視報道和轉播管理工作的通知》) released in January 2001 by The State Administration of Radio, Film and Television (國家廣播電影電視總局), CCTV are the sole agent permitted to negotiate and obtain the broadcasting rights for the major international and domestic sports events in the PRC, such as Olympic Games, Asian Games, the World Cup and the National Games of the PRC, etc. Other sports license content is permitted to be negotiated by other licensing companies or media. As advised by the management of the Company, the Target Group face competition from other competitors including other PRC licensing companies, international sports and media contents provision companies, as well as indirect competitions from some PRC sports television channels. Indirect competitions occur when some regional television stations obtain license rights from the contents providers directly while no other agents obtained such exclusive rights in a particular region for that league term. For the competitions from other PRC licensing companies, competitions come from the stage of obtaining license rights from sport events organizers or other licensors which inevitable push up the cost in obtaining or renewing the license. In addition, based on the terms of the licensing agreement, these media platforms may also distribute the licensing rights to other media platforms. However, as advised by the management of the Target Group, such competition is limited in the following ways:

a. Media platforms will only obtain content directly from content providers if the content is not represented by any licensing agents but is sold directly from the content providers. For example, NBA and Euro Cup.

b. Most media platforms could obtain the license rights for the use of their own without the redistributable rights as such cost is higher and it is not part of their business.

c. Potential competitors need to have a large amount of startup capital for obtaining license rights and building relationship with customers, and sometimes such potential customers are other media/television stations which are their competitors.

d. Sport event organizers may be hesitant in granting license rights to new companies.

e. International sports and media companies obtain long-term licensing rights for a key sport event in the PRC and distribute the license rights to the media platforms in the PRC directly. However, those companies might not be familiar with the local business environment and prefer to cooperate with local licensing companies, such as the Target Group which is one of the major industry players with extensive experience, to distribute the license content in the PRC. Therefore competitions from international sports and media companies is limited in the PRC market.

As advised by the management of the Target Group, they believe that barrier entry to the industry include past experience, the large amount of initial contract commitment before securing customer agreements reflect underlying risk and uncertainty and the business connection with licensors and different media.

Please also refer the section headed "**Specific risks relating to the business of the Target Group**" above.

Principal terms of the Acquisition Agreement

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 40% of the entire issued capital of the Target Company at the Consideration of HK$18,624,000, of which (i) HK$4,000,000 in cash has been paid by the Company to the Vendor upon the signing of the MOU; (ii) HK$2,000,000 in cash has been paid by the Purchaser to the Vendor upon signing of the Acquisition Agreement; (iii) HK$4,864,000 in cash shall be payable by the Purchaser to the Vendor upon Completion; and (iv) HK$7,760,000 shall be payable by the Purchaser by procuring the Company to allot and issue the Consideration Shares at the Issue Price to the Vendor (or its nominee) upon Completion.

As disclosed in the Board's Letter, the Consideration represents a price-earnings ratio of approximately 4.474 times based on the audited profit after taxation for the financial year ended 31 December 2012 of the Target Group and equity interest to be acquired in the Target Group, and the Directors consider that such price-earnings multiple is reasonable after considering the price-earnings multiple of comparable companies listed on the Stock Exchange.

It is noted that, since there was no company listed in Hong Kong engaging in the distribution of the sports events and entertainment contents, the Board expanded the selection scope by including listed companies engaging in the licensing and/or distribution of entertainment contents in the PRC, such as music, film and TV program etc. of which the segment revenue contributed more than 20% of the total revenue for the latest financial year of the companies in their respective annual report, and the Company had, on a best efforts basis, identified nine comparable companies, only two of them are profitable with price-earnings multiples of approximately 1.26 times and 20.63 times based on the source of information then available to and referred to by the Board (the "**Comparables**"). The price-earnings multiple of 4.474 times of the Acquisition is at the low end of the price-earning multiples of such Comparables, details of which are set out in the Board's Letter.

Given the uniqueness of the business model, the Board considered there are limitations in using price-earnings multiple approach ratio since these comparables are not purely engaged in content distribution in the PRC, most of them are also engaged in the production of content and/or other related business and the revenue of the identified comparable companies are much larger than that of the Target Group. Notwithstanding variations among such Comparables and the Target Group, given the profit record of the Target Group, we consider that it is commercially justifiable for the Directors to consider the price-earnings multiples of the Comparable as a general reference, which is comparable to the Target Group in terms of the principal business activities involved in distribution of entertainment contents and the market involved in the PRC, in negotiating the Consideration. Nevertheless, it should be noted that price-earnings ratio analysis, though is a common benchmark for valuing business enterprises, is subject to limitations due to variations among the Target Group and the Comparables, including but not limited to different scale and scope of operations, asset base, geographical presence, contents for distribution involved, distribution channels, suppliers and customers, in particular the Comparables may also engaged in the production of entertainment contents and businesses and/or any other businesses other than distribution of entertainment contents in the PRC.

Upon our review of the information regarding the Comparable companies identified by the Company, and our independent search for companies listed on the Stock Exchange engaging distribution of entertainment contents in the PRC with profits, excluding those with revenue contributed from such business activities representing less than 20% of the total revenue, based on the latest annual results of the relevant companies as disclosed in the relevant annual reports published prior to the date of the Acquisition Agreement as available on the website of the Stock Exchange, we have identified only one listed company in Hong Kong, namely ChinaVision Media Group Limited, as comparable ("**ChinaVision**"). ChinaVision is principally engaged in the production and distribution of film rights, mobile game and television subscription, mobile value added services, advertising agency and newspaper and magazine distribution, other agency services, securities trading and investment.

Details regarding the price-earnings ratio of ChinaVision are set out below:

Company name	Stock code	Share price	Earnings per share	Price-earnings ratio	% of revenue contributed by distribution of entertainment contents in the PRC
			(approximately)	*(approximately)*	
		(HK$)	*(HK$)*		
		(Note 1)	*(Note 2)*	*(Note 3)*	
ChinaVision Media Group Limited	1060	0.495	0.023	21.52	40.92%

Notes:

1. The closing price of the shares of ChinaVision on 3 June 2013, being the date of the Acquisition Agreement, based on the information as available on the website of the Stock Exchange (www.hkex.com.hk) (the "**Closing Price**").

2. Being the net profit of ChinaVision for its latest financial year as disclosed in its annual report 2012 divided by the number of issued shares of the ChinaVision as of 3 June 2013, being the date of the Acquisition Agreement, based on the information as available on the website of the Stock Exchange (www.hkex.com.hk) (the "**Earnings per Share**").

3. The price earnings ratios are calculated based on the Closing Price and the Earnings per Share.

The price-earnings ratio represented by the Consideration of approximately 4.474 times based on the audited profit after taxation for the financial year ended 31 December 2012 of the Target Group and equity interest to be acquired in the Target Group is below the price-earning ratio of ChinaVision of approximately 21.52 times. ChinaVision is also included in the list of Comparables set out in the Board's Letter. For reference purpose, eSun Holdings Limited, which is included in the list of Comparable set out in the Board's Letter, is excluded from our list above as it is noted from the annual report 2011-2012 of eSun Holdings Limited that the consolidated net profit of eSun Holdings Limited for its latest financial year is substantially attributable to gain on bargain purchase of subsidiaries, the exclusion of which would result in loss-making record.

Furthermore, in view of the fact that there is only one suitable comparable identified by us for price-earnings ratio analysis, we have attempted to make additional reference to the price-to-sales ratios of the Comparables, whether profit-making or loss-making, in assessing the fairness and reasonableness of the Consideration. It is found that the price-to-sales ratios of the Comparables range from 1.38 times to 51.76 times, details of which are set out below:

Company name	**Stock code**	**Share price**	**Sales per share**	**Price-to-sales ratio**	**% of revenue contributed by distribution of entertainment contents in the PRC**
			(approximately)	*(approximately)*	
		(HK$)	*(HK$)*		
		(Note 4)	*(Note 5)*	*(Note 6)*	
A8 Digital Music Holdings Limited	800	0.850	0.3007	2.83	65.38%
Cheung Wo International Holdings Limited	9	0.720	0.0313	23.00	38.71%
ChinaVision Media Group Limited	1060	0.495	0.1313	3.77	40.92%
eSun Holdings Limited	571	1.180	0.5647	2.09	63.98%
Media Asia Group Holdings Limited	8075	0.056	0.0089	6.29	100.00%
Mei Ah Entertainment Group Limited	391	0.122	0.0637	1.92	64.71%
National Arts Holdings Limited	8228	0.088	0.0017	51.76	48.46%
Universe International Holdings Limited	1046	0.061	0.0443	1.38	77.41%
Viva China Holdings Limited	8032	0.465	0.0112	41.52	76.99%

Notes:

4. The respective closing price of the shares of each of the Comparables on 3 June 2013, being the date of the Acquisition Agreement, based on the information as available on the website of the Stock Exchange (www.hkex.com.hk) (the "**Respective Closing Price**").

5. Being the respective sales of each of the Comparables for their respective latest financial year as disclosed on their respective annual report published prior to 3 Jun 2013, being the date of the Acquisition Agreement, divided by the respective number of issued shares of each of the Comparables as of 3 June 2013, being the date of the Acquisition Agreement, based on the information as available on the website of the Stock Exchange (www.hkex.com.hk) (the "**Respective Sales per Share**").

6. The price-to-sales ratios are calculated based on the Respective Closing Price and the Respective Sales per Share.

7. For analysis purpose only, sales denominated in Renminbi are converted into Hong Kong dollars at the exchange rate of RMB1.00 = HK$1.266, which does not in any manner represent and/or imply that the currencies could be actually diverted at such exchange rate.

The Consideration represents a price-to-sales ratio of approximately 0.51 times based on the audited turnover of the Target Group for the financial year ended 31 December 2012 attributable to 40% equity interest in the Target Company of approximately HK$36,629,600, which is below that of all the Comparables.

In addition, for analysis purpose only, we have attempted to make additional reference to the price-to-sales ratio represented by the Consideration based on the annualized turnover derived from the audited turnover of the Target Group for the four months ended 30 April 2013 attributable to 40% equity interest of the Target Company (i.e. approximately HK$12,896,400) of approximately 1.45 times, which is below that of most of the Comparables. It should be noted that the above-mentioned annualized turnover of the Target Group is presented for analysis purpose only and is hypothetical in nature, and does not in any manner represent and/or imply the actual turnover of the Target Group.

Taking into account (i) the price-earnings ratio represented by the Consideration of approximately 4.474 times based on the audited profit after taxation for the financial year ended 31 December 2012 of the Target Group and equity interest to be acquired in the Target Group is below that of ChinaVision of approximately 21.52 times; (ii) the price-to-sales ratio represented by the Consideration of approximately 0.51 times based on the audited turnover of the Target Group for the financial year ended 31 December 2012 attributable to 40% equity interest of the Target Group is below that of all the Comparables ranging from 1.38 times to 51.76 times; (iii) the price-to-sales ratio represented by the Consideration based on the annualized turnover derived from the audited turnover of the Target Group for the four months ended 30 April 2013 attributable to 40% equity interest of the Target Group (i.e. approximately HK$12,896,400) of approximately 1.45 times is below that of most of the Comparables, we consider that the Consideration is on normal commercial terms, and fair and reasonable.

We consider that the above price-earnings ratio analysis and the price-to-sales ratio analysis have formed reasonable basis of our opinion in assessing the fairness and reasonableness of the Consideration as the price-earnings ratio analysis is an appropriate valuation basis as it is a common benchmark for valuing business enterprises with applicable historical profit record, while the price-to-sales ratio analysis is an appropriate additional valuation basis supplemental to the price-earnings ratio analysis as it is another common benchmark for valuing business enterprises, in particular for comparing loss-making companies and the result is not subjected to different accounting adjustments made by the comparable companies, although both of such analysis methods are inevitably subject to limitations due to variations among the Target Group and the Comparables, including but not limited to different scale and scope of operations, asset base, geographical presence, contents for distribution involved, distribution channels, suppliers and customers, in particular the Comparables may also engaged in the production of entertainment contents and businesses and/or any other businesses other than distribution of entertainment contents in the PRC.

Allotment and issue of Consideration Shares

As mentioned above, the Consideration is partially payable as to HK$7,760,000 by the Purchaser by procuring the Company to allot and issue the Consideration Shares at the Issue Price to the Vendor (or its nominee) upon Completion.

The 44,342,857 Consideration Shares will be allotted and issued at an Issue Price of HK$0.175 per Consideration Share, credited as fully paid. The Consideration Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM and will be allotted and issued on the date of Completion.

As at the Latest Practicable Date, the Company had an issued share capital of 3,300,510,492 Shares. The 44,342,857 Consideration Shares represent approximately 1.34% of the existing issued share capital of the Company and approximately 1.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Issue Price represents:

(i) a discount of approximately 12.06% to the closing price of HK$0.199 per Share as quoted on the Stock Exchange on 3 June 2013, being the date of the Acquisition Agreement;

(ii) a discount of approximately 13.96% to the average of the closing prices of HK$0.2034 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 31 May 2013, being the last trading day immediately prior to the entering into of the Acquisition Agreement;

(iii) a discount of approximately 11.03% to the average of the closing prices of HK$0.1967 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 31 May 2013, being the last trading day immediately prior to the entering into of the Acquisition Agreement;

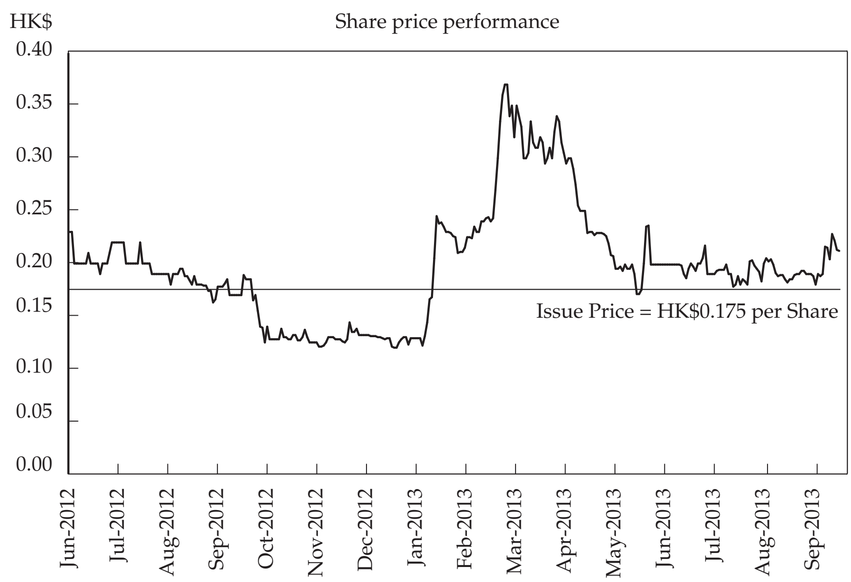
(iv) a discount of approximately 17.45% to the closing price of HK$0.2120 per Share as at the Latest Practicable Date; and

(v) a premium of 7.4 times to the net asset value per Share of HK$0.0208 as at 31 December 2012 (based on the number of Shares on 31 December 2012).

In addition, 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 6 months after Completion, transfer or otherwise dispose of or create any encumbrance or other rights in respect of such Consideration Shares, or any interests therein or grant any options or rights in respect of more than such amount of Consideration Shares without prior approval from the Purchaser (the "**Lock-up Arrangement**").

Historical Share price performance

The graph below illustrates the closing price level of the Shares during the period from 1 June 2012 to 27 September 2013 (being the 12 calendar months period prior to the date of the Acquisition Agreement up to the Latest Practicable Date) (the "**Review Period**"), covering the publication of the interim report 2012 and the annual report 2012 and the subsequent publication of financial results of the Group as well as the occurrence of a number of corporate actions, including notifiable transactions, of the Company announced by the Group illustrating the recent trend of price performance of the Shares.



Note: Trading of Shares was suspended on 4 June 2013 to 20 June 2013.

Data source: Website of the Stock Exchange (www.hkex.com.hk) and Google Finance (www.google.com/finance)

During the Review Period, the closing price of the Shares ranged from the lowest of HK$0.12 per Share (recorded on 17 December 2012 and 18 December 2012) to the highest of HK$0.37 per Share (recorded on 28 February 2013 and 1 March 2013), with an average closing price of approximately HK$0.197 per Share. It is noted that out of the 316 trading days during the Review Period, the Shares had traded below the Issue Price for 90 trading days, and for consecutive 76 trading days during from 19 September 2012 to 11 January 2013 since then the closing price of the Shares fluctuated between HK$0.171 per Share and HK$0.37 per Share. And it is also noted that the closing price of the Shares had reached a recent low at HK$0.171 per Share, being below the Issue Price, in May 2013, being the calendar month immediately before the date of the Acquisition Agreement.

Historical trading volume

The table below sets out (i) the highest and lowest trading volume of the Shares; (ii) the average daily trading volume of the Shares (the "**Average Volume**"); and (iii) the percentage of the Average Volume to the total number of 3,300,510,492 Shares in issue as at the date of the announcement of the Company dated 20 June 2013 (the "**Total Issued Shares**") and the total number of 2,580,456,858 Shares held by public Shareholders (i.e. Shareholders excluding the substantial Shareholders and the Directors and Mr. Chang) (the "**Total Public Shares**") respectively for each of the twelve calendar months prior to and up to and including the Latest Practicable Date (the "**Review Period**"):

	Highest trading volume	**Lowest trading volume**	**Average Volume** *(approximately)*	**Percentage of Average Volume to the Total Issue Shares** *(%)*	**Percentage of Average Volume to the Total Public Shares** *(%)*
2012					
September	2,400,000	0	414,000	0.013	0.016
October	1,960,000	0	233,730	0.007	0.009
November	11,605,000	0	2,483,409	0.075	0.096
December	6,770,000	0	1,901,053	0.058	0.074
2013					
January	34,680,000	0	7,083,739	0.215	0.275
February	31,347,500	20,000	6,787,629	0.206	0.263
March	14,810,000	550,000	4,034,740	0.122	0.156
April	8,610,000	830,000	3,356,020	0.102	0.130
May	10,250,000	240,000	3,442,229	0.104	0.133
June	16,530,006	350,000	3,764,287	0.114	0.146
July	7,680,000	10,000	1,762,000	0.053	0.068
August	4,550,000	50,000	1,574,026	0.048	0.061
September (up to the Latest Practicable Date)	5,180,000	0	1,304,324	0.040	0.051

Note: Trading of Shares was suspended on 4 June 2013 to 20 June 2013.

Data source: Website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the table above, the trading volume of the Shares during the Review Period had been in general thin, with the highest Average Volume amounted to 7,083,739 Shares recorded in January 2013, representing approximately 0.215% to the Total Issued Shares and approximately 0.275% to the Total Public Shares respectively.

Although the Issue Price represents discounts to the recent closing price of the Shares in general, given (i) the Shares had traded below the Issue Price for 90 trading days out of the 316 trading days during the Review Period; (ii) the closing price of the Shares had reached a recent low at HK$0.171 per Share, being below the Issue Price, in May 2013, being the calendar month immediately before the date of the Acquisition Agreement; (iii) the Issue Price represents a premium of 7.4 times to the net asset value per Share of HK$0.0208 as at 31 December 2012 (based on the number of Shares on 31 December 2012); (iv) the thin liquidity of the Shares during the Review Period; (v) the cash outlay for the Acquisition would be reduced by the issue of the Consideration Shares, which would enable the Group to retain cash resource for its business operation and development; and (vi) the Lock-up Arrangement, we consider that the Issue Price is acceptable and is on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

We, however, would like to draw the Shareholders' attention that the allotment and issue of the Consideration Shares will inevitably dilute the shareholdings of the existing public Shareholders in the Company. For illustrative purpose, with reference to the shareholding table as set out in the sub-section headed "**Changes in shareholding structure**" under the section headed "**CONSIDERATION**" in the Board's Letter, immediately after Completion, the aggregate shareholding of the existing public Shareholders would be decreased from 78.18% as at the Latest Practicable Date to 77.14%, and the Vendor would become interested in approximately 1.33% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. Nevertheless, we are of the view that the partial settlement of the Consideration by the allotment and issue of Consideration Shares, instead of settlement in full by cash for the Acquisition, are in the interests of the Company and the Shareholders as a whole in that the Company could have the flexibility to retain more cash resources and working capital for its day-to-day operations and future development.

Condition precedent relating to elimination of contractual arrangement under the Target Group

For information purpose, as disclosed in the announcement of the Company dated 20 June 2013, (i) at the material time of the Previous Acquisition, both the Beijing Company and the Shanghai Company were under the contractual arrangement rather than direct equity interest for saving time for completion of the reorganization and met up with the timetable for the Previous Acquisition; (ii) after completion of the Previous Acquisition, the Target Group proceeded to unwind the contractual structure in respect of the Shanghai Company and transferred the entire equity interest in the Shanghai Company to Shenzhen Company, the completion of which took place in December 2011; (iii) due to the complexity in obtaining the PRC government approval in respect of the transfer of the entire equity interest in the Beijing Company by existing nominee equity holders of the Beijing Company to the Shenzhen Company at the material times after the completion of the Previous Acquisition, the Beijing Company is still held by the Target Group through the contractual arrangement as at the date of the Acquisition Agreement.

In view of the risks relating to the contractual arrangement as detailed in the announcement of the Company dated 20 June 2013 and given that the PRC government approval procedures for the Shenzhen Company to directly hold the entire equity interest in the Beijing Company become simpler, it is a condition precedent under the Acquisition that the Shenzhen Company shall directly hold the entire equity interest in the Beijing Company before Completion.

The Target Group proceeded to unwind the contractual structure in respect of the Beijing Company and transferred the entire equity interest in the Beijing Company by existing nominee equity holders of the Beijing Company to the Shenzhen Company as fulfillment of one of the conditions precedent under the Acquisition Agreement. Completion of such transfer took place in July 2013 and the contractual arrangement has been unwound.

Financial effects of the Acquisition

Upon Completion, the Group will be interested in 65% equity interest in the Target Company and its subsidiaries and the Target Company will be accounted for as a subsidiary of the Group. The financial information of the Target Group will be consolidated to the financial information of the Group upon Completion.

The financial impact of the Acquisition is set out in the unaudited pro forma financial information of the Enlarged Group and the basis of preparation thereof contained in Appendix III to the Circular.

Earnings

The Group recorded an audited turnover of approximately HK$28.69 million and loss after tax of approximately HK$98.25 million for the year ended 31 December 2012. Based on the unaudited pro forma financial information as set out in the Appendix III to the Circular, as if the Acquisition had taken place at 1 January 2012, (i) the turnover of the Enlarged Group for the year ended 31 December 2012 would have been increased by approximately HK$91.58 million to approximately HK$120.27 million; (ii) the net loss of the Enlarged Group for the year ended 31 December 2012 would have been reduced from approximately HK$98.25 million to approximately HK$90.82 million; and (iii) the loss attributable to equity holders of the Company would have been reduced from approximately HK$68.93 million to approximately HK$65.04 million.

Given the historical financial performance of the Target Group, the Acquisition is expected to enhance the revenue base of the Enlarged Group. Nevertheless, Independent Shareholders should note that notwithstanding the foregoing, the future earnings of the Target Group and/or the Enlarged Group is not ascertained.

Net assets

Based on the unaudited pro forma financial information as set out in Appendix III to the Circular, if the Acquisition had been completed on 30 June 2013, the unaudited pro forma total assets value of the Enlarged Group as at 30 June 2013 would have been increased by approximately HK$64.42 million from approximately HK$286.90 million to approximately HK$351.32 million. The increase of total assets was mainly due to increase in (i) the property, plant and equipment of approximately HK$1.06 million; (ii) intangible assets of approximately HK$31.59 million, (iii) account and other receivables of approximately HK$26.21 million; (iv) bank balances and cash of approximately HK$5.31 million (net amount after the payment of cash consideration of approximately HK$10.86 million); (v) the goodwill arising from the Acquisition of approximately HK$7.73 million; offset by the elimination of the interest in associate of approximately HK$7.48 million.

Based on the unaudited pro forma financial information as set out in Appendix III to the Circular, if the Acquisition had been completed on 30 June 2013, the total liabilities of the Enlarged Group as at 30 June 2013 would have been increased by approximately HK$47.00 million from approximately HK$26.25 million to approximately HK$73.25 million, due to the increase in account and other payables of approximately HK$41.95 million and the increase in tax payable of approximately HK$5.05 million.

Based on the unaudited pro forma financial information as set out in Appendix III to the Circular, if the Acquisition had been completed on 30 June 2013, (i) the net assets of the Enlarged Group as at 30 June 2013 would have been increased by approximately HK$17.41 million given the increase in total assets is greater than the increase in total liabilities; and (ii) the net assets attributable to equity holders of the Company would have been increased by approximately HK$7.02 million.

Details regarding the unaudited pro forma financial information of the Enlarged Group and the basis of preparation thereof are set out in Appendix III to the Circular.

Conclusion

Taking into account the principal business of the Target Group in the provision of professional sports events and entertainment contents, the existing license rights of sports events and entertainment contents entitled by the Target Group, the established business relationship of the Target Group with licensors of sports events and entertainment contents as well as media and/or channels with proven historical profit record for the two years ended 31 December 2012 as detailed in the section headed "**Business and financial information of the Target Group**" above, we consider that the Acquisition represents an opportunity for the Group to obtain controlling interest in the Target Group strengthening the Group's existing business in the provision of copyright management solution and the related consultancy services and the distribution of copyright-protected items and enhancing the business portfolios and the income stream which is in line with the expansion strategy of the Group.

Having taken note of the fact that (i) the Group recorded impairment loss on interest in associates (i.e. the Target Company, in which the Company is currently interested in 25%), which was mainly due to the non-renewal of certain license rights of the Target Group upon expiry in late 2012; and (ii) the Target Group recorded decrease in revenue for the four months ended 30 April 2013 which is mainly due to the non-renewal/partial renewal of the relevant license rights, we consider that such non-renewal of certain license rights reflects the business risks of the Target Group associated with heavy reliance on the obtaining and renewing of license rights for various professional sports events and entertainment contents, the failure of which may adversely affect the content portfolios as well as the income stream of the Target Group. However, taking into consideration:

(a) the Target Group is able to secure other professional sport events content, such as the Women's Tennis Association (WTA) Tournament (世界女子網球聯合會巡迴賽), the Bundesliga (德國足球甲級聯賽) and East Asian Football Championships (東亞足球協會超級聯賽);

(b) the Acquisition represents any opportunity for the Group to obtain controlling interest in the Target Group strengthening the Group's existing business and enhancing the business portfolios and income stream which is in line with the expansion strategy of the Group;

(c) the proven historical profit record of the Target Group for the two years ended 31 December 2012;

(d) the fairness and reasonableness of the Consideration taking into account (i) the price-earnings ratio represented by the Consideration of 4.474 times is below that of ChinaVision (the only suitable comparable identified by us) of approximately 40.92 times; (ii) the price-to-sales ratio represented by the Consideration of approximately 0.51 times based on the audited turnover of the Target Group for the year ended 31 December 2012 is below that of all the Comparables ranging from 1.38 times to 51.76 times; and (iii) the price-to-sales ratio represented by the Consideration of approximately 1.45 times based on the annualized turnover derived from the audited turnover of the Target Group for the four months ended 30 April 2013 is below that of most of the Comparables ranging from 1.38 times to 51.76 times as detailed in the section headed "**Principal terms of the Acquisition Agreement**" above;

(e) the merits of the issue of the Consideration Shares for partial settlement of the Consideration, and the fairness and reasonableness of the Issue Price, as detailed in the section headed "**Principal terms of the Acquisition Agreement**" above,

we consider that the terms of the Acquisition Agreement are on normal commercial terms and fair and reasonable, and the Acquisition Agreement, which is not in the ordinary and usual course of business of the Group, is in the interest of the Company and the Shareholders as a whole.

Nevertheless, we would like to reiterate that notwithstanding the foregoing, Independent Shareholders should note that the profitability of the Target Group in the future is not ascertained, in particular in view of the loss record of the Target Group for the four months ended 30 April 2013, and the success of the Target Group's business mainly relies on its capability in obtaining license rights for various professional sports events and entertainment contents as well as securing contracts with media and/or channels for broadcasting of such professional sports events and entertainment contents for return of license fees and maximizing such return so as to contribute positively to the financial performance of the Target Group in the future, and the business of the Target Group is subject to risks including but not limited to the expiry and non-renewal of existing licensing contracts and/or the failure to obtain new licensing contracts with suppliers, and/or the failure in sustaining licensing contracts with customers for generating return from the sports events and entertainment contents distributed by the Target Group.

RECOMMENDATION

Given the principal factors and reasons mentioned above, we consider that the Acquisition, which is not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and the terms of the Acquisition are on a normal commercial terms and fair and reasonable. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

1. FINANCIAL SUMMARY

Financial information on the Group for each of the three years ended 31 December 2010, 2011 and 2012 are set out in the audited consolidated financial statements of the Group for the years ended 31 December 2010, 2011 and 2012 respectively, which are included in the annual reports of the Company for the respective years and are published on both the GEM website (www.hkgem.com) and the website of the Company (www.cdculture.com) respectively.

2. INDEBTEDNESS

Borrowings

As at the close of business on 31 August 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$11,596,000, details of which are set out below:

	HK$'000
Current liabilities	
Other payables (Unsecured and unguaranteed)	7,301
Amounts due to directors (Unsecured and unguaranteed)	3,950
Amount due to a jointly controlled entity (Unsecured and unguaranteed)	345
Total borrowings	11,596

Contingent liabilities

As at 31 August 2013, the Enlarged Group had no material contingent liabilities.

Commitments

As at 31 August 2013, the Enlarged Group had no commitments.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 August 2013, the Enlarged Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other contingent liabilities.

Save as aforesaid, the Directors confirmed that there had been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 31 August 2013 and up to the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest audited financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group including the internally generated funds and the effect of the Acquisition, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the provision of copyright management solution and the related consultancy services and the distribution of copyright-protected items. Upon Completion, the Enlarged Group will be diversified into the business of the Target Group and will continue to focus on the e-licensing business which involved the distribution of copyright-protected items such as music, movies and professional sport events and entertainment content, and other entertainment-related business, such as music concert and professional athletes marketing and promotional activities (the "e-Licensing business"). The Group is actively seeking attractive investment opportunities from time to time to broaden the source of revenue.

Latest business development and future plans

Under the e-Licensing business, the Group has cooperated with three major telecommunication operators in the PRC and will explore in depth cooperation with Internet service providers and video content providers. The Group has cooperated closely with the operating units of China Unicom in various provinces in the PRC for the provision of licensed music contents on the music platform of China Unicom, with a view to cementing a solid foundation for the business development of the Group. It is expected that the Group will be able to secure more opportunities for cooperation with various large-scale corporations in the distribution of licensed contents. Meanwhile, the Group cooperated closely with top-tier provinces in the PRC to actively participate in the concerts organized by China Unicom. Leveraging on the existing platform and massive licensed contents, the Group aims to create a resourceful music platform by developing official websites and entertainment applications for top-tier artistes.

The Group also strives to strengthen and broaden its business scope to cover the areas of culture, entertainment and sports, in line with the principal business of the Enlarged Group in the distribution of copyright-protected items and in order to have a more diversified content to further strengthen the competitive edge of the Group, in this year 2013, the Enlarged Group has entered into the agreements in the current financial year:

– A strategic cooperation framework agreement on 27 March 2013 with one of the prominent film distribution companies in the PRC, HuaXia Film Distribution Company (華夏電影發行有限責任公司), for the overseas distribution of various films and programs produced in the PRC.

– a sales and purchase agreement dated 15 January 2013 for the acquisition of the remaining 80% equity interest in China Digital Entertainment Company Limited (the "CD Entertainment" and its subsidiary as "the CDE Group") which was completed on 25 April 2013. Upon completion of this acquisition, the Group obtained 100% equity interest in it. The CDE Group is engaged in the promotion, sales and distribution of movie and music licensed content worldwide and the organization of concerts, programs and related services. This acquisition will enable the Enlarged Group to diversify into the business of organizing music concerts which is expected to bring new source of income to the Group. The CDE Group has also entered into agreement with a Taiwan company for the distribution in Taiwan of the PRC domestic films and TV licensed content, the current contract amount is HK$5 million. The CDE Group is also in active negotiation with popular overseas singers for the organization of music concerts. The Group recorded unaudited revenue and profit from continuing operations of HK$12,725,000 and HK$5,573,000 respectively for the six months ended 30 June 2013. The CDE Group recorded unaudited revenue and profit of approximately HK$5,000,000 and HK$3,539,000 for the six months ended 30 June 2013. Since the completion of the acquisition of the CDE Group, its financial results has been consolidated into that of the Group and the CDE Group has contributed unaudited revenue and segment results of HK$5,000,000 and HK$3,539,000 the Group respectively for the six months ended 30 June 2013.

– an agreement dated 31 May 2013 with one of the leading record labels in the Greater China Region, Gold Typhoon Group (金牌大風音樂集團), for distribution of music content to the Group on music platform of China Unicom for a term of two years. The Group projects turnover to increase in the second half of 2013 through the increased music content from Gold Typhoon Group and the potential use of China Telecom as a distribution platform.

– a sales and purchase agreement dated 11 January 2013 for the acquisition of the entire equity interest of Nova Dragon which was completed on 12 April 2013. Nova Dragon and its subsidiary (the "Nova Dragon Group") are principally engaged in assisting professional athletes with marketing and promotional activities in the Greater China Region. The acquisition enables the Group to tap into the growing sports entertainment business. The Group will assist athletes to source and negotiate with potential customers for athletes' participation in different marketing campaign and events, assessing suitable proposals and assisting in events arrangement and public relation of the athletes. Currently, the Nova Dragon Group derived income from the marketing agency of well renowned basketball players, such as Mr. Jeremy Lin. The Nova Dragon Group will continue to actively negotiate with popular athletes and other potential clients who are interested in using athletes in their promotion and advertisement activities. The Nova Dragon Group recorded unaudited revenue and profit of HK$1,328,000 and HK$1,108,000 respectively for the six months ended 30 June 2013 and since the completion of the acquisition, its financial results has been consolidated into that of the Group and the acquired subsidiary has contributed unaudited revenue and segment results of approximately HK$1,328,000 and HK$1,108,000 the Group respectively for the six months ended 30 June 2013.

While the Enlarged Group will continue to maintain steady growth of distribution and licensing business with cooperation on television channels and new media channels in the PRC, the Enlarged Group will also work on obtaining more licensed contents to broaden target customers base and aim to further expand market share with an ultimate goal to add value in the interests of the Enlarged Group and the Shareholders.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountant, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

The Directors
CHINA DIGITAL CULTURE (GROUP) LIMITED
(formerly known as China Digital Licensing (Group) Limited)
Room 2801A, Tower 1, Lippo Centre
89 Queensway
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Socle Limited ("Socle") and its subsidiaries (hereinafter collectively referred to as "Socle Group") for inclusion in the circular of CHINA DIGITAL CULTURE (GROUP) LIMITED *(formerly known as China Digital Licensing (Group) Limited)* (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") dated 3 October 2013 (the "Circular") in connection with the proposed acquisition of 40% equity interest of Socle as disclosed in the Company's announcement dated 20 June 2013. The Financial Information comprises the consolidated statements of financial position of Socle Group as at 31 December 2010, 2011 and 2012 and 30 April 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Socle Group for each of the three years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2013 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes.

Socle is a limited liability company incorporated in the British Virgin Islands (the "BVI"). The principal activity of Socle is investment holding and the principal activity of its major operating subsidiaries is the licensing of professional sports events and entertainment content in the People's Republic of China (the "PRC") and other regions. All companies now comprising Socle Group have adopted 31 December as their financial year end for statutory financial reporting purposes.

The Financial Information as set out in this report has been prepared based on the audited consolidated financial statements of Socle Group for the years ended 31 December 2011 and 2012 and the unaudited consolidated management accounts for the years ended 31 December 2010 and the four months ended 30 April 2013 (hereinafter collectively referred to as the "Underlying Financial Statements") prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

The directors of Socle are responsible for preparing the Financial Information which give a true and fair view in accordance with HKFRSs. In preparing the Financial Information of Socle Group which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable, and that the reasons for any significant departure/non-applicable accounting standards are stated. It is our responsibility to form an independent opinion, on such information in respect of the Relevant Periods, and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

For the purpose of this report, we have examined the Underlying Financial Statements of Socle Group for the Relevant Periods and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA, after making such adjustments as are appropriate for the purpose of preparing the Financial Information for inclusion in the Circular.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information of Socle Group, for the purpose of this report, gives a true and fair view of the profit and cash flows of Socle Group for the Relevant Periods and of the state of affairs of Socle Group as at 31 December 2010, 2011 and 2012 and 30 April 2013 in accordance with HKFRSs.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding financial information of Socle Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2012, and a summary of significant accounting policies and other explanatory notes (the "Corresponding Financial Information"), for which the directors of Socle are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of Socle are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 3 October 2013

Eunice Y M Kwok
Practising Certificate number: P04604

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following is a summary of the consolidated statements of comprehensive income of Socle Group for the Relevant Periods, which have been prepared on the basis set out in Section B.

		Years ended 31 December			Four months ended 30 April	
		2010	**2011**	**2012**	**2012**	**2013**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Turnover	3	5,416	62,833	91,574	40,292	10,747
Cost of services rendered		(3,795)	(49,277)	(66,739)	(28,735)	(10,006)
Gross profit		1,621	13,556	24,835	11,557	741
Other revenue	3	–	80	105	25	7
Other income	4	1	14,686	1,352	–	–
Selling and distribution expenses		–	(970)	(4,912)	(1,823)	(977)
Administrative expenses		(63)	(2,446)	(6,400)	(2,445)	(1,639)
Other operating expenses		–	(5,676)	(1,715)	(1,770)	–
Profit (Loss) before taxation	5	1,559	19,230	13,265	5,544	(1,868)
Income tax expenses	8	–	(454)	(2,859)	(3,424)	(227)
Profit (Loss) for the year/period attributable to equity holders of Socle		1,559	18,776	10,406	2,120	(2,095)
Other comprehensive income:						
Items that are or may be classified subsequently to profit or loss						
Foreign currency translation differences		–	390	158	245	577
Total comprehensive income (loss) for the year/period		1,559	19,166	10,564	2,365	(1,518)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following is a summary of the consolidated statements of financial position of Socle Group as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section B.

		As at 31 December			As at 30 April
		2010	2011	2012	2013
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*11*	–	699	1,102	1,060
Intangible assets	*12*	–	46,749	15,359	31,587
		–	47,448	16,461	32,647
Current assets					
Accounts and other receivables	*13*	4,489	22,356	30,651	26,215
Bank balances and cash		1,535	29,945	9,985	16,180
		6,024	52,301	40,636	42,395
Current liabilities					
Accounts and other payables	*14*	4,552	69,269	17,074	22,822
Taxation		–	2,518	5,135	5,049
		4,552	71,787	22,209	27,871
Net current assets (liabilities)		1,472	(19,486)	18,427	14,524
Total assets less current liabilities		1,472	27,962	34,888	47,171
Non-current liabilities					
Other payables	*14(b)*	–	7,324	3,686	17,487
NET ASSETS		1,472	20,638	31,202	29,684
Capital and reserves					
Share capital	*15*	–	–	–	–
Reserves		1,472	20,638	31,202	29,684
TOTAL EQUITY		1,472	20,638	31,202	29,684

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The movements in the consolidated statements of changes in equity of Socle Group for the Relevant Periods, which have been prepared on the basis set out in Section B, are as follows:

		Reserves				
	Share capital	Statutory reserve	Exchange reserve	Accumulated profits (losses)	Total reserves	Total
	HK$'000	*HK$'000* *(note a)*	*HK$'000* *(note b)*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2010	–	–	–	(87)	(87)	(87)
Profit for the year and total comprehensive income for the year	–	–	–	1,559	1,559	1,559
As at 31 December 2010 and 1 January 2011	–	–	–	1,472	1,472	1,472
Profit for the year	–	–	–	18,776	18,776	18,776
Other comprehensive income:						
Foreign currency translation differences	–	–	390	–	390	390
Total comprehensive income for the year	–	–	390	18,776	19,166	19,166
Transfer to statutory reserve	–	2,730	–	(2,730)	–	–
As at 31 December 2011 and 1 January 2012	–	2,730	390	17,518	20,638	20,638
Profit for the year	–	–	–	10,406	10,406	10,406
Other comprehensive income:						
Foreign currency translation differences	–	–	158	–	158	158
Total comprehensive income for the year	–	–	158	10,406	10,564	10,564
As at 31 December 2012	–	2,730	548	27,924	31,202	31,202

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Reserves				
	Share capital	Statutory reserve	Exchange reserve	Accumulated profits (losses)	Total reserves	Total
	HK$'000	*HK$'000* *(note a)*	*HK$'000* *(note b)*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2012 and 1 January 2013	–	2,730	548	27,924	31,202	31,202
Loss for the period	–	–	–	(2,095)	(2,095)	(2,095)
Other comprehensive income:						
Foreign currency translation differences	–	–	577	–	577	577
Total comprehensive income (loss) for the period	–	–	577	(2,095)	(1,518)	(1,518)
As at 30 April 2013	–	2,730	1,125	25,829	29,684	29,684
As at 1 January 2012	–	2,730	390	17,518	20,638	20,638
Profit for the period *(unaudited)*	–	–	–	2,120	2,120	2,120
Other comprehensive income:						
Foreign currency translation differences *(unaudited)*	–	–	245	–	245	245
Total comprehensive income for the period *(unaudited)*	–	–	245	2,120	2,365	2,365
As at 30 April 2012 *(unaudited)*	–	2,730	635	19,638	23,003	23,003

Notes on reserves:

(a) Statutory reserve

In accordance with the relevant laws and regulations, domestic company established in the People's Republic of China ("PRC") must maintain statutory reserve for specific purposes until the statutory reserve has reached 50% of the entity's registered capital. The board of directors of the PRC subsidiaries will determine on an annual basis the amount of the appropriations to statutory reserve. 10% of the PRC subsidiaries' profit in their local accounts was appropriated to the reserve for the year ended 31 December 2011. No appropriation to statutory reserve has been made for the year ended 31 December 2012 as the statutory reserve has reached 50% of the registered capital.

(b) Exchange reserve

Exchange differences relating to the translation of the net assets of Socle Group's foreign operations from their functional currencies to Socle Group's presentation currency are recognised directly in other comprehensive income and accumulated in the exchange reserve.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The following is a summary of the consolidated statements of cash flows of Socle Group for the Relevant Periods, which have been prepared on the basis set out in Section B.

		Years ended 31 December			**Four months ended 30 April**	
		2010	**2011**	**2012**	**2012**	**2013**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
OPERATING ACTIVITIES						
Profit (Loss) before taxation		1,559	19,230	13,265	5,544	(1,868)
Depreciation		–	64	149	37	74
Amortisation of intangible assets		–	35,427	43,998	17,998	6,446
Allowance for doubtful debts		–	2,366	1,715	1,770	–
Bad debts written off		–	910	–	–	–
Gain on bargain purchase on business combination		–	(13,449)	–	–	–
Gain on disposal of subsidiaries		–	(35)	–	–	–
Interest income		–	(80)	(105)	(25)	(7)
Exchange differences		–	241	(4)	119	(102)
Operating profit before changes in working capital		1,559	44,674	59,018	25,443	4,543
Changes in working capital						
Accounts and other receivables		(4,489)	12,906	(9,750)	(9,029)	5,127
Accounts and other payables		4,465	(17,990)	(56,413)	(16,028)	19,124
Cash generated from (used in) operations		1,535	39,590	(7,145)	386	28,794
Income taxes paid		–	(2,000)	(259)	(171)	(397)
Net cash from (used in) operating activities		1,535	37,590	(7,404)	215	28,397

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

		Years ended 31 December			Four months ended 30 April	
		2010	2011	2012	2012	2013
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
INVESTING ACTIVITIES						
Interest received		–	80	105	25	7
Purchase of property, plant and equipment		–	–	(547)	(4)	(15)
Purchase of intangible assets		–	(25,996)	(12,290)	(11,069)	(22,262)
Net cash inflow on acquisition of subsidiaries	*16*	–	16,420	–	–	–
Net cash used in investing activities		–	(9,496)	(12,732)	(11,048)	(22,270)
Net increase (decrease) in cash and cash equivalents		1,535	28,094	(20,136)	(10,833)	6,127
Cash and cash equivalents at beginning of year/period		–	1,535	29,945	29,945	9,985
Effect on change in foreign exchange rate		–	316	176	208	68
Cash and cash equivalents at end of year/period, represented by bank balances and cash		1,535	29,945	9,985	19,320	16,180

Major non-cash transactions

During the year ended 31 December 2011, the consideration of HK$3,592,000 for the acquisition of subsidiaries was settled through the current account with Socle's director, Mr. Li Yidong.

During the year ended 31 December 2011, the consideration of HK$1 receivable from Socle's director, Mr. Chang Li Cheng, for the disposal of subsidiaries was settled through his current account with Socle Group.

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Socle Limited ("Socle") is a limited liability company incorporated in the British Virgin Islands. Socle's principal place of business is located at Room A19, Xianglong Mansion, 3 Longtan Road, Dongcheng District, Beijing, the PRC (北京市東城區龍潭路甲3號翔龍大廈A19).

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are detailed as follows:

Name of subsidiary	Place of incorporation/ registration/type of legal entity	Nominal value of issued ordinary share/ paid-up registered capital	Percentage of equity attributable to Socle as at				Principal activities
			31 December 2010		31 December 2011 and 2012 and 30 April 2013		
			Direct	*Indirect*	*Direct*	*Indirect*	
Imagine Communications Holding Limited	Cayman Islands/ Limited liability company	Ordinary 2,000 shares of US$0.001 each	100%	–	100%	–	Investment holding
Olympic Wealth Limited	British Virgin Islands/Limited liability company	Ordinary 1 share of US$1 each	–	100%	–	100%	Licensing of professional sports events and entertainment content in the PRC and other regions
Star Global Management Limited	Hong Kong/ Limited liability company	Ordinary 1 share of HK$1 each	–	100%	–	100%	Inactive
Goldline Enterprises Limited	British Virgin Islands/Limited liability company	Ordinary 1 share of HK$1 each	–	–	100%	–	Investment holding
Orient Ace Holdings Limited	Hong Kong/ Limited liability company	Ordinary 1 share of HK$1 each	–	–	–	100%	Investment holding
Shenzhen Chuangzhan Corporate Image Planning Limited* 深圳創展企業形象策劃有限公司	The PRC/ Foreign wholly-owned enterprise	Paid-up capital of RMB500,000	–	–	–	100%	Investment holding

1. CORPORATE INFORMATION (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/type of legal entity	Nominal value of issued ordinary share/ paid-up registered capital	Percentage of equity attributable to Socle as at				Principal activities
			31 December 2010		31 December 2011 and 2012 and 30 April 2013		
			Direct	*Indirect*	*Direct*	*Indirect*	
Shanghai YiTiDongLi Cultural and Sports Communications Limited* 上海壹體動力文化體育傳播有限公司	The PRC/ Private enterprise	Paid-up capital of RMB2,000,000	–	–	–	100% *(note 16)*	Licensing of professional sports events and entertainment content in the PRC
China Sports (Beijing) Media Limited* 體奧動力(北京)體育傳播有限公司	The PRC/ Private enterprise	Paid-up capital of RMB1,000,000	–	–	–	100% *(note 16)*	Licensing of professional sports events and entertainment content in the PRC
Imagine Communications Hong Kong Limited	Hong Kong/ Limited liability company	Ordinary 1 share of HK$0.01 each	–	100% *(note 17)*	–	–	Investment holding
Qingchun Haiyang Media Technology (Beijing) Limited* 青春海洋傳媒技術(北京)有限公司	The PRC/ Private enterprise	US$Nil	–	100% *(note 17)*	–	–	Inactive

* *English translation of company name is for identification purpose only.*

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and applicable disclosure requirements under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of HKFRSs

Throughout the Relevant Periods, Socle Group has applied all of the new/revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods.

At the date of this report, Socle Group has not early adopted the following new/revised HKFRSs issued by the HKICPA that are not yet effective for the Relevant Periods.

Amendments to HKAS 32	*Presentation – Offsetting Financial Assets and Financial Liabilities* (1)
Amendments to HKAS 27 (2011), HKFRS 10, HKFRS 12	*Investment Entities – Amendments to Separate Financial Statements, Consolidated Financial Statements, Disclosures of Interests with Other Entities* (1)
HKFRS 9	*Financial Instruments* (2)
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9, Financial Instruments, and Transition Disclosure* (2)
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets* (1)
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting* (1)
HK (IFRIC) - Int 21	*Levies* (1)

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

Socle Group is in the process of assessing the possible impact on the adoption of these new/revised HKFRSs in future periods. So far it has concluded that the adoption is unlikely to have a material impact on Socle Group's results or financial position in future periods.

A summary of the principal accounting policies adopted by Socle Group is set out below.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

Basis of consolidation

The Financial Information comprise the financial statements of Socle and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of Socle using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which Socle Group obtains control and continue to be consolidated until the date that such control ceased.

Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity holders of Socle. The non-controlling interests in the acquiree, that are present ownership interest and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, is measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are allocated to the equity holders of Socle and to the non-controlling interests. Total comprehensive income is allocated to the equity holders of Socle and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Changes in ownership interest

Changes in Socle Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of Socle.

When Socle Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary is recognised on the same basis as would be required if Socle had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary is accounted for as a financial asset, associate, jointly controlled entity or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity in which Socle Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	3 years
Computer equipment	3 years
Furniture and fixtures	3 years
Motor vehicles	10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Research and development costs
Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and Socle Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over its useful life.

Licence rights
Licence rights for professional sports event and entertainment content are stated at cost less amounts expensed and any provision considered necessary by the management. Their costs are amortised over the shorter of their economic lives and the underlying licence period.

Financial instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when and only when Socle Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) Socle Group's contractual rights to future cash flows from the financial asset expire or (ii) Socle Group transfers the financial asset and Socle Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Initial measurement
Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

Loans and receivables
Loans and receivables including accounts and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less any impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Financial liabilities
Socle Group's financial liabilities include accounts and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

At the end of each reporting period, Socle Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Socle Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Income from licensing of licence right for professional sports event and entertainment content is recognised over the contract period in accordance with the terms of the underlying contracts.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency translation

Items included in the financial statements of each of Socle Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information are presented in the currency of Hong Kong dollars, which is Socle's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

The results and financial position of all Socle Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each statement of comprehensive income are translated at average exchange rate;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of Socle Group's net investment in a foreign operation are recognised as a separate component of equity;

- On disposal of a foreign operation, which includes the disposal of Socle Group's entire interest in a foreign operation, the loss of control of a subsidiary that includes a foreign operation, the loss of significant influence over an associate that includes a foreign operation, and the loss of joint control over a jointly controlled entity that includes a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised; and

- On disposal or partial disposal of Socle Group's interest in a subsidiary that includes a foreign operation which does not result in Socle Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not recognised in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, Socle Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and intangible assets may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, Socle Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant leases.

Employee benefits

Short-term employee benefits
Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution plan
The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of Socle Group in an independently administered fund.

Pursuant to the law and regulations of the PRC, contributions to the defined contribution retirement scheme for Socle Group's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed in profit or loss as incurred.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, any deferred tax arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by Socle Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is a person or entity that is related to Socle Group.

(a) A person or a close member of that person's family is related to Socle Group if that person:

- (i) has control or joint control over Socle Group;
- (ii) has significant influence over Socle Group; or
- (iii) is a member of the key management personnel of Socle Group or of the parent of Socle Group.

(b) An entity is related to Socle Group if any of the following conditions applies:

- (i) The entity and Socle Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either Socle Group or an entity related to Socle Group. If Socle Group is itself such a plan, the sponsoring employers are also related to Socle Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;
(b) children of that person's spouse or domestic partner; and
(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Financial Information. They affect the application of Socle Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of Socle Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

3. TURNOVER AND REVENUE

Turnover and revenue recognised by categories are as follows:

	Years ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Turnover					
Income from licensing of licence rights	5,416	62,833	91,574	40,292	10,747
Other revenue					
Interest income	–	80	105	25	7
Total revenue	5,416	62,913	91,679	40,317	10,754

4. OTHER INCOME

	Years ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Exchange gain, net	1	–	–	–	–
Government subsidy	–	1,202	1,352	–	–
Gain on disposal of subsidiaries	–	35	–	–	–
Gain on bargain purchase on business combination	–	13,449	–	–	–
	1	14,686	1,352	–	–

5. PROFIT (LOSS) BEFORE TAXATION

Profit (Loss) before taxation is stated after charging (crediting) the following:

	Years ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Staff salaries and allowances (including directors)	–	777	3,201	1,228	1,037
Contributions to defined contribution retirement scheme	–	125	477	359	67
Total staff costs	–	902	3,678	1,587	1,104
Auditor's remuneration	–	280	290	140	–
Allowance for doubtful debts	–	2,366	1,715	1,770	–
Amortisation of intangible assets included in cost of services rendered	–	35,427	43,998	17,998	6,446
Bad debt written off	–	910	–	–	–
Depreciation	–	64	149	37	74
Exchange (gain) loss, net	(1)	332	112	297	127
Research and development costs	–	2,400	–	–	–
Operating lease charges on premises	–	486	1,813	529	608

6. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by Socle's directors are as follows:

	Fees	Salaries and allowances	Contributions to defined contribution retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010				
Executive director				
– Chang Li Cheng	–	–	–	–

6. DIRECTORS' REMUNERATION (CONTINUED)

	Fees	Salaries and allowances	Contributions to defined contribution retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2011				
Executive directors				
– Chang Li Cheng	–	–	–	–
– Hsu Tung Sheng (appointed on 7 June 2011)	–	–	–	–
– Li Yidong (appointed on 7 June 2011)	–	250	13	263
Non-executive directors				
– Kiu Cheong Voon (appointed on 20 June 2011)	–	–	–	–
– Yu Miu Yee Iris (appointed on 20 June 2011)	–	–	–	–
	–	250	13	263

	Fees	Salaries and allowances	Contributions to defined contribution retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2012				
Executive directors				
– Chang Li Cheng	–	442	–	442
– Hsu Tung Sheng	–	–	–	–
– Li Yidong	–	863	6	869
Non-executive directors				
– Kiu Cheong Voon	–	–	–	–
– Yu Miu Yee Iris	–	–	–	–
	–	1,305	6	1,311

6. **DIRECTORS' REMUNERATION (CONTINUED)**

	Fees	Salaries and allowances	Contributions to defined contribution retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Four months ended 30 April 2013				
Executive directors				
– Chang Li Cheng	–	148	–	148
– Hsu Tung Sheng	–	–	–	–
– Li Yidong	–	288	3	291
Non-executive directors				
– Kiu Cheong Voon	–	–	–	–
– Yu Miu Yee Iris	–	–	–	–
	–	436	3	439

	Fees	Salaries and allowances	Contributions to defined contribution retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Four months ended 30 April 2012 *(unaudited)*				
Executive directors				
– Chang Li Cheng	–	–	–	–
– Hsu Tung Sheng	–	–	–	–
– Li Yidong	–	288	2	290
Non-executive directors				
– Kiu Cheong Voon	–	–	–	–
– Yu Miu Yee Iris	–	–	–	–
	–	288	2	290

There was no arrangement under which a director waived or agreed to waive any remuneration for the Relevant Periods. In addition, no emoluments were paid by Socle Group to any of the directors as an inducement to join, or upon joining Socle Group or as a compensation for loss of office for the Relevant Periods.

7. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals during the Relevant Periods included no director for the year ended 31 December 2010, one director for each of the year ended 31 December 2011 and the four months ended 30 April 2012 *(unaudited)* and two directors for each of the year ended 31 December 2012 and the four months ended 30 April 2013 respectively, details of whose remuneration are set out in note 6 to the Financial Information above. Details of the remuneration of the remaining highest paid individuals, who are employees of Socle Group, are as follows:

	Years ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and allowances	–	709	607	252	186
Contributions to defined contribution retirement scheme	–	64	42	17	14
	–	773	649	269	200

The above highest paid individuals' remuneration falls within the follow band:

	Years ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
Nil to HK$1,000,000	–	4	3	4	3

During the Relevant Periods, no remuneration was paid by Socle Group to any of the five highest paid individuals as an inducement to join or upon joining Socle Group, or as a compensation for loss of office.

8. TAXATION

Socle Group is subject to Enterprise Income Tax ("EIT") of the PRC at a statutory rate of 25%.

	Years ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Current tax	–	454	2,859	3,424	56
Under provision in prior year/period	–	–	–	–	171
	–	454	2,859	3,424	227

Reconciliation of effective tax rate

	Years ended 31 December			Four months ended 30 April	
	2010	2011	2012	2012	2013
	%	%	%	% *(unaudited)*	%
Applicable tax rate	25.0	25.0	25.0	25.0	(25.0)
Non-deductible expenses	–	6.5	2.6	4.7	19.6
Tax exempt revenue	(25.7)	(20.4)	(9.5)	(7.1)	–
Utilisation of previously unrecognised tax loss	–	(11.8)	–	–	–
Unrecognised tax loss	–	–	–	28.2	8.3
Unrecognised temporary difference	–	3.1	4.8	11.0	–
Underprovision in prior year/period	–	–	–	–	9.2
Others	0.7	–	(1.3)	–	–
Effective tax rate for the year	–	2.4	21.6	61.8	12.1

8. TAXATION (CONTINUED)

Unrecognised deferred tax assets arising from

	Years ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Deductible temporary difference	–	2,767	5,258	5,172	5,345
Tax loss	–	–	–	5,081	634
	–	2,767	5,258	10,253	5,979

No deductible temporary differences expired under current tax legislation. The tax losses arising in the PRC can be used to offset against future taxable profit of the respective subsidiaries for a maximum of 5 years. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which Socle Group can utilise the benefits thereform.

The unrecognised tax losses arising in the PRC at the end of reporting period will be expired as follows:

	Years ended 31 December			Four months ended 30 April	
	2010	**2011**	**2012**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
In the fifth years	–	–	–	5,081	634

Unrecognised deferred tax liabilities for retained earnings of certain subsidiaries

The retained earnings of certain foreign subsidiaries would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of retained earnings of these foreign entities were approximately HK$Nil, HK$426,000, HK$914,000, HK$914,000 and HK$1,323,000 for the years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2013 and 2012 *(unaudited)* respectively. In the opinion of the directors, these retained earnings are required for financing the continuing operations of the entities and no distribution would be made in the foreseeable future. Accordingly, no provisions for additional deferred taxation have been made.

9. DIVIDENDS

No dividends were declared nor paid during the Relevant Periods.

10. EARNINGS (LOSS) PER SHARE

Earnings (Loss) per share has not been presented as such information is not considered meaningful for the purpose of this report.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Computer equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount – years ended 31 December 2010 and 2011					
At 1 January 2010, 31 December 2010 and 1 January 2011	–	–	–	–	–
Additions – business combinations	–	17	–	733	750
Depreciation	–	(3)	–	(61)	(64)
Effect of foreign currency exchange differences	–	–	–	13	13
At 31 December 2011	–	14	–	685	699
Reconciliation of carrying amount – year ended 31 December 2012					
At 1 January 2012	–	14	–	685	699
Additions	–	11	536	–	547
Depreciation	–	(8)	(34)	(107)	(149)
Effect of foreign currency exchange differences	–	–	–	5	5
At 31 December 2012	–	17	502	583	1,102
Reconciliation of carrying amount – four months ended 30 April 2013					
At 1 January 2013	–	17	502	583	1,102
Additions	–	15	–	–	15
Depreciation	–	(4)	(34)	(36)	(74)
Effect of foreign currency exchange differences	–	–	7	10	17
At 30 April 2013	–	28	475	557	1,060

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements	Computer equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010					
Cost	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–
	–	–	–	–	–
At 31 December 2011					
Cost	7	217	31	1,096	1,351
Accumulated depreciation	(7)	(203)	(31)	(411)	(652)
	–	14	–	685	699
At 31 December 2012					
Cost	7	229	567	1,104	1,907
Accumulated depreciation	(7)	(212)	(65)	(521)	(805)
	–	17	502	583	1,102
At 30 April 2013					
Cost	7	248	577	1,122	1,954
Accumulated depreciation	(7)	(220)	(102)	(565)	(894)
	–	28	475	557	1,060

12. INTANGIBLE ASSETS

	Licence rights
	HK$'000
Reconciliation of carrying amount – years ended 31 December 2010 and 2011	
At 1 January 2010, 31 December 2010 and 1 January 2011	–
Additions – business combinations	61,804
Additions	25,996
Cancellation of licence	(6,576)
Amortisation	(35,427)
Effect of foreign currency exchange differences	952
At 31 December 2011	46,749
Reconciliation of carrying amount – year ended 31 December 2012	
At 1 January 2012	46,749
Additions	12,290
Amortisation	(43,998)
Effect of foreign currency exchange differences	318
At 31 December 2012	15,359
Reconciliation of carrying amount – four months ended 30 April 2013	
At 1 January 2013	15,359
Additions	22,262
Amortisation	(6,446)
Effect of foreign currency exchange differences	412
At 30 April 2013	31,587
At 31 December 2010	
Cost	–
Accumulated amortisation	–
	–
At 31 December 2011	
Cost	158,170
Accumulated amortisation	(111,421)
	46,749
At 31 December 2012	
Cost	34,404
Accumulated amortisation	(19,045)
	15,359
At 30 April 2013	
Cost	57,459
Accumulated amortisation	(25,872)
	31,587

13. ACCOUNTS AND OTHER RECEIVABLES

		As at 31 December			As at 30 April
		2010	2011	2012	2013
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts receivable from third parties		–	13,073	9,716	8,634
Allowance for doubtful debts		–	(2,767)	(2,921)	(2,969)
	(a)	–	10,306	6,795	5,665
Other receivables					
Deposits		–	166	340	237
Loan and other receivables	*(b)*	–	2,890	12,028	11,443
Advance payables to suppliers		–	2,823	8,989	5,622
Due from directors	*(c)*	4,489	6,171	2,499	3,248
		4,489	12,050	23,856	20,550
		4,489	22,356	30,651	26,215

(a) Accounts receivable from third parties

Majority of Socle Group's sales are due upon presentation of the invoices. The remaining sales are with credit terms ranging from 30 days to 90 days. Included in accounts receivable are debtors with carrying amounts of HK$Nil, HK$2,087,000, HK$615,000 and HK$1,215,000 as at 31 December 2010, 2011, 2012 and 30 April 2013 respectively, which are past due at the end of the reporting period but not impaired as there has not been a significant change in their credit quality and management believes that the amounts are recoverable. These relate to certain major customers for whom there is no recent history of default. Socle Group does not hold any collateral over these balances.

At the end of each of the Relevant Periods, the ageing analysis of the accounts receivable by due date which are past due but not impaired is as follows:

	As at 31 December			As at 30 April
	2010	2011	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current	–	8,219	6,180	4,450
Less than 1 month past due	–	488	–	715
1 month to 3 months past due	–	1,465	615	500
Over 3 months past due	–	134	–	–
	–	2,087	615	1,215
	–	10,306	6,795	5,665

13. ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

(a) Accounts receivable from third parties (Continued)

At the end of each of the Relevant Periods, the ageing analysis of the accounts receivable by invoice date is as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month	–	8,707	6,180	5,165
1 month to 3 months	–	1,465	615	500
Over 3 months	–	134	–	–
	–	10,306	6,795	5,665

Movement in allowance for doubtful debts is as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of reporting period	–	–	2,767	2,921
Increase in allowance – business combination	–	359	–	–
Increase in allowance	–	2,366	135	–
Effect of foreign currency exchange differences	–	42	19	48
At end of reporting period	–	2,767	2,921	2,969

(b) Loan and other receivables

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loan to a licensor	–	–	7,372	8,119
Advance to a third party	–	715	720	731
Advance to a customer	–	–	860	874
Other receivables	–	2,175	4,656	3,324
	–	2,890	13,608	13,048
Allowance for doubtful debts	–	–	(1,580)	(1,605)
	–	2,890	12,028	11,443

The loan and advances are unsecured, interest-free and have no fixed repayment term. Full provision had been made on the advances to a third party and a customer during the year ended 31 December 2012 as the directors consider that the recoverability of these amounts is remote.

13. ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

(c) Due from directors

The amounts due from directors are unsecured, interest-free and have no fixed repayment term. The carrying amount of the amounts due approximate their fair value.

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of director				
Chang Li Cheng	–	–	127	201
Li Yidong	4,489	6,171	2,372	3,047
	4,489	6,171	2,499	3,248

Mr. Chang Li Cheng, Socle's director, has undertaken to indemnify Socle against any losses in case Mr. Li Yidong is unable to settle the amount due to Socle.

14. ACCOUNTS AND OTHER PAYABLES

		As at 31 December			As at 30 April
		2010	**2011**	**2012**	**2013**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable to third parties	*(a)*	–	7,484	8,005	6,075
Other payables					
Accruals and other payables	*(b)*	8	25,574	5,916	9,002
Advance payments from customers		–	35,837	3,147	7,739
Due to a director	*(c)*	142	119	–	–
Due to a shareholder	*(c)*	–	255	6	6
Due to a third party	*(d)*	4,402	–	–	–
		4,552	61,785	9,069	16,747
		4,552	69,269	17,074	22,822

14. ACCOUNTS AND OTHER PAYABLES (CONTINUED)

(a) Accounts payable to third parties

At the end of each of the Relevant Periods, the ageing analysis of the accounts payable is as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month	–	3,869	6,701	3,626
1 month to 3 months	–	–	–	2,186
Over 3 months	–	3,615	1,304	263
	–	7,484	8,005	6,075

(b) Accruals and other payables

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Licence right payables	–	29,131	7,372	24,357
Less: Non-current portion	–	(7,324)	(3,686)	(17,487)
Current portion	–	21,807	3,686	6,870
Sundries	8	3,767	2,230	2,132
	8	25,574	5,916	9,002

(c) Due to a director and a shareholder

The amounts due to a director and a shareholder are unsecured, interest-free and have no fixed repayment term. The carrying amount of the amounts due approximate their fair value.

(d) Due to a third party

The amount due to a third party was unsecured, interest free and had no fixed repayment term. The third party has become a subsidiary of Socle Group since April 2011.

15. SHARE CAPITAL

	As at 31 December						As at 30 April	
	2010		2011		2012		2013	
	No. of ordinary share	*HK$'000*	*No. of ordinary share*	*HK$'000*	*No. of ordinary share*	*HK$'000*	*No. of ordinary share*	*HK$'000*
Authorised:								
50,000 shares with no par value	50,000	–	50,000	–	50,000	–	50,000	–
Issued and fully paid:								
At beginning of reporting period, shares with no par value	100	–	100	–	1,000	–	1,000	–
New shares issued	–	–	900	–	–	–	–	–
At end of reporting period, shares with no par value	100	–	1,000	–	1,000	–	1,000	–

In January 2011, the issued share capital of Socle was increased by allotting 900 ordinary shares with no par value. These shares rank pari passu with the existing shares in all respects.

16. ACQUISITION OF SUBSIDIARIES

In April 2011, Socle Group acquired the entire equity interests in Shanghai YiTiDongLi Cultural and Sports Communications Limited (上海壹體動力文化體育傳播有限公司) ("Shanghai Company") and China Sports (Beijing) Media Limited (體奧動力(北京)體育傳播有限公司) ("Beijing Company") through two sets of control agreements with each of them. The Shanghai Company and Beijing Company are engaged in licensing of professional sports events and entertainment content in the PRC. As a result of the business combination, Socle Group is expected to expand its business in leasing of professional sports events and entertainment content in the PRC and to reduce costs through economies of scale.

Socle Group obtained the relevant PRC authority's approval on the legal title in the equity ownership interest in Shanghai Company and Beijing Company in December 2011 and June 2013 respectively.

16. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised at the date of acquisition:

	HK$'000
Consideration	3,592
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	750
Intangible assets	61,804
Bank balances and cash	16,420
Accounts and other receivables	36,963
Accounts and other payables	(94,909)
Taxation	(3,987)
Total identifiable net assets	17,041
Gain on bargain purchase on business combination	(13,449)
	3,592

Analysis of net cash flow in respect of acquisition of subsidiaries:

Net cash acquired from the subsidiaries	16,420
Consideration	(3,592)
Less: amount due from a director	3,592
	–
Net cash inflow on acquisition of subsidiaries	16,420

The gain on bargain purchase on business combination represents the excess of share of the fair value of identifiable assets acquired and liabilities assumed over the consideration paid for the equity interests of Shanghai Company and Beijing Company. It was attributable to the ability of Socle Group in negotiating the agreed terms with the vendors.

In respect of the acquired subsidiaries during the year ended 31 December 2011, the fair value of accounts and other receivables acquired includes accounts receivables with a fair value of HK$36,963,000. The total gross contractual amount of the accounts and other receivables is HK$37,323,000, of which HK$360,000 is expected to be uncollectible.

The acquired subsidiaries have contributed HK$53,444,000 and HK$8,519,000 to the revenue and profit of Socle Group respectively for the period from the date of acquisition to 31 December 2011.

If the business combinations had been taken place at the beginning of the year ended 31 December 2011, the revenue and profit for Socle Group for the year ended 31 December 2011 would have been HK$97,022,000 and HK$18,776,000 respectively.

17. DISPOSAL OF SUBSIDIARIES

In April 2011, Socle Group disposed of its entire interests in its wholly-owned subsidiary, Imagine Communications Hong Kong Limited, and its wholly-owned subsidiary, 青春海洋傳媒技術（北京）有限公司 at a consideration of HK$1. The details are as follows:

	HK$'000
Net assets disposed of	
Other payables	34
Consideration received	
Cash consideration	1

Analysis of net cash flow in respect of disposal of subsidiaries:

	HK$'000
Consideration	1
Less: amount due to a director	(1)
Net cash flow on disposal of subsidiaries	–
Gain on disposal of subsidiaries:	
Consideration	1
Net liabilities disposed of	34
	35

The gain on disposal is included in other income in the consolidated statement of comprehensive income for the year ended 31 December 2011 *(see note 4)*.

18. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Financial Information, during the Relevant Periods, Socle Group had the following transactions with related parties:

		Years ended 31 December			Four months ended 30 April	
Relationship	**Nature of transactions**	**2010**	**2011**	**2012**	**2012**	**2013**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Key management personnel, including directors	Salaries and allowances	–	959	1,859	469	606
	Contribution to defined contribution retirement scheme	–	78	43	15	16
	Total compensation	–	1,037	1,902	484	622
A fellow subsidiary of a shareholder	Research and development costs	–	2,400	–	–	–
A third party*	Recharge of cost of services rendered	3,795	–	–	–	–
A director	Gain on disposal of subsidiaries	–	35	–	–	–

* *The third party has become a subsidiary of Socle Group since April 2011.*

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Socle Group's principal financial instruments comprise bank balances and cash. The main purpose of these financial instruments is to raise or maintain finance for Socle Group's operations. Socle Group has various other financial instruments such as accounts receivable and accounts payable which arise directly from its business activities.

The main risks arising from Socle Group's financial instruments are credit risk and liquidity risk. Socle Group does not have any written risk management policies and guidelines. However, the management of Socle Group generally adopts conservative strategies on Socle Group's risk management and limits Socle Group's exposure to these risks to a minimum.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amount due to Socle Group resulting in a loss to Socle Group. Socle Group's credit risk is primarily attributable to accounts and other receivables and bank balances.

A detailed discussion of Socle Group's credit risk in respect of accounts and other receivables is set out in note 13 to the Financial Information. Socle Group trades only with recognised, creditworthy third parties. It is Socle Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In extending credit terms to customers, Socle Group has carefully assessed creditworthiness and financial standing of each customer. Management also closely monitors all outstanding debts and reviews the collectability of debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

At 31 December 2010, 2011, 2012 and 30 April 2013, Socle Group had a concentration of credit risk as Nil, 47%, 36% and 59% as well as Nil, 86%, 97% and 90% of the total accounts receivable were made up by the outstanding balances of Socle Group's largest customer and the five largest customers respectively.

Socle Group's bank balances are placed with creditworthy banks in the PRC and Hong Kong.

Liquidity risk

Liquidity risk refers to the risk in which Socle Group is unable to meet its short-term obligations. Liquidity risk is minimal and is managed by matching the payment and receipt cycles. Socle Group's operations are financed mainly through operating cash flows and equity.

The maturity profile of Socle Group's financial liabilities at the end of each of the Relevant Periods based on contractual undiscounted payments are summarised below:

	Total carrying value	Total contractual undiscounted cash flows	On demand	Within one year	One to five years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010					
Accounts and other payables	4,552	4,552	4,552	–	–
At 31 December 2011					
Accounts and other payables	40,756	40,756	20,169	13,263	7,324
At 31 December 2012					
Accounts and other payables	17,613	17,613	10,241	3,686	3,686
At 30 April 2013					
Accounts and other payables	32,570	32,570	8,213	6,870	17,487

Fair value

The carrying values of all financial instruments approximated their fair values as at the end of each of the Relevant Periods.

20. CAPITAL MANAGEMENT

The objectives of Socle Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. Socle Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in Socle Group's objectives, policies or processes in managing capital during the Relevant Periods.

21. COMMITMENTS UNDER OPERATING LEASES

Socle Group leases a number of properties under operating leases, which typically run for an initial period of one to ten years. None of the leases includes contingent rental.

At the end of each of the Relevant Periods, Socle Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 April
	2010	**2011**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	1,059	1,577	1,342
In the second to fifth years inclusive	–	3,551	2,715	3,728
Over five years	–	4,542	3,531	2,260
	–	9,152	7,823	7,330

22. SEGMENTAL INFORMATION

In a manner consistent with the way in which information is reported to Socle Group's chief operating decision maker for the purposes of resource allocation and performance assessment, Socle Group has only one operating segment of licensing of professional sports events and entertainment content in the PRC. Socle Group's revenue from external customers and non-current assets are all located in the PRC. Therefore, no operating segment or geographical segment information is presented.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Socle Group in respect of any periods subsequent to 31 December 2012.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountant, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

The Directors
CHINA DIGITAL CULTURE (GROUP) LIMITED
(formerly known as China Digital Licensing (Group) Limited)
Room 2801A, Tower 1, Lippo Centre
89 Queensway
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of CHINA DIGITAL CULTURE (GROUP) LIMITED *(formerly known as China Digital Licensing (Group) Limited)* (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of 40% equity interest in Socle Limited and its subsidiaries might have affected the financial information presented, for inclusion in Appendix III to the circular of the Company dated 3 October 2013 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagement 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such audit or review assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2013 or any future date; or
- the results and cash flows of the Group for the year ended 31 December 2012 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 3 October 2013

Eunice Y M Kwok
Practising Certificate number: P04604

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. INTRODUCTION

The unaudited pro forma financial information of the Enlarged Group (as defined in this circular) (the "Unaudited Pro Forma Financial Information") comprising the unaudited pro forma consolidated statement of financial position as at 30 June 2013, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2012, has been prepared by the directors of the Company (the "Directors") in accordance with paragraph 31 of Chapter 7 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, for illustrative purpose only, to provide information about how the Acquisition (as defined in this circular) might have affected the result of operations, financial position and cash flows of the Group as if the Acquisition had been completed on (i) 30 June 2013 for the unaudited pro forma consolidated statement of financial position of the Enlarged Group and (ii) 1 January 2012 for the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared as if the Acquisition had been completed on 30 June 2013 and is based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2013 as extracted from the interim report of the Company for the period then ended; and (ii) the audited consolidated statement of financial position of the Target Group (as defined in this circular) as at 30 April 2013 as extracted from the accountants' report as set out in Appendix II to this circular, after making pro forma adjustments that are directly attributable to the Acquisition, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared as if the Acquisition had been completed on 1 January 2012 and is based on (i) the audited consolidated statements of comprehensive income and cash flows of the Group for the year ended 31 December 2012 as extracted from the annual report of the Company for the year then ended; and (ii) the audited consolidated statements of comprehensive income and cash flows of the Target Group for the year ended 31 December 2012 as extracted from the accountants' report as set out in Appendix II to this circular, after making pro forma adjustments that are directly attributable to the Acquisition, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial results or cash flows of the Enlarged Group on completion of the Acquisition.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical information of the Group as set out in the interim report for the six months ended 30 June 2013 and the annual report of the Company for the year ended 31 December 2012 and other information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 30 June 2013	**Target Group as at 30 April 2013**			**Pro forma adjustments**			**Pro forma Enlarged Group as at 30 June 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 8)*	
Non-current assets								
Property, plant and equipment	5,688	1,060						6,748
Intangible assets	2,523	31,587						34,110
Interest in associates	7,483	–				(7,483)		–
Loans to and due from jointly controlled entities	824	–						824
Goodwill	218,031	–		7,726				225,757
	234,549	32,647						267,439
Current assets								
Accounts and other receivables	29,801	26,215			(6)			56,010
Bank balances and cash	11,297	16,180	(10,864)					16,613
	41,098	42,395						72,623
Assets classified as held for sale	11,256	–						11,256

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP (CONTINUED)

	The Group as at 30 June 2013	Target Group as at 30 April 2013	Pro forma adjustments					Pro forma Enlarged Group as at 30 June 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 8)*	
Current liabilities								
Accounts and other payables	16,373	22,822			(6)		1,650	40,839
Tax payable	2,115	5,049						7,164
	18,488	27,871						48,003
Liabilities directly associated with assets classified as held for sale	7,758	–						7,758
Net current assets	26,108	14,524						28,118
Total assets less current liabilities	260,657	47,171						295,557
Non-current liabilities								
Other payables	–	17,487						17,487
	–	17,487						17,487
Net assets	260,657	29,684						278,070
Capital and reserves								
Share capital	33,005	–	2,217					35,222
Reserves	245,687	29,684	6,519			(29,746)	(1,650)	250,494
Equity attributable to equity holders of the Company	278,692	29,684						285,716
Non-controlling interests	(18,035)	–		10,389				(7,646)
Total equity	260,657	29,684						278,070

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2012	Target Group for the year ended 31 December 2012	Pro forma adjustments			Pro forma Enlarged Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	
Turnover	28,691	91,574				120,265
Cost of services rendered and cost of goods sold	(12,367)	(66,739)				(79,106)
Gross profit	16,324	24,835				41,159
Other revenue	708	105				813
Other income	462	1,352				1,814
Selling and distribution expenses	(629)	(4,912)				(5,541)
Administrative and other expenses	(27,388)	(6,400)				(33,788)
Other operating expenses	(86,285)	(1,715)	21,518		(1,650)	(68,132)
Finance costs	(1,153)	–				(1,153)
Share of results of associates	388	–	(654)			(266)
Loss on deemed disposal of equity interest in an associate	–	–	(22,188)			(22,188)
(Loss) Profit before taxation	(97,573)	13,265				(87,282)
Income tax expenses	(681)	(2,859)				(3,540)
(Loss) Profit for the year	(98,254)	10,406				(90,822)
Other comprehensive income:						
Foreign currency translation difference	–	158				158
Total comprehensive (loss) income for the year	(98,254)	10,564				(90,664)

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP (CONTINUED)

	The Group for the year ended 31 December 2012	Target Group for the year ended 31 December 2012	Pro forma adjustments			Pro forma Enlarged Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	
(Loss) Profit attributable to:						
Equity holders of the Company	(68,928)	10,564	(1,324)	(3,697)	(1,650)	(65,035)
Non-controlling interests	(29,326)	–		3,697		(25,629)
	(98,254)	10,564				(90,664)
Total comprehensive (loss) income attributable to:						
Equity holders of the Company	(68,928)	10,564	(1,324)	(3,697)	(1,650)	(65,035)
Non-controlling interests	(29,326)	–		3,697		(25,629)
	(98,254)	10,564				(90,664)

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 December 2012	Target Group for the year ended 31 December 2012	Pro forma adjustments			Pro forma Enlarged Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 6)*	*(Note 8)*	
OPERATING ACTIVITIES						
(Loss) Profit before taxation	(97,573)	13,265		(1,324)	(1,650)	(87,282)
Depreciation and amortisation	1,652	44,147				45,799
Impairment loss on interest in associates	21,518	–		(21,518)		–
Loss on deemed disposal of equity interest in an associate	–	–		22,188		22,188
Written off of payments to licensors	39,380	–				39,380
Allowance for doubtful debts	20,225	1,715				21,940
Write-down of inventories	162	–				162
Impairment loss of goodwill arising from acquisition of subsidiaries	5,000	–				5,000
Gain on extinguishment of convertible bonds	(208)	–				(208)
Finance costs	1,153	–				1,153
Interest income	(711)	(105)				(816)
Exchange difference	–	(4)				(4)
Share of results of associates	(388)	–		654		266
Operating profit before changes in working capital	(9,790)	59,018				47,578
Changes in working capital:						
Inventories	44	–				44
Accounts and other receivables	4,899	(9,750)				(4,851)
Accounts and other payables	6,063	(56,413)			1,650	(48,700)
Cash generated from (used in) operations	1,216	(7,145)				(5,929)
Income taxes paid	(86)	(259)				(345)
Net cash from (used in) operating activities	1,130	(7,404)				(6,274)

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP (CONTINUED)

	The Group for the year ended 31 December 2012	Target Group for the year ended 31 December 2012	Pro forma adjustments			Pro forma Enlarged Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 6)*	*(Note 8)*	
INVESTING ACTIVITIES						
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	–	–	19,081			19,081
Subscription of share capital in an associate	(400)	–				(400)
Purchase of property, plant and equipment	(521)	(547)				(1,068)
Purchase of intangible assets	–	(12,290)				(12,290)
Revolving loans and advance to jointly controlled entities	(11,351)	–				(11,351)
Repayment of revolving loans from jointly controlled entities	529	–				529
Interest received	711	105				816
Net cash used in operating activities	(11,032)	(12,732)				(4,683)
FINANCING ACTIVITIES						
Interest on convertible bonds paid	(40)	–				(40)
Proceeds from shares issued upon exercise of warrants	4,080	–				4,080
Advance from individual/ related party	1,829	–				1,829
Advance from directors	14,305	–				14,305
Net cash from financing activities	20,174	–				20,174
Net increase (decrease) in cash and cash equivalents	10,272	(20,136)				9,217
Cash and cash equivalents at beginning of year	7,256	29,945	(29,945)			7,256
Effect of foreign exchange rate changes	–	176				176
Cash and cash equivalents at end of year	17,528	9,985				16,649

Notes to the Unaudited Pro Forma Financial Information

1. The consolidated statement of financial position of the Group is extracted from the interim report of the Company for the six months ended 30 June 2013. The consolidated statement of comprehensive income and consolidated statement of cash flows of the Group are extracted from the annual report of the Company for the year ended 31 December 2012.

2. The financial information of the Target Group is extracted from the accountants' report of the Target Group as set out in Appendix II to this circular.

3. Pursuant to the terms of the Acquisition Agreement (as defined in this circular), the total consideration for the acquisition of 40% equity interest of the Target Group of HK$19,600,000 is satisfied as follows:

	HK$'000
Consideration for the Acquisition:	
Cash	10,864
Consideration Shares *(note a)*	8,736
	19,600

(a) The value of the Consideration Shares issued for the Acquisition is based on 44,342,857 Shares (as defined in this circular) of HK$0.05 each issued at HK$0.197 per share, the closing price of Shares on 30 June 2013. However, the fair value of the Consideration Shares issued as consideration for the Acquisition so arrived at as aforesaid of HK$8,736,000 and used for the purpose of the preparation of the Unaudited Pro Forma Financial Information set out above may be substantially different from their fair value based on the share price on the date of the Completion, being the date the Group obtains control over the Target Group. Upon completion of the Acquisition, the fair value of the identifiable assets and liabilities of the Target Group will have to be reassessed. The identifiable assets and liabilities of the Target Group at the date of completion of the Acquisition may be substantially different from the fair value of the identifiable assets and liabilities used in the preparation of this Unaudited Pro Forma Financial Information. Therefore, whether a goodwill or gain on bargain purchase is to be arisen from the Acquisition will depend on the final amount of the identifiable assets and liabilities and the share price on the date of the Completion.

Upon the issuance of the 44,342,857 Consideration Shares by the Company in connection with the Acquisition at value of HK$8,736,000, the share capital and the reserves of the Company will be increased by approximately HK$2,217,000 and HK$6,519,000 respectively.

The adjustment in unaudited pro forma consolidated statement of cash flows represented the cash consideration of approximately HK$10,864,000 as described above, net of cash and cash equivalents acquired of approximately HK$29,945,000 as at 1 January 2012. The adjustment is not expected to have a continuing effect on the Enlarged Group.

Notes to the Unaudited Pro Forma Financial Information

4. The identifiable assets and liabilities of the Target Group will be accounted for under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

   For the purpose of the unaudited pro forma consolidated statement of financial position, the allocation of the purchase price is determined based on the Directors' estimates of the fair value of the identifiable assets and liabilities of the Target Group as at 30 April 2013.

   Goodwill is estimated as follows:

	HK$'000
Consideration *(note 3)*	19,600
Estimated fair value of 25% interest previously held in the Target Group	7,421
	27,021
Carrying amount of the Target Group's net assets as at 30 April 2013 and estimated fair value of net identifiable assets and liabilities of the Target Group	29,684
Less: Non-controlling interests arising from the Acquisition (i.e. 35% on estimated fair value of net identifiable assets and liabilities of the Target Group	(10,389)
Net identifiable assets and liabilities acquired	19,295
Goodwill arising from the Acquisition	7,726

   The fair value of 25% equity interest previously held in the Target Group of approximately HK$7,421,000 is estimated primarily from the proportionate share of the Target Group's net assets as at 30 April 2013.

   The amount of goodwill and fair value of the identifiable assets and liabilities of the Target Group are subject upon the completion of (i) the valuation of the fair value of the identifiable assets and liabilities of the Target Group, (ii) the financial position of the Target Group on the date of completion, and (iii) the valuation of the previously held interest in the Target Group on the date of completion. The amounts may be different from the estimates used in the preparation of the Unaudited Pro Forma Financial Information presented above.

   For the purpose of this Unaudited Pro Forma Financial Information, the Directors have ensured the steps taken on the assessment of impairment on goodwill have been properly performed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" issued by the HKICPA which is consistent with the accounting policies of the Group. The Directors consider that there would be no impairment on the goodwill arising from the Acquisition as at 30 June 2013 if the Acquisition had been completed on the same date.

5. The adjustment represents the elimination of the Group's other receivable with the Target Group amounting to approximately HK$6,000.

Notes to the Unaudited Pro Forma Financial Information

6. The adjustments in connection with the unaudited pro forma consolidated statement of financial position represent (i) elimination of interest in an associate and the pre-acquisition reserves of the Target Group amounting to approximately HK$7,483,000 and HK$29,684,000 respectively, (ii) loss on deemed disposal of previously 25% held equity interest in the Target Group amounting to approximately HK$62,000.

   The adjustments in connection with the unaudited pro forma consolidated statement of comprehensive income represent (i) the reversal of share of profit of an associate (the Target Group) of approximately HK$654,000 for the year ended 31 December 2012, since the results of the Target Group are consolidated into the unaudited pro forma consolidated statement of comprehensive income as if the Acquisition had taken place on 1 January 2012, (ii) the reversal of impairment on an associate (the Target Group) of approximately HK$21,518,000 for the year ended 31 December 2012, since the results of the Target Group are consolidated into the unaudited pro forma consolidated statement of comprehensive income as if the Acquisition had taken place on 1 January 2012, (iii) the loss on deemed disposal of previously 25% held equity interest in an associate (the Target Group) of approximately HK$22,188,000 measured as the excess of the fair value of the 25% equity interest in the Target Group of approximately HK$5,160,000 at 1 January 2012 over the carrying amount of the 25% equity interest previously held in the Target Group of approximately HK$27,348,000 as at 1 January 2012 in accordance with HKFRS 3. The fair value of the 25% equity interest in the Target Group is estimated primarily from the proportionate share of the Target Group's net assets as at 1 January 2012. The amount may be different from the estimated amounts shown in the Unaudited Pro Forma Financial Information, as discussed in Note 4 above. All the adjustments mentioned above are not expected to have a continuing effect on the Enlarged Group.

7. The adjustment represents the non-controlling shareholder's interest in the Target Group's profit for the year of approximately HK$3,697,000, being 35% on profit for the year ended 31 December 2012 of the Target Group of HK$10,564,000. The adjustment is expected to have a continuing effect on the Enlarged Group.

8. The adjustment represents the estimated transaction costs directly attributable to the Acquisition of approximately HK$1,650,000 which are expensed in profit or loss as incurred. The adjustment is not expected to have a continuing effect on the Enlarged Group.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULT AND POSITION OF THE GROUP

Business Review

The Group is principally engaged in the provision of copyright management solutions, related consultancy services and the distribution of copyright-protected products (the "**e-Licensing Business**").

The Group is one of the largest music content provider of China Unicom offering almost 50,000 pieces of licensed music of Chinese and Western styles, representing over 50% of music stored in the music library of China Unicom. The Group is one of the content providers of China Unicom who possesses two network-wide ringtone products. At the same time, the number of local ringtone products has reached an aggregate of 65 in various provinces. Leveraging on the established marketing and promotion resources in various provinces as well as promotion campaigns carried out in local outlets, the Group has accumulated a substantial customer base among the subscribers of China Unicom, enabling us to generate a stable stream of income.

Meanwhile, the Group cooperated closely with top-tier provinces to actively participate in the concerts organized by China Unicom in 2012. The Group also displayed its two network-wide ringtone products on stage background screen before the start of the concert, which was well-received and was helpful for establishing our brand's image while laying foundation for marketing of related products in the future.

In addition, the Group also cooperated with China Mobile and China Telecom in providing the licensed music contents on the music platform of both telecommunication operators in the PRC.

For e-Licensing business, the Group has been the licensing agent for Universal, Warner, and Sony since 2011, accumulating a library of over 450,000 pieces of music and representing one of the largest content providers on China Unicom as a music platform. The Group have established an aggregate of 70 local ringtone products in numerous provinces and accumulated more than 80,000 long term subscribers. On 31 May 2013, the Group was granted music rights from a leading Chinese music label – Gold Typhoon Group for a term of two years. Gold Typhoon Group represents a number of top-tier Taiwanese, Cantonese, and Mainland Chinese talents and also holds an extensive music library of over 600,000 pieces of music. Further, Gold Typhoon Group is the exclusive agent for EMI with regard to the distribution of digital music in the Greater China Region, as well as the distribution agent for numerous records produced worldwide. With the newfound collaboration with Gold Typhoon Group, the Group will offer subscribers of China Unicom and other potential music platforms more exciting and robust music content. Furthermore, the Group believes that the music rights from Gold Typhoon

Group will strengthen the presence in the music library of China Unicom from representing approximately 50% of all music on the platform to approximately 70%. In addition, the Group will increase its efforts in the second half of the year to introduce our extensive music content to China Telecom as a distribution platform.

On 12 April 2013, Silver Season Investments Limited ("Silver Season"), a wholly-owned subsidiary of the Company, completed the acquisition of the entire equity interest in Nova Dragon. Nova Dragon and its subsidiaries are principally engaged in assisting professional athletes, such as Jeremy Lin (林書豪), a NBA player, with marketing and promotional activities worldwide.

In addition, on 25 April 2013, Silver Season completed the acquisition of 80% equity interest in CD Entertainment, in which the Group owned 20% equity interest as of 31 December 2012. CD Entertainment and its subsidiaries are principally engaged in the business of promotion, sales and distribution of movie and music licensed content worldwide and the organization of music concerts, programs and related services.

The Group believes that the acquisition of both Nova Dragon and CD Entertainment will strengthen its business and continue to maintain long-term profitability and growth in their respective operating segments. On 27 March 2013, the Group also entered into a strategic cooperation framework agreement with one of the prominent film distribution companies in the PRC, HuaXia Film Distribution Company (華夏電影發行有限責任公司), in relation to the overseas distribution of various film and programs produced in the PRC.

The Group continues its effort in further developing its businesses in China's fast growing cultural, entertainment, and sports areas. To reflect this refocus, the board of Directors has changed the English name of the Company from "China Digital Licensing (Group) Limited" to "China Digital Culture (Group) Limited". A new Chinese name "中國數碼文化(集團)有限公司" was adopted by the Company as the secondary name of the Company to replace the Chinese name "中國數碼版權(集團)有限公司" which has been used for identification purpose only.

The Group was also engaged in the development and provision of on-line education programs, provide languages and mathematics learning programs to students in secondary and primary schools in Hong Kong and Macao (the "**e-Learning business**") since 2008. On 26 April 2013, the Group entered into an agreement for the disposal of the entire interest in e-Learning business at a cash consideration of HK$5,100,000, and is completed on 16 July 2013.

The following is the management discussion and analysis of the performance of the Group extracted from the interim reports for the six months ended 30 June 2013 and the annual reports of the Company for each of the three years ended 31 December 2010, 2011 and 2012.

Financial Review

For the six months ended 30 June 2013

For the six months ended 30 June 2013, the Group recorded a turnover of HK$12,725,000 from continuing operations as compared to HK$20,434,000 in the same period in 2012. The decrease in turnover is primarily attributable to the temporary lack of demand in 2nd quarter of 2013. The Group projects turnover to increase in 3rd quarter and 4th quarter of 2013 through the increased music content from Gold Typhoon Group and the potential use of China Telecom as a distribution platform.

The Group reported a net profit attributable to equity holders for both continuing and discontinued operations of approximately HK$2,981,000 for the six months ended 30 June 2013, compared to a net profit of approximately HK$1,039,000 in the corresponding period of last year. Such increase is mainly attributable to the reversal of HK$2,950,000 impairment loss on the amount due from a jointly controlled entity in 2013 and cost reduction relating to contract renegotiations.

Administrative and other expenses from continuing operations for the six months ended 30 June 2013 amounted to approximately HK$9,903,000 (30 June 2012: approximately HK$10,047,000), representing a decrease of approximately 1% compared with the same period last year.

Liquidity and financial resources

As at 30 June 2013, the Group had current assets of approximately HK$41,098,000 (31 December 2012: HK$55,720,000) and current liabilities of approximately HK$18,488,000 (31 December 2012: HK$36,581,000). The current assets were comprised mainly of cash and bank balances of HK$11,297,000 (31 December 2012: HK$17,528,000) together with accounts and other receivables of HK$29,801,000 (31 December 2012: HK$37,991,000). The Group's current liabilities were comprised mainly of other payables of approximately HK$16,373,000 (31 December 2012: HK$35,993,000). The Group had no bank borrowings at 30 June 2013 (31 December 2012: Nil). Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 June 2013, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Foreign exchange risk

Since almost all transactions of the Group are denominated either in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Contingent liabilities

As at 30 June 2013, the group had no material contingent liabilities.

Employee information

As at 30 June 2013, the Group had 42 (31 December 2012: 49) full-time employees. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. The Group also adopts employee share option scheme to provide eligible employees a performance incentive for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

For the year ended 31 December 2012

For the year ended 31 December 2012, the Group recorded a turnover of approximately HK$28,691,000, a slight decrease of approximately 2.1% from approximately HK$29,315,000 for the previous financial year.

Administrative expenses incurred by the Group for the year ended 31 December 2012 were approximately HK$27,389,000 (2011: HK$21,718,000). The increase was mainly due to the increase in rental expenses, increase in depreciation and amortization, and increase in salaries.

During the reporting period, the Group recorded other operating expenses of approximately HK$86,285,000 (2011: HK$34,087,000). These included (i) an impairment loss on goodwill of approximately HK$5,000,000 for the e-Learning business primarily stemmed from keen competition in the provision of language enhancement programs; (ii) an impairment loss on interest in associates of approximately HK$21,518,000 resulting from the expiry of certain licenses of professional sports events; (iii) an allowance for doubtful debts on loans to and due from jointly controlled entities of approximately HK$20,225,000; and (iv) written off of prepayment to licensors of approximately HK$39,380,000, of which approximately HK$34,180,000 was confirmed to be expired in May 2012 by entering into a supplemental agreement with the licensor in December 2012.

As a result of the aforesaid impairment losses and allowance for doubtful debts, the Group reported a net loss attributable to equity holders of the Company for the reporting year amounted to approximately HK$68,928,000 (2011: net loss of approximately HK$37,857,000).

Liquidity and financial resources

As at 31 December 2012, the Group had current assets of approximately HK$55,720,000 (2011: HK$61,955,000) and current liabilities of approximately HK$36,581,000 (2011: HK$12,811,000). The current assets were comprised mainly of bank balances and cash of approximately HK$17,528,000 (2011: HK$7,256,000) and accounts and other receivables of approximately HK$37,991,000 (2011: HK$54,285,000). The Group's current liabilities were comprised mainly of other payables of approximately HK$35,993,000 (2011: HK$12,811,000). The Group had no bank borrowings at 31 December 2012 and 2011. As at 31 December 2012, the Group had a current ratio of approximately 1.5 as compared to that of 4.8 at 31 December 2011.

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2012, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Material acquisitions or disposals of subsidiary and affiliated companies

In January 2012, the Group entered into an agreement relating to the investment of 20% equity interest in China Digital Entertainment Company Limited at a consideration of HK$400,000. The target company will be principally engaged in the promotion, sales and distribution of movie and music licensed contents.

Foreign Exchange Risk

Since almost all transactions of the Group are denominated either in Hong Kong dollars and Renminbi and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Contingent liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Employee information

As at 31 December 2012, the Group had 49 (2011: 42) full-time employees. Employee costs for the year 2012, excluding directors' emoluments, amounted to approximately HK$9,311,000 (2011: HK$6,430,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopts an employee share option scheme to provide eligible employees performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

For the year ended 31 December 2011

Financial review

The Group recorded a turnover of approximately HK$29,315,000, representing a 4.2-fold increase from approximately HK$6,973,000 in last year. The increase in turnover was mainly attributed to the sales of e-Licensing business, driven by the successful launch of the provision of music contents service, system development consultancy service and agency service.

Other operating expenses for the year is approximately HK$34,087,000 (2010: HK$10,735,000), the increase in operating expenses was mainly attributed to the impairment loss of goodwill amounting to HK$34,000,000.

The Group incurred a net loss attributable to shareholders of approximately HK$37,857,000 for the year ended 31 December 2011 compared with that of approximately HK$21,452,000 last year. As mentioned above, a provision for impairment loss of HK$34,000,000 was made for 2011. If the provision was stripped out, the loss would have been reduced to HK$3,857,000.

Liquidity and financial resources

As at 31 December 2011, the Group had current assets of approximately HK$61,955,000 (2010: HK$75,561,000) and current liabilities of approximately HK$12,811,000 (2010: HK$26,069,000). The current assets were comprised mainly of cash and bank balances of HK$7,256,000 (2010: HK$44,645,000) and accounts and other receivables of HK$54,285,000 (2010: HK$30,507,000). The Group's current liabilities were comprised mainly of other payables of approximately HK$12,811,000 (2010: HK$4,141,000). The Group had no bank borrowings as at 31 December 2011 and 2010. As at 31 December 2011, the Group had a current ratio of approximately 4.8 as compared to that of 2.9 at 31 December 2010.

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2011, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Material acquisitions or disposals of subsidiary and affiliated companies

On 7 June 2011, the Group completed the acquisition of 25% equity interest in Socle Limited and its subsidiaries (the "**Socle Group**"). The Socle Group is principally engaged in the provision of the leading professional sports events and entertainment content mainly in the PRC.

Details of the acquisition are set out in the Company's circular dated 17 May 2011.

Foreign Exchange Risk

Since almost all transactions of the Group are denominated either in Hong Kong dollars and Renminbi and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Employee information

As at 31 December 2011, the Group had 42 (2010: 40) full-time employees. Employee costs for the year 2011, excluding directors' emoluments, amounted to approximately HK$6,430,000 (2010: HK$10,694,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopts an employee share option scheme to provide eligible employees performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

For the year ended 31 December 2010

Financial review

The Group incurred a net loss attributable to shareholders of approximately HK$21,452,000 for the year ended 31 December 2010 compared with that of approximately HK$8,767,000 the previous year. Revenue from continuing operations for the reporting year amounted to approximately HK$6,973,000 (2009: HK$4,150,000), representing an increase of approximately 68% compared to last year. The increase in turnover was mainly contributed by the increase in sales of e-Learning business, driven by the successful launch of the e-Learning English enhancement programs in the third quarter of this year.

Administrative expenses for the year ended 31 December 2010 amounted to approximately HK$32,186,000 (2009: HK$15,044,000), representing an increase of approximately HK$17,142,000 as comparing with the previous year. The increase was mainly attributed to (i) the share based payment arising from granting of share options and (ii) the impairment loss of deposits paid for the music contents in relation to the e-Licensing business.

Liquidity and financial resources

As at 31 December 2010, the Group had current assets of approximately HK$75,561,000 (2009: HK$42,454,000) and current liabilities of approximately HK$26,069,000 (2009: HK$3,746,000). The current assets were comprised mainly of cash and bank balances of HK$44,645,000 (2009: HK$29,052,000) and trade and other receivables of HK$28,922,000 (2009: HK$11,674,000). The Group's current liabilities were comprised mainly of other payables of approximately HK$4,141,000 (2009:

HK$3,059,000) and earn-out payable of HK$18,000,000 (2009: Nil). The Group had no bank borrowings as at 31 December 2010 (2009: Nil). As at 31 December 2010, the Group had a current ratio of approximately 2.9 as compared to that of 11.3 at 31 December 2009.

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2010, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Subscription of new shares and warrants

In August 2010, the Company entered into (i) three share subscription agreements to allot and issue in aggregate 103,500,000 shares of the Company in cash at the placing price of HK$0.273 per placing share and (ii) three warrant subscription agreements to place in aggregate 310,500,000 warrants in cash at the warrant issue price of HK$0.001 per warrant. The warrant entitles the subscribers to subscribe for the Company's shares at the subscription price of HK$0.272 per share for a period of three years commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share of the Company.

The completion of the share subscription and warrant subscription took place in September 2010. Details of the transaction have been set out in the announcement of the Company dated 10 August 2010.

Foreign Exchange Risk

Since almost all transactions of the Group are denominated either in Hong Kong dollars and Renminbi and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Employee information

As at 31 December 2010, the Group had 40 (2009: 23) full-time employees. Employee costs for the year 2010, excluding directors' emoluments, amounted to approximately HK$11,414,000 (2009: HK$5,772,000). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals being based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided. In addition, training and development courses are offered throughout the Group to upgrade employee skills and knowledge.

The Group also adopts an employee share option scheme to provide eligible employees performance incentives for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULT AND POSITION OF THE SOCLE GROUP

During the three financial years ended 31 December 2010, 2011 and 2012 and the 4 months period ended 30 April 2013, the principal activity of Socle Limited and its subsidiaries (the "**Socle Group**") is the licensing of professional sports events and entertainment content in the PRC and other regions.

Financial summary

Set out below is the key consolidated financial data of Socle Group, which are extracted from the accountants' report on Socle Limited contained in Appendix II to this circular.

	For the financial year ended 31 December 2010	**For the financial year ended 31 December 2011**	**For the financial year ended 31 December 2012**	**For the four months ended 30 April 2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	5,416	62,833	91,574	10,747
Gross profit	1,621	13,556	24,835	741
Profit/(loss) before taxation	1,559	19,230	13,265	(1,868)
Profit/(loss) after taxation	1,559	18,776	10,406	(2,095)
Total comprehensive income/(loss)	1,559	19,166	10,564	(1,518)

	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 April 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	–	47,448	16,461	32,647
Current assets	6,024	52,301	40,636	42,395
Total assets	6,024	99,749	57,097	75,042
Current liabilities	4,552	71,787	22,209	27,871
Non-current liabilities	–	7,324	3,686	17,487
Net assets	1,472	20,638	31,202	29,684

Set out below is the management discussion and analysis on the performance of the Socle Group for the four months ended 30 April 2013 and the three financial years ended 31 December 2012, 31 December 2011 and 31 December 2010.

(a) Financial Review

(i) For the four months ended 30 April 2013

For the four months period ended 30 April 2013, the consolidated turnover was approximately HK$10.75 million compared to that of approximately HK$40.29 million for the four months ended 30 April 2012. Also, the gross profit was approximately HK$0.74 million for the four months ended 30 April 2013, compared to that of approximately HK$11.56 million for the four months ended 30 April 2012. The decrease of the turnover and the gross profit was due to (i) the non-renewal of distribution licensed rights for the China Basketball Association (CBA) league; and (ii) renewal of the distribution for the 2013 AFC Champions League was still under negotiation during the period; as such, revenue recognized from the license was significantly reduced during the four months ended 30 April 2013 as compared to the same period in 2012. However, during the period, the Socle Group was also able to secure other professional sport events content, such as the Women's Tennis Association (WTA) Tournament and East Asian Football Championships and has begun to generate income during the period. The Socle Group will continue to source new and valuable contents to generate more revenue.

For the four months ended 30 April 2013, the administrative expenses was approximately HK$1.64 million compared to that of approximately HK$2.45 million for the four months ended 30 April 2012 due to the decrease in cost incurred by the Socle Group.

For the four months ended 30 April 2013, the total consolidated comprehensive loss was approximately HK$1.52 million compared to the total consolidated comprehensive income of approximately HK$2.37 million for the four months ended 30 April 2012. The resulted loss was mainly due to the decrease in turnover as mentioned above.

(ii) For the three years ended 31 December 2012

The Socle Group recognized a consolidated turnover for the financial year ended 31 December 2012 of approximately HK$91.57 million as compared to that of approximately HK$62.83 million and approximately HK$5.42 million for the financial years ended 31 December 2011 and 31 December 2010 respectively. The increase in the consolidated turnover for the financial year ended 31 December 2012 was due to the increase in turnover contribution from licensing of license rights while the significant increase in 2011 was due to the completion of the acquisition of the Beijing Company and the Shanghai Company in April 2011 which started to have revenue and profit contribution to the Socle Group. In addition, the Socle Group recorded other income of (i) approximately HK$1.35 million which is government subsidy for the financial year ended 31 December 2012; (ii) approximately HK$14.69 million for the financial year ended 31 December 2011, mainly comprised gain on bargain purchase on business combination of approximately HK$13.45 million in relation to the acquisition of the Shanghai Company and the Beijing Company in April 2011 as the total identifiable net assets is higher than the consideration under the acquisitions, gain on disposal of subsidiaries of approximately HK$0.035 million and government subsidy of approximately HK$1.20 million which are mainly the tax refund by the local government to encourage the investment and business operation in relation to cultural activities (ceased to be available after December 2012).

The consolidated gross profit for the financial year ended 31 December 2012 was approximately HK$24.84 million as compared to that of approximately HK$13.56 million and approximately HK$1.62 million for the financial years ended 31 December 2011 and 31 December 2010 respectively. The increase in gross profit was due to the increase in turnover during the relevant periods. The consolidated gross profit margin of the Socle Group was approximately 27.12% for the financial year ended 31 December 2012, as compared to approximately 21.57% and approximately 29.93% for the financial years ended 31 December 2011 and 31 December 2010 respectively. The reason for the increase in gross profit margin was mainly due to the increase in revenue during the year. As the cost of the broadcasting licensed rights are relatively fixed, the more revenue generated, the higher the profit margin.

Moreover, Socle the Group recorded other operating expenses for the financial year ended 31 December 2012 of approximately HK$1.72 million due to allowance for doubtful debts provided for those receivable from customers that are overdue for over one year and based on the management's evaluation of the collectability of the accounts receivables in which a considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customers. The Socle Group also recorded other operating expenses for the financial year ended 31 December 2011 of approximately HK$5.68 million, mainly comprised allowance for doubtful debts on long overdue receivable from customers of approximately HK$2.37 million, bad debt written off of approximately HK$0.91 million on long overdue receivable which the management cannot foresee the collectibility and research and development costs of approximately HK$2.40 million.

Administrative expenses was approximately HK$6.40 million for the financial year ended 31 December 2012 as compared to that of approximately HK$2.45 million and approximately HK$0.06 million for the financial years ended 31 December 2011 and 31 December 2010 respectively.

The total consolidated comprehensive income for the financial year ended 31 December 2012 was approximately HK$10.56 million as compared to that of approximately HK$19.17 million and approximately HK$1.56 million for the financial years ended 31 December 2011 and 31 December 2010 respectively.

(b) Liquidity and Financial Resources

The registered and paid-up capital was nil as Socle Limited is a company incorporated in the BVI without par value. The Socle Group had no bank borrowings and has no gearing as at 30 April 2013, 31 December 2012, 31 December 2011 and 31 December 2010 respectively. The Socle Group generally financed its operations with its internally generated resources.

The consolidated current assets of the Socle Group was approximately HK$40.64 million as at 31 December 2012 as compared to approximately HK$52.30 million and approximately HK$6.02 million as at 31 December 2011 and 31 December 2010 respectively. The significant increase in current assets for the financial year ended 31 December 2011 as compared to that for the financial year ended 31 December 2010 was due to the acquisition of the Beijing Company and the Shanghai Company. The consolidated current assets of the Socle Group was approximately HK$42.40 million as at 30 April 2013.

The consolidated current assets of the Socle Group as at 31 December 2012 was HK$40.64 million, comprised mainly accounts and other receivables of approximately HK$30.65 million (2011: HK$22.36 million; 2010: HK$4.49 million) and cash and bank balances of approximately HK$9.99 million (2011: HK$29.95 million, 2010: HK$1.54 million). The consolidated current assets as at 30 April 2013 was HK$42.40 million, comprised mainly accounts and other receivables of approximately HK$26.22 million and cash and bank balances of approximately HK$16.18 million.

The intangible assets of the Socle Group as at 30 April 2013 and 31 December 2012, 2011 and 2010 were was approximately HK$31.59 million, HK$15.36 million, HK$46.75 million and nil respectively, mainly comprised the license rights. Licence rights for professional sports event and entertainment content are stated at cost less amounts expensed and any provision considered necessary by the management. Their costs are amortised over the shorter of their economic lives and the underlying licence period.

The consolidated current liabilities of the Socle Group as at 31 December 2012 was HK$22.21 million (2011: HK$71.79 million, 2011: HK$4.55 million), mainly comprised accounts and other payables of approximately HK$17.07 million (2011: HK$69.27 million, 2010: HK$4.55 million) and provision for taxation of approximately HK$5.14 million (2011: HK$2.52 million, 2010: nil). As at 30 April 2013, the consolidated current liabilities of the Socle Group was approximately HK$27.87 million mainly comprised accounts and other payables of approximately HK$22.82 million and provision for taxation of approximately HK$5.05 million.

As at 31 December 2012, the financial position of the Socle Group was strengthened, the consolidated net assets was approximately HK$31.20 million, as compared to approximately HK$20.64 million and approximately HK$1.47 million as at 31 December 2011 and 31 December 2010 respectively. As at 30 April 2013, the consolidated net assets was approximately HK$29.68 million.

(c) Contingent Liabilities

The Socle Group had no contingent liabilities as at 30 April 2013, 31 December 2012, 31 December 2011 and 31 December 2010 respectively.

(d) Exposure to Fluctuations in Exchange Rates

The functional and presentation currency of the Socle Group is Hong Kong Dollars. The business transactions of the Socle Group are transacted mainly in Renminbi and small part of the revenue is generated in United State dollars. The Socle Group was exposed to foreign currency risk. As Renminbi is generally appreciating against Hong Kong dollars during the three financial years ended 31 December 2010, 2011 and 2012 and the four months ended 30 April 2013 and the exchange rate between United States dollars and Hong Kong Dollars was linked, the directors of the Socle Group believe that there is no significant foreign exchange risk. The Group adopts a conservative treasury policy with most of the bank deposits being kept in local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 December 2010, 2011, 2012 and as at 30 April 2013, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

(e) Charges on assets

As at 30 April 2013, 31 December 2012, 31 December 2011 and 31 December 2010, there were no charges on the assets of the Socle Group respectively.

(f) Capital commitments

As at 30 April 2013, 31 December 2012, 31 December 2011 and 31 December 2010, the Socle Group did not have any capital commitments respectively.

(g) Segment information

During the three financial year ended 31 December 2012, 31 December 2011 and 31 December 2010 and the four months ended 30 April 2013, the Socle Group was principally engaged in one operating segment (the provision of professional sports events and entertainment content) in the PRC only and accordingly no operating segment or geographical segment information is presented.

(h) Employees and remuneration policies

As at 31 December 2012, the Socle Group had 19 employees (2011: 18, 2010: 0) including directors. As at 30 April 2013, the Socle Group had 19 employees including directors. Total staff costs (including directors' emoluments) amounted to approximately HK$3.68 million for the year ended 31 December 2012 as compared to approximately HK$0.90 million and nil for the financial years ended 31 December 2011 and 31 December 2010 respectively. Total staff costs (including directors' emoluments) amounted to approximately HK$1.10 million for the four months ended 30 April 2013. Remuneration on its employees is mainly based on industry practices and individual's performance and experience. Total salaries, allowance and other benefits in kinds and contributions to retirement scheme in accordance with the PRC requirements of the staff and directors. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic maternity insurance, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

(i) Significant investments, material acquisitions and disposal of subsidiaries and affiliated companies

On 5 March 2010, Socle Limited through its wholly-owned subsidiary, Imagine Communications Holding Limited acquired 100% equity interest in Olympic Wealth Limited, a company incorporated in the BVI at a nominal consideration of US$1.

On 10 January 2011, Socle Limited acquired 100% equity interest in Star Global Management Limited at a nominal consideration of HK$1.

On 19 April 2011, Socle Limited disposed the 100% equity interest in Imagine Communications Hong Kong Limited and its wholly-owned subsidiary, 青春海洋傳媒技術(北京)有限公司 (unofficial English name as Qingchun Haiyang Media Technology (Beijing) Limited), at a nominal consideration of HK$1.

On 17 March 2011, Socle Group acquired 100% equity interest in Goldline Enterprises Limited at a total consideration of US$1. Goldline Enterprises Limited through its wholly-owned subsidiaries was interested in 100% equity interest in the Shenzhen Company.

On 29 April 2011, the Shenzhen Company entered into the two set of control agreements with the Beijing Company, the Shanghai Company and their respective shareholders and directors to obtain the effective control over the Beijing Company, the Shanghai Company under contractual arrangement.

In December 2011, the Socle Group exercised the exclusive share purchase agreement under the control agreements to acquire the entire direct equity interest in the Shanghai Company to unwind the contractual arrangement.

Save for the above, there was no material acquisitions or disposal of subsidiaries and affiliated companies of the Socle Group during the three financial years ended 31 December 2012 and the four months ended 30 April 2013.

(j) Post balance sheet event and future plans for material investments

In July 2013, the Socle Group exercised the exclusive share purchase agreement under the control agreements to acquire the entire direct equity interest in Beijing Company to unwind the contractual arrangement.

As at the Latest Practicable Date, there were no proposed material investments by the Socle Group.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

Authorised:		*HK$*
20,000,000,000	Shares	200,000,000.00

Issued, fully paid or credited as fully paid:

3,300,510,492	Shares in issue as at the Latest Practicable Date	33,005,104.92
44,342,857	Consideration Shares to be issued upon Completion	443,428.57
3,344,853,349	Total Shares in issue upon Completion	33,448,533.49

3. DISCLOSURE OF INTERESTS

(i) Directors' interests

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the shares, debentures or underlying shares 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 and short positions which he or she was 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 maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(a) *Long positions in the Shares*

Name of Director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Hsu Tung Sheng	Beneficial interest	73,500,000 (L)	2.23%
Mr. Hsu Tung Chi	Beneficial interest	54,800,000 (L)	1.66%
	Interest of controlled corporation *(note)*	72,984,893 (L)	2.21%
Mr. Pang Hong Tao	Beneficial interest	7,000,000 (L)	0.21%
Mr. Chang Li Cheng	Beneficial interest	13,570,503 (L)	0.41%

(L) denotes long position

Note: Mr. Hsu Tung Chi is beneficially interested in 98% of the entire issued share capital of Daily Technology Company Limited which beneficially owns 72,984,893 Shares. By virtue of the SFO, Mr. Hsu Tung Chi is deemed to be interested in the 72,984,893 Shares.

(b) *Long positions in the share options of the Company*

Name of Director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Hsu Tung Sheng	Beneficial interest	15,000,000 (L)	0.45%
Mr. Hsu Tung Chi	Beneficial interest	15,000,000 (L)	0.45%
Mr. Pang Hong Tao	Beneficial interest	8,000,000 (L)	0.24%

(L) denotes long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or their respective associates (within the meaning of the GEM Listing Rules) had any interests and short positions in the shares, debentures or underlying shares 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 and short positions which he or she was 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 maintained by the Company 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.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares, debentures or underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

(ii) Substantial Shareholders' interests

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

Long positions in the Shares

Name of Shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Ma Bole *(note)*	Interest of controlled corporation	497,698,238 (L)	15.08%
Ms. Xu Ziqi *(note)*	Interest of spouse	497,698,238 (L)	15.08%
Golden Mabole Culture Media Company Limited ("**Golden Mabole**") *(note)*	Beneficial interest	497,698,238 (L)	15.08%

(L) denotes long position

Note: The entire issued share capital of Golden Mabole is wholly and beneficially owned by Mr. Ma Bole. By virtue of the SFO, Mr. Ma Bole is deemed to be interested in the 497,698,238 Shares held by Golden Mabole. Ms. Xu Ziqi is the spouse of Mr. Ma Bole, Ms. Xu Ziqi is also deemed to be interested in 497,698,238 Shares by virtue of the SFO.

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, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company or had any options in respect of such Shares.

4. DIRECTORS' SERVICE CONTRACTS

None of the Directors had entered or been proposed to enter into any service contract with the Company or any other member of the Enlarged Group excluding contract expiring or determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up.

(b) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and proposed Directors and their respective associates were considered to have an interest in a business which competes or is likely to compete or have any other conflict of interest, either directly or indirectly, with the business of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

1. An investment agreement dated 18 January 2012 and entered into among Silver Season Investments Limited ("**Silver Season**"), a wholly-owned subsidiary of the Company and seven other investors, namely, China Digital Entertainment (Holdings) Limited, Guo Chao, Zhang Jun, Fang Zhi, Richwheel Investments Limited, Lee Chien Chung, and Yang Shian Der in relation to the subscription of interest in China Digital Entertainment Company Limited ("**CD Entertainment**") at a total investment amount of HK$2 million, in which Silver Season subscribed for 20% equity interest at an investment amount of HK$400,000;

2. a conditional sale and purchase agreement dated 11 January 2013 and entered into among Silver Season as purchaser and Mr. Chang Li Cheng, Mr. Liao Shih Yao and Mr. Chang Ti Chieh, as vendors, in relation to the acquisition of the entire issued share capital of Nova Dragon by Silver Season at a total consideration of HK$47,250,000, which had been satisfied by the allotment and issue of 350,000,000 new Shares by the Company to the vendors (or their nominees) at issue price of HK$0.135 per Share;

3. a conditional sale and purchase agreement dated 15 January 2013 and entered into among (i) Silver Season as purchaser, (ii) China Digital Entertainment (Holdings) Limited, Guo Chao, Zhang Jun, Fang Zhi, Richwheel Investments Limited, Lee Chien Chung, and Yang Shian Der, as vendors; and (iii) Mr. Feng Ke and Mr. Yu Ka Kai, as guarantors, in relation to the acquisition of a further 80% issued share capital of CD Entertainment by Silver Season at a total consideration of HK$64,944,000, which had been satisfied by the allotment and issue of 405,900,000 new Shares by the Company to the vendors (or their nominees) at the issue price of HK$0.16 per Share;

4. the conditional sale and purchase agreement dated 26 April 2013 entered into among Wonder Link Limited, a wholly-owned subsidiary of the Company as vendor and DigiSmart (Group) Limited as purchaser, in relation to the disposal of the 51% equity interest in Start Bright Limited and shareholder's loan for a total cash consideration of HK$5,100,000; and

5. the Acquisition Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement).

8. LITIGATION

As at the Latest Practicable Date, neither the Company or any of its subsidiaries is involved or may become a party in any material litigation and not aware of any potential claims against the Company or any of its subsidiaries that would affect the Enlarged Group's financial and operational positions.

9. EXPERTS AND CONSENTS

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

Name	Qualification
Nuada Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Mazars CPA Limited (“Mazars”)	Certified Public Accountants

Each of Nuada and Mazars has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears as at the Latest Practicable Date.

As at the Latest Practicable Date, each of Nuada and Mazars did not have any shareholding, directly or indirectly, in any member of the Group 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.

As at the Latest Practicable Date, each of Nuada and Mazars did not have any direct or indirect interests in any assets which had been since 31 December 2012, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Enlarged Group.

9. GENERAL

(a) The registered office of the Company is situated at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is situated at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

(c) The share registrar of the Company is Tricor Standard Limited situated at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Chan Kin Ho, Philip. Mr. Chan has been the company secretary of the Company since July 2013. Mr. Chan is a certified public accountant under the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.

(e) The compliance officer of the Company is Mr. Hsu Tung Chi. Mr. Hsu has been the compliance officer of the Company since July 2013 and is also an executive Director since February 2011.

(f) The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary responsibilities of the audit committee include the monitoring of the integrity of periodic financial statements and the annual report, interim report and quarterly reports, the review and monitoring of the auditor's independence, and the review of internal control system of the Group. The audit committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Leung Hiu Kong, Edward, all of them are independent non-executive Directors. The chairman of the audit committee is Mr. Kwok Chi Sun, Vincent. Further details of them are as follows:

Mr. Kwok Chi Sun, Vincent, aged 50, was appointed as independent non-executive Director in October 2004. Mr. Kwok is also a member of the audit committee, the nomination committee and the remuneration committee of the Company, is a sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of six other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited (Stock Code: 253), Shun Ho Technology Holdings Limited (Stock Code: 219), Magnificent Estates Limited (Stock Code: 201), Emperor Capital Group Limited (Stock Code: 717), Evergreen International Holdings Limited (Stock Code: 238) and Rising Power Group Holdings Limited (Stock Code: 8047), the former five named companies are listed on the main board of the Stock Exchange while the last named company is listed on the GEM of the Stock Exchange.

Mr. Wong Tak Shing, aged 50, was appointed as independent non-executive Director of the Company in December 2009. Mr. Wong is also a member of the audit committee and the nomination committee of the Company, was graduated from the University of New England, Australia with a Postgraduate Diploma in Financial Management and from the University of Southampton, U.K. with a Bachelor of Social Science in Business Economics and Accounting. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in corporate finance, accounting, personnel and administration. Mr. Wong was previously an executive director of Rising Power Group Holdings Limited (Stock Code: 8047), a company listed on the GEM of the Stock Exchange and an independent non-executive director of Sun Innovation Holdings Limited (Stock Code: 547), a company listed on the main board of the Stock Exchange.

Mr. Leung Hiu Kong, Edward, aged 47, was appointed as independent non-executive Director of the Company in August 2013. Mr. Leung is also a member of the audit committee and remuneration committee, was graduated from The University of Iowa with a master's degree in business administration and obtained a bachelor's degree in mechanical engineering in The Hong Kong Polytechnic University. Mr. Leung is a CFA charterholder. He has over 17 years of experience in the investment and fund management in the Asia Pacific Region. Mr. Leung is currently the managing director of a private equity firm in China and is responsible for the investment and portfolio management.

(g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong, during normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 47 to 48 of this circular;

(c) the letter of advice from Nuada, the text of which is set out on pages 49 to 74 of this circular;

(d) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(e) the accountants' report of Socle Limited, the text of which is set out in Appendix II of this circular;

(f) the letter from Mazars CPA Limited in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III of this circular;

(g) the annual reports of the Company for the two years ended 31 December 2011 and 31 December 2012 respectively;

(h) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix;

(i) the service contract as referred to in the paragraph headed "Service Contract" in this appendix;

(j) a copy of each circular issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2012 (the date to which the latest published audited consolidated financial statements of the Group were made up); and

(k) this circular.

CHINA DIGITAL CULTURE (GROUP) LIMITED
中國數碼文化(集團)有限公司

(previously known as China Digital Licensing (Group) Limited
中國數碼版權(集團)有限公司)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8175)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of China Digital Culture (Group) Limited (the "**Company**" together with its subsidiaries (the "**Group**")) will be held at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong on Tuesday, 22 October 2013 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) subject to the fulfillment of the conditions therein, the conditional agreement dated 3 June 2013 (as amended by the supplemental agreement dated 18 June 2013 and the second supplemental agreement dated 16 September 2013) (collectively the "**Acquisition Agreements**") entered into among Marvel Cosmos Limited, an indirect wholly-owned subsidiary of the Company as purchaser, Swift Plus Limited as vendor and Mr. Chan Poon Yau Adrian as guarantor, in relation to the acquisition of the 40% of the total issued share capital of Socle Limited (the "**Sale Shares**") (a copy of the Acquisition Agreements have been produced to the Meeting marked "**A**" and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) the allotment and issue of 44,342,857 new shares (the "**Consideration Shares**") of HK$0.01 each in the share capital of the Company pursuant to the terms of the Acquisition Agreements be and is hereby approved; and

(c) 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 Acquisition Agreements and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares, as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

By Order of the Board
CHINA DIGITAL CULTURE (GROUP) LIMITED
Mr. Hsu Tung Sheng
Chairman

Hong Kong, 3 October 2013

Registered office:
Canon's Court,
22 Victoria Street,
Hamilton HM 12,
Bermuda

Head office and principal place of business in Hong Kong:
Room 2801A, Tower 1,
Lippo Centre,
89 Queensway, Hong Kong

Notes:

(i) A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

(ii) Where there are joint holders of any share of the Company, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the Meeting 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 share shall alone be entitled to vote in respect thereof.

(iii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not less than 48 hours before the time appointed for holding the Meeting.

(iv) Completion and return of the form of proxy will not preclude a member from attending the Meeting and voting in person at the Meeting or any adjournment thereof if he so desires. If a member attends the Meeting after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.