

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

#### **ADOPTION OF SHARE AWARD SCHEME**

The Board is pleased to announce that it has adopted the Scheme as a means to reward and retain Eligible Employees within the Group and generally to encourage senior employees to have, through Shares awarded under the Scheme, a direct financial interest in the long term success of the Company.

The Company will initially lend the Trustee HK\$1 million to enable the Scheme to operate with sufficient funds for the three years of operation of the Scheme. The Board will constantly review and decide with reference to the financial resources available for the Scheme the total number of Shares to be awarded to Awardees in respect of each year at its discretion. The Trustee can use the money lent to it to buy Shares for future years and in advance of the actual year in respect of which the Company can make awards under the Scheme. Under the Scheme, the Company may also instruct its broker to purchase existing Shares from the market, settle payment and costs and deliver the same to the Trustee to hold on trust for the Awardees. The Company may also allot and issue new Shares to the Trustee to hold on trust for the Awardees. The Scheme will operate in parallel with the Company's Pre-IPO Option Scheme approved on 26 May 2008 and the Share Option Scheme adopted on 26 May 2008.

The total number of all Shares held by the Trustee under the Scheme must not be 10% or more of the issued share capital of the Company as at the Adoption Date (being 46,084,435 Shares) unless the Board otherwise decides.

#### **The Share Award Scheme**

The Board has approved the adoption of the Scheme on 16 August 2010. A summary of the principal terms of the Scheme is set out below.

#### **Purposes**

The purposes of the Scheme are to recognise the performance of Eligible Employees within the Group and to retain them for the continued operation and development of the Group.

The Scheme involves both existing and new Shares and the Board hopes generally to encourage senior employees of the Group to have, through Shares awarded under the Scheme, a direct financial interest in the long-term success of the Company.

### **Duration and Administration**

Unless terminated earlier or extended by the Board in accordance with the Scheme Rules, the Scheme operates for 10 years starting on the Adoption Date. No contribution to the trust will be made by the Company (unless extended) on or after the 10th anniversary of the Adoption Date.

### **Awardees**

Awardees under the Scheme can be any Eligible Employee.

### **Structure of the Scheme**

Under the Trust Deed, the assets of the trust will comprise (1) existing Shares acquired by the Trustee with funds derived from a limited recourse loan under the Loan Agreement; (2) existing Shares acquired by the Company and delivered to the Trustee; and (3) new Shares allotted and issued by the Company to the Trustee. The Company will initially lend the Trustee HK\$1 million to enable the Scheme to operate with sufficient funds for the first three years of operation of the Scheme. The Company will need, if wishing to continue the operation of the Scheme beyond awards made in its first three years of operation, to make arrangements to fund the Trustee for the acquisition of further Shares as necessary to meet any entitlements to Shares awarded in the forth and subsequent years of operation of the Scheme. The Board will constantly review and decide with reference to the financial resources available for the Scheme the total number of Shares to be awarded to Awardees in respect of each year at its discretion. The Trustee can use the money lent to it to buy Shares for future years and in advance of the actual year in respect of which the Company can make awards under the Scheme.

The Scheme will operate in parallel with the Company's Pre-IPO Option Scheme approved on 26 May 2008 and the Share Option Scheme adopted on 26 May 2008. All options granted under the Pre-IPO Option Scheme and the Share Option Scheme will continue to be valid and exercisable subject to and in accordance with the terms of those schemes. As at the date of this announcement, the outstanding options exercisable under the Pre-IPO Option Scheme and the Share Option Scheme are 1,986,400 Shares and 19,642,106 Shares respectively.

The intention of the Scheme is that Shares will be awarded, with the approval of the Board, to Eligible Employees based on the employee's performance and such other matters that the Board considers relevant.

It is intended that Shares awarded under the Scheme will be offered to the Eligible Employee to take up the relevant Shares for no consideration but subject to certain conditions (including but not limited to, Lock-up Period) to be decided by the Board at the time of grant of the Shares awarded under the Scheme. Details of the grant of the Shares awarded under the Scheme will be provided in the offer letters to be issued by the Company to the Awardees and also in the written instructions to the Trustee, subject always to compliance with the Listing Rules, Takeovers Code and any other applicable laws and regulations.

### **Cessation of employment before expiry of the Lock-up Period**

An Awardee under the Scheme who ceases for any reason to be an employee of any Group company before the expiry of the applicable Lock-up Period (a Leaver) becomes a Leaver, that Awardee ceases to be entitled to any Shares awarded to him.

The Board may at its absolute discretion and without the need for explanation decide to treat a Leaver more favourably than the terms otherwise applicable to that Leaver under the Scheme.

### **Dividends**

The Trustee will hold all dividends received on the trust fund as income of the trust fund for future Awardees. The Board shall procure that the Trustee has sufficient monies available in the trust fund, as necessary, to subscribe new Shares or purchase Shares on the market and the Company does everything required on its part to enable the Trustee to satisfy the relevant proportion for each Awardee, as and when their individual entitlement vests no later than one month before that entitlement vests. If a dividend is declared subsequent to an award, all dividend in relation to that award shall become part of the trust fund for future Awardees.

### **Voting during Lock-up Period**

Under the Scheme, during the Lock-up Period, the Shares for which an award has been accepted will be held in the name of the Trustee (or its nominee). The Rules of the Scheme provide that the Trustee must not exercise the voting rights of those Shares during the applicable Lock-up Period except upon an occurrence of scheme of arrangement in relation to the Company for the purpose of a takeover or merger or of a winding up, where the Trustee will vote the Shares according to the instructions of the Board and such instructions must comply with the Listing Rules and the Takeovers Code and any other applicable laws and regulations.

### **Transfer by Awardees during Lock-up Period**

Any award made under the Scheme is personal to the Awardee to whom it is made and is not assignable. No Awardee could deal (within the meaning in the Listing Rules) with any Shares awarded to him under the Scheme (or related financial instruments) during the Lock-up Period.

### **Equity Issues**

If there is a rights issue, the Board will direct the Trustee in writing as to whether it should sell any nil paid rights allotted to the Trustee (or its nominee) (and, if so, how the net proceeds should be applied) or whether the Trustee should participate in the rights issue and, if so, the Company will fund (by way of loan to the Trustee) the Trustee to subscribe for the rights shares.

If there is an open offer of new securities, the Board will direct the Trustee in writing as to whether to participate in the open offer and, if so, the Company will fund (by way of loan to the Trustee) the Trustee to subscribe for new shares.

If there is a bonus warrant issue, the Company will instruct the Trustee in writing as to whether to sell the bonus warrants granted to it as a holder of shares (and, if so, how the net proceeds should be applied).

## **Change in Control**

In the event of a takeover, merger, scheme of arrangement, share repurchase or other event, in any such case resulting in a change in control of the Company (each a "Change in Control Event") is proposed to all the holders of the Shares, the Trustee must seek and act on the instructions from the Board before accepting or taking any action in respect of the Shares in relation to a Change in Control Event. These instructions from the Board may decide the effect on this Scheme, the determination of the entitlements of Awardees upon a Change in Control Event and the procedures to give effect to these instructions of the Board. The Board's instructions must comply with the Listing Rules and the Takeovers Code and any other applicable laws and regulations. For these purposes "control" has the meaning specified in the Takeovers Code, and in overview, involves a holding of 30% or more of voting rights of a company.

## **Share Awards to Connected Persons**

Shares may be awarded to Eligible Employees who are connected persons of the Group. If Shares are awarded to connected persons of the Group, those awards may constitute connected transactions under Chapter 14A of the Listing Rules and where they do the Company will comply with the relevant requirements under the Listing Rules. If the grant of an award to a director of the Company under the Scheme will form part of the remuneration of the relevant director under his service contract, this grant will be exempted from the reporting, announcement and independent shareholders' approval requirements under Listing Rule 14A.31(6). However, any grant to any director or senior management of the Company must first be approved by the Committee.

## **Scheme limits**

The total number of all Shares purchased by the Trustee under the Scheme must not be 10% or more of the issued share capital of the Company as at the Adoption Date (being 46,084,435 Shares) unless the Board otherwise decides.

## **Disclosure of on-market transactions**

The Company will disclose in its annual report and interim report information relating to the Scheme by analogy with the disclosure requirements (to the extent applicable to the Scheme) under the Listing Rules. The Company will also disclose by way of announcement on the day immediately following the date on which the Trustee or the broker effected purchases of Shares on the market, information on the total number of Shares purchased by the Trustee or the broker on the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases.

## **Termination**

The Scheme terminates on the earlier of (if not extended) the 10th anniversary of the Adoption Date or such date of early termination as decided by the Board. Any termination will be without prejudice to any subsisting rights of any Awardees under the Scheme.

Upon termination, (i) all the Shares awarded and all income derived from the Shares awarded shall become vested in the Awardee so referable on such date of termination save in respect of any Leaver, subject to the receipt by the Trustee of the transfer documents prescribed by the Trustee and duly

executed by the Awardee within the period stipulated by the Trustee; (ii) such Shares awarded and all income derived from such Shares awarded which are not vested and/or forfeited under the Scheme shall be sold by the Trustee within 20 business days (on which the trading of the Shares has not been suspended) of receiving notice of such termination of the Scheme (or such longer period as the Board may otherwise determine); and (iii) cash remaining in the trust fund, net proceeds of sale referred to in (ii) above and such other funds remaining in the Trust (after making appropriate deductions in respect of all disposal costs, liabilities and expenses in accordance with the Trust Deed) shall be remitted to the Company forthwith after the sale.

## **Definitions**

"Adoption Date"	means the date on which the Scheme is adopted by the Board;
"Awardee"	means those Eligible Employees selected by the Board for participation in the Scheme;
"Board"	means the board of directors of the Company at the relevant time;
"business day"	means a day (other than a Saturday) on which the Stock Exchange is open for trading and on which banks are open for business in Hong Kong;
"Committee"	means the remuneration committee of the Board at the relevant time;
"Eligible Employee"	means, subject to the absolute discretion of the Board to interpret or to redefine this term, an individual who on Offer Date is an employee of a Group company;
"Group"	means the Company and its subsidiaries and "Group company" means any one of them;
"Leaver"	means, in relation to any Awardee and particular awarded Shares, an individual who ceases to be an employee of any Group company for any reason before expiry of the applicable Lock-up Period for those awarded Shares;
"Listing Rules"	means the rules governing the listing of securities on the Stock Exchange from time to time;
"Loan Agreement"	means the loan agreement to be entered into between the Company and the Trustee for the purpose of making a limited recourse loan to the Trustee to enable the Scheme to operate with sufficient funds;
"Lock-up Period"	means, in relation to a particular Awardee and particular awarded Shares of that Awardee, the period for which the Awardee selects as such, during which time those awarded Shares are to be held by the Trustee in accordance with the Scheme;

"Offer Date"	means the date of the relevant offer letter issued to an Awardee under the Scheme;
"Scheme"	means the share award scheme adopted by the Board on Adoption Date as may be amended from time to time;
"Shares"	means ordinary shares of HK\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	means the Code on Takeovers and Mergers published by the Securities and Futures Commission as may be amended and in force from time to time;
"Trust Deed"	means the trust deed to be executed between the Company and the Trustee (as amended or supplemented from time to time); and
"Trustee"	means Law Debenture Trust (Asia) Limited, a company incorporated in Hong Kong, which is independent and not connected with the Group.

By order of the Board  
**A8 DIGITAL MUSIC HOLDINGS LIMITED**  
**Liu Xiaosong**  
*Chairman & Executive Director*

Hong Kong, 19 August 2010

*As at the date of this announcement, the board of Directors comprises:*

- (1) Executive Directors namely Mr. Liu Xiaosong, Ms. Ho Yip, Betty and Mr. Lin Yizhong;*
- (2) Non-executive Director namely Mr. Li Wei; and*
- (3) Independent non-executive Directors namely Mr. Chan Yiu Kwong, Mr. Zeng Liqing and Mr. Hui, Harry Chi.*