A8 Digital Music Holdings Limited
A8電媒音樂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 800)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board (the "**Board**") of directors (the "**Directors**") of A8 Digital Music Holdings Limited (the "**Company**") is pleased to present the unaudited interim condensed consolidated financial statements ("**Interim Accounts**") of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009 as follows. The Interim Accounts have not been reviewed by the Company's auditors but they have been reviewed by the audit committee of the Company:

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue		**358,642**	290,756
Business tax		**(6,168)**	(4,514)
Net revenue	*3*	**352,474**	286,242
Cost of services provided		**(222,600)**	(173,826)
Gross profit		**129,874**	112,416
Other income and gains, net	*3*	**1,489**	8,072
Selling and marketing expenses		**(72,560)**	(43,194)
Administrative expenses		**(35,070)**	(25,681)
Other expenses		**(38)**	(81)
PROFIT BEFORE TAX	*4*	**23,695**	51,532
Tax	*5*	**(3,695)**	(6,502)
PROFIT FOR THE PERIOD		**20,000**	45,030
Attributable to:			
Equity holders of the Company		**20,090**	44,895
Non-controlling interests		**(90)**	135
		20,000	45,030
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic *(RMB per share)*		**0.04**	0.10
Diluted *(RMB per share)*		**0.04**	0.10

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	**30 June 2010 (Unaudited) *RMB'000***	31 December 2009 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**8,172**	6,379
Prepaid land lease payments		**27,705**	27,997
Intangible assets		**12,330**	13,652
Deferred tax assets		**1,803**	1,803
Total non-current assets		**50,010**	49,831
CURRENT ASSETS			
Accounts receivable	*9*	**105,989**	121,926
Prepayments, deposits and other receivables		**56,041**	28,409
Investments at fair value through profit or loss		**111,685**	45,134
Time deposits with original maturity of more than three months		**4,020**	23,020
Cash and cash equivalents		**282,231**	333,801
Total current assets		**559,966**	552,290
CURRENT LIABILITIES			
Accounts payable	*10*	**63,007**	54,653
Other payables and accruals		**48,610**	42,036
Tax payable		**5,747**	18,793
Deferred income		**800**	1,200
Total current liabilities		**118,164**	116,682
NET CURRENT ASSETS		**441,802**	435,608
TOTAL ASSETS LESS CURRENT LIABILITIES		**491,812**	485,439
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,508**	2,661
Total non-current liabilities		**2,508**	2,661
Net assets		**489,304**	482,778
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*11*	**4,055**	4,045
Reserves		**484,528**	457,782
Proposed final dividends		**–**	20,140
		488,583	481,967
Non-controlling interests		**721**	811
Total equity		**489,304**	482,778

NOTES TO UNAUDITED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited Interim Accounts have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). These unaudited Interim Accounts should be read in conjunction with the audited financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

These unaudited Interim Accounts have been prepared under the historical cost convention, except for equity investments at fair value through profit or loss which have been measured at fair value.

Impact of new and revised International Financial Reporting Standards

The accounting policies and basis of preparation adopted in the preparation of the unaudited Interim Accounts are the same as those used in the annual financial statements for the year ended 31 December 2009, except in relation to the following new and revised IFRSs, and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations that affect the Group and are adopted for the first time for the current period's financial statements:

IFRSs (Amendments)	Improvements to IFRSs
IFRS 1(Reviesd)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
Amendments to IFRS 5 included in *Improvements to IFRSs* issued in October 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*

Other than as further explained below regarding the impact of IFRS 3 (Revised) and IFRS 7 (Revised), the adoption of these new and revised IFRS has had no significant financial effect on these Interim Accounts.

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

2. OPERATING SEGMENT INFORMATION

The Directors consider that the Group's activities constitute one operating segment as the Group is principally engaged in providing Mobile Value-Added Services ("MVAS"), focusing on music and culture related content through mobile phones. Management makes decisions about resource allocation and performance assessment on a group basis.

Over 90% of the Group's revenue from external customers is derived from the Group's operations in Mainland China, and no non-current assets of the Group are located outside Mainland China.

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value and estimated value of services rendered.

An analysis of revenue and other income and gains, net, is as follows:

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Ringtone services	**37,615**	33,161
Ringback tone services	**122,858**	88,015
Interactive voice response music	**3,110**	27,965
Other music related services	**19,075**	8,613
Non-music related services	**175,984**	133,002
	358,642	290,756
Less: Business tax	**(6,168)**	(4,514)
Net revenue	**352,474**	286,242
Other income and gains, net		
Government grant	**–**	3,200
Interest income	**2,367**	2,532
Exchange gain	**213**	–
Fair value gain on investments at fair value through profit or loss	**(1,230)**	1,065
Loss on disposal of investments at fair value through profit or loss	**(2,117)**	–
Others	**2,256**	1,275
	1,489	8,072

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation	**1,213**	1,434
Amortisation of intangible assets	**1,607**	110
Amortisation of prepaid land lease payments	**293**	293

5. TAX

An analysis of income tax charges for the six months ended 30 June 2010 and 2009 are shown as follows:

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group		
Current – PRC		
Charge for the period	**6,128**	9,409
Tax exemption and refund in prior years	**(2,400)**	(3,649)
Deferred	**(33)**	742
	3,695	6,502

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2010 and 2009 respectively.

The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing tax rates based on existing legislation, interpretations and practices in respect thereof.

6. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2010 (2009: Nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share amount for the six months ended 30 June 2010 is based on the Group's profit attributable to equity holders of the Company of RMB20,090,000 (2009: RMB44,895,000) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2010 of 458,604,809 (2009: 447,721,094).

The calculation of diluted earnings per share for the six months ended 30 June 2010 is based on the Group's profit attributable to equity holders of the Company of RMB20,090,000 (2009: RMB44,895,000) as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the 458,604,809 (2009: 447,721,094) ordinary shares in issue during the six months ended 30 June 2010, as used in the basic earnings per share calculation, and the weighted average of 8,693,165 (2009: 8,986,840) ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB3,673,000 and disposed of property, plant and equipment of RMB1,095,000.

9. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2010 (Unaudited) ***RMB'000***	31 December 2009 (Audited) *RMB'000*
Neither past due nor impaired:		
Within 1 month	**37,143**	66,304
1 to 2 months	**24,718**	31,420
2 to 3 months	**15,880**	10,656
3 to 4 months	**6,332**	4,882
Past due but not impaired:		
4 to 6 months	**14,791**	6,387
Over 6 months	**7,125**	2,277
	105,989	121,926

The Group has no formal credit period communicated to its customers but the customers usually settle the amounts due to the Group within a period of 30 to 120 days.

10. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2010 (Unaudited) ***RMB'000***	31 December 2009 (Audited) *RMB'000*
Within 1 month	**14,423**	25,774
1 to 3 months	**21,031**	18,480
4 to 6 months	**18,386**	5,881
Over 6 months	**9,167**	4,518
	63,007	54,653

11. SHARE CAPITAL

Shares

	30 June 2010 (Unaudited) ***RMB'000***	31 December 2009 (Audited) *RMB'000*
Authorised:		
3,000,000,000 (2009: 3,000,000,000) ordinary shares of HK$0.01 each	**26,513**	26,513
Issued and fully paid:		
458,930,990 (2009: 457,749,950) ordinary shares of HK$0.01 each	**4,055**	4,045

A summary of the transactions during the six months ended 30 June 2010 in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares (Unaudited)	**Nominal value of ordinary shares** (Unaudited) *HK$'000*	**Share premium** (Unaudited) *HK$'000*	**Equivalent nominal value of ordinary shares** (Unaudited) *RMB'000*	**Equivalent share premium** (Unaudited) *RMB'000*	**Total** (Unaudited) *RMB'000*
1 January 2010	457,749,950	4,578	197,037	4,045	174,200	178,245
Exercise of share options	1,181,040	12	2,191	10	1,930	1,940
At 30 June 2010	**458,930,990**	**4,590**	**199,228**	**4,055**	**176,130**	**180,185**

12. PENDING LITIGATION

In August 2009, an independent third party company (the "**Plaintiff**") instituted a legal proceeding against the Company and its certain subsidiaries (collectively the "Defendants") claiming damages of RMB16,100,000 in relation to the alleged infringement of the copyright of a song. At a court hearing conducted on 25 May 2010, the Company requested the court to conduct an investigation of evidence procedure, and the court will make a judgement after the completion of the investigation of evidence procedure. As of the date of approval of these unaudited Interim Accounts, the court has not commenced the investigation of evidence procedure and the Company has not received from the court any notification on the progress of the aforesaid legal proceeding. Based on the legal advice of the Company's PRC legal adviser, it is premature for the Defendants to estimate the final outcome of the legal proceeding at the current stage. In the opinion of the Company's directors, the aforesaid legal proceeding will not have any material adverse impact on the financial position and operating results of the Group, thus no provision is needed to be made as of the date of approval of these unaudited Interim Accounts.

13. COMMITMENTS

The Group had the following commitments as at the end of the reporting period:

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
	RMB'000	*RMB'000*
Authorised, but not contracted for:		
Land and buildings	**120,000**	120,000

14. APPROVAL OF THE UNAUDITED INTERIM ACCOUNTS

These unaudited Interim Accounts were approved by the Board on 16 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue and profit attributable to equity holders of the Company

For the six months ended 30 June 2010, the revenue of the Group amounted to approximately RMB358.6 million, representing an increase of approximately 23% as compared with the same period in 2009 (2009: approximately RMB290.8 million).

For the six months ended 30 June 2010, the profit attributable to equity holders of the Company amounted to approximately RMB20.1 million, representing a decrease of approximately 55% as compared with the same period in 2009 (2009: approximately RMB44.9 million).

Revenue in 1Q2010 was better than expected, however in 2Q2010 it was impacted by the policies changes. As a result, the Group managed a record of an increase of the revenue during the first half of 2010.

Excluding non-operating related share option expenses of approximately RMB6.1 million (2009: approximately RMB2.7 million), other income and gains of approximately RMB1.5 million (2009: approximately RMB8.1 million) and the additional expenses for new business lines such as mobile games/entertainment and e-reading of approximately RMB13.8 million incurred in the first half of 2010, the adjusted profit attributable to equity holders of the Company amounted to approximately RMB38.6 million, representing a slight decrease of approximately 2% as compared with the same period in 2009 (2009: approximately RMB39.5 million).

Cost of services provided

For the six months ended 30 June 2010, the cost of services provided by the Group amounted to approximately RMB222.6 million, representing an increase of approximately 28% as compared with the same period in 2009 (2009: approximately RMB173.8 million).

The cost of services provided mainly comprises revenue sharing with mobile operators and business alliances, and other costs such as music copyrights and direct labour costs.

Revenue share with mobile operators ranged from 15% to 50% of the total revenue received from mobile users and it averaged at approximately 27% of the total revenue for the six months ended 30 June 2010 (2009: approximately 27%), maintain at about the same level as compared with the same period in 2009.

Revenue share with business alliances averaged at approximately 31% of the total revenue for the six months ended 30 June 2010 (2009: approximately 29%), representing a slight increase of approximately 2% as compared with the same period in 2009.

Gross profit

The gross profit of the Group amounted to approximately RMB129.9 million, representing an increase of approximately 16% as compared with the same period in 2009 (2009: approximately RMB112.4 million).

For the six months ended 30 June 2010, the gross profit margin of the Group decreased from approximately 39% to 36% as compared with the same period in 2009. The decrease was mainly due to the increased competition of the MVAS industry in 2010, which caused a higher revenue share with business alliance.

Other income and gains

For the six months ended 30 June 2010, the other income and gains of the Group were approximately RMB1.5 million, representing a decrease of approximately 82% as compared with the same period in 2009 (2009: net gain of approximately RMB8.1 million).

The decrease was mainly due to the decrease of government grant, interest income and fair value gain on investments at fair value through profit and loss and loss on disposal of investments at fair value through profit or loss which amounted to approximately RMB3.2 million, RMB2.3 million and RMB2.1 million respectively.

Selling and marketing expenses

For the six months ended 30 June 2010, the selling and marketing expenses of the Group amounted to approximately RMB72.6 million, representing approximately 20% of total revenue (2009: approximately RMB43.2 million, representing approximately 15% of total revenue).

The Group has been diversifying its business lines and revenue streams since last year. There were around RMB13.8 million included in the selling and marketing expenses in relation to the setting up of these new business units. Among the additional expenses for new business lines, out of which of approximately RMB9.3 million represents the employee's cost of a few new business lines of around 137 headcounts, out of which of approximately RMB4.5 million represents the related promotion and travelling expenses.

Excluding the additional expenses for new business lines amounting to approximately RMB13.8 million, the selling and marketing expenses of the Group amounted to approximately RMB58.8 million, representing approximately 16% of total revenue, maintain at about the same level as compared with the same period in 2009.

Administrative expenses

For the six months ended 30 June 2010, the administrative expenses of the Group amounted to approximately RMB35.1 million, representing an increase of approximately 37% as compared with the same period in 2009 (2009: approximately RMB25.7 million).

The increase was mainly due to the increase of the share option expense, rental and office expenses related to the increase of staff for the new business lines, which amounted to approximately RMB3.6 million and RMB3.5 million respectively.

Tax

For the six months ended 30 June 2010, the tax of the Group amounted to approximately RMB3.7 million, representing a decrease of approximately 43% as compared with the same period in 2009 (2009: approximately RMB6.5 million).

The effective tax rate of the Group increased to approximately 15.6% (2009: approximately 12.6%) in the six months ended 30 June 2010. As a result of the new enterprise income tax law in China, the statutory tax rates are 15%, 22% and 25% in the respective operating companies of the Group for 2010 (2009: 15%, 20%, 25% respectively).

There were three subsidiaries of the Company recognised as high technology enterprises in prior year. There are another two subsidiaries of the Company which have submitted the application for high technology enterprises and expect to get the approval in the second half of 2010. According to the New Corporate Income Tax Law and its Implementation Rules, high technology enterprises are entitled to the preferential tax rate of 15%, which is lower than the normal statutory tax rate in 2010. Fluctuations in the effective tax rate and deviation from standard rate are mainly due to the combined effective tax rate of each subsidiary of the Group.

The increase of the effective tax rate is mainly due to the increase of the statutory tax rates of several subsidiaries from 20% in 2009 to 22% in 2010 and it was also due to the decrease of tax exemption and refund in prior year which amounted to approximately RMB1.2 million.

Current assets and current liabilities

As at 30 June 2010, the total current assets of the Group amounted to approximately RMB560.0 million (2009: approximately RMB552.3 million). Accounts receivable amounted to approximately RMB106.0 million (2009: approximately RMB121.9 million), and the turnover days of accounts receivable is 57 days, remaining the same level as compared with 2009.

Out of which approximately RMB22.0 million represented a prepayment to a third party as development cost of certain parts of the Music Cloud project.

As at 30 June 2010, the total current liabilities of the Group amounted to approximately RMB118.2 million (2009: approximately RMB116.7 million). The slight increase was mainly due to the increase of accounts payable and other payables and accruals amounting to approximately RMB8.4 million and RMB6.6 million respectively, which offset by the decrease of tax payable amounting to approximately RMB13.0 million.

Liquidity and financial resources

As at 30 June 2010, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, time deposits with original maturity of more than three months and investments at fair value through profit or loss amounted to approximately RMB397.9 million (2009: approximately RMB402.0 million). Approximately RMB290.8 million or approximately 73% of them were denominated in RMB. These type of investments are short-term and low risk investments which are compliant with the treasury policy of the Group. The Group paid final dividend for 2009 of approximately RMB18.2 million in May 2010.

As of 30 June 2010, the Group did not have any borrowings or debts, thus the gearing ratio is not applicable. Gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalent and restricted cash) over the total equity.

The Group's exposure to changes in interest rate is mainly attributable to its time deposits placed with banks. The Group mainly operates in the mainland China with most of the transactions settled in Renminbi.

As at 30 June 2010, the Group did not have any derivative for hedging against both the interest and exchange rate risks.

Human resources

As at 30 June 2010, the Group had 456 employees (as at 31 December 2009: 433 employees). Total employee costs for the six months ended 30 June 2010, including Directors' emoluments, amounting to approximately RMB31.8 million (2009: approximately RMB28.2 million).

Employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed regularly. A share option scheme has also been put in place for the Company to encourage employees to work towards enhancing the value of the Company and promote the long-term growth of the Company. Furthermore, the Group offers training programs for employees to upgrade their skills and knowledge on a regular basis.

Interim dividend

The Board does not recommend the payment of an interim dividend for 2010.

Business Outlook

Operations in the first half of 2010

Since the beginning of 2010, there have been some regulatory and policies changes in the MVAS industry due to mobile users complaints on the relevant MVAS regarding misleading product promotions and the absence of price notification, etc.

As a result, The State of Administration of Radio Film and Television ("SARFT"), the Ministry of Industry and Information Technology of People's Republic of China ("MIIT") and mobile operators have been implementing a series of new measures to address the issues, including but not limited to: 1) SARFT has temporarily suspended the promotion of some specific interactive voice response products on all Provincial radio and TV Station. 2) China Mobile requested price notification and multi confirmation before mobile users subscribe the products specific to all pre-set MVAS products in mobile handsets. These measures indeed will bring negative financial impact to all related players in this industry in short term. But in long run, it will build a more healthy, proper and transparent MVAS environment in the whole value chain and hence will benefit the ultimate mobile users.

Based on the research report issued by iResearch in July 2010, the overall market value of MVAS in China for the first half of 2010 amounted to approximately RMB6.02 billion, representing a 0.8% decrease as compared with the corresponding period of last year and was down 7.8% as compared to the second half of last year. Based on 2Q result announcements of some MVAS related listed companies, the MVAS revenue in 1H 2010 decreased 25-36% QoQ and 18-25% sequentially.

Amid the current industry environment, the revenue of the Group for the first half of the year only recorded a very modest growth, and a decrease in net profits mainly due to the setting up costs of certain new business lines. In response to the changes in these policies and regulations, the Group adopted various measures to improve the situation.

Firstly, the Group has started its strategy to expand to its cooperation with international handset brands. In the first half of 2010, the Group achieved a breakthrough in cooperating with one of the renowned international brand handset. The Group, through its subsidiary, entered into a cooperation agreement with 'Nokia', pursuant to which the Group will provide a revolutionary music service called "Comes With Music" to Nokia's handset users and the Group will be responsible for the operation and supporting services for the users of Nokia's music handsets. With such cooperation, the Group will be in a better position to provide professional music service to more users. Currently, this project has achieved its expected revenue and operating results. We are enhancing and enriching the functions on Comes With Music and expect to further increase the turnover in the near future.

Secondly, a series of cost controls plans have been implemented. We have streamlined headcount from our existing MVAS business by 30% and reduced related administration, selling and promotion costs, representing a saving of over RMB10 million combined.

Business Outlook for the Second half of 2010

Looking forward to the second half of 2010, as the regulatory environment is still uncertain, the MVAS market may still be impacted. In view of the inherent risks of the MVAS industry, the Group has clearly defined its short and long term strategy by dividing the business into three sections: Mobile Internet, Content and Music Cloud.

For Mobile Internet, the Group is maximizing the value of the existing channels and diversifying the product lines onto Mobile Internet.

The Group has introduced diversified contents to mobile users including mobile games/entertainments and e-reading. In light of the exponential growth in the mobile Internet industry and leveraging on our existing experiences on mobile industry, we will diversify our channels to the mobile Internet. Statistics from the China Internet Network Information Centre in July 2010 showed that the number of mobile web users within the country amounted to 277 million, with an increase of 43.34 million or 18.6% in just half year's time, 11.7% of which were web users who only access the Internet by handsets, 3.7% higher than that at the end of last year. The Group will launch a music social networking portal in August to our target users who are interested in music and intend to communicate and share with same kind of people.

As for the development for the handset brands, in addition to Nokia, we are also working with other renowned handset brands to provide a one-stop music solution. We have signed a contract with ‘Lenovo’, which is a famous local handset brand with annual roll out rate of around 8 million handsets. A8 will provide exclusive music services to their Lenovo’s mobile users. Meanwhile, we have reached a preliminary cooperation intention with ‘MOTOROLA’ and keep continue our efforts with other handset manufactures.

For content strategy, the Group will continue the annual original songs competition and keep sourcing exclusive music content. During the first half of the year, A8 Music has successfully collected user generated content (‘UGC’) and generated revenue through its interactive UGC platform www.a8.com . Revenue generated from UGC accounted for 46% of total music and music related revenue of the Group in the first half of 2010, representing an increase of 2% as compared with the same period of last year. Our top five songs recorded a total of 25 million downloads, of which the song “把我的愛還給我” was a big hit and ranked top 10 on the China Mobile Wireless Billboard and Baidu’s Top 50 Billboard Chart.

For Music Cloud, the Group announced this sustainable long term direct consumer strategy (2C model) earlier in March this year. It has achieved initial success in project’s research and development through internal and external incubation since its launch. The mobile music client is now available on all the major platforms including Symbian, iPhone, Android and J2ME. The mobile music client has been well received in the market – it has reached many millions of registered users with over 40% active ratio. The short term goal of this project is to own loyal users first, the Group thus will be focusing on user experiences and functionalities of the Music Cloud. As a result, the Group did not expect Music Cloud would generate revenue in 2-3 years. The Group also plans to extract the most value out of it by spinning off this project thru an initial public offering at an appropriate time.

At the appropriate timeline, the external incubated projects will be integrated into the Group’s Music Cloud project. The Group scheduled to aggressively launch new services and support new terminals in the foreseeable future; particularly a music PC client product will be launched by the end of this year. The combination, which is expected to be in 1H2011, of the mobile music products and the music cloud platform together with the new PC client shall lay down a solid foundation for the growth of customer base and one step closer toward the cross devices strategy.

The Group is confident that our long term Music Cloud Strategy will become the best and most sought after music services in China. As a conclusion, by adding business lines, expanding to mobile Internet services, streamlining the existing traditional MVAS business and implementing effective cost control, the Group will improve both top and bottom lines.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the period ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities. In addition, the Company has not repurchased any of its listed securities during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 30 June 2010, all the code provisions set out in the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Listing Rules were met by the Company, except for the deviation in respect of one code provision providing for the roles of chairman and chief executive officer (the "CEO") to be performed by different individuals for the period from 1 January 2010 till 23 May 2010.

Mr. Liu Xiaosong had the dual roles of Chairman of the Board and CEO of the Company from 1 January 2010 till 23 May 2010 during the reporting period. With effect from 24 May 2010, Mr. Liu Xiaosong has resigned as the CEO and Mr. Lin Yizhong has been appointed as the CEO. Upon Mr. Lin's appointment as the CEO, the roles of Chairman and CEO are segregated and have been performed by different individuals. The Company will comply with the Code provision A.2.1 of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited by establishing clearly the division of responsibilities between the Chairman and the CEO in writing.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Own Code which covers the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct governing the directors' dealings in the Company's securities. Having made specific enquiries with all the Directors, they all confirmed that they have complied with the required standards set out in the Own Code (covering the Model Code) throughout the period under review.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters. The audit committee has reviewed the Group's unaudited Interim Accounts for the six months ended 30 June 2010.

By order of the Board
A8 Digital Music Holdings Limited
Liu Xiaosong
Chairman

Hong Kong, 16 August 2010

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Liu Xiaosong, Ms. Ho Yip, Betty and Mr. Lin Yizhong, a non-executive Director, namely Mr. Li Wei and three independent non-executive Directors, namely Mr. Chan Yin Kwong, Mr. Hui, Harry Chi and Mr. Zeng Liqing.