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

**中國數碼版權(集團)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8175)

### **DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION INVOLVING REVOLVING FACILITY TO BE GRANTED BY THE COMPANY**

#### **THE REVOLVING FACILITY TO BE GRANTED BY THE COMPANY**

The Board is pleased to announce that on 11 February 2010 (after trading hours), the Company has granted to Far Glory a revolving facility by way of the Loan Agreement of up to a maximum amount of HK\$9.5 million at any time during the period commencing from the date of the Loan Agreement and ending on the date falling 36 months from the date of the Loan Agreement for financing the business development and working capital requirements of the Far Glory Group, which is further elaborated below.

As one of the applicable percentage ratios as defined in the GEM Listing Rules exceeds 5% but is less than 25%, the Loan Agreement and the transactions contemplated thereunder constitute a discloseable transaction under Chapter 19 of the GEM Listing Rules. Far Glory is a connected person of the Company under R.20.11(5) of the GEM Listing Rules. The Loan Agreement and the transactions contemplated thereunder also constitute a continuing connected transaction for the Company. As one of the applicable percentage ratios of the transaction contemplated under the Revolving Facility exceeds 2.5% and is below 25%, and the total consideration is less than HK\$10,000,000, the Loan Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but exempt from the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Board is pleased to announce that on 11 February 2010 (after trading hours), the Company has granted to Far Glory a revolving facility by way of the Loan Agreement of an aggregate principal amount of up to HK\$9.5 million at any time during the period commencing from the date of the Loan Agreement and ending on the date falling 36 months from the date of the Loan Agreement.

## THE REVOLVING FACILITY GRANTED BY THE COMPANY

**Date:** 11 February 2010

### Parties:

**Lender:** (i) the Company, which holds indirectly 51% equity interest in Far Glory

**Borrower:** (ii) Far Glory, an indirect non wholly-owned subsidiary of the Company, of which a substantial shareholder of the Company holds 19.91% equity interest. Far Glory is therefore a connected person of the Company

### Terms of the Revolving Facility

- (i) **Amount** : Up to a maximum amount of HK\$9.5 million at any time during the term of the Revolving Facility
- (ii) **Drawings** : Drawings may be made from the date of the Loan Agreement up to the date falling 35 months from the date of the Loan Agreement
- (iii) **Repayment** : Outstanding amount drawn together with all outstanding interest accrued thereon shall be repaid in full in one lump sum on the date falling 36 months from the date of the Loan Agreement
- (iv) **Term** : From the date of the Loan Agreement up to the date falling 36 months from the date of the Loan Agreement
- (v) **Interest** : At the prime rate for Hong Kong dollar loan per annum as quoted from time to time by The Hongkong and Shanghai Banking Corporation Limited (currently at 5% per annum), which was arrived at after arm's length negotiations between the Company and Far Glory, and reflects the normal commercial rate. The Directors (including the independent non-executive Directors) consider the interest rate to be fair and reasonable
- (vi) **Renewable** : Subject to the facility amount and the terms and conditions of the Loan Agreement, any amount repaid prior to the expiry of the drawings availability period may be redrawn
- (vii) **Intended use of proceeds** : (i) For the operation and business development of the digital copyright management business and digital content licensing business of the Far Glory Group by way of capital injection or shareholder's loan to subsidiaries and associated companies of Far Glory; and (ii) general working capital of the Far Glory Group

## **Information of the Group**

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 the Far Glory Group. The Group is also engaged in e-learning business.

Beijing e-License, a 50%-50% joint venture between Far Glory and e-License Inc., has entered into a ten-year full technical collaboration agreement with China Audio-Video Copyright Association (CAVCA) to provide e-License digital copyright management system and services to major service providers of the fixed and wireless networks (i.e. the telecommunication and the Internet) and other digital media service providers in China.

Sky Asia Investments Limited and Beijing LianYiHuiZhong Technology Company Limited (北京聯易匯眾科技有限公司), both being the wholly owned subsidiaries of Far Glory, are principally engaged in the provision of digital content licensing solution and distribution of other entertainment related business in the PRC and have been granted authorizations by major record labels (including avex, AsiaMuse and Mainstream Music, etc.) for provision of music contents. The Group will collaborate with CAVCA to set up a national music and video database and will continue to obtain authorizations from other major record labels for music contents.

## **Reasons for the Revolving Facility**

Leveraging on the introduction of China's national policy of "3-Network Convergence (the telecommunication, broadcast TV and the Internet)" (三網融合), the increasing emphasis on anti-privacy placed by the PRC Government, the growing popularity of Internet and mobile for entertainment purpose and the introduction of 3G in the PRC, the Directors are of the view that the provision of legal and copyright protected items in particular, the on-line entertainment and media related items, are in high demand in telecommunication, music and entertainment industry as well as media industry in the PRC and the development of digital licensing business in the areas of Internet and telecommunications is of high profitability potential in the PRC.

The Directors (including independent non-executive Directors) are of the view that in light of the growth potential of the Far Glory Group as mentioned above and the difficulty in borrowing external bank loans given the newly startup background of the Far Glory Group, the provision of the Revolving Facility to make available additional funding and flexibility to the Far Glory Group to expand its business in the digital copyright management business is in the interests of the Company and the Shareholders as a whole.

The provision of the Revolving Facility to Far Glory will be funded by internal financial resources of the Group. The terms of the Revolving Facility pursuant to the Loan Agreement have been agreed after arm's length negotiations between the parties the Loan Agreement with reference to the future funding requirements of the Far Glory Group.

The Directors (including the independent non-executive Directors) consider that the grant of the Revolving Facility, although not in the ordinary and usual course of business of the Company, is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

### **GEM Listing Rules Implication**

As one of the applicable percentage ratios as defined in the GEM Listing Rules exceeds 5% but is less than 25%, the Loan Agreement and the transactions contemplated thereunder constitute a discloseable transaction under Chapter 19 of the Listing Rules. Far Glory is a connected person of the Company under R.20.11(5) of the GEM Listing Rules. The Loan Agreement and the transactions contemplated thereunder also constitute a continuing connected transaction for the Company. As one of the applicable percentage ratios of the transaction contemplated under the Revolving Facility exceeds 2.5% and is below 25% and the total consideration is less than HK\$10,000,000, the Loan Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but exempt from the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### **DEFINITIONS**

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

“Beijing e-License”	Beijing YiLaiShen Technology Company Limited (北京易來申科技有限公司)
“Board”	the board of Directors
“Company”	China Digital Licensing (Group) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected persons”	has the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Far Glory”	Far Glory Limited, a company incorporated in the British Virgin Islands
“Far Glory Group”	Far Glory and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Loan Agreement”	the conditional loan agreement dated 11 February 2010 entered into between the Company, as lender and Far Glory, as borrower, pursuant to which, the Company has agreed to provide the Revolving Facility to Far Glory
“PRC”	the People’s Republic of China
“Revolving Facility”	up to a maximum amount of HK\$9.5 million to be drawn pursuant to the Loan Agreement at any time during the period commencing from the date of the Loan Agreement and ending on the date falling 36 months therefrom
“Share(s)”	ordinary shares of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board  
**Pang Hong Tao**  
*Chairman*

Hong Kong, 11 February 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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).*