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## **China Digital Licensing (Group) Limited**

**中國數碼版權(集團)有限公司**

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

**(Stock Code: 8175)**

**(1) DISCLOSEABLE TRANSACTION  
IN RESPECT OF  
THE ACQUISITION OF  
THE ENTIRE EQUITY INTERESTS IN  
NOVA DRAGON INTERNATIONAL LIMITED;  
AND  
(2) POTENTIAL ACQUISITION**

**Financial adviser to the Company**



**INCU Corporate Finance Limited**

### **THE AGREEMENT**

The Board is pleased to announce that on 11 January 2013 (after trading hours), the Purchaser entered into the Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at a total consideration of HK\$47,250,000. The Sale Shares represent the entire issued share capital of the Target Company.

The Consideration shall be satisfied by the Purchaser by procuring the Company to allot and issue an aggregate of 350,000,000 Consideration Shares at the Issue Price and credited as fully paid upon Completion to the Vendors.

The Acquisition is subject to fulfillment of the conditions precedent as detailed in the paragraph headed “Conditions precedent” in this announcement. Upon Completion, the Company will be interested in the entire equity interests in the Target Company and the Target Group will be accounted for as indirect wholly-owned subsidiaries of the Company.

### **IMPLICATION OF THE GEM LISTING RULES**

Since the percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and are subject to reporting and announcement requirements but exempt from shareholders’ approval requirement.

### **POTENTIAL ACQUISITION**

The Board would also like to inform the Shareholders that the Group is in preliminary negotiation with the other shareholders of CD Entertainment for the Potential Acquisition of additional equity interest in CD Entertainment, which if materialise may constitute a notifiable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. As at the date of this announcement, no letter of intent or definitive agreement has been entered into by the Company. In the event that any written agreement has been entered into in respect of the Potential Acquisition, the Company will make necessary disclosure in compliance with the GEM Listing Rules.

### **GENERAL**

**Shareholders and potential investors of the Company should be aware that the Acquisition and the transactions contemplated thereunder are subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Shareholders and potential investors of the Company should also be aware that the Potential Acquisition is still in a preliminary negotiation stage and may or may not materialize. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.**

Reference is made to the announcement of the Company dated 28 December 2012 in relation to, among other matters, the potential acquisition of the equity interest in a company which engages in the marketing and agency service for sports idols in the Greater China Region.

The Board is pleased to announce that on 11 January 2013 (after trading hours), the Purchaser entered into the Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares at a total consideration of HK\$47,250,000.

## **THE AGREEMENT**

Date: 11 January 2013 (after trading hours)

Parties:

Purchaser: the Purchaser, a wholly-owned subsidiary of the Company

Vendors: the First Vendor, the Second Vendor and the Third Vendor

Target: the Target Company

As at the date of this Agreement, (i) the First Vendor acts as a director of each of Socle Limited and its subsidiaries. Socle Limited is an associated company of the Company, of which the Company is interested in 25% of its equity interests; and (ii) the First Vendor is interested in 33,570,503 Shares at the date of this announcement (representing approximately 1.36% of the existing issued share capital of the Company).

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the First Vendor, the Second Vendor and the Third Vendor and their respective associates are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares.

The Sale Shares represent the entire issued share capital of the Target Company. As at the date of this announcement, the Target Company is wholly and beneficially owned by the Vendors (of which 40%, 30% and 30% of its equity interests were beneficially owned by the First Vendor, the Second Vendor and the Third Vendor respectively), while the Hong Kong Company is wholly and beneficially owned by the Target Company.

## **Consideration**

The total Consideration of HK\$47,250,000 shall be settled by the Purchaser by procuring the Company to allot and issue an aggregate of 350,000,000 Consideration Shares to the Vendors at the Issue Price and credited as fully paid upon Completion, in which 140,000,000 Shares, 105,000,000 Shares and 105,000,000 Shares will be issued to the First Vendor, the Second Vendor and the Third Vendor respectively.

The Consideration represents (i) approximately 9.84 price-earnings multiple of the Profit Guarantee (as disclosed in the following section). The Directors consider that such 9.84 price-earnings multiple is a reasonable price-earnings ratio considering the prevailing price-earnings multiple of listed companies in Hong Kong and the PRC which are engaged in similar business of celebrity marketing and agency services as the Target Group which ranges from approximately 1.77 times to approximately 44.09 times (the “**Comparables PE**”).

The total consideration was agreed between the Purchaser and the Vendors after arm’s length negotiations. Having considered (i) the business development and prospects of the Target Group in the medium to long term; (ii) the Profit Guarantee; (iii) the price-earning ratio of the Target Group based on the Profit Guarantee and the Consideration falls within the range of the Comparables PE; (iv) the Consideration will be satisfied by the issue and allotment of the Consideration Shares at Completion without initial deposit and the use of the financial resources of the Group; (v) the lock-up arrangement of the Consideration Shares for 6 months from the date of issue; and (vi) the escrow arrangement of the Escrowed Shares, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **Conditions precedent**

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

- (1) all necessary consents and approvals required to be obtained on the part of the Target Company in respect of the sale of Sale Shares having been obtained;
- (2) all necessary consents and approvals required to be obtained on the part of the Purchaser and the Company in respect of the acquisition of Sale Shares having been obtained;
- (3) there does not exist any matter, fact or circumstance which constitutes, or may constitute a breach of the warranties provided by the Vendors or the terms of the Agreement;

- (4) the Listing Committee granting the listing of and permission to deal in the Consideration Shares;
- (5) the obtaining of an audited financial statement of the Hong Kong Company for the financial year ended 31 December 2012; and
- (6) the Purchaser being satisfied with the results of the due diligence review to be conducted on the Target Group.

Conditions (3) and (6) above are waivable by the Purchaser under the Agreement while all the other conditions are incapable of being waived. The Purchaser has no current intention to waive such conditions as at the date of this announcement.

### **Long Stop Date**

If any of the conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Agreement shall cease and terminate and neither party shall have any obligations towards each other save and except for any antecedent breach of the Agreement.

### **Completion**

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

Upon Completion, the Company will be interested in the entire equity interests in the Target Company and the Target Group will be accounted for as indirect non wholly-owned subsidiaries of the Company.

### **PROFIT GUARANTEE**

Pursuant to the Agreement, each of the Vendors have jointly and severally covenanted and guaranteed to the Purchaser that the audited consolidated net profit after taxation but before extraordinary items of the Target Group, based on the financial statements prepared in accordance with Hong Kong Financial Reporting Standards and to be audited by an accounting firm approved by the Purchaser for the financial year ending 31 December 2013 shall not be less than HK\$4,800,000.

In the event the Actual Net Profit is less than the Profit Guarantee, the Vendors shall compensate the Purchaser on a dollar for dollar basis of an amount (the “**Shortfall**”) calculated by reference to the following formula:

$$\text{Shortfall} = \text{Profit Guarantee} - \text{Actual Net Profit}$$

For the avoidance of doubt, if there is loss for the Target Group for the financial year ending 31 December 2013, the profit shall be treated as zero and the Shortfall shall be equal to the Profit Guarantee.

As security for the Profit Guarantee, 28,580,000 Shares of the Consideration Shares to be issued to the First Vendor upon Completion, will be escrowed by the Company or its nominee. If the Profit Guarantee is fulfilled, the Escrowed Shares will be returned to the First Vendor. In the event that the Profit Guarantee is not fulfilled, and the Vendors fail to compensate the Purchaser of the Shortfall in full in cash, the Company or its nominee is entitled to sell or otherwise dispose of all or part of the Escrowed Shares and the proceeds of which will be used to set off against the Shortfall and the remaining balance of the Escrowed Shares (if any) will be returned to the First Vendor. In the event that the proceeds arising from the sale of the Escrowed Shares are not sufficient to set off against the Shortfall in full, each of the Vendors shall be personally liable, jointly and severally, to any damages and/or losses which the Purchaser may suffer in connection with the non-fulfillment of the Profit Guarantee under the Agreement.

The Profit Guarantee was arrived at after arm’s length negotiation between the Purchaser and the Vendors with reference to the business prospects and business development of the Target Group.

## **CONSIDERATION SHARES**

The Consideration Shares will be allotted and issued at the Issue Price, credited as fully paid. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price represents:

- (i) a discount of approximately 19.64% to the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on 11 January 2013, being the date of the Agreement;

- (ii) a discount of approximately 2.46% to the average of the closing prices of HK\$0.1384 per Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Agreement; and
- (iii) a premium of approximately 134.78% over the net asset value per Share of HK\$0.0575 based on the audited consolidated financial statements of the Group as at 31 December 2011 divided by 2,253,101,039 Shares as at 31 December 2011.

The Issue Price was determined by the Board after taking into consideration of the prevailing Share prices and the Directors consider that the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 14.23% of the existing issued share capital of the Company and approximately 12.46% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be allotted and issued pursuant to the General Mandate and will be allotted and issued on the date of Completion. As at the date of this announcement, no Shares have been issued and allotted under the General Mandate.

### **Lock-up**

Pursuant to the Agreement, each of the Vendors undertook to, and covenanted with the Company that it will not, within the period commencing on the date of Completion and ending on the date falling six (6) months after Completion, offer, lend, transfer, sell, pledge or otherwise dispose of or create any encumbrance or other rights in respect of the Consideration Shares or any interests therein or grant any options or rights in respect of more than such amount of Consideration Shares without prior approval from the Purchaser.

### **APPLICATION FOR LISTING**

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

## CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement and prior to Completion; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares.

	As at the date of this announcement		Immediately upon Completion and the allotment and issue of the Consideration Shares	
	Number of Shares	Approx. %	Number of Shares	Approx. %
<b>Substantial Shareholders</b>				
Golden Mabole Culture Media Company (Note 1)	497,698,238	20.24	497,698,238	17.71
<b>Directors of the Company</b>				
Mr. Hsu Tung Chi (Note 2)	19,000,000	0.77	19,000,000	0.68
Daily Technology Company Limited (Note 3)	72,984,893	2.97	72,984,893	2.60
<b>Sub-total</b>	91,984,893	3.74	91,984,893	3.28
Ms. Au Shui Ming, Anna	54,500,000	2.22	54,500,000	1.94
Mr. Pang Hong Tao	42,800,000	1.74	42,800,000	1.52
Mr. Hsu Tung Sheng	19,000,000	0.77	19,000,000	0.68
<b>The Vendors</b>				
The First Vendor	33,570,503	1.36	173,570,503	6.18
The Second Vendor	–	–	105,000,000	3.74
The Third Vendor	–	–	105,000,000	3.74
	33,570,503	1.36	383,570,503	13.66
Public Shareholders	1,720,036,765	69.93	1,720,036,765	61.21
<b>Total</b>	<b>2,459,590,399</b>	<b>100.00</b>	<b>2,809,590,399</b>	<b>100.00</b>

### Notes:

- Golden Mabole Culture Media Company is a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Ma Bole.
- Mr. Hsu Tung Chi is the executive director and chief executive officer of the Company.
- Daily Technology Company Limited is beneficially owned as to 98% by Mr. Hsu Tung Chi. Mr. Hsu Tung Chi is deemed to be interested in the Shares in which Daily Technology Company Limited is interested in.



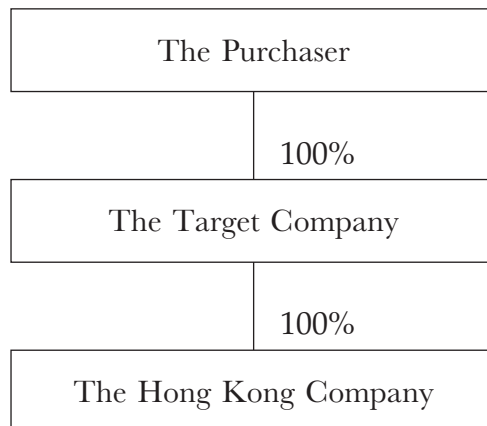
## INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of the Agreement, the Target Company is owned as to 40% by the First Vendor, 30% by the Second Vendor and 30% by the Third Vendor.

The Hong Kong Company is a company incorporated in Hong Kong with limited liability and is principally engaged in assisting professional athletes with marketing and promotional activities in the Greater China Region. The Target Group has successfully provided services to several well renowned basketball players, such as Jeremy Lin (林書豪). In addition, the Hong Kong Company has entered into marketing services agreements with other athletes, and depending on the scope of service thereon, the Target Group generally 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 on the part of the athletes.

## TARGET GROUP STRUCTURE

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



## FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the unaudited financial information of the Target Company and the Hong Kong Company based on its management account prepared in accordance with the Hong Kong accounting standards:

The Target Company:

**From 9 May 2012**  
**(date of incorporation)**  
**to**  
**31 December 2012**  
(unaudited)  
*US\$*

Turnover	–
Net loss before taxation	(1,000)
Net loss after taxation	(1,000)

**As at**  
**31 December 2012**  
(unaudited)  
*US\$*

Net liabilities	(990)
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The Hong Kong Company:

**From 25 January 2011**  
**(date of incorporation)**  
**to**  
**31 December 2011**  
(unaudited)  
*HK\$*

**For the year ended**  
**31 December 2012**  
(unaudited)  
*HK\$*

Turnover	542,500	3,448,494
Net profit before taxation	69,719	604,856
Net profit after taxation	69,719	604,848

**As at**  
**31 December 2011**  
(unaudited)  
*HK\$*

**As at**  
**31 December 2012**  
(unaudited)  
*HK\$*

Net asset value	69,719	132,076
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## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the provision of copyright management solution and the related consultancy services and the distribution of copyright-protected items. The Group is also engaged in the development and provision of on-line education programs, provide languages and mathematics learning programs to students in secondary and primary schools in Hong Kong and Macau.

The Board is optimistic on the sports entertainment market in the PRC in view of the rising interests of the general public in the international and local sports events after the 2008 Beijing Olympics Games and the PRC government supportive attitude towards the sports events.

In 2011, the Company acquired 25% equity interests in Socle Limited, which is principally engaged in the provision of professional sport event and entertainment content business in the PRC. The Board considered that the Acquisition represents an opportunity for the Group to further tap into the growing sports entertainment business. With the healthy public image of athletes, the increasing market potential and effectiveness for the use of sports celebrities in different marketing campaigns in the Greater China Region where there is raising public interest in successful athletes, the Board is optimistic on the business prospect of the Target Group and consider the Acquisition would further enhance the profitability of the Group. The Directors consider that the Acquisition is in the interests of the Group and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

Since the percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and are subject to reporting and announcement requirements but exempt from shareholders' approval requirement.

## **POSSIBLE ACQUISITION**

Reference is made to the announcement of the Company dated 18 January 2012 in relation to the investment in 20% equity interest in China Digital Entertainment Company Limited (the "**CD Entertainment**"). CD Entertainment and its subsidiaries are principally engaged in the promotion, sales and distribution of movie and music license right worldwide and the organization of concerts, programmed and related services.

The Board would like to inform the Shareholders that the Group is in preliminary negotiation with the other shareholders of CD Entertainment for the Potential Acquisition of additional equity interest in CD Entertainment, which if materialise may constitute a notifiable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. As at the date of this announcement, no letter of intent or definitive agreement has been entered into by the Company. In the event that any written agreement has been entered into in respect of the Potential Acquisition, the Company will make necessary disclosure in compliance with the GEM Listing Rules.

## **GENERAL**

**Shareholders and potential investors of the Company should be aware that the Acquisition and the transactions contemplated thereunder are subject to certain conditions being satisfied, and consequently the Acquisition may or may not proceed. Shareholders and potential investors of the Company should also be aware that the Potential Acquisition is still in a preliminary negotiation stage and may or may not materialize. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of the entire equity interests of the Target Company through the purchase of the Sale Shares by the Purchaser as contemplated under the Agreement
“Actual Net Profit”	the audited consolidated net profit after taxation but before extraordinary items of the Target Group, as shown in the consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards for the financial year ending 31 December 2013
“Agreement”	the conditional agreement dated 11 January 2013 entered into among the Purchaser and the Vendors in relation to the Acquisition

“associates”	has the same meaning ascribed to such term under the GEM Listing Rules
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CD Entertainment”	China Digital Entertainment Company Limited, a company incorporated in the British Virgin Islands, in which the Group is interested in 20% equity interests
“Company”	China Digital Licensing (Group) Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$47,250,000
“Consideration Shares”	the Shares to be issued and allotted to the Vendors in satisfaction of the Consideration payable by the Purchaser under the Agreement, being in aggregate 350,000,000 new Shares
“Director(s)”	the director(s) of the Company from time to time
“Escrowed Shares”	the 28,580,000 Shares issued to the First Vendor upon Completion
“First Vendor”	Mr. Chang Li-Cheng (張蒞政), being the beneficial owner of 40% of the issued share capital of the Target Company and an Independent Third Party

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 4 June 2012. Under this general mandate, the Directors are allowed to allot and issue up to 453,620,207 Shares. As at the date of this announcement, no Shares have been issued and allotted under the General Mandate
“Greater China Region”	the PRC, Hong Kong, Macau and Taiwan
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	MVP Sports Marketing Company Limited (冠籃天下香港有限公司), a company incorporated in Hong Kong with limited liability
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“Issue Price”	HK\$0.135 per Consideration Share
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Long Stop Date”	30 June 2013 (or such later date as the Purchaser and the Vendor may agree), being the last day for the fulfillment or waiver of the conditions precedent of the Agreement
“ Macau”	The Macau Special Administrative Region of the People’s Republic of China
“Potential Acquisition”	the potential acquisition at additional equity interest in CD Entertainment

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Profit Guarantee”	the profit guarantee that the audited consolidated net profit after taxation but before extraordinary items of the Target Group for the financial year ending 31 December 2013 will not be less than HK\$4,800,000
“Purchaser”	Silver Season Investments Limited, a company incorporated in British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company
“Sale Shares”	10 ordinary share(s) of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Agreement
“Second Vendor”	Mr. Liao Shih Yao (廖世堯), being the beneficial owner of 30% of the issued share capital of the Target Company and an Independent Third Party
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan”	the Republic of China, Taiwan
“Target Company”	Nova Dragon International Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued shares of which are owned by the Vendors
“Target Group”	the Target Company and the Hong Kong Company
“Third Vendor”	Mr. Chang Ti Chieh (張迪杰), being the beneficial owner of 30% of the issued share capital of the Target Company and an Independent Third Party

“Vendors”	collectively, the First Vendor, the Second Vendor and the Third Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States
“%”	per cent

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

Hong Kong, 11 January 2013

*As at the date of this announcement, the executive Directors are Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Mr. Pang Hong Tao and Ms. Au Shui Ming, Anna. The independent non-executive Directors are Mr. Wong Tak Shing, Mr. Lee Kun Hung and Mr. Kwok Chi Sun, Vincent.*

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

*This announcement will remain on GEM website on the “Latest Company announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.chinadigitallic.com](http://www.chinadigitallic.com).*