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 Licensing (Group) Limited (the "**Company**"), 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.

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

(proposed to be renamed as China Digital Culture (Group) Limited
中國數碼文化(集團)有限公司)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8175)

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF E-LEARNING BUSINESS

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

A letter from the Board is set out on pages 4 to 25 of this circular. A letter of advice from the Independent Board Committee is set out on pages 26 to 27 of this circular. A letter of advice of Nuada Limited, the Independent Financial Adviser, containing its opinion and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 38 of this circular.

A notice convening a special general meeting (the "**SGM**") of the Company to be held at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong on Monday, 15 July 2013 at 3:00 p.m. is set out on pages 47 to 48 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.chinadigitallic.com.

25 June 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

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

"associates"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or a Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Company"	China Digital Licensing (Group) Limited 中國數碼版權(集團)有限公司, proposed to be renamed as "China Digital Culture (Group) Limited"「中國數碼文化(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 sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms of the Disposal Agreement
"connected person"	has the meaning ascribed to it under the GEM Listing Rules
"Directors"	directors of the Company from time to time
"Disposal"	the disposal of the Sale Shares and the Sale Loan subject to the terms and conditions of the Disposal Agreement
"Disposal Agreement"	a conditional agreement dated 26 April 2013 and entered into between the Vendor and the Purchaser in respect of the Disposal
"Far Glory"	Far Glory Limited, a company incorporated in the British Virgin Islands with limited liability, a non-wholly owned subsidiary of the Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Greater China Region"	the PRC, Hong Kong, Macao and Taiwan

"Group"	the Company and its subsidiaries
"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 Disposal
"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 Disposal
"Independent Shareholder(s)"	Shareholders, other than those who are required to abstain from voting on the resolution approving the Disposal Agreement and the transactions contemplated thereunder under the GEM Listing Rules
"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)
"Latest Practicable Date"	21 June 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Macao"	Macao Special Administrative Region of the PRC
"Mr. Isaac Lau"	Mr. Lau Isaac Bok-Man Kaleo, the beneficial owner of the Purchaser, the son of Mr. Jack Lau and a connected person of the Company
"Mr. Jack Lau"	Mr. Lau Kim Hung, Jack, a connected person of the Company
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and Macao
"Purchaser"	DigiSmart (Group) Limited, a company incorporated in the British Virgin Islands with limited liability
"Remaining Group"	the Group (excluding the Target Group) after the Completion

"Sale Loan"	all the liabilities, obligations and indebtedness due by the Target to the Vendor or at any time prior to the Completion, whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on Completion, the shareholder's loan due by the Target to the Vendor was approximately HK$156,000 as at the date of the Disposal Agreement
"Sale Shares"	102 ordinary shares of US$1.00 each in the capital of the Target, represent 51% of the entire issued share capital of the Target
"SFO"	the Securities and Futures Ordinance (Chapter 571, laws of Hong Kong)
"SGM"	a special general meeting to be convened and held by the Company to consider, and if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Start Bright Limited, a company incorporated in the British Virgin Islands with limited liability, 51% of the entire issued share capital of which are owned by the Vendor
"Target Group"	the Target and its subsidiaries
"Vendor"	Wonder Link Limited, a wholly-owned subsidiary of the Company, incorporated in the British Virgin Islands with limited liability
"HK$"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent.

China Digital Licensing (Group) Limited
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(Stock Code: 8175)

Executive Directors:
Mr. Hsu Tung Sheng *(Chairman)*
Mr. Hsu Tung Chi
Mr. Pang Hong Tao
Ms. Au Shui Ming, Anna

Independent non-executive Directors:
Mr. Wong Tak Shing
Mr. Lee Kun Hung
Mr. Kwok Chi Sun, Vincent

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

25 June 2013

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF E-LEARNING BUSINESS

BACKGROUND

On 26 April 2013 (as supplemented by an announcement dated 20 May 2013), the Board announced that the Vendor, a wholly-owned subsidiary of the Group, entered into the Disposal Agreement with the Purchaser for the conditional sale and purchase of the Sale Shares and the Sale Loan for an aggregate cash consideration of HK$5,100,000.

The purpose of this circular is to provide you with, among other things, (i) further information on the Disposal; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) financial information of the Group; and (v) the notice of the SGM, in order to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the SGM.

THE DISPOSAL AGREEMENT

Date: 26 April 2013

Parties: (i) the Vendor (as vendor); and
(ii) the Purchaser (as purchaser)

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, information and belief, the Purchaser is principally engaged in enterprise resources management and mobile application development.

The Purchaser is beneficially owned by Mr. Isaac Lau, who is the son of Mr. Jack Lau. Mr. Isaac Lau was employed by the Company as an assistant chief technology officer from mid 2009 to December 2012. During his employment with the Group, Mr. Isaac Lau was mainly responsible for providing technology support in the copyright management system and mobile content providing platform for the e-license business, mainly in the PRC office. After Mr. Isaac Lau left the Group, he acquired a Hong Kong company which had provided technical support to the Group under the e-learning business on a project basis.

As at the Latest Practicable Date, Mr. Jack Lau was interested in 19.91% equity interest in Far Glory, a non-wholly owned subsidiary of the Company, therefore Mr. Jack Lau is a connected person of the Company under the GEM Listing Rules. Each of the Purchaser and Mr. Isaac Lau is an associate of Mr. Jack Lau and is therefore a connected person of the Company in accordance with Rule 20.11(4) of the GEM Listing Rules.

Mr. Jack Lau is the owner of the entire interest in Manciple Enterprises Limited, which was a substantial Shareholder prior to 20 November 2012.

Assets to be disposed of:

(i) the Sale Shares, being 102 ordinary shares of US$1.00 each in the issued share capital of the Target, represent 51% of the entire issued share capital of the Target; and

(ii) the Sale Loan, being all the liabilities, obligations and indebtedness due by the Target to the Vendor on or at any time prior to the Completion, whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on Completion. As at the date of the Disposal Agreement and as at the Latest Practicable Date, the shareholder's loan due by the Target to the Vendor was in the sum of approximately HK$156,000.

Consideration

The consideration for the sale and purchase of the Sale Shares and the Sale Loan is HK$5,100,000, which shall be satisfied by the Purchaser in cash upon Completion. Based on the after tax operating profit before other non-cash income of the Target Group of approximately HK$354,000 for the year ended 31 December 2012, the consideration represents a price-earnings ratio of approximately 28.24 times. The Directors consider that such 28.24 price-earnings multiple of the Consideration is reasonable after considering, among other, the prevailing price-earnings multiple of a number of listed companies in Hong Kong and the United States which are engaged in similar business of provision of educational programmes and training and/or on-line educational courses, training, educational material and related services for students which ranges from approximately 4.35 times to approximately 24.59 times (the "**Comparable PEs**") with an average of approximately 14.13 times (as further elaborated below).

In the course of selecting Comparable PEs, the Board would like to choose comparables with similar business, location and scale of operation. As the Target Group's major source of income comes from its business operation in Hong Kong and Macao, the Board first sorted out the companies listed in Hong Kong and the United States with principal business in pre-school to secondary school level education in Hong Kong and/or Macao. Since there was only 1 comparable listed company in Hong Kong and in the United States engaging in pre-school to secondary school level education business, the Board considered that it was reasonable to expand the scope of selection by including those comparables with business operation mainly in the PRC and in the United States. The Board then looked at the scale of operation by comparing the revenue of these comparables; however, as the revenue of all comparable companies are significantly larger than that of the Target Group, the Board did not further sort out comparables by the scale of operation.

Set out below are the list of Comparable PEs which have been identified by the Board on a best efforts basis through public available information. The Board believed that the following was an exhaustive list of all relevant comparable companies listed in Hong Kong and in the United States with pre-school to secondary school level education business.

Company name and code	**Major business in**	**Price-earnings ratio (trailing 12 months)**	**Market capitalization** *(HK$ million)*	**Turnover** *(HK$ million)*	**Net income** *(HK$ million)*
China Bilingual Technology & Education Group Inc (U.S.:CBLY)	The PRC	0.64 *	58.28	327.05	74.79

Company name and code	Major business in	Price-earnings ratio (trailing 12 months)	Market capitalization *(HK$ million)*	Turnover *(HK$ million)*	Net income *(HK$ million)*
Modern Education Group Ltd. 現代教育集團有限公司 (HK:1082)	Hong Kong	4.35	155.52	318.65	31.00
Scholastic Corporation (U.S.:SCHL)	The United States	10.51	6,622.22	16,653.20	793.60
LeapFrog Enterprises, Inc. (U.S.:LF)	The United States	10.52	4,686.35	4,505.00	669.99
Educational Development Corp. (U.S.:EDUC)	The United States	10.73	108.89	203.59	11.01
ChinaEdu Corp. (U.S.:CEDU)	The PRC	15.54	864.13	607.60	47.28
TAL Education Group (U.S.:XRS)	The PRC	22.66	5,183.12	1,375.78	188.40
New Oriental Education & Technology Group, Inc. (U.S.:EDU)	The PRC	24.59	23,849.15	5,980.83	1,028.35
K12 Inc. (U.S.:LRN)	The United States	43.47 *	7,249.12	5,490.18	135.94
Xueda Education Group (U.S.:XUE)	The PRC	83.50 *	1,691.21	2,272.30	39.53

* These comparables are excluded from the comparison due to the price-earnings ratio are significantly lower than (i.e. less than 1 time) or higher than other comparables.

In addition, the Board excluded the following six comparable companies engaging in pre-school to secondary school education business due to their loss making in the recent financial year which made it impracticable to compare using price-earnings ratio: Cambium Learning Group Inc. (U.S.:ABCD), Ambow Education Holding Ltd. (U.S.:AMBO), China Education Alliance Inc. (U.S.:CEAI), Noah Education Holdings Ltd. (U.S.:NED), PCS Edventures!.Com, Inc. (U.S.:PCSV) and Bright Horizons Family Solutions Inc. (U.S.:BFAM).

Sources: Hong Kong listed company's information are sourced from the Stock Exchange website, other references are sourced from Bloomberg and Google website.

The 7 selected companies (other than the extreme cases) with price-earnings ratio range from approximately 4.35 times to approximately 24.59 times and with an average of 14.13 times. The consideration of the Disposal represented a price-earnings ratio of approximately 28.24 times, which is higher than the average price-earnings ratio of the Comparable PEs, implied that it enjoys on average a higher valuation than other similar business listed on exchange market.

The Board noted that though using price-earnings ratio for assessing the consideration is a common benchmark for valuing business enterprises, such assessment is subject to limitations due to variations among the Target Group and the comparable companies, including but not limited to different operational scale, asset base, development stage, geographical location and the target customers. In this case, since the Board cannot find reasonable number of reference of pre-school and secondary school level education business in Hong Kong, the Group has expanded the scope of comparables selection by including those with pre-school and secondary school level education business in the PRC and in the United States. The comparable companies identified were with much larger scale of operation than that of the Group in terms of the revenue generated, therefore the Board admitted that there are also limitations in the comparables identified. Notwithstanding the above, the Board has also considered the factors for assessing the reasonableness of the consideration below in this section, the reasons for Disposal in the section headed "REASONS FOR THE DISPOSAL" and the net asset value of the Target Group in assessing the reasonableness of the consideration of the Disposal, as such the price-earnings ratio is not the only factor that the Board considered.

In view of the higher price-earnings ratio and the premium on the net asset value, the Directors are of the view that the consideration for the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

The total consideration was agreed between the Purchaser and the Vendor after arm's length negotiations. Having considered that (i) the Group will focus its resources on its business in the provision of the services for the distribution of copyright-protected items and other entertainment-related business; (ii) the business development and prospects of the Target Group in the medium to long term; (iii) the minimal profit contribution of the Target Group for the past five years since acquisition of the Target Group by the Group; (iv) the price-earnings ratio of the Target Group based on the after tax operating profit before other non-cash income of the Target Group for the year ended 31 December 2012 and the consideration falls within the range of the Comparable PEs; (v) the premium of 2 times to 51% of the net asset value of the Target Group of approximately HK$3,306,000 as at 31 December 2012; and (vi) the immediate cash inflow upon Completion, the Directors consider that the consideration is fair and reasonable and the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the satisfaction of the following conditions:

(1) the passing by the Shareholders at the SGM an ordinary resolution to approve the Disposal Agreement and the transactions contemplated hereunder in accordance with the GEM Listing Rules and the applicable laws and regulations;

(2) all necessary consents, authorizations, licences and approvals required to be obtained on the part of the Vendor and/or the Company in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;

(3) all necessary consents, authorizations, licences and approvals required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;

(4) the warranties given by the Purchaser under the Disposal Agreement remain true and accurate in all respects;

(5) the warranties given by the Vendor under the Disposal Agreement remain true and accurate in all respects; and

(6) (where required) all necessary consents and approval from third parties for or in connection with the Completion and the transactions contemplated under the Disposal Agreement having been obtained by the Target or other relevant members of the Target Group.

Condition (4) as set out above may be waived by the Vendor at any time before Completion by written notice to the Purchaser, whereas condition (5) as set out above may be waived by the Purchaser at any time before Completion by written notice to the Vendor. If the above conditions are not fulfilled at or before 5:00 p.m. on 30 June 2013 or such later date as the Vendor may agree, the Disposal Agreement shall cease and determine and the Vendor and no party shall have any obligations and liabilities under the Disposal Agreement save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, none of the above conditions has been satisfied and the Company has no intention to waive any of the above conditions precedent.

Completion

Completion shall take place within three Business Days following the satisfaction of the above conditions.

Upon Completion, the Company will cease to have any interest in the Target Group, and the Target Group will cease to be subsidiaries of the Company.

INFORMATION OF THE TARGET GROUP

The Target is an investment holding company and the Target Group is principally engaged in provision of educational technology solutions through online learning programs to primary and secondary schools students in Hong Kong and Macao (the "**e-Learning business**").

The Target Group provides languages (English and Chinese) and mathematics learning programs to students in secondary and primary schools in Hong Kong and Macao. The Target Group also provides teaching materials and contents on the websites of multi-national educational institutions and teaching materials publisher. As disclosed in the annual report of the Company for the year ended 31 December 2012, the Target Group has continued the government-funded projects with school-based e-learning implementations. The Target Group is the official TOEIC Tests (Test of English for International Communication) representative in Hong Kong and Macao appointed by Educational Testing Service.

The Group acquired 51% equity interest in the Target Group in June 2008 (the "**2008 Acquisition**") at an initial consideration of HK$12.24 million and was satisfied partly in cash and partly by the issue of promissory note and convertible bond. In addition to the profit guarantee under the 2008 Acquisition, subject to achievement of additional profit level, an additional consideration of HK$8.16 million would be paid by the Group by the issue of an extra earn out convertible bond. Subsequently, the profit guarantee given by the then vendor was not achieved, the then vendor was required to compensate and has compensated the profit shortfall by setting off against HK$915,000 of the principal amount of the issued convertible bond on a dollar-to-dollar basis times the percentage of equity interest acquired (i.e. 51%), therefore the actual consideration for the 2008 Acquisition was adjusted to HK$11.325 million. Details of the 2008 Acquisition are set out in the announcement of the Company dated 3 June 2008 and the circular of the Company dated 23 June 2008.

At the time of the 2008 Acquisition, the Target Group planned to replicate its successful business model in Hong Kong and Macao into the PRC to explore the market potential. The Directors were of the view that on-going pursuit of quality education was the prevailing atmosphere in the societies of the Greater China Region, in particular, the PRC, with its growing economy and improving living standard. As part of the Company's due diligence work to assess the business of the e-Learning business for the 2008 Acquisition, the Board had:

– discussed with the management of the Target Group to understand the business of the Target Group and the future plan;

– discussed with the management of the Target Group to understand and studied the products and service of the Target Group offered;

– visited the website to understand the products and services of the Target Group;

– reviewed the agreements entered/under negotiation between the Target Group and the strategic partners and schools for the business; and

– obtained public information and researched on the market potential of education business in the PRC.

After the 2008 Acquisition, the e-Learning business of the Target Group has grown steadily, set out below is the overview of the business development of the e-Learning business since its acquisition:

In the year 2008:

– Over 400 schools in Hong Kong and Macao had subscribed for the Target Group's online e-learning programs.

– The Target Group entered into a service agreement with the Education and Youth Affairs Bureau in Macao through which the Group would provide its e-Learning programs to all the primary and secondary schools in Macao.

– The Target Group planned to replicate the business model in Hong Kong and Macao into the PRC during 2009 whereby Shenzhen was the first target city and the Target Group has commenced negotiation with business partners, such as content service providers for possible cooperation to explore business opportunities in the PRC. As part of a series of promotional activities for the e-learning business in the PRC, the Group co-held a nationwide English storytelling contest in the PRC with, among other things, Cambridge University Press. The Group also engaged in research and development for the educational contents and applications suitable for the mobile phone markets in the PRC and South East Asia.

In the year 2009:

– The Target Group served over 400 primary and secondary schools in Hong Kong on the online e-learning programs, the Target Group achieved over 40% penetration rate in Hong Kong.

– The Target Group has successfully penetrated into 100% of the government-owned/aided primary and secondary schools in Macao.

– The Target Group entered into a distribution agreement with the mimio interactive teaching technologies whereby the Target Group was appointed as exclusive distributor in Hong Kong and Macao for the mimio interactive whiteboard technologies.

– the Target Group continued to explore business opportunities to develop on-line digital education platform in the PRC through its existing networks and relationships.

In the year 2010:

– The Target Group evolved from an e-learning provider to a leading turnkey supplier to provide various e-learning platforms, joint school competitions, extra-curricular activities, various e-learning contents and resources, and the provision of the latest educational/green technology solutions in Hong Kong and Macao.

– The Target Group successfully clinched over 30 primary schools in the first batch of the Hong Kong government funding education projects for provision of various language enhancement programs.

– The Target Group continues to provide e-learning contents to all primary and secondary schools in Macao.

In the year 2011:

– The Target Group signed a contract with Educational Testing Service ("**ETS**") of the United States to be the official TOEIC® Tests (Test of English for International Communication) representative in Hong Kong and Macao in July 2011.

– During the year, the Target Group continued to increase its penetration into the primary and secondary schools in Hong Kong and Macao.

– In view of the successful launch of TOEIC tests in the fourth quarter of 2011, the Target Group has decided to defer the business development in the PRC as the Target Group will focus its efforts and resources to promote the TOEIC Tests in Hong Kong and Macao in the coming years. As a result, the development in the PRC market is to be deferred beyond 5 years from 2012.

In the year 2012:

– In the first quarter of 2012, the Target Group signed collaborative agreements with City University of Macao, University of St Joseph, University of Macao and Macao Productivity and Technology Transfer Centre to provide TOEIC tests to Macao residents, leveraging the Continuing Education Fund Scheme from the Macao Education & Youth Affairs Bureau.

– In March 2012, the Target Group was appointed by the Hong Kong Examinations & Assessment Authority as the official TOEIC Speaking & Writing Test Center in Hong Kong. In addition, the Group was further appointed by ETS to be the representative of TOEFL ITP and TOEFL Junior tests in Hong Kong and Macao.

– The Target Group clinched an agreement with the Centennial Campus of the University of Hong Kong to provide the mimio interactive teaching technologies in the classrooms and lecture theatres.

– The Target Group worked with other strategic partners in the development of e-textbook for possible participation in the proposed implementation of e-textbook of the Hong Kong government.

The financial performance of the e-Learning business was as follows:

	From 24 June 2008 (the date of the Target Group was acquired) to 31 December 2008 (unaudited) *HK$'000*	For the year ended 31 December 2009 (unaudited) *HK$'000*	For the year ended 31 December 2010 (unaudited) *HK$'000*	For the year ended 31 December 2011 (unaudited) *HK$'000*	For the year ended 31 December 2012 (unaudited) *HK$'000*
Turnover	984	4,150	6,973	10,534	13,406
Net profit after tax before the expense/income relating to share base payment	246	1,565	312	165	354
Net profit after tax	246	1,109*	(2,729)*	165	3,851*

* the unaudited net profit after tax for the year ended 31 December 2009 and 31 December 2010 included non-cash expense assigned to the Target Group in relation to the share based payment of approximately HK$456,000 and HK$3,041,000. Such non-cash expenses had been waived in the year ended 31 December 2012 and recorded as non-cash income in the amount of approximately HK$3,497,000.

Notwithstanding that the Target Group's business has continued to operate on a satisfactory basis in Hong Kong and Macao and has contributed stable revenue source and profit, the e-Learning business segment has not achieved significant increase in market shares due to the keen competition in Hong Kong and Macao. In addition, given that the Target Group's decision to focus its efforts and resources to promote the TOEIC Tests in Hong Kong and Macao and to defer the business development in the PRC, the Board expected that there will not be any significant breakthrough in the near future even the Target Group had conducted marketing and promotional campaigns in the PRC in order to establish its market presence and network in 2008 and 2009.

Initially the Company recorded the goodwill in relation to the 2008 Acquisition of e-Learning business of approximately HK$19.8 million and was subsequently written off to approximately HK$2.8 million as at 31 December 2012, in which (i) approximately HK$9.1 million was written off in the year ended 31 December 2009 and the cancellation of the issued convertible bonds and the non-issue of the earn out convertible bonds due to non-fulfillment of profit guarantee, such written off in goodwill has no financial impact to the profit and loss of the Company in that year; (ii) HK$3 million was written off in the year ended 31 December 2011 due to the business development in the PRC has not achieved remarkable milestone and in view of the successful launch of TOEIC tests in the fourth quarter of 2011, the Target Group has decided to defer the business development in the PRC in the e-Learning business and focus its efforts and resources to promote the TOEIC Tests in Hong Kong and Macao. As a result of the deferred development in the PRC market, business valuation of e-Learning business was lower and resulted in impairment; and (iii) HK$5 million was written off in the financial year ended 31 December 2012 due to the decrease in the number of school subscriptions to the e-learning enhancement programs for the academic year 2013 in Hong Kong triggered by keen competition in provision of language enhancement programs, resulted in lower business valuation and impairment.

Pursuant to the Disposal Agreement, the e-Learning business will be disposed of at a total consideration of HK$5.1 million. As disclosed in the section headed "**FINANCIAL EFFECTS OF THE DISPOSAL**", it is expected that the Group will recognize a gain of approximately HK$508,000 and a cash inflow of HK$5,100,000 will be received. In deciding to proceed with the Disposal, the Board has taken into account the factors, including the discount as compared with the adjusted cost of HK$11.325 million, the previous written off of goodwill, the availability of reasonable consideration compared to the current value (e.g. net asset value), future growth potential and business direction of the Group. As the Board considered that (i) the e-Learning business has not been developing as expected which resulted in the written off in goodwill previously; (ii) the PRC potential will not be materialized in the near future and the e-Learning business will not have any synergic effect to the e-licensing business in the PRC; (iii) the Board would like to concentrate its resources on business development of the core business of e-licensing business; (iv) the consideration is cash in nature and will be available on the second half of the year and will be utilized for future investment, in particular the e-licensing business; (v) the consideration for the Disposal represent a premium compared to the net asset value of the Target Group and at a relatively higher price-earnings ratio than other market comparables. Therefore, the Board considered that such discount of the consideration compared to the adjusted cost is justifiable and the Disposal represented a good opportunity for the Group to realize the investment to concentrate on other business.

As at the Latest Practicable Date, the Target Company is beneficially owned as to 51% by the Vendor, 28% by Bright Form Limited, 16% by Smart Great International Limited and 5% by an Independent Third Party.

Set out below are the consolidated financial information of the Target Group for each of the two years ended 31 December 2012 prepared in accordance with the Hong Kong accounting standards:

	For the year ended 31 December 2011 (unaudited) *HK$'000*	**For the year ended 31 December 2012** (unaudited) *HK$'000*
Turnover	10,534	13,406
Operating profit before other income (non-cash item)	214	447
Net profit before tax	214	3,944*
Net profit after tax	165	3,851*

* Both the unaudited net profit before tax and after tax for the year ended 31 December 2012 included the other non-cash income arising from the waiver of receivables from the Company in relation to the cost assigned to the Target Group for the share based payment of approximately HK$3,497,000.

The unaudited net asset value of the Target Group as at 31 December 2012 was approximately HK$3,306,000.

BUSINESS OF THE REMAINING GROUP AFTER THE PROPOSED DISPOSAL

Following the Disposal, the Group will cease to be engaged in the e-Learning business and will continue with its existing core business of e-licensing business.

As at the Latest Practicable Date, the e-licensing business is mainly conducted through a non-wholly owned subsidiary, Far Glory in which the Group is interested in 51%. Since December 2009, the e-licensing business has been the core business of the Group. Under the previous acquisitions, the then vendor has provided profit guarantee that audited consolidated net profits after tax and extraordinary or exceptional items of Far Glory and its subsidiaries (together the "**Far Glory Group**") for the financial years ending 31 December 2009 and 31 December 2010 would not be less than HK$15,000,000, the period under such profit guarantee had been revised and extended to the financial years ending 31 December 2011 and 31 December 2012. As disclosed in the announcement of the Company dated 27 March 2013, such profit guarantee was not fulfilled and the then vendor had compensated the Group the amount of HK$27,000,000. The Company holds the view that the reasons for the failure to fulfill the profit guarantee were due to the keen competition in the music content business and the one-off write-off of the prepayment to licensor and allowance for doubtful debt.

Business development

The Group obtained the controlling interest in Far Glory in the year 2009. In the same year, the Group obtained authorisations from two major record labels, Avex and Warner/Chappell, for the provision of licensed audio entertainment contents and had entered into agreements with China Unicom for the provision of such licensed contents, which has begun the cooperation with China Unicom.

In February 2011, the Group has secured license contents with OneStop China Limited ("**OSC**") in relation to obtaining of the licenses granted by international labels namely Universal, Warner and Sony. In addition, the Group has provided monthly packaged products such as ringtone, ring-back tone, full track download and music video download through the music platform of China Unicom and the number of local ringtone products has reached an aggregate of 70 in various provinces. Currently, the Group has accumulated more than 80,000 long term subscribers. With the close cooperation with China Unicom, the Group becomes one of the largest music content providers 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.

In May 2013, the Group also entered into an exclusive distribution agreement with Gold Typhoon Group, one of the leading labels in the Greater China Region, for the distribution of over hundred thousand pieces of music content from popular artists.

Business model

Under the e-licensing business, the Group is authorized by content license holders to manage and use the licensed music content on the music platform of telecommunication operators in the PRC in return for certain percentage of copyright fee received from the telecommunication operators. At present, the Group has been authorized by OSC for the content from three labels and China eMusic Limited for the use of the copyrights of lyrics and songs of the four major labels. The Group also obtained Japanese music content from its joint venture partners, e-License Inc..

Under the current business model, the Group will receive music content fee from telecommunication operators based on the number of music content downloaded by mobile users. After receiving the music content fee from the telecommunication operators, the Group will pay to the licensor a pre-determined percentage of music content fee received from telecommunication operators. As at the Latest Practicable Date, the Directors are not aware of any material additional capital requirement in the near future.

Specific trade risk factor

The success of the e-licensing business depends on substantially the ability of the Group to continuous obtaining different valuable contents which are of the interest to the mobile users in the PRC and the continuous cooperation with the telecommunication operators in the distribution of its content. The Company will strive to minimize the risk involved by enriching the variety of contents and distribution channels to broaden the revenue source.

Management expertise

The Board has an experienced management team to oversee the e-licensing business and maintain business relationship with the licensors and the PRC telecommunication operators.

Competitive advantages

The Group is one of the largest music content providers 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 70 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, which enable the Group to generate a stable stream of income.

Financial performance

Set out below are the financial performances of the e-licensing business for the past three financial years:

	For the year ended 31 December 2010 *approximately HK$*	For the year ended 31 December 2011 *approximately HK$*	For the year ended 31 December 2012 *approximately HK$*
Revenue	–	18,781,000	15,285,000
Net profit/(loss) after tax	(11,815,000)	4,950,000	(63,698,000)

The net loss after tax for the year ended 31 December 2012 was approximately HK$63,698,000, after taking out the one-off operating expenses in relation to the written off of prepayment to licensors of approximately HK$39,380,000 and an allowance for doubtful debts on loans to and due from jointly controlled entities ("**JCE**") of approximately HK$20,225,000, such net loss after tax was reduced to approximately HK$4,093,000. Apart from the interests in Far Glory. The written off of prepayment to licensors of approximately HK$39,380,000 was mainly related to the prepaid license fee which expired in March 2012 according to the original contract entered in December 2010. Due to the restructuring of the telecommunication industry, the launch of the music platform was delayed. Since the second half of 2011, the Company had tried to negotiate with OSC for the extension of license period to May 2013, during which, prepayment for the content was charged to the profit and loss account of the Group as cost when the music content income was recognized under accounting treatment. Originally the Group is optimistic that such extension could be granted subject to further discussion between OSC and three labels. However, until December 2012 it was confirmed such license period could not be extended and had expired in May 2012, therefore all the unamortized prepaid license fee was written off immediately for the year ended 31 December 2012.

The allowance for doubtful debts on loans to and due from the JCE of approximately HK$20,225,000 was provided mainly due to the JCE's business have continuously generated losses and the probability of recovering such amount would be remote, therefore the Board considered that allowance for doubtful debt may have occurred and therefore allowance is provided. Such amount of allowance for doubtful debt represented substantially the amount of loans to and due from the JCE of approximately HK$20,570,000 as at 31 December 2012.

In the financial year ended 31 December 2012, there was an impairment loss on interest in associates, namely Socle Limited, of approximately HK$21,518,000 resulting from the expiry of certain licenses of professional sports events, these license agreements was not renewed as the keen competition from other competitors have drove up the costs and the Group considers it is not commercially justifiable to renew. 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. The carrying amount of the business exceeded its recoverable amount by HK$21,518,000 and therefore, the Directors decided to recognise an impairment loss on interest in associates by the same amount.

Future business direction

Upon Completion, the Remaining Group will be operating the e-licensing business which involved the distribution of copyright-protected items such as music, movies and professional sport event, and other entertainment-related business, such as music concert and professional athletes marketing and promotional activities. The recent development and future plan of the e-licensing business are as follows:

1. *Continue to work closely with telecommunication operators*

   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 during the past few years. It is expected that the Group will be able to secure more opportunities of cooperation with various large-scale corporations in the PRC, like website and entertainment service providers, 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.

2. *Explore more media and channel for content distribution*

   Leveraging on the existing platform and massive licensed contents, the Far Glory Group aims to create a resourceful music platform by developing official websites and entertainment application for top-tier artists. The Far Glory Group will explore in-depth cooperation with internet service providers and video content providers for the provision of music contents to reduce reliance on telecommunication operators in generating revenue.

3. *Expands in more diversified content in the music, movie and sport events*

   In addition to the provision of licensed music contents and in line with the Group's strategic direction of e-licensing business, the Group will continue to explore markets in the areas of music, sports and media. The Group has striven to strengthen and broaden its business scope to cover the areas of culture, entertainment and sports through strategic alliances and acquisitions.

In line with the principal business of the 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, the Group has:

– entered into 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), in relation to the overseas distribution of various films and programs produced in the PRC.

– completed the acquisition of the remaining 80% equity interest in China Digital Entertainment Company Limited on 25 April 2013 which is principally engaged in the promotion, sales and distribution of movie and music licensed content worldwide and the organization of concerts, programs and related services.

– as disclosed in the announcement of the Company dated 20 June 2013, on 3 June 2013, the Group, as purchaser, entered into a sale and purchase agreement (as amended by a supplemental agreement dated 18 June 2013) with Swift Plus Limited, as vendor, for the acquisition of 40% equity interest in Socle Limited. If the completion of such acquisition takes place, the Group will be interested in 65% equity interest in Socle Limited which will become subsidiary of the Company. Socle Limited, together with its subsidiaries (collectively the "**Socle Group**"), is principally engaged in the provision of professional sports events and entertainment content. Currently, the Socle Group is one of the major professional sports events and entertainment content providers in the PRC in terms of the professional sport events programs distributed in the PRC (excluding Hong Kong, Taiwan and Macao). The Board believes that the acquisition of additional equity interest in Socle Limited would further enhance the profitability of the Group given the track record of the Socle Group, and the Board are confident that the sports events and entertainment content of the Socle Group will enrich the existing music and entertainment content of the Group that will contribute positively to the Group from the stable cash flow contribution of the Socle Group. With its partnership with various professional sports events and entertainment content providers, the proposed acquisition, if materialized represents an opportunity for the Group to further tap into the growing sports entertainment business.

– entered into 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), in relation to an exclusive distribution of music content on music platform of China Unicom for a term of two years.

4. *Explore new source of revenue*

The Group actively seeking investment opportunities to broaden the source of revenue of the Group. In order to achieve the goal, the Group has recently entered into or has completed the following acquisitions:

(1) 100% equity interest in Nova Dragon International Limited ("**Nova Dragon**")

The Group completed the acquisition of the entire equity interest of Nova Dragon on 12 April 2013. Nova Dragon and its subsidiary (the "**Nova Dragon Group**") is 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 the 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. As at the Latest Practicable Date, the Nova Dragon Group has contracts with several mainland athletes for the provision of marketing and promotion. The Nova Dragon Group also derived income from the marketing agency of the well renowned basketball players, such as Mr. Jeremy Lin. For the year ended 31 December 2012, this business generated turnover and net profit after tax of approximately HK$3.45 million and HK$0.60 million. The Nova Dragon Group will actively continue to negotiate with more popular athletes and other potential clients who is interested in using athletes in their promotion and advertisement activities. Pursuant to the agreement of this acquisition, the profit guarantee that the audited consolidated net profit after taxation but before extraordinary items of Nova Dragon for the financial year ending 31 December 2013 shall not be less than HK$4,800,000.

(2) An addition of 80% equity interest in China Digital Entertainment Company Limited ("**CD Entertainment**")

The Group completed the acquisition of an addition of 80% equity interest in CD Entertainment on 25 April 2013 and obtained 100% equity interest upon completion. Under this acquisition, the Group will also diversification into the business of organizing music concerts which is expected to bring new source of income to the Group. CD Entertainment and its subsidiaries (the "**CDE Group**") were set up in January 2012 and commences business in the year 2013. As at the Latest Practicable Date, the CDE Group has entered into the content license agreement with PRC producer and is at the final stage of negotiation with one of the major domestic TV program producers and broadcasters in the PRC for the overseas distribution of various films and TV programs. 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. As to the business in organizing music concerts, the CDE Group is also in active negotiation with popular overseas singers. The CDE Group will begin to recognize turnover in the second half of 2013. Pursuant to the agreement of this acquisition, the profit guarantee that the audited consolidated net profit after taxation but before extraordinary items of CD Entertainment for the financial year ending 31 December 2013 shall not be less than HK$8,200,000.

5. *Financial and trading prospects*

Upon Completion, the Remaining Group will be operating the e-licensing business.

On the e-licensing business, the Group has cooperated with three major telecommunication operators in the PRC and will explore indepth 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 has striven to strengthen and broaden its business scope to cover the areas of culture, entertainment and sports. In line with the Group's strategic direction of e-licensing business, the Group will continue to explore markets in the areas of music, sports and media.

6. *Other plans*

As at the Latest Practicable Date, apart from the acquisition of additional interest in Socle Limited, the Board is also negotiating with the shareholders of Far Glory for possible acquisition of further interest in Far Glory. The Board considers that the acquisition of 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 interest in Far Glory.

As at the Latest Practicable Date, 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.

Since the acquisition of controlling interest of Far Glory in 2009, the business of the e-licensing business have been further strengthened and the Group is able to secure agreements with licensors and telecommunication operators. Recently, the Group completed acquisitions of equity interest in Nova Dragon and CD Entertainment, and to acquire further interest in Socle Limited. These acquisitions will further strengthen the entertainment content business of the Group, such as music, movies and sport events content. The Board remains optimistic on future prospect of the e-licensing business and intends to concentrate in this e-licensing business.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the provision of copyright management solution and the related consultancy services and the distribution of copyright-protected items. It also engaged in the development and provision of on-line 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.

At all material times 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. 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.

Subsequent to the acquisition of the entire equity interest in Nova Dragon and CD Entertainment and the strategic cooperation with HuaXia Film Distribution Company as disclosed in the previous section, in the future, the Group intends to focus and devote its resources in developing the core business in the copyright management solution and the related consultancy services and the distribution of copyright-protected items.

Having considered the minimal profit contribution of the e-Learning business to the Group, on 12 March 2013 (the "**March Announcement**") the Company announced that the Group is exploring and will commence discussions with potential purchaser(s) relating to a possible disposal of certain assets of the Company. Subsequent to the March Announcement, the Board had identified and approached Mr. Jack Lau and Mr. Isaac Lau to see if they are interested in acquiring the e-Learning business from the Group. The reason for the Board to approach Mr. Jack Lau and Mr. Isaac Lau was because the Board was acquainted to Mr. Jack Lau for more than five years when Mr. Jack Lau became a substantial Shareholder in 2007 and Mr. Isaac Lau had been employed by the Group from mid 2009 to December 2012 and after Mr. Isaac Lau left the Group, he still provided technical support to the e-Learning business on a project basis through his controlled corporation. The Board thought that Mr. Jack Lau and Mr. Isaac Lau may be interested in the e-Learning business more than other potential investors. At the material time, Mr. Jack Lau and Mr. Isaac Lau reverted that they would consider such opportunity but they did not show strong intention. There was no discussion on the consideration at that moment. After approaching Mr. Jack Lau and Mr. Isaac Lau, each of the Board members was busy with their personal business and the review of the annual result of the Company, therefore no other purchasers were identified after the March Announcement until later March 2013 when the indication of interest was received from the Purchaser.

Despite the fact that the Board had considered the potential disposal as disclosed in the March Announcement, when the Board was preparing the annual report, such potential disposal was at very preliminary stage, neither buyer nor which asset/business disposed of was identified at that time. All the business operations of the Group were carrying on as usual. The Group's e-Learning business continued to provide various government-funded projects with school-based e-learning implementations in Hong Kong and Macao and other high quality educational technology solutions, such as mimio intensive teaching technologies, TOEIC tests and school-based e-learning platform, including the development of e-textbooks. With the recent proposed implementation of e-textbooks by the Government, the Group was also working with other strategic partners in the development of e-textbooks for possible participation in the scheme. On 27 March 2013 when the annual report was finalized and arranged for publication, the Board reported the business progress and future direction of each segment in the annual report as usual in accordance with its original business plan without mentioned the pre-mature idea of disposal of the e-Learning business.

Only after the publication of the annual report for the year ended 31 December 2012 on 27 March 2013, the Directors received the proposed terms from Mr. Isaac Lau indicating his interests in acquiring the Target Group. The Board considered that the terms proposed by Mr. Isaac Lau represented a good opportunity for the Group to realize the investment and to concentrate on the core business, especially after the completion of the two acquisitions of equity interest in Nova Dragon and CD Entertainment in April 2013 as mentioned above.

The Board considers that it will be in the interest of the Group to dedicate its management resources and its expertise to accelerate the development of its content distribution business, and take up the opportunity to proceed with the Disposal.

Following the Completion, the Group will discontinue the business in the provision of e-Learning business, and will focus in the provision of copyright management solutions, the related consultancy service and the distribution of copyright-protected and licensing content business. The Board intends to apply the net proceeds from the Disposal of about HK$4,500,000 for general working capital of the Group, such as to finance the expenses of the holding company, and for future investment, in particular the e-licensing business.

The Board considers that the terms of the Disposal are fair and reasonable and that the Disposal is in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Given the consideration for the Disposal of HK$5,100,000, it is expected that a gain of approximately HK$508,000 will accrue to the Company, being the difference between the consideration and the aggregate of (i) the net asset value of the Target Group of approximately HK$ 1,686,000 as at 31 December 2012 attributable to 51% equity interest in the Target Group, (ii) the goodwill arising from the acquisition of the Target Group of approximately HK$2,750,000 and (iii) and the amount of the Sale Loan of approximately HK$156,000. The actual financial impact of the Disposal to the Group will be subject to the review by the Company's independent auditors and will be reflected in the annual report of the financial year in which the completion of the Disposal takes place.

Upon Completion, the Company will no longer have any interest in the Target and the Target Group will cease to be subsidiaries of the Company and the assets and liabilities and profits and losses of the Target Group will cease to be consolidated into the accounts of the Group. As a result of the Disposal, the assets of the Group will increase by approximately HK$508,000 which is the expected gain from the Disposal. Save as the increase in assets, the Disposal are not expected to have any material impact on earnings, assets and liabilities of the Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant percentage ratios under the GEM Listing Rules exceeds 25% but under 75%, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, Mr. Jack Lau is interested in 19.91% equity interest in Far Glory, an indirect wholly-owned subsidiary of the Company, therefore Mr. Jack Lau is a connected person of the Company under the GEM Listing Rules. Each of the Purchaser and Mr. Isaac Lau is an associate of Mr. Jack Lau and is therefore a connected person of the Company in accordance with Rule 20.11(4) of the GEM Listing Rules.

The Disposal therefore constitutes a major transaction and a connected transaction of the Company under Chapters 19 and 20 of the GEM Listing Rules and is subject to the approval of the Independent Shareholders.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has a material interest in the Disposal, therefore, none of the Shareholders is required to abstain from voting on the resolution to be proposed at the SGM. As at the Latest Practicable Date, each of Mr. Jack Lau, Mr. Isaac Lau, the Purchaser and their respective associates does not hold any Share in the Company. The Purchaser and its associates, being the connected persons of the Company with a material interest in the proposed Disposal, to the extent they hold any Shares in the Company, will be required to abstain from voting at the SGM.

SGM

The notice convening the SGM is set out on pages 47 to 48 of this circular. At the SGM, ordinary resolution will be proposed, if thought fit, to approve the Disposal Agreement and the transactions contemplated thereunder. A form of proxy for use at the SGM is also enclosed with this circular. To be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to 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. The completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting in person if you so wish.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 26 to 27 of the circular and the letter from Independent Financial Adviser on pages 28 to 38 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the Disposal and the transactions contemplated under the Disposal 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 Disposal Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal 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 Disposal Agreement and the transactions contemplated thereunder.

The Directors consider that the Disposal Agreement and the transactions contemplated thereunder, are fair and reasonable and the entering into of the Disposal Agreement are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

GENERAL

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

As the Completion is subject to the fulfillment of certain conditions precedent, and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

By order of the Board of
China Digital Licensing (Group) Limited
Mr. Hsu Tung Sheng
Chairman

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

(proposed to be renamed as China Digital Culture (Group) Limited
中國數碼文化(集團)有限公司)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8175)

25 June 2013

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF E-LEARNING BUSINESS

We refer to the circular dated 25 June 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 Disposal Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the Disposal 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 28 to 38 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 4 to 25 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 Disposal Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal 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 Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Mr. Wong Tak Shing	**Mr. Lee Kun Hung**	**Mr. Kwok Chi Sun, Vincent**
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 Disposal 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

25 June 2013

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION: DISPOSAL OF E-LEARNING BUSINESS

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 Disposal 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 Disposal. Details of the Disposal are set out in the letter from the board (the "**Board's Letter**") in the circular to the Shareholders dated 25 June 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 26 April 2013, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 51% of the entire issued share capital of the Target, and the Sale Loan for an aggregate consideration of HK$5,100,000.

As disclosed in the Board's Letter, the Purchaser is beneficially owned by Mr. Isaac Lau, who is the son of Mr. Jack Lau; and as at the Latest Practicable Date, Mr. Jack Lau is interested in 19.91% equity interest in Far Glory, a subsidiary of the Company, therefore Mr. Jack Lau is a connected person of the Company under the GEM Listing Rules. Each of the Purchaser and Mr. Isaac Lau is an associate of Mr. Jack Lau and is therefore a connected person of the Company in accordance with Rule 20.11(4) of the GEM Listing Rules. Accordingly, the Disposal constitutes a connected transaction on the part of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements of the GEM Listing Rules. Further details regarding the relationship of Mr. Isaac Lau and Mr. Jack Lau with the Company 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 Disposal 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 Disposal, 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, their respective subsidiaries and/or associates 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 Disposal Agreement. We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, licenses, clearances and approvals necessary for the effectiveness and implementation of the Disposal Agreement 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 Disposal 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 Disposal. 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 Disposal Agreement and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

Background and reasons for the Disposal

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

The e-Learning Business of the Group is conducted through the Target, which is beneficially owned as to 51% by the Vendor, 28% by Bright Form Limited, 16% by Smart Great International Limited and 5% by an Independent Third Party. As stated in the Board's Letter, the Target Group is principally engaged in provision of educational technology solutions through online learning programs to primary and secondary schools students in Hong Kong and Macao.

The Target Group provides languages (English and Chinese) and mathematics learning programs to students in secondary and primary schools in Hong Kong and Macao. The Target Group also provides teaching materials and contents on the website of multi-national education institutions and teaching materials publisher. As disclosed in the annual report 2012 of the Company, the Target Group has continued the government-funded projects with school-based e-learning implementations. The Target Group is the official TOEIC Test (Test of English for International Communication) representative in Hong Kong and Macao appointed by Educational Testing Services.

The Group acquired 51% equity interest in the Target in 2008 (the "**Previous Acquisition**") at the basic consideration of HK$12,240,000 satisfied by a combination of cash, promissory note and convertible bonds (the "**Basic Consideration**"), subject to adjustment relating to the relevant profit guarantee (being the actual audited consolidated net profit after tax and extraordinary or exceptional items of the Target Group for the financial year ending 31 August 2009 (the "**Actual Profit**") of not less than HK$3,000,000 or provided the Actual Profit is equal to or greater than HK$2,000,000 but less than HK$3,000,000, the average of the actual audited consolidated net profits after tax and extraordinary or exceptional items of the Target Group for the financial years ending 31

August 2009 and 31 August 2010 (the "**Average Actual Profit**") of not less than HK$3,000,000) (the "**Guaranteed Profit**"), and the additional consideration of HK$8,160,000 payable by way of the issue of earn out convertible bonds (the "**Additional Consideration**") subject to the achievement of profit level on top of the Guaranteed Profit (being the Actual Profit equal to or greater than HK$5,000,000 or provided the Actual Profit is equal to or greater than HK$4,000,000 but less than HK$5,000,000, the Average Actual Profit is equal to or greater than HK$5,000,000) (the "**Additional Profit Level**"). Details regarding the Previous Acquisition are set out in the announcement dated 3 June 2008 of the Company (the "**Previous Announcement**") and the circular dated 23 June 2008 of the Company. As the Guaranteed Profit was not achieved, the relevant shortfall in the amount of HK$915,000 was set off against the principal amount of the relevant convertible bonds on a dollar-to-dollar times the percentage of equity interest in the Target Group acquired under the Previous Acquisition (i.e. 51%). As the Additional Profit Level was not achieved, the Additional Consideration was not paid.

As noted from the Previous Announcement, the Basic Consideration was calculated based on the Guaranteed Profit times price-earnings multiples of eight and the equity interest to be acquired in the Target Group (i.e. HK$3,000,000 x 8 x 51% = HK$12,240,000) and the Additional Consideration was calculated based on the excess of HK$5,000,000 over the Guaranteed Profit of HK$3,000,000 times price-earnings multiples of eight and the equity interest to be acquired in the Target Group (i.e. HK$2,000,000 x 8 x 51% = HK$8,160,000). Furthermore, as advised by the Company, apart from the Guaranteed Profit and the Additional Profit Level were not achieved, the financial results of the Target Group since the Previous Acquisition have been underperformed with the highest profit recorded for the year ended 31 December 2009 only amounting to approximately HK$1,565,000. As at the Latest Practicable Date, the period for the Guaranteed Profit has expired and there is no profit guarantee for the Target Group in effect.

It is noted that the Company initially recorded goodwill of approximately HK$19.8 million in relation to the Previous Acquisition. Subsequently, in respect of the goodwill, (i) for the year ended 31 December 2009, approximately HK$9.1 million was written off due to the cancellation of the issued convertible bonds and the non-issue of the earn out convertible bonds as a result of the non-achievement of the Guaranteed Profit and the Additional Profit Level, which constituted no financial impact on the profit and loss of the Group; (ii) for the year ended 31 December 2011, HK$3.0 million was impaired as a result of the decrease in business valuation of the Target Group due to the business development in the PRC have not achieved remarkable milestone and in view of the successful launch of TOEIC tests in the fourth quarter of 2011, the Target Group has decided to defer the business development in the PRC in the e-learning business and focus its efforts and resources to promote the TOEIC tests in Hong Kong and Macao; and (iii) for the year ended 31 December 2012, HK$5.0 million was impaired as a result of the decrease in business valuation due to the decrease in the number of school subscriptions to the e-learning enhancement programs for the academic year 2013 in Hong Kong triggered by keen competition in provision of language enhancement programs. For further details regarding the business development of the Target Group since the Previous Acquisition, please refer to the section headed "INFORMATION OF THE TARGET GROUP" in the Board's Letter.

Set out below are the consolidated financial information of the Target Group for each of the two years ended 31 December 2012 prepared in accordance with the Hong Kong accounting standards:

	For the year ended 31 December 2011 *(HK$'000)* (unaudited)	**For the year ended 31 December 2012** *(HK$'000)* (unaudited)
Turnover	10,534	13,406
Operating profit before other non-cash income	214	447
Net profit before tax	214	3,943*
Net profit after tax	165	3,851*

* *Both the unaudited net profit before tax and after tax for the year ended 31 December 2012 included the other non-cash income arising from the waiver of receivables from the Company in relation to the cost assigned to the Target Group for the share based payment of approximately HK$3,497,000.*

The unaudited net asset value of the Target Group as at 31 December 2012 was approximately HK$3,306,000.

As disclosed in the Board's Letter, (i) having considered the minimal profit contribution of the e-Learning business to the Group, on 12 March 2013 (the "**March Announcement**"), the Company announced that the Group is exploring and will commence discussions with potential purchaser(s) relating to a possible disposal of certain assets of the Company; (ii) subsequent to the March Announcement, the Board had identified and approached Mr. Jack Lau and Mr. Isaac Lau to see if they are interested in acquiring the e-Learning business from the Group; (iii) the reason for the Board to approach Mr. Jack Lau and Mr. Isaac Lau was because the Board was acquainted to Mr. Jack Lau for more than five years when Mr. Jack Lau became a substantial Shareholder in 2007 and Mr. Isaac Lau had been employed by the Group from mid 2009 to December 2012 and after Mr. Isaac Lau left the Group, he still provided technical support to the e-Learning business on a project basis through his controlled corporation, and the Board thought that Mr. Jack Lau and Mr. Isaac Lau may be interested in the e-learning business more than other potential investors; (iv) at the material time, Mr. Jack Lau and Mr. Isaac Lau reverted that they would consider such opportunity but they did not show strong intention, and there was no discussion on the consideration at that moment; (v) after approaching Mr. Jack Lau and Mr. Isaac Lau, each of the Board members was busy with their personal business and the review of the annual result of the Company, therefore no other purchasers were identified after the March Announcement until later March 2013 when the indication of interest was received from the Purchaser; and (iv) only after the publication of the annual report for the year ended 31 December 2012 on 27 March 2013, the Directors received the proposed terms from Mr. Isaac Lau indicating his interests in acquiring the Target Group. The Board considered that the terms proposed by Mr. Isaac Lau represented a good opportunity for the Group to realize the investment and to concentrate on the core business, especially after completion of the Nova Dragon Acquisition (as defined herein below) and the China Digital Entertainment Acquisition (as defined herein below) in April 2013. In view of proposed terms offered by the Purchaser was considered commercially acceptable by the Board and other ready potential buyers had not been identified by the Company at the time, it might not be in the best interests of the Company to solicit other potential buyers which may be remote and the terms offered by whom may not be more favorable than that offered by the Purchaser, and the Company may lose the opportunity to realize its investment in the Target Group under the Disposal.

As disclosed in the Board's Letter, 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. 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 International Limited (completed on 12 April 2013), which is principally engaged in assisting professional athletes with marketing and promotional activities in the Greater China Region (the "**Nova Dragon Acquisition**"); and (ii) the acquisition of an addition 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 (the "**China Digital Entertainment Acquisition**"). 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, Hua Xia Film Distribution Company (華夏電影發行有限責任公司), in relation to the overseas distribution of various films and programs produced in the PRC (the "**Film Distribution Cooperation**").

As advised by the Company, subsequent to these acquisitions and cooperation, in the future, the Group intends to focus and devote its resources in developing the core business in the copyright management solution and the related consultancy services and the distribution of copyright-protected items, and the Disposal represents an opportunity for the Company to realize the investment in the Target Group with expected gain and immediate cash inflow. Following the Completion, the Group will discontinue the business in the provision of e-Learning business, and will focus in the provision of copyright management solutions, the related consultancy service and the distribution of copyright-protected and licensing content business.

Principal terms of the Disposal Agreement

Pursuant to the Disposal Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 51% of the entire issued capital of the Target, and the Sale Loan for an aggregate consideration of HK$5,100,000, which shall be settled by the Purchaser to the Vendor in cash upon Completion.

As disclosed in the Board's Letter, the consideration for the Disposal represents a price-earnings ratio of approximately 28.24 times based on the after tax operating profit before other non-cash income of the Target Group, and the Directors consider that such 28.24 price-earnings multiple is a reasonable price-earnings ratio after considering among other the prevailing price-earnings multiple of a number of listed companies in Hong Kong and the United States which are engaged in similar business of provision of educational programmes and training and/or on-line educational courses, training, educational material and related services for students which ranges from approximately 4.35 times to approximately 24.59 times with an average of approximately 14.13 times. Details regarding such comparables considered by the Directors are set out in the Board's Letter. It is noted that as there is limited number of listed companies in Hong Kong engaging in the field of education, the Company also made reference to listed company in the United States engaging in the field of education. Upon review of the information regarding such comparables provided by the Company, we note that such comparables comprise 7 companies listed in Hong Kong or the United States (excluding those companies with loss-making record and extreme case with price-earnings ratio significantly lower than or higher than other comparables) engaging in the field of education, involving provision of educational services and materials for various fields of study and at various pre-school to secondary school levels with business presences at various locations. Notwithstanding variations among such comparables and the Target Group, given the after tax operating profit before other non-cash income of the Target Group, we consider that it is commercially justifiable for the Directors to consider the prevailing price-earnings multiple of a number of listed companies in Hong Kong and the United States which are engaged in provision of educational programmes and training and/or on-line educational courses, training, educational material and related services for students as a general reference, which is comparable to the Target Group in terms of the services provided being delivery of educational-related information, in negotiating the consideration for the Disposal. However, 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 of operations, asset base, development stage, geographical presence and the target customers.

As an independent review and analysis and with an attempt to present additional reference, in assessing the fairness and reasonableness of the consideration for the Disposal, we have attempted to make reference to price-earnings ratios of other listed companies in Hong Kong engaging in similar business of the Target Group, namely provision of educational technology solutions through online learning programs to primary and secondary schools students, which we consider might represent relatively close comparables with the Target Group in terms of involvement in online delivery of educational services and level of study. Upon our search, we identified only one listed company in Hong Kong principally engaging in the provision of online educational services and solutions, which however cannot be used as a comparable in our analysis due to its loss making record. Accordingly, we resorted to make reference to the price-earning ratios of listed companies in the United States engaging in the provision of online education to primary and secondary schools students and with profits, and identified only two listed companies in the United States, namely ChinaEdu Corporation and K12 Inc., as comparables (the "**Comparables**"). These two Comparables are also included in the list of comparables as considered by the Directors set out in the Board's Letter.

ChinaEdu Corporation is an educational service provider to the online degree programs of Chinese universities, and also online tutoring services to primary and secondary school students, operate primary and secondary schools and market international English language curriculum programs to established learning institutions. K12 Inc. is a technology-based education company, and offers curriculum, software systems and educational services designed to facilities individualized learning for students primarily in kindergarten through 12th grade, or K-12. However, 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 of operations, asset base, development stage, geographical presence and the target customers.

Details regarding the price-earnings ratios of the Comparables are set out below:

Company name	**Ticker**	**Share price**	**Earnings per share**	**Price-earnings ratio**
		(USD)	*(USD)*	*(approximately)*
		(Note 1)	*(Note 2)*	*(Note 3)*
ChinaEdu Corporation	CEDU	6.16	0.27	22.81
K12 Inc.	LRN	25.21	0.73	34.53
			Average	28.67

Notes:

1. Being the respective closing price of the shares of the Comparables on 26 April 2013, being the date of the Disposal Agreement, as available on the website of Google Finance (www.google.com/finance) (the "**Respective Closing Price**").

2. Being the respective earnings per share of the Comparables as available on the website of Google Finance (www.google.com/finance) (the "**Respective Earnings per Share**").

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

We consider that the price-earnings ratio represented by the consideration for the Disposal to the after-tax operating profit before other non-cash income attributable to 51% equity interest in the Target Group of approximately 28.24 times is slightly below the average price-earnings ratio of the Comparables of approximately 28.67 times, which is commercially justifiable given the relative illiquidity of the interest in the Target as compared to shares of listed companies. As such, we consider that the consideration for the Disposal is on normal commercial terms, and fair and reasonable.

Notwithstanding the consideration for the Disposal of HK$5,100,000 represents discount to the Basic Consideration of HK$12,400,000 (which was subsequent adjusted downwards by HK$915,000 as a result of non-achievement of the Guaranteed Profit), it is noted that the Basic Consideration was determined based on the Guaranteed Profit and the price-earnings multiple of eight, details of which are set out in the section headed "**Background and reasons for the Disposal**" above. Given no profit guarantee is provided by the Group in favor of the Purchaser under the terms of the Disposal, we consider the determination of the Basic Consideration and the consideration for the Disposal is not directly comparable. Taking into account the absence of profit guarantee under the terms of the Disposal Agreement and the relatively high price-earnings multiple is adopted for determining the consideration for the Disposal as compared to that adopted for determining the Basic Consideration, we consider that determination of the consideration for the Disposal based on the profit record for the latest financial year of the Target Group and the price-earnings multiple of 28.24 times, which we consider is on normal commercial terms and fair and reasonable as detailed above, is commercially justifiable.

Furthermore, as mentioned in above, the unaudited net asset value of the Target Group amounted to HK$3,306,000 as at 31 December 2012. Disregarding the Sale Loan in the amount of approximately HK$156,000 as at 31 December 2012 which would be assigned to the Purchaser upon Completion, the net asset value of the Target Group would be HK$3,462,000 as at 31 December 2012 (the "**Adjusted NAV**"). The consideration for the Disposal represents a premium of approximately HK$3,334,000 or approximately 188.8% over the Adjusted NAV attributable to 51% equity interest in the Target of approximately HK$1,766,000 as at 31 December 2012 (the "**NAV Premium**"). The NAV premium of approximately HK$3,334,000 represents approximately 18.5 times over the after-tax operating profit before other non-cash income attributable to 51% equity interest in the Target Group of approximately HK$180,000.

Given the asset base of the Target Group comprises mainly fixed assets (comprising machineries and equipment) and liquid assets (comprising inventories, account receivables, other receivables and cash or cash equivalents) with limited capital appreciation value, we consider that the Disposal enables the Group to attain immediate assured capital gain against the Adjusted NAV as represented by the NAV Premium, which represents approximately 18.5 times over the consolidated after-tax operating profit before other non-cash income attributable to 51% equity interest in the Target Group of approximately HK$180,000, with immediate cash inflow. As such, we consider that the immediate assured capital gain against the Adjusted NAV as represented by the NAV Premium as a result of the Disposal is in the interests of the Company and the Shareholders as a whole.

In addition, as disclosed in the Board's Letter, it is expected a gain of approximately HK$508,000 will accrue to the Company, being the difference between the consideration of HK$5,100,000 and the aggregate of (i) the net asset value of the Target Group of approximately HK$1,686,000 as at 31 December 2012 attributable to 51% equity interest in the Target Group, (ii) the goodwill arising from the acquisition of the Target Group of approximately HK$2,750,000 and (iii) the amount of the Sale Loan of approximately HK$156,000. The actual financial impact of the Disposal to the Group will be subject to the review by the Company's independent auditors and will be reflected in the annual report of the financial year in which the completion of the Disposal takes place.

Business of the Remaining Group

Following the Disposal, the Group will cease to engage in the e-Learning business and will continue with its existing core business of e-licensing business.

The e-licensing business is mainly conducted through a non-wholly owned subsidiary, Far Glory in which the Group is interested in 51%. As advised by the Company, under the e-licensing business, the Group is authorized by content license holders to manage and use the licensed music content on the music platform of telecommunication operators in the PRC in return for certain percentage of copyright fee received from the telecommunication operators, and the Group will pay to the licensor on a pre-determined percentage of music content fee received from the telecommunication operators.

For information purpose only, as disclosed in the annual report 2012 of the Company, the e-licensing business of the Group recorded turnover of approximately HK$15.3 million and loss before taxation of approximately HK$63.1 million for the year ended 31 December 2012. Such loss was mainly due to (i) 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; and (ii) allowance for doubtful debts on loans to and due from jointly controlled entities of approximately HK$20,225,000. In addition, as noted from the annual report 2012 of the Company, the Group recognized an impairment loss on interest in associates of approximately HK$21,518,000 for the 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 (namely Socle Limited, in which the Company is currently interested in 25%) in late 2012, a 4-year license agreement was entered in 2012 to obtain an exclusive authorization to distribute the Chinese Football Association Super League (中國足球協會超級足球聯賽) on the television stations and as disclosed in the announcement of the Company dated 20 June 2013, the license right of the AFC Champion League (亞足聯冠軍賽) was subsequently renewed for another 4 years for Beijing region. In addition, as advised by the Company, it is noted that the future development of the e-licensing business of the Group would be exploring more channels for distribution of licensed contents, such as cooperation with corporations other than telecommunication operators, such as 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. In view of such business strategies of the e-licensing business of the Group, the Group (i) has recently proceeded with the Nova Dragon Acquisition, the China Digital Entertainment Acquisition and the Film Distribution Cooperation; (ii) entered into a sale and purchase agreement on 3 June 2013 in relation to the acquisition of an additional of 40% equity interest in Socle Limited which is principally engaged in the provision of professional sports events and entertainment content, which is subject to conditions precedents and may or may not proceed (the "**Proposed Acquisition**"); (iii) entered into an agreement on 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), in relation to an exclusive distribution of music content on music platform of China Unicom for a term of two years; and (iv) the Board is also in negotiation with the shareholders of Far Glory for possible acquisition of further interests in Far Glory.

Further details regarding the existing business and the future development of the Remaining Group are set out in the section headed "BUSINESS OF THE REMAINING GROUP AFTER THE PROPOSED DISPOSAL" in the Board's Letter and for further information on the Proposed Acquisition and the business of Socle Limited, please refer to the announcement of the Company dated 20 June 2013. We would like to state clearly that the information regarding the Remaining Group set out above are presented for information purpose only, and does not in any manner constitutes our opinion regarding future prospects and/or profitability of the Remaining Group, and as the e-licensing business and the e-Learning business of the Group are different lines of business with separate operations and the Disposal is not expected to cause any material adverse effects on the operations of the e-licensing business of the Group, the existing business and the future development of the Remaining Group does not in any manner constitute our basis of opinion regarding the Disposal contained herein.

Conclusion

Given the underperformance of the financial results of the Target Group, and the period for the Guaranteed Profit has expired and there is no profit guarantee for the Target Group in effect as detailed in the section headed "**Background and reasons for the Disposal**" above, taking into account (i) the fairness and reasonableness of the consideration for the Disposal; (ii) the consideration for the Disposal represents the NAV premium of approximately HK$3,334,000 or approximately 188.8% over the Adjusted NAV attributable to 51% equity interest in the Target; (iii) the Disposal enables the Group to attain assured immediate capital gain against the Adjusted NAV as represented by the NAV Premium, which represents approximately 18.5 times over the after-tax operating profit before other non-cash income of approximately HK$180,000 attributable to 51% equity interest in the Target Group, with immediate cash inflow; and (iv) the estimated gain on disposal as a result of the Disposal as detailed in the section headed "**Principal terms of the Disposal Agreement**" above, we consider that the terms of the Disposal are on normal commercial terms and fair and reasonable, and the Disposal, which is not in the ordinary and usual course of business of the Group, represents an opportunity for the Group to realize the investment in the Target Group with expected gain and immediate cash inflow, is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Given the principal factors and reasons mentioned above, we consider that the Disposal, 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 Disposal 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 Disposal Agreement and the transactions contemplated thereunder.

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

1. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the Group had outstanding borrowings of approximately HK$17,440,000, details of which are set out below:

	HK$'000
Current liabilities	
Other payables (Unsecured and unguaranteed)	16,453
Amount due to a director (Unsecured and unguaranteed)	987
	17,440
Total borrowings	17,440

Contingent liabilities

As at 30 April 2013, the Group had no material contingent liabilities.

Commitments

As at 30 April 2013, the Group had no commitments.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 April 2013, the 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 orother contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 30 April 2013 and up to the Latest Practicable Date.

2. 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.

3. WORKING CAPITAL

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

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. 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	19,000,000 (L)	0.58%
Mr. Hsu Tung Chi	Beneficial interest	19,000,000 (L)	0.58%
	Interest of controlled Corporation *(note)*	72,984,893 (L)	2.21%
Mr. Pang Hong Tao	Beneficial interest	42,800,000 (L)	1.30%
Ms. Au Shui Ming, Anna	Beneficial interest	54,500,000 (L)	1.65%

(L) denotes long position

Note: Mr. Hsu Tung Chi is beneficially interested in 98% 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%
Ms. Au Shui Ming, Anna	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 Culture Media Company Limited 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.

3. 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 Group excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

4. 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 Group, or was proposed to be acquired, or disposed of by, or leased to any member of the 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 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 Group.

5. 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 complete or have any other conflict of interest, either directly or indirectly, with the business of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the 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 Entertaiment (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 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) CD Entertainment, 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 China Digital Entertainment Company Limited 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 3 June 2012 entered into among the Group as purchaser, Swift Plus Limited as vendor, in relation to the acquisition of a further 40% equity interest in Socle Limited for a total consideration of HK$18,624,000; and

5. the Disposal Agreement.

7. 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 Group's financial and operational positions.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has 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

Nuada 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, Nuada 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, Nuada 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 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 is situated at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

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

(d) The company secretary and compliance officer of the Company is Ms. Au Shui Ming, Anna has been the company secretary of the Company since November 2004. Ms. Au is a Certified Practising Accountant of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants.

(e) 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. Lee Kun Hung, 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, Shun Ho Technology Holdings Limited, Magnificent Estates Limited, Emperor Capital Group Limited, Evergreen International Holdings Limited and China Neng Xiao Technology (Group) Limited, 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. Lee Kun Hung, aged 47, was appointed as independent non-executive Director of the Company in June 2005. Mr. Lee is also a member of the audit committee and remuneration committee of the Company, has over 23 years of manufacturing experience in the watch industry. Mr. Lee holds a Bachelor of Arts degree from Boston College, Massachusetts, US.

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 China Neng Xiao Technology (Group) Limited, a company listed on the GEM of the Stock Exchange and an independent non-executive director of Sun Innovation Holdings Limited, a company listed on the main board of the Stock Exchange.

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

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

(d) letter of advice from Nuada, the text of which is set out on pages 28 to 38 in this circular;

(e) the written consent of the expert referred to in the paragraph headed "Expert and Consent" in this Appendix;

(f) 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

(g) this circular.

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

(proposed to be renamed as China Digital Culture (Group) Limited
中國數碼文化(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 Licensing (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 Monday, 15 July 2013 at 3:00 p.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 sale and purchase agreement (the "**Disposal Agreement**") dated 26 April 2013 and entered into between Wonder Link Limited (the "**Vendor**") and DigiSmart (Group) Limited in relation to the disposal of (i) 102 ordinary shares of US$1.00 each in the share capital of Start Bright Limited (the "**Target**"), represent 51% of the entire issued share capital of the Target; and (ii) all the liabilities, obligations and indebtedness due by the Target to the Vendor or at any time prior to the completion of the Disposal Agreement for a total consideration of HK$5,100,000 (a copy of which has been produced to the Meeting marked "**A**" and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one or more 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 to give effect to the Disposal Agreement and the transactions contemplated thereunder."

By Order of the Board
China Digital Licensing (Group) Limited
Mr. Hsu Tung Sheng
Chairman

Hong Kong, 25 June 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.