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China Digital Licensing (Group) Limited

中國數碼版權(集團)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8175)

SUBSCRIPTION OF NEW SHARES AND PRIVATE PLACING OF NON-LISTED WARRANTS UNDER GENERAL MANDATE

Financial Adviser to the Company



INCU Corporate Finance Limited

THE SHARE SUBSCRIPTION AGREEMENTS

The Directors are pleased to announce that on 10 August 2010 (after trading hours), the Company as issuer entered into three Share Subscription Agreements with each of the Subscribers and each of the Guarantors pursuant to which the Subscribers or their respective nominee(s) have conditionally agreed to subscribe for and the Company have conditionally agreed to allot and issue in aggregate 103,500,000 Shares in cash at the Placing Price of HK\$0.273 per Placing Share.

Completion of the Share Subscription is subject to the fulfillment of the conditions stated in the section headed “Conditions of the First/Second/Third Share Subscription” in this announcement.

It is intended that the expected net proceeds from the Share Subscription of approximately HK\$27.00 million will be applied towards the business development of digital copyright management and digital content licensing services and other related investments and general working capital of the Group.

The Placing Shares will be allotted and issued pursuant to the General Mandate.

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

THE WARRANT SUBSCRIPTION AGREEMENTS

The Directors are also pleased to announce that on 10 August 2010 (after trading hours), the Company as issuer entered into three Warrant Subscription Agreements with each of the Subscribers and each of the Guarantors pursuant to which the Subscribers or their respective nominee(s) have conditionally agreed to subscribe for and the Company have conditionally agreed to place in aggregate 310,500,000 Warrants in cash at the Warrant Issue Price of HK\$0.001 per Warrant.

The Warrants entitle the Subscribers or their respective nominees to subscribe for the Subscription Shares at the Subscription Price of HK\$0.272 per New Share for a period of three (3) years commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share.

Completion of the Warrant Subscription is subject to the fulfillment of the conditions stated in the section headed “Conditions of the First/Second/Third Warrant Subscription” in this announcement.

It is intended that (i) the expected net proceeds from the Warrant Subscription of approximately HK\$0.20 million will be applied as general working capital of the Group and (ii) the expected net proceeds from the exercise of Warrants of approximately HK\$84.456 million will be applied towards the business development of digital copyright management and digital content licensing services and other related investments and general working capital of the Group.

The Subscription Shares will be allotted and issued pursuant to the General Mandate.

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on GEM or any other stock exchanges.

Share Subscription and Warrant Subscription are subject to the fulfillment of the conditions of the Share Subscription Agreements and the Warrant Subscription Agreements respectively and may or may not complete. Shareholders or potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

THE FIRST SHARE SUBSCRIPTION AGREEMENT

Date: 10 August 2010 (after trading hours)

Parties: (i) Issuer: the Company
(ii) Subscriber: the First Subscriber
(iii) Guarantor: the First Guarantor

Information on the First Subscriber

Acute Capital Limited, being the First Subscriber, is a company incorporated in the British Virgin Islands whose principal business is investment holding and is wholly and beneficially owned by the First Guarantor. Apart from the entering into of the First Share Subscription Agreement and the First Warrant Subscription Agreement, the First Subscriber has not conducted any business activity since its incorporation.

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiry, the First Subscriber and its ultimate beneficial owner, being the First Guarantor, are third parties independent of the Company and connected persons of the Company (as defined under the GEM Listing Rules). As at the date of this announcement, neither the First Subscriber nor the First Guarantor has any interests in or business dealings/transactions with the Group.

Number of the First Placing Shares

Pursuant to the First Share Subscription Agreement, the First Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to allot and issue the First Placing Shares. Further details about the First Placing Shares are set out in the section headed "Information about the Placing Shares" below.

Conditions of the First Share Subscription

The First Share Subscription is conditional upon (i) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the First Placing Shares; (ii) all necessary consents and approvals required to be obtained by the First Subscriber or its nominee(s) in respect of the First Share Subscription Agreement and the transactions contemplated thereunder, including but not limited to the First Share Subscription, having been obtained; and (iii) the First Warrant Subscription Agreement having become unconditional (save for the condition for the First Share Subscription Agreement to become unconditional).

Application will be made to the GEM Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the First Placing Shares.

In the event the condition is not fulfilled on or before 5:00 p.m. 10 September 2010 (or such a later date may be agreed by the parties thereto in writing), all rights, obligations and liabilities of the Company and the First Subscriber in relation to the First Share Subscription shall cease and determine and neither parties shall have claim against the other in respect of the First Share Subscription save for the antecedent breach.

Completion of the First Share Subscription

Completion of the First Share Subscription will take place within three Business Days after the fulfillment of the conditions referred to in the section headed “Conditions of the First Share Subscription” above. HK\$6,825,000, being the Placing Price for 25,000,000 Shares, shall be payable by the First Subscriber or its nominee(s) at completion of the First Share Subscription.

Completion of the First Share Subscription and the First Warrant Subscription are inter-conditional upon each other and will take place simultaneously.

THE SECOND SHARE SUBSCRIPTION AGREEMENT

Date: 10 August 2010 (after trading hours)

Parties: (i) Issuer: the Company
(ii) Subscriber: the Second Subscriber
(iii) Guarantor: the Second Guarantor

Information on the Second Subscriber

Decade Talent Limited, being the Second Subscriber, is a company incorporated in the British Virgin Islands whose principal business is investment holding and is wholly and beneficially owned by the Second Guarantor. Apart from the entering into of the Second Share Subscription Agreement and the Second Warrant Subscription Agreement, the Second Subscriber has not conducted any business activity since its incorporation.

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiry, the Second Subscriber and its ultimate beneficial owner, being the Second Guarantor, are third parties independent of the Company and connected persons of the Company (as defined under the GEM Listing Rules). As at the date of this announcement, the Second Guarantor is interested in 3,050,000 Shares. Save as disclosed, neither the Second Subscriber nor the Second Guarantor has any interests in or business dealings/transactions with the Group.

Number of the Second Placing Shares

Pursuant to the Second Share Subscription Agreement, the Second Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to allot and issue the Second Placing Shares. Further details about the Second Placing Shares are set out in the section headed “Information about the Placing Shares” below.

Conditions of the Second Share Subscription

The Second Share Subscription is conditional upon (i) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Second Placing Shares; (ii) all necessary consents and approvals required to be obtained by the Second Subscriber or its nominee(s) in respect of the Second Share Subscription Agreement and the transactions contemplated thereunder, including but not limited to the Second Share Subscription, having been obtained; and (iii) the Second Warrant Subscription Agreement having become unconditional (save for the condition for the Second Share Subscription Agreement to become unconditional).

Application will be made to the GEM Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Second Placing Shares.

In the event the condition is not fulfilled on or before 5:00 p.m. 10 September 2010 (or such a later date may be agreed by the parties thereto in writing), all rights, obligations and liabilities of the Company and the Second Subscriber in relation to the Second Share Subscription shall cease and determine and neither parties shall have claim against the other in respect of the Second Share Subscription save for the antecedent breach.

Completion of the Second Share Subscription

Completion of Second Share Subscription will take place within three Business Days after the fulfillment of the conditions referred to in the section headed “Conditions of the Second Share Subscription” above. HK\$15,015,000, being the Share Placing Price for 55,000,000 Shares, shall be payable by the Second Subscriber or its nominee(s) at completion of the Second Share Subscription.

Completion of the Second Share Subscription and the Second Warrant Subscription are inter-conditional upon each other and will take place simultaneously.

THE THIRD SHARE SUBSCRIPTION AGREEMENT

Date: 10 August 2010 (after trading hours)

Parties: (i) Issuer: the Company
(ii) Subscriber: the Third Subscriber
(iii) Guarantor: the Third Guarantor

Information on the Third Subscriber

Happy Pursuit Limited, being the Third Subscriber, is a company incorporated in the British Virgin Islands whose principal business is investment holding and is wholly and beneficially owned by the Third Guarantor. Apart from the entering into of the Third Warrant Subscription Agreement the Third Share Placing Agreement, the Third Subscriber has not conducted any business activity since its incorporation.

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiry, the Third Subscriber and its ultimate beneficial owner, being the Third Guarantor, are third parties independent of the Company and connected persons of the Company (as defined under the GEM Listing Rules). As at the date of this announcement, the Third Guarantor is interested in 3,105,000 Shares. Save as disclosed, neither the Third Subscriber nor the Third Guarantor has any interests in or business dealings/transactions with the Group.

Number of the Third Placing Shares

Pursuant to the Third Share Subscription Agreement, the Third Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to allot and issue the Third Placing Shares. Further details about the Third Placing Shares are set out in the section headed "Information about the Placing Shares" below.

Conditions of the Third Share Subscription

The Third Share Subscription is conditional upon (i) the GEM Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Third Placing Shares; and (ii) all necessary consents and approvals required to be obtained by the Third Subscriber or its nominee(s) in respect of the Third Share Subscription Agreement and the transactions contemplated thereunder, including but not limited to the Third Share Subscription, having been obtained; and (iii) the Third Warrant Subscription Agreement having become unconditional (save for the condition for the Third Share Subscription Agreement to become unconditional).

Application will be made to the GEM Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Third Placing Shares.

In the event the condition is not fulfilled on or before 5:00 p.m. 10 September 2010 (or such a later date may be agreed by the parties thereto in writing), all rights, obligations and liabilities of the Company and the Third Subscriber in relation to the Third Share Subscription shall cease and determine and neither parties shall have claim against the other in respect of the Third Share Subscription save for the antecedent breach.

Completion of the Third Share Subscription

Completion of Third Share Subscription will take place within three Business Days after the fulfillment of the conditions referred to in the section headed “Conditions of the Third Share Subscription” above. HK\$6,415,500, being the Share Placing Price for 23,500,000 Shares, shall be payable by the Third Subscriber or its nominee(s) at completion of the Third Share Subscription.

Completion of the Third Share Subscription and the Third Warrant Subscription are inter-conditional upon each other and will take place simultaneously.

INFORMATION ABOUT THE PLACING SHARES

Placing Price

The Placing Price of HK\$0.273 per Share represents (i) a discount of approximately 19.71% to the closing price of HK\$0.34 per Share as quoted on the GEM on 10 August 2010, being the date of entering into the Share Subscription Agreements; (ii) a discount of approximately 19.71% to the average closing price of HK\$0.34 per Share as quoted on the GEM for the last five trading days immediately prior to 10 August 2010, being the date of entering into the Share Subscription Agreements; (iii) a discount of approximately 20.41% to the average closing price of HK\$0.343 per Share as quoted on the GEM for the last ten trading days immediately prior to 10 August 2010, being the date of entering into the Share Subscription Agreements; and (iv) a premium of approximately 396.36% over the latest published audited net asset value per Share of approximately HK\$0.055 as shown in the Group’ audited consolidated financial statements for the financial year ended 31 December 2009 (on the basis of 2,071,585,643 total existing issued Shares as at the date of this announcement).

Taking into account, among other fees, legal fees, printing expenses, etc., the net Placing Price is approximately HK\$0.26 per Placing Share. The Placing Price was determined based on arm’s length negotiation between the Company and the Subscribers with reference to the Company’s recent share price performance. The Directors consider that the terms of the Share Subscription Agreements are fair and reasonable and believe that the Share Subscription is in the interests of the Company and its Shareholders as a whole.

Ranking

The Placing Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Mandate to issue the Placing Shares

The 103,500,000 Placing Shares to be allotted and issued under the existing General Mandate and will utilise about 24.98% of the General Mandate. The General Mandate has not been previously utilised prior to the Share Subscription and the Warrant Subscription.

THE FIRST WARRANT SUBSCRIPTION AGREEMENT

Date: 10 August 2010 (after trading hours)

Parties: (i) Issuer: the Company
(ii) Subscriber: the First Subscriber
(iii) Guarantor: the First Guarantor

Number of the First Warrants

Pursuant to the First Warrant Subscription Agreement, the First Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to issue the First Warrants. Further details about the First Warrants are set out in the section headed “Information about the Warrants” below.

Conditions of the First Warrant Subscription

Completion of the First Warrant Subscription shall be subject to and conditional upon, among other things, the following:

- (1) (if required) the GEM Listing Committee of the Stock Exchange shall have approved the issue of the First Warrants either unconditionally or subject to conditions to which neither the Company nor the First Subscriber shall reasonably object and the satisfaction of such conditions;
- (2) the GEM Listing Committee of the Stock Exchange granting (either unconditionally or subject to conditions to which neither the Company nor the First Subscriber shall reasonably object) the listing of, and the permission to deal in, the First Subscription Shares; and

- (3) the First Share Subscription Agreement having become unconditional (save for the condition for the First Warrant Subscription Agreement to become unconditional).

If the conditions of the First Warrant Subscription Agreement are not fulfilled on or before 5:00 p.m. 10 September 2010 (or such a later date may be agreed by the parties thereto in writing), the First Warrant Subscription Agreement will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Completion of the First Warrant Subscription

Completion of First Warrant Subscription will take place within three Business Days after the fulfillment of the conditions referred to in the section headed “Conditions of the First Warrant Subscription” above. HK\$75,000, being the aggregate Warrant Issue Price for 75,000,000 Warrants, shall be payable by the First Subscriber or its nominee(s) at completion of the First Warrant Subscription. The Subscription Price shall be payable by holder(s) of the First Warrants upon the exercise of the subscription rights attaching to the First Warrants.

Completion of the First Warrant Subscription and the First Share Subscription are inter-conditional upon each other and will take place simultaneously.

THE SECOND WARRANT SUBSCRIPTION AGREEMENT

Date: 10 August 2010 (after trading hours)

Parties: (i) Issuer: the Company
(ii) Subscriber: the Second Subscriber
(iii) Guarantor: the Second Guarantor

Number of the Second Warrants

Pursuant to the Second Warrant Subscription Agreement, the Second Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to issue the Second Warrants. Further details about the Second Warrants are set out in the section headed “Information about the Warrants” below.

Conditions of the Second Warrant Subscription

Completion of the Second Warrant Subscription shall be subject to and conditional upon, among other things, the following:

- (1) (if required) the GEM Listing Committee of the Stock Exchange shall have approved the issue of the Second Warrants either unconditionally or subject to conditions to which neither the Company nor the Second Subscriber shall reasonably object and the satisfaction of such conditions; and
- (2) the GEM Listing Committee of the Stock Exchange granting (either unconditionally or subject to conditions to which neither the Company nor the Second Subscriber shall reasonably object) the listing of, and the permission to deal in, the Second Subscription Shares; and
- (3) the Second Share Subscription Agreement having become unconditional (save for the condition for the Second Warrant Subscription Agreement to become unconditional).

If the conditions of the Second Warrant Subscription Agreement are not fulfilled on or before 5:00 p.m. 10 September 2010 (or such a later date may be agreed by the parties thereto in writing), the Second Warrant Subscription Agreement will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Completion of the Second Warrant Subscription

Completion of Second Warrant Subscription will take place within three Business Days after the fulfillment of the conditions referred to in the section headed “Conditions of the Second Warrant Subscription” above. HK\$165,000, being the Warrant Issue Price for 165,000,000 Warrants, shall be payable by the Second Subscriber or its nominee(s) at completion of the Second Warrant Subscription. The Subscription Price shall be payable by holder(s) of the Second Warrants upon the exercise of the subscription rights attaching to the Second Warrants.

Completion of the Second Warrant Subscription and the Second Share Subscription are inter-conditional upon each other and will take place simultaneously.

THE THIRD WARRANT SUBSCRIPTION AGREEMENT

Date: 10 August 2010 (after trading hours)

Parties:

- (i) Issuer: the Company
- (ii) Subscriber: the Third Subscriber
- (iii) Guarantor: the Third Guarantor

Number of the Third Warrants

Pursuant to the Third Warrant Subscription Agreement, the Third Subscriber has agreed to subscribe or procure subscription by its nominee(s) (which shall be third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)) for and the Company has agreed to issue the Third Warrants. Further details about the Third Warrants are set out in the section headed “Information about the Warrants” below.

Conditions of the Third Warrant Subscription

Completion of the Third Warrant Subscription shall be subject to and conditional upon, among other things, the following:

- (1) (if required) the GEM Listing Committee of the Stock Exchange shall have approved the issue of the third Warrants either unconditionally or subject to conditions to which neither the Company nor the third Subscriber shall reasonably object and the satisfaction of such conditions;
- (2) the GEM Listing Committee of the Stock Exchange granting (either unconditionally or subject to conditions to which neither the Company nor the Third Subscriber shall reasonably object) the listing of, and the permission to deal in, the Third Subscription Shares; and
- (3) the Third Share Subscription Agreement having become unconditional (save for the condition for the Third Warrant Subscription Agreement to become unconditional).

If the conditions of the Third Warrant Subscription Agreement are not fulfilled on or before 5:00 p.m. 10 September 2010 (or such later date as may be agreed by the parties thereto in writing), the Third Warrant Subscription Agreement will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Completion of the Third Warrant Subscription

Completion of Third Warrant Subscription will take place within three Business Days after the fulfillment of the conditions referred to in the section headed “Conditions of the Third Warrant Subscription” above. HK\$70,500, being the Warrant Issue Price for 70,500,000 Warrants, shall be payable by the Third Subscriber or its nominee(s) at completion of the Third Warrant Subscription. The Subscription Price shall be payable by holder(s) of the Third Warrants upon the exercise of the subscription rights attaching to the Third Warrants.

Completion of the Third Warrant Subscription and the Third Share Subscription are inter-conditional upon each other and will take place simultaneously.

INFORMATION ABOUT THE WARRANTS

Warrant Issue Price

The Warrant Issue Price is HK\$0.001 per Warrant. Taking into account, among other fees, legal fees, printing expenses, etc., the net Warrant Issue Price is approximately HK\$0.0006 per Warrant.

Subscription Price

The Subscription Price is HK\$0.272 per New Share, which is same as the net Subscription Price and is subject to adjustments based on the prescribed formulas as set out in the instrument creating the Warrants for the happening of the following adjustment events:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution in cash or in specie other than out of distributable profits of the Company being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such);
- (iv) a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (v) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 70 per cent. of the average market price of one Share for the five consecutive dealings days ending on such last dealing day immediately preceding the day on which the market price is to be ascertained (the “**market price**”) being made by the Shareholders (in their capacity as such);
- (vi) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share is less than 70 per cent. of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration is less than 70 per cent. of such market price;
- (vii) an issue of Shares being made wholly for cash at a price less than 70 per cent. of the market price; and

(viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any recognised stock exchange, being a stock exchange recognised for this purpose by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

Every adjustment to the Subscription Price shall be certified either by the auditors of the Company or by an approved merchant bank.

The Subscription Price represents (i) a discount of approximately 20.00% to the closing price of HK\$0.34 per Share as quoted on the GEM on 10 August 2010, being the date of entering into the Warrant Subscription Agreements; (ii) a discount of approximately 20.00% to the average closing price of HK\$0.34 per Share as quoted on the GEM for the last five trading days immediately prior to 10 August 2010, being the date of entering into the Warrant Subscription Agreements; (iii) a discount of approximately 20.70% to the average closing price of HK\$0.343 per Share as quoted on the GEM for the last ten trading days immediately prior to 10 August 2010, being the date of entering into the Warrant Subscription Agreements; and (iv) a premium of approximately 394.55% over the latest published audited net asset value per Share of approximately HK\$0.055 as shown in the Group' audited consolidated financial statements for the financial year ended 31 December 2009 (on the basis of 2,071,585,643 total existing issued Shares as at the date of this announcement).

The aggregate of the Warrant Issue Price and the Subscription Price represents (i) a discount of approximately 19.71% to the closing price of HK\$0.34 per Share as quoted on the GEM on 10 August 2010, being the date of entering into the Warrant Subscription Agreements; (ii) a discount of approximately 19.71% to the average closing price of HK\$0.34 per Share as quoted on the GEM for the last five trading days immediately prior to 10 August 2010, being the date of entering into the Warrant Subscription Agreements; (iii) a discount of approximately 20.41% to the average closing price of HK\$0.343 per Share as quoted on the GEM for the last ten trading days immediately prior to 10 August 2010, being the date of entering into the Warrant Subscription Agreements; and (iv) a premium of approximately 396.36% over the latest published audited net asset value per Share of approximately HK\$0.055 as shown in the Group' audited consolidated financial statements for the financial year ended 31 December 2009 (on the basis of 2,071,585,643 total existing issued Shares as at the date of this announcement).

The Subscription Price was determined based on arm's length negotiation between the Company and the Subscribers with reference to the Company's recent share price performance. The Directors consider that the terms of the Warrant Subscription Agreements are fair and reasonable and believe that the Warrant Subscription is in the interests of the Company and its Shareholders as a whole.

Transferability

The Warrants are transferable only to third parties independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company, in integral multiples of 1,000,000 Warrants (or if at the time of transfer, the outstanding number of Warrants are less than 1,000,000 Warrants, the whole but not part of the outstanding Warrants). Apart from the aforesaid, there are no restrictions on the transfer of the Warrants from the Subscriber to other parties, and no consent from the Company is required before such transfer is to take place.

Information of the Warrants

The Warrants will be issued to the Subscribers or their respective nominee(s) upon completion of the Warrant Subscription in registered form and constituted by a deed poll. The Warrants will rank *pari passu* in all respects among themselves.

Each Warrant carries the right to subscribe for one New Share at the Subscription Price and is issued at the Warrant Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of three (3) years commencing from the date of issue of the Warrants at integral multiples of 1,000,000 Warrants. Where the number of the outstanding Warrants is less than 1,000,000 Warrants, the Subscriber shall have the right to exercise the whole but not in part of the outstanding number of Warrants to subscribe for the Subscription Shares in cash at the Subscription Price per New Share. The Subscription Shares, when fully paid and allotted, will rank *pari passu* in all respects with the then existing issued Shares. The integral multiples of 1,000,000 Warrants for the transfer of and exercise of the subscription rights under the Warrants was arrived at by the parties to the Warrant Subscription Agreement after taking into consideration of the costs and expenses for transferring or exercising the subscription rights under the Warrants.

Any subscription rights attaching to the Warrants which have not been exercised upon the expiration of the third (3rd) year subscription period shall lapse.

A total of 310,500,000 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 310,500,000 Subscription Shares (in aggregate nominal value of HK\$15,525,000), representing (i) 14.99% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.03% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares from the full exercise of the subscription rights attaching to the Warrants. Based on the closing price of HK\$0.34 per Share as quoted on the GEM on 10 August 2010, the market value of the Subscription Shares is HK\$105,570,000.

Voting rights for the holders of the Warrants

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate.

The 310,500,000 Subscription Shares to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants will utilise about 74.94% of the General Mandate. The General Mandate has not been previously utilised prior to the Share Subscription and the Warrant Subscription.

APPLICATION FOR LISTING

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares and the Subscription Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on GEM or any other stock exchanges.

As at the date of this announcement, the Company has 2,071,585,643 Shares in issue, save for the Warrants to be issued, there are (i) 22,222,222 convertible bonds with the principal amount of HK\$4,000,000 remain outstanding, which were issued pursuant to the conditional sale and purchase agreements dated 5 May 2008 entered into among Cheer Plan Limited, a wholly owned subsidiary of the Company, as purchaser, Mr. Hsu Tung Chi, as vendor and Mr. Hsu Tung Sheng, as guarantor, for the acquisition of 12% interest in Far Glory Limited, which were completed on 21 June 2008; and (ii) 286,202,127 convertible bonds with the principal amount of HK\$26,903,000 remain outstanding, which were issued pursuant to the conditional sale and purchase agreements dated 8 October 2009 entered into among Cheer Plan Limited, a wholly owned subsidiary of the Company, as purchaser and Daily Technology Company Limited, as vendor and Mr. Hsu Tung Chi, as guarantor for the acquisition of 21.57% interest in Far Glory Limited, which were completed on 16 December 2009. The Directors also confirm that they will exercise every caution in relation to any subsequent proposed issue of any securities to ensure compliance with Rule 21.02 of the GEM Listing Rules.

Apart from the restriction on Warrant transfer as set out under the heading “Transferability” above, subject to the relevant provisions under the GEM Listing Rules, there are no other prohibitions on the Company to issue further securities nor are there any limitation on the Subscriber to transfer the Subscription Shares in the Warrant Subscription Agreements.

USE OF PROCEEDS

It is intended that the expected net proceeds of the Share Subscription will be approximately HK\$27.00 million and will be applied towards the business development of digital copyright management and digital content licensing services and other related investments and general working capital of the Group.

It is intended that (i) the expected net proceeds from the Warrant Subscription of approximately HK\$0.20 million and will be applied as general working capital of the Group and (ii) the expected net proceeds from the exercise of Warrants of approximately HK\$84.456 million and will be applied towards the business development of digital copyright management and digital content licensing services and other related investments and general working capital of the Group.

REASONS FOR THE SHARE SUBSCRIPTION AND WARRANT SUBSCRIPTION

The Group is currently engaged in the provision of digital copyright management solution and the related consultancy services, the digital content licensing solution and the distribution of copyright protected items (such as online entertainment and media related items) through Far Glory Limited and its subsidiaries. The Group is also engaged in e-learning business.

The Directors are of the view that additional funding will strengthen the financial position of the Group for any future business development of digital copyright management and digital content licensing services and other related investments, which will be beneficial and in the interest of the Group and the Shareholders as a whole. The Board considered that the present Share Subscription and the Warrant Subscription are appropriate as (i) issue of warrants does not have any immediate dilution effect on the shareholding of the existing Shareholders while capital will be raised upon completion of the Warrant Subscription; (ii) non-interest bearing nature of Warrants while new funds can be raised upon exercise of Warrants; (iii) favourable market sentiment for equity fund raising for Share Subscription; and (iv) broaden the Shareholders base of the Company. In addition, further capital will be raised upon the exercise of the subscription rights attaching to the Warrants by the holder of the Warrants during the subscription period.

Immediately after completion of the Share Subscription and the Warrant Subscription, there will be no change to the composition of the Board and the principal business engaged by the Group.

SUMMARY OF FUND RAISING ACTIVITY IN THE PAST 12 MONTHS

Date of Announcement	Event	Net proceeds (approx.)	Intended use of proceeds	Actual use of proceeds
8 September 2009	Placing of new Shares	HK\$27.50 million	General working capital of the Group and/or possible investments	To facilitate a revolving facility of maximum amount of HK\$40 million to be granted by the Company to Far Glory Limited

Save as disclosed above, the Company had not conducted any fund raising activities involving issue of its securities in the past twelve months immediately preceding the date of this announcement.

CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 2,071,585,643 Shares in issue. The shareholding structure of the Company before and after the full exercise of the subscription rights attaching to the Warrants are as follows:

Shareholders	As at the date of this announcement		Immediately after the completion of the Share Subscription but before the full exercise of the subscription rights attaching to the Warrants		Immediately after full exercise of the subscription rights attaching to the Warrants	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Manciple Enterprises (Note 1)	395,698,238	19.10%	395,698,238	18.19%	395,698,238	15.92%
Eagle Strategy Limited (Note 1)	15,000,000	0.72%	15,000,000	0.69%	15,000,000	0.60%
Mr. Lau Kim Hung, Jack (Note 1)	6,000,000	0.29%	6,000,000	0.28%	6,000,000	0.24%
Subtotal	416,698,238	20.11%	416,698,238	19.16%	416,698,238	16.76%
The First Subscriber and the First Guarantor	–	–	25,000,000	1.15%	100,000,000	4.02%
The Second Subscriber and the Second Guarantor	3,050,000	0.15%	58,050,000	2.67%	223,050,000	8.97%
The Third Subscriber and the Third Guarantor	3,105,000	0.15%	26,605,000	1.22%	97,105,000	3.91%
Subtotal	6,155,000	0.30%	109,655,000	5.04%	420,155,000	16.90%
Mr. Pang Hong Tao (Note 2)	42,800,000	2.07%	42,800,000	1.97%	42,800,000	1.72%
Mr. Hsu Tung Sheng (Note 2)	19,000,000	0.92%	19,000,000	0.87%	19,000,000	0.77%
Mr. Ma She Shing, Albert (Note 2)	28,870,000	1.39%	28,870,000	1.33%	28,870,000	1.16%
Ms. Au Shui Ming, Anna (Note 2)	54,500,000	2.63%	54,500,000	2.51%	54,500,000	2.19%
Subtotal	145,170,000	7.01%	145,170,000	6.68%	145,170,000	5.84%
Public Shareholders	1,503,562,405	72.58%	1,503,562,405	69.12%	1,503,562,405	60.50%
Total	<u>2,071,585,643</u>	<u>100.00%</u>	<u>2,175,085,643</u>	<u>100.00%</u>	<u>2,485,585,643</u>	<u>100.00%</u>

Notes:

1. Manciple Enterprises Limited (“Manciple”) is wholly and beneficially owned by Mr. Lau Kim Hung, Jack (“Mr. Lau”). Manciple beneficially owns 395,698,238 Shares. Under the SFO, Mr. Lau is deemed to be interested in 395,698,238 Shares. Mr. Lau is also deemed to be interested in 15,000,000 Shares owned by Eagle Strategy Limited, which is wholly and beneficially owned by Mr. Lau.

Ms. Chan Yiu Kan Katie (“Ms. Chan”), the wife of Mr. Lau, is personally interested in 6,000,000 Shares. Being spouses, Mr. Lau and Ms. Chan are deemed to be interested in their respective shareholding in the Company under the SFO.

2. Mr. Pang Hong Tao is an executive Director and chairman of the Company. Mr. Hsu Tung Sheng is an executive Director and chief executive officer of the Company. Ms. Au Shui Ming, Anna is an executive Director and Mr. Ma She Shing, Albert is a non-executive Director.

None of the Subscribers and Guarantors is expected to become a substantial Shareholder (as defined under the GEM Listing Rules) upon completion of the Share Subscription and the exercise of the Warrants. Each of the Subscribers and its respective ultimate beneficial owner is independent of and not acting in concert with or connected with each other.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public or statutory holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Digital Licensing (Group) Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Directors”	the directors of the Company
“First Guarantor”	Mr. Chan Poon Yau Adrian, the ultimate beneficial owner of the First Subscriber
“First Placing Shares”	up to 25,000,000 new Shares to be allotted and issued to the First Subscriber pursuant to the terms of the First Share Subscription Agreement

“First Share Subscription”	a private placing of the First Placing Shares at the Placing Price pursuant to the First Share Subscription Agreement
“First Share Subscription Agreement”	the conditional share subscription agreement dated 10 August 2010 and entered into among the Company, the First Subscriber and the First Guarantor in relation to the subscription of 25,000,000 Shares by the First Subscriber
“First Subscriber”	Acute Capital Limited, the subscriber to the First Share Subscription Agreement and the First Warrant Subscription Agreement, is a company incorporated in the British Virgin Islands and the ultimate beneficial owner of which is Mr. Chan Poon Yau Adrian
“First Subscription Shares”	new Shares to be issued and allotted upon exercise of right to subscribe for new Shares by the holder of 75,000,000 Warrants pursuant to the instrument to be executed by the Company by way of a deed poll
“First Warrant Subscription”	a private placing of the First Warrants at the Warrant Issue Price pursuant to the First Warrant Subscription Agreement
“First Warrant Subscription Agreement”	the conditional warrant subscription agreement dated 10 August 2010 and entered into among the Company, the First Subscriber and the First Guarantor in relation to the subscription of 75,000,000 Warrants by the First Subscriber
“First Warrants”	up to 75,000,000 Warrants to be allotted and issued to the First Subscriber pursuant to the terms of the First Warrant Subscription Agreement
“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 by the Shareholders at the annual general meeting of the Company convened and held on 14 May 2010 to allot and issue up to HK\$20,715,856.40 divided into 414,317,128 Shares, being 20% of the aggregate nominal amount of the issued share capital of the Company on that date
“Group”	the Company and its subsidiaries
“Guarantors”	together the First Guarantor, the Second Guarantor and the Third Guarantor and each a “ Guarantor ”

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Placing Price”	HK\$0.273 per Placing Share to be issued and allotted pursuant to the Shares Subscription Agreements
“Placing Shares”	together the First Placing Shares, the Second Placing Shares and the Third Placing Shares
“PRC”	The People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Second Guarantor”	Mr. Wan Wah Chung, the ultimate beneficial owner of the Second Subscriber
“Second Placing Shares”	up to 55,000,000 new Shares to be allotted and issued to the Second Subscriber pursuant to the terms of the Second Share Subscription Agreement
“Second Share Subscription”	a private placing of the Second Placing Shares at the Placing Price pursuant to the Second Share Subscription Agreement
“Second Share Subscription Agreement”	the conditional share subscription agreement dated 10 August 2010 and entered into among the Company, the Second Subscriber and the Second Guarantor in relation to the subscription of 55,000,000 Shares by the Second Subscriber
“Second Subscriber”	Decade Talent Limited, the subscriber to the Second Share Subscription Agreement and the Second Warrant Subscription Agreement, is a company incorporated in the British Virgin Islands and the ultimate beneficial owner of which is Mr. Wan Wah Chung
“Second Subscription Shares”	new Shares to be issued and allotted upon exercise of right to subscribe for new Shares by the holder of 165,000,000 Warrants pursuant to the instrument to be executed by the Company by way of a deed poll
“Second Warrant Subscription”	a private placing of the Second Warrants at the Warrant Issue Price pursuant to the Second Warrant Subscription Agreement
“Second Warrant Subscription Agreement”	the conditional warrant subscription agreement dated 10 August 2010 and entered into among the Company, the Second Subscriber and the Second Guarantor in relation to the subscription of 165,000,000 Warrants by the Second Subscriber

“Second Warrants”	up to 165,000,000 Warrants to be allotted and issued to the Second Subscriber pursuant to the terms of the Second Warrant Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company
“Share Subscription”	the subscription of an aggregate of 103,500,000 Shares under the Share Subscription Agreements
“Share Subscription Agreements”	together the First Share Subscription Agreement, the Second Share Subscription Agreement and the Third Share Subscription Agreement
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	together the First Subscriber, the Second Subscriber and the Third Subscriber and each a “ Subscriber ”
“Subscription Price”	an initial Subscription Price of HK\$0.272 per New Share (subject to adjustment) at which holder of the Warrants may subscribe for the Subscription Shares
“Subscription Shares”	together the First Subscription Shares, the Second Subscription Shares and the Third Subscription Shares
“Third Guarantor”	Mr. Ho Hoi Lap, the ultimate beneficial owner of the Third Subscriber
“Third Placing Shares”	up to 23,500,000 new Shares to be allotted and issued to the Third Subscriber pursuant to the terms of the Third Share Subscription Agreement
“Third Share Subscription”	a private placing of the Third Placing Shares at the Placing Price pursuant to the Third Share Subscription Agreement
“Third Share Subscription Agreement”	the conditional share subscription agreement dated 10 August 2010 and entered into among the Company, the Third Subscriber and the Third Guarantor in relation to the subscription of 23,500,000 Shares by the Third Subscriber

“Third Subscriber”	Happy Pursuit Limited, the subscriber to the Third Share Subscription Agreement and the Third Warrant Subscription Agreement, is a company incorporated in the British Virgin Islands and the ultimate beneficial owner of which is Mr. Ho Hoi Lap
“Third Subscription Shares”	new Shares to be issued and allotted upon exercise of right to subscribe for new Shares by the holder of 70,500,000 Warrants pursuant to the instrument to be executed by the Company by way of a deed poll
“Third Warrant Subscription”	a private placing of the Third Warrants at the Warrant Issue Price pursuant to the Third Warrant Subscription Agreement
“Third Warrant Subscription Agreement”	the conditional warrant subscription agreement dated 10 August 2010 and entered into among the Company, the Third Subscriber and the Third Guarantor in relation to the subscription of 70,500,000 Warrants by the Third Subscriber
“Third Warrants”	up to 70,500,000 Warrants to be allotted and issued to the Third Subscriber pursuant to the terms of the Third Warrant Subscription Agreement
“Warrants”	310,500,000 non-listed warrants to be issued by the Company at the Warrant Issue Price, each entitles the holder thereof to subscribe for one New Share at the Subscription Price of HK\$0.272 (subject to adjustments) at any time during a period of three (3) years commencing from the date of issue of the Warrants
“Warrant Issue Price”	HK\$0.001 per unit of Warrant to be issued pursuant to the Warrant Subscription Agreements
“Warrant Subscription”	the subscription of an aggregate of 310,500,000 Warrants under the Warrant Subscription Agreements
“Warrant Subscription Agreements”	together the First Warrant Subscription Agreement, the Second Warrant Subscription Agreement and the Third Warrant Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“%”

per cent.

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

Hong Kong, 10 August 2010

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

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

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.