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 2012

The board (the "**Board**") of directors (the "**Directors**") of A8 Digital Music Holdings Limited (the "**Company**") hereby present the unaudited condensed consolidated interim financial statements ("**Interim Accounts**") of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2012 together with the unaudited comparative figures for the corresponding period in 2011 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:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2012

		For the six months ended 30 June	
		2012	2011
	Notes	**(Unaudited)**	(Unaudited)
		RMB'000	*RMB'000*
Revenue		**184,079**	249,176
Business tax		**(3,741)**	(5,628)
Net revenue	*3*	**180,338**	243,548
Cost of services provided		**(118,688)**	(145,079)
Gross profit		**61,650**	98,469
Other income and gains, net	*3*	**4,480**	8,677
Selling and marketing expenses		**(46,818)**	(68,884)
Administrative expenses		**(24,088)**	(25,797)
Other expenses		**(843)**	(530)
Share of losses of associates		**(3,199)**	–
PROFIT/(LOSS) BEFORE TAX	*4*	**(8,818)**	11,935
Income tax expense	*5*	**(820)**	(2,384)
PROFIT/(LOSS) FOR THE PERIOD		**(9,638)**	9,551
Attributable to:			
Owners of the Company		**(9,638)**	9,323
Non-controlling interests		**–**	228
		(9,638)	9,551
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic (RMB per share)		**(0.02)**	0.02
Diluted (RMB per share)		**(0.02)**	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	**30 June 2012 (Unaudited) *RMB'000***	31 December 2011 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**72,284**	60,509
Prepaid land lease payments		**26,534**	26,825
Goodwill		**1,515**	1,515
Prepayment for acquisition of property, plant and equipment		**8,351**	4,593
Intangible assets		**30,541**	30,855
Investment in associates	*9*	**19,978**	4,177
Deposit for acquisition of an investment		**–**	8,000
Deferred tax assets		**4,431**	4,594
Total non-current assets		**163,634**	141,068
CURRENT ASSETS			
Accounts receivable	*10*	**67,198**	55,058
Prepayments, deposits and other receivables		**25,622**	37,839
Investments at fair value through profit or loss		**77,950**	1,880
Time deposits with original maturity of more than three months		**87,357**	71,911
Cash and cash equivalents		**244,822**	360,596
Total current assets		**502,949**	527,284
CURRENT LIABILITIES			
Accounts payable	*11*	**28,002**	26,483
Other payables and accruals		**50,105**	72,439
Tax payable		**5,842**	7,201
Deferred income		**5,721**	6,808
Total current liabilities		**89,670**	112,931
NET CURRENT ASSETS		**413,279**	414,353
TOTAL ASSETS LESS CURRENT LIABILITIES		**576,913**	555,421
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing		**39,722**	13,000
Deferred tax liabilities		**1,512**	1,643
Total non-current liabilities		**41,234**	14,643
Net assets		**535,679**	540,778
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**4,204**	4,201
Reserves		**531,475**	536,577
Total equity		**535,679**	540,778

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements 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 "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except in relation to the following new and revised International Financial Reporting Standards, ("IFRSs", which also include IASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the above new and revised IFRSs has had no significant financial effect on the interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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, focusing on music and culture 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 the People's Republic of China (the "PRC"), and no non-current assets of the Group are located outside the PRC.

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	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Ringtone services	**15,382**	28,136
Ringback tone services	**108,070**	135,736
Other music related services	**2,169**	5,947
Non-music related services	**58,458**	79,357
	184,079	249,176
Less: Business tax	**(3,741)**	(5,628)
Net revenue	**180,338**	243,548
Other income and gains, net		
Interest income	**4,321**	3,573
Fair value gain/(loss) on investments at fair value through profit and loss	**70**	(327)
Gain on disposal of investments at fair value through profit or loss	**–**	534
Reversal of bad debts provision	**–**	3,443
Gain on disposal of subsidiaries	**–**	794
Foreign exchange differences, net	**71**	–
Others	**18**	660
	4,480	8,677

4. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation	**745**	1,093
Amortisation of intangible assets	**4,189**	1,563
Amortisation of prepaid land lease payments	**293**	293

5. INCOME TAX EXPENSE

An analysis of income tax charges for the six months ended 30 June 2012 and 2011 is shown as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group		
Current – PRC		
Charge for the period	**174**	2,215
Underprovision in the prior year	**483**	–
Deferred	**163**	169
Total tax charge for the period	**820**	2,384

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2012 and 2011, respectively.

The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing tax rates in the jurisdictions in which the subsidiaries operate.

6. INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earning/(loss) per share amount for the six months ended 30 June 2012 is based on the loss for the period attributable to equity holders of the Company of RMB9,638,000 (six month ended 30 June 2011: profit of RMB9,323,000) and the weighted average number of ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2012 of 466,388,783 (2011: 469,431,607).

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2012 in respect of a dilution as the impact of the share options outstanding and the awarded shares had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the profit for the period attributable to equity holders of the Company of RMB9,323,000 as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the 469,431,607 ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2011, as used in the basic earnings per share calculation, and the weighted average of 2,192,126 ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares and the effect of awarded shares.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB12,841,000 (2011: RMB7,231,000).

9. INVESTMENT IN ASSOCIATES

During the period, the Group acquired 42.69% interest in Duomi Music Holding Ltd. ("Duomi Music") for a total cash consideration of RMB19,000,000. Duomi Music is a limited liability company incorporated in the Cayman Islands. Duomi Music and its subsidiaries are principally engaged in the provision of ancillary and related services in relation to mobile internet, especially the research and development of music platforms and operations.

In the prior period, the Group acquired 19.34% interest in Shenzhen Ningmenghai Technology Co., Ltd. ("Ningmenghai") for a total cash consideration of RMB5,300,000. Ningmenghai is a company incorporated in the PRC on 26 December 2010, and operated as an internet social network service provider.

10. 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 2012 (Unaudited) ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Neither past due nor impaired:		
Within 1 month	**17,283**	20,401
1 to 2 months	**15,598**	16,262
2 to 3 months	**14,075**	11,056
3 to 4 months	**6,395**	2,460
Past due but not impaired:		
4 to 6 months	**9,725**	1,435
Over 6 months	**4,122**	3,444
	67,198	55,058

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.

The movements in provision for impairment of accounts receivable are as follows:

	30 June 2012 (Unaudited) ***RMB'000***	31 December 2011 (Audited) *RMB'000*
At the beginning of period/year	**2,399**	5,216
Impairment losses recognised	**–**	776
Reversal of bad debts provision	**–**	(3,593)
At the end of period/year	**2,399**	2,399

The individually impaired accounts receivable related to customers that were in default and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

11. 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 2012 (Unaudited) ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Within 1 month	**5,395**	5,160
1 to 3 months	**8,682**	10,178
4 to 6 months	**2,431**	3,785
Over 6 months	**11,494**	7,360
	28,002	26,483

12. SHARE CAPITAL

Shares

	30 June 2012 (Unaudited) ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Authorised:		
3,000,000,000 (2011: 3,000,000,000) ordinary shares of HK$0.01 each (2011: HK$0.01 each)	**26,513**	26,513
Issued and fully paid:		
476,282,376 (2011: 475,976,496) ordinary shares of HK$0.01 each	**4,204**	4,201

A summary of the transactions during the six months ended 30 June 2012 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$'000*	Share premium account (Unaudited) *HK$'000*	Equivalent nominal value of ordinary shares (Unaudited) *RMB'000*	Equivalent share premium account (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
At 1 January 2012	475,976,496	4,761	209,458	4,201	184,959	189,160
Exercise of share options	305,880	3	294	3	239	242
At 30 June 2012	**476,282,376**	**4,764**	**209,752**	**4,204**	**185,198**	**189,402**

13. COMMITMENTS

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

	30 June 2012 (Unaudited) ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Authorised, but not contracted for:		
Construction in progress	**148,000**	164,000
Contracted, but not provided for:		
Construction in progress	**92,695**	83,761
Acquisition of an investment	**–**	16,311
	240,695	264,072

14. APPROVAL OF THE UNAUDITED INTERIM ACCOUNTS

The unaudited Interim Accounts were approved by the Board on 16 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue and profit attributable to equity holders of the Company

For the six months ended 30 June 2012, the revenue of the Group amounted to approximately RMB184.1million, representing a decline of approximately 26% as compared with the same period in 2011 (2011: approximately RMB249.2 million).

The decline in revenue was mainly due to the continuing negative impact brought by the strict regulations implemented to MVAS in 2010. Since then, we have actively diversified our business through co-operation with more telecom carriers and handset makers, as well as uptrend of mobile internet. However, the diversification and transformation in business can't reverse the downturn of revenue in the short term.

For the six months ended 30 June 2012, the loss attributable to equity holders of the Company amounted to approximately RMB9.6 million, dropped by 203% over the profit attributable to equity holders of the Company of approximately 9.3 million for the last corresponding period.

Cost of services provided

For the six months ended 30 June 2012, the cost of services provided of the Group amounted to approximately RMB118.7 million, representing a decrease of approximately 18% as compared with the same period in 2011 (2011: approximately RMB 145.1 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 labor costs.

Revenue share with mobile operators ranged from 15% to 60% of the total revenue received from mobile users and it averaged at approximately 39% of the total revenue for the six months ended 30 June 2012 (2011: approximately 35%). The increase was mainly due to the change of product mix. Ringback tone services ("RBT") has gone up to 59% of the total revenue from 54% as compared with the same period in 2010, where RBT are normally charged at a higher revenue share.

Revenue share with business alliances averaged at approximately 19% of the total revenue for the six months ended 30 June 2012 (2011: approximately 18%), representing a slight increase of 1% as compared with last corresponding period.

Gross profit

For the six months ended 30 June 2012, the gross profit of the Group amounted to approximately RMB61.7 million, representing a decrease of approximately 37% as compared with the same period in 2011 (2011: approximately RMB98.5 million).

The gross margin ratio of the Group dropped to 33% from 40% for the last corresponding period, which was suffered from the increased share ratio with mobile operator and business alliance as mentioned above.

Other income and gains, net

For the six months ended 30 June 2012, the other income and gains of the Group were approximately RMB4.5 million, representing a 48% decrease as compared with the last corresponding period (2011: net gain of approximately RMB8.7 million). It mainly comprised interest income of approximately RMB4.3 million while it contained interest income, bad-debt recovered and gain on disposal of subsidiaries of approximately RMB3.6 million, RMB3.4 million and RMB0.8 million respectively in same period in 2011.

Selling and marketing expenses

For the six months ended 30 June 2012, the selling and marketing expenses of the Group amounted to approximately RMB 46.8 million, decreased by 32% as compared with the same period in 2011, representing approximately 25% of total revenue (2011: approximately RMB68.9 million, representing approximately 28% of total revenue). The slight decrease in ratio of total revenue is mainly because the Group strengthened cooperation with third parties for its music-related business which reflected in the increase of share with business alliance.

Administrative expenses

For the six months ended 30 June 2012, the administrative expenses of the Group amounted to approximately RMB24.1 million, representing a decrease of approximately 7% as compared with the same period in 2011 (2011: approximately RMB25.8 million).

The decrease was mainly due to the decrease of share option expenses, professional fees and other administrative expenses of approximately RMB1.4 million and RMB2.7 million respectively, which were partly offset by the increase of amortization expenses amounted to approximately RMB2.2 million.

Share of losses of associates

For the six months ended 30 June 2012, the Group shared losses of associates of Ningmenghai and Duomi Music amounted to approximately RMB0.4 million and RMB2.8 million respectively. For Duomi Music, we acquired its 42.69% issued share capital and completed the transaction on 23 April 2012. The investment is our strategy in mobile internet and music cloud, which is still under investment stage.

Tax

For the six months ended 30 June 2012, income tax of the Group amounted to approximately RMB0.8 million, representing a decrease of approximately 66% as compared with the same period in 2011 (2011: approximately RMB2.4 million).

The effective tax rate of the Group was negative of 9.3% in the six months ended 30 June 2012 (2011: approximately 20.0%). As a result of the new Corporate Income Tax Law in China, the statutory tax rates are 7.5%, 15%, 25% in the respective operating companies of the Group for 2012 (2011: 0%, 15%, 24%, 25%). The tax expense for the period was mainly the income tax final settlement differences for 2011.

Current assets and current liabilities

As at 30 June 2012, the total current assets of the Group amounted to approximately RMB502.9 million (2011: approximately RMB527.3 million). Accounts receivable amounted to approximately RMB67.2 million (2011: approximately RMB55.1 million), and the turnover days of accounts receivable is 60 days (2011: 52 days).

As at 30 June 2012, the total current liabilities of the Group amounted to approximately RMB89.7 million (2011: approximately RMB112.9 million). The decrease was mainly due to the decrease of other payables and accruals amounting to approximately RMB22.3 million, among which, approximately RMB12.3 million was related to accrual of project of A8 building.

Liquidity and financial resources

As at 30 June 2012, 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 RMB410.1 million (2011: approximately RMB434.4 million). Approximately RMB348.3 million or approximately 85% of them were denominated in RMB.

As of 30 June 2012, the Group had borrowings amounted to approximately RMB39.7 million. The borrowings were sole used for the construction of A8 building, which is expected to complete in the first half of next year. The Gearing ratio is 7.4%, which 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 2012, the Group did not have any derivative for hedging against both the interest and exchange rate risks.

Human resources

As at 30 June 2012, the Group had 256 employees (as at 30 June 2011: 299 employees). Total employee costs for the six months ended 30 June 2012, including directors' emoluments, amounted to approximately RMB21.7 million (2011: approximately RMB28.3 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 2012.

BUSINESS OUTLOOK

Operation in the first half of 2012

The mobile internet industry in China kept growing rapidly in first half of 2012. The user scale reached over 450 million and the market size reached RMB23.3 billion in the first half of 2012 which represents a 40% growth as compared to the second half of 2011 according to the statistics published by iResearch. The contribution of Mobile Value-Added Service, the major portion of mobile internet industry, decreased due to the previous change in policy. Facing the difficulties, the Company further deployed the strategic transformation corresponding to both short-term and long-term, and made some progress, which would pave the way for future development.

Regarding the self-construction of UGC music and accumulation of worthy copyrights, great strides have been made and significant achievements have been obtained. The Company continued to develop "Composer Plan" in 2012. Since one year from the debut in "Composer Plan", the Company has accumulated more than 300 music copyrights through the plan and has become the music company with the largest annual production of new songs in the Greater China Region. The music includes various categories such as network songs with great potential, and customized theme and songs by website composers. These songs rank top rating in Baidu billboard and the top-selling billboard in wireless music market. Among which, the song "Lao Po Zui Da" (老婆最大) has been among the top 10 on Baidu TOP500 Billboard and the top-selling billboard of China Mobile12530 for a long time while the songs "Tang Gu La" (唐古拉), "Ai Qing Zhuan Shu Quan" (愛情專屬權) and "Si Mi Da" (思密達) resided on Baidu TOP20 Billboard. These UGC songs are highly compatible with the needs of users, and have generated total revenue of approximately RMB 50 million to the Company for the first half of 2012, representing 40% of contribution to the revenue generated from music.

The overall wireless music market continues to grow as the telecom operators, especially China Telecom and China Unicom, progressively focused on the development of their music business. The Company's revenue from music and music related business reached RMB 126 million during the first half of 2012. We further consolidate our leading position in the wireless music industry and keep the No.1 position in the China Mobile's wireless market, and also rank top 3 in the list of music service providers to China Telecom, from which the revenue generated represents a significant 38.6% increase as compared to 2011.

Regarding the mobile internet business:

– Firstly, we commenced in-depth cooperation with telecom operators and reached the cooperation in the Project of "Operational Support to Digital Content Channels" with the China Mobile MM (Mobile Market) base, providing the products and functions design, operating promotion and integrated service support for the operation of Mobile Market's digital contents like music, games, e-reading, video etc. The project not only strengthens the strategic cooperation between the Company and operators on mobile internet products and channels, but also helps the Company accumulate experiences and resources in various digital products business of mobile internet.

– Secondly, regarding the cooperation with leading handset manufacturers, the Company consolidated the operation and continued to deepen the cooperation with internationally renowned enterprises like Nokia, Samsung, Lenovo and Huawei. On the other hand, we reached a series of strategic cooperation with domestic corporations such as ZTE and TCL and the music products covered the terminal devices and application stores under the rapid rise of domestic leading mobile enterprises in the field of smart phone which accounted for almost half of the market share. Meanwhile, facing different needs of multi-users and multi-platforms in the era of mobile internet, the Company and its associated companies launched a music service system with "Music APP" as the core to support the need of users from different terminal platforms.

Regarding the business of music cloud, the investment in Duomi Music of RMB 19 Million represented 42.69% of the shares of Duomi was completed during the first half of the year. The development of Duomi Music showed a good momentum with excellent performance in the growth and vitality of users and reached a leading standard in the market. According to the monitoring data of iResearch for the first quarter of 2012, 55.1% of the users downloaded the Duomi music software to enjoy music.

Business Outlook for the second half of 2012

Looking forward to the second half of 2012, the industry will still face uncertainty. The Group's management aims to strengthen the following business operations:

For music content, the Company will conduct a full range of exploration on the depth and breadth of the Composer Plan and commence the two major projects: "The post-90s artists" and "Commune of Beauty Icons" in which the Company will expand to the field of artist management from the field of content production. Besides, the Company will continue to reinforce the improvement in functions of the A8.com website and construct a more convenient and practical sharing platform for original music. The Company also plans to kick off the "Seventh A8 Original China Music Contest" in August to collect more original contents of good quality.

For the traditional business, we will continue to strengthen our cooperation with the three major operators in order to grasp the development opportunity of wireless music. We forecast the scale of music market for China Mobile in 2012 remains steady as compared with 2011 while China Unicom and China Telecom present rapid growth. We will retain the leading No.1 position for China Mobile and move up to first tier for China Telecom and China Unicom backed by the resources on contents and promotion channel we built up over the years.

For mobile internet business, the Company will build the distribution platform for digital contents and mobile application through the cooperation with telecom operators and handset manufacturers: 1) Continue to expand and deepen the cooperation with leading handset manufacturers while proactively explore the cooperation with internet corporations and internet applications and expand the operation scope. From the level of products, the Company will seize the market and expand its market shares based on the traditional music services and by taking music APP as the breakthrough. 2) Continue to deepen the cooperation with the three major operators. For MM Project, there will be intensive precision so that simple business cooperation can be enhanced as cooperation in overall support service to operation and a new model in cooperation with operators can be established. 3) Strengthen the industrial chain layout of the Company through prudent investment strategies.

Regarding to music cloud business in 2012, the Group will further integrate and optimize the resources of the associated companies to reduce the operating cost, improve efficiency, encourage innovation and speed up the development towards social network. Meanwhile, we will keep the leading position of Duomi Music's software in terms of total users and newly registered users.

The Board and the Management of A8 Music will continue to strive for the sustainable development of the Group with our staff.

ISSUE OF SHARES

During the period ended 30 June 2012, the Company issued an aggregate of 305,880 new shares upon the exercise of the share options granted under the Pre-IPO Share Option Scheme to subscribe for 305,880 shares at a weighted average issue price of HK$0.64 per share with gross consideration of HK$196,651.20.

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

During the period ended 30 June 2012, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 30 June 2012, all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were met by the Company, except for the deviation from code provision A.2.1 providing for the roles of chairman and chief executive officer (the "CEO") to be performed by different individuals.

Mr. Liu Xiaosong ("Mr. Liu") has diversified experience in the technology, media and telecommunication industry and has been being responsible for overall management and strategic planning of the Group. The Board considered that Mr. Liu is able to lead the Board in making better business decision for the group. Therefore, Mr. Liu has had the dual roles of the chairman and CEO of the Company despite deviation from code provision A.2.1 during the reporting period.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Own Code of Conduct Regarding the Directors' Dealings in the Company's Securities ("Own Code") which covers the Model Code for Securities Transactions by Directors of Listed Issuers ("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 Model Code and the Own 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 2012.

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

Hong Kong, 16 August 2012

As at the date of this announcement, the Board comprises:

(1) Executive Directors namely Mr. Liu Xiaosong, Mr. Lu Bin; and

(2) Independent non-executive Directors namely Mr. Chan Yiu Kwong, Mr. Zeng Liqing and Ms. Wu Shihong.