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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)

- (i) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE;**
- (ii) APPLICATION FOR THE WHITEWASH WAIVER; AND**
- (iii) CONNECTED TRANSACTION IN RESPECT OF UNDERWRITING COMMISSION**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Proposed Rights Issue

The Company proposes to raise not less than approximately HK\$342.92 million (before expenses) to not more than HK\$347.80 million (before expenses) by issuing not less than 952,564,752 Rights Shares and not more than 966,122,582 Rights Shares at the Subscription Price of HK\$0.36 per Rights Share. The nil-paid Rights Shares will be provisionally allotted to the Qualifying Shareholders on the basis of two Rights Shares for every existing Share held by the Qualifying

Shareholders on the Record Date. The Rights Issue will not be available to the Excluded Shareholders. Excess application of the Rights Shares may be made by the Qualifying Shareholders. The net proceeds from the Rights Issue are estimated to be approximately HK\$337.10 million to HK\$341.89 million. The Company intends to use the net proceeds from the Rights Issue for settlement of the Group's loan payables to certain banks, for the continuing investments in the construction of A8 building, and as general working capital to facilitate the Group's development and business.

As at the date of this announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 9,574,356 Shares, among which the Share Options entitling the holders thereof to subscribe for an aggregate of 2,795,441 Shares were Director Share Options. Pursuant to the Director Undertakings, each of Mr. Liu and Mr. Lu Bin, both being executive Directors, has undertaken to the Company not to exercise their outstanding Share Options from the date of the Director Undertakings until the date on which trading of the Rights Shares (in their fully paid form) commences on the Stock Exchange. As a result, there are outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 6,778,915 Shares after taking into account the Director Undertakings. Assuming that no outstanding Share Options are exercised and no other Shares are allotted and issued on or before the Record Date, the aggregate number of the Rights Shares to be issued pursuant to the terms of the Rights Issue amounts to 952,564,752 Shares and represents 200.00% of the existing issued share capital of the Company and 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

If all outstanding Share Options (other than the Director Share Options) are exercised in full but no other Shares are allotted and issued on or before the Record Date, the aggregate number of the Rights Shares to be issued pursuant to the terms of the Rights Issue amounts to 966,122,582 Shares and will represent 202.85% of the existing issued share capital of the Company and 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a fully underwritten basis, the Underwritten Shares, subject to the terms and conditions of the Underwriting Agreement. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "Underwriting Arrangements" in this announcement.

If the Underwriter terminates the Underwriting Agreement (details of which are set out in the sub-section headed "Termination of the Underwriting Agreement" below) or the conditions of the Rights Issue (details of which are set out in the sub-section headed "Conditions of the Rights Issue" below) are not fulfilled, the Rights Issue will not proceed. **Accordingly, the Rights Issue may or may not proceed. The attention of investors and the Shareholders is drawn to the section headed "Warning of the risks of dealing in the Shares and the nil-paid Rights Shares" below.**

According to the expected timetable, the last day of dealings in the Shares on a cum-rights basis is Friday, 15 February 2013 and the Shares will be dealt with on an ex-rights basis from Monday, 18 February 2013. The Rights Shares are expected to be dealt with in their nil-paid form from Wednesday, 27 February 2013 to Wednesday, 6 March 2013 (both dates inclusive). To qualify for the Rights Issue, any transfer of the Shares (together with the relevant share certificate(s)) must be lodged for registration with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Tuesday, 19 February 2013.

The Latest Time for Acceptance of and Payment for Rights Shares is expected to be at 4:00 p.m. on Monday, 11 March 2013. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both the nil-paid and fully-paid forms.

Application for Whitewash Waiver

The Underwriter is 100% beneficially owned by a family trust, the beneficiaries of which are the family members of Mr. Liu. As at the date of this announcement, (i) the Underwriter, together with Prime Century, holds in aggregate 167,463,954 Shares, representing 35.16% of the existing issued share capital of the Company; (ii) Mr. Liu holds 1,922,000 Shares, representing 0.40% of the existing issued share capital of the Company and (iii) Grand Idea, being a member of the Concert Group, is directly holding 21,600,000 Shares, representing 4.54% of the existing issued share capital of the Company. In the event that the Underwriter is called upon to subscribe for the Underwritten Shares in full pursuant to its obligations under the Underwriting Agreement, the interest of the Concert Group in the voting rights of the Company would increase from approximately 40.10% to approximately 80.03% immediately upon completion of the Rights Issue (assuming that no outstanding Share Options are exercised and no other Shares are allotted and issued on or before the Record Date) or from approximately 39.54% to approximately 79.85% immediately upon completion of the Rights Issue (assuming that all outstanding Share Options (other than the Director Share Options) are exercised in full but no other Shares are allotted and issued on or before the Record Date). Accordingly, the underwriting by the Underwriter of the Rights Issue will trigger an obligation for the Concert Group to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Concert Group.

The Underwriter will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders taken by poll at the EGM. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or if granted, is not approved by the Independent Shareholders, the Rights Issue will not proceed.

Listing Rules implications

The Underwriter, together with Prime Century, Mr. Liu and Grand Idea, is a controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. Therefore, the Underwriting Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, provided that Rule 7.21(2) of the Listing Rules has been complied with, the allotment and issue of the Underwritten Shares to the Underwriter pursuant to the Underwriting Agreement will be exempted from the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. As the Company has made arrangement to apply for the Rights Shares by the Qualifying Shareholders in excess of their entitlements under the Rights Issue as referred to in Rule 7.21(1) of the Listing Rules, Rule 7.21(2) of the Listing Rules has been complied with and the allotment and issue of the Underwritten Shares to the Underwriter pursuant to the Underwriting Agreement will be exempted from the reporting, announcement and Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

In addition, the payment of the underwriting commission to the Underwriter constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the maximum underwriting commission to be received by the Underwriter pursuant to the Underwriting Agreement is approximately HK\$4.52 million and the relevant percentage ratios (other than the profits ratio) as defined in the Listing Rules are less than 5% and the total underwriting commission payable is more than HK\$1,000,000, it is therefore subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules. Mr. Liu has not voted on the proposed resolution approving the payment of the underwriting commission at the Board meeting as Mr. Liu is a member of the Concert Group.

Pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional on, among other things, the approval by the Shareholders at the EGM at which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. Therefore, the Concert Group and the respective associates of its members shall abstain from voting in favour of the resolution in relation to the Rights Issue at the EGM.

General

The Independent Board Committee comprising all independent non-executive Directors has been established to provide recommendation to the Independent Shareholders in connection with the Rights Issue and the Whitewash Waiver. Guangdong Securities has been appointed as the

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the Whitewash Waiver. The appointment of Guangdong Securities has been approved by the Independent Board Committee.

The Circular containing, among other things, further details of the Rights Issue and the Whitewash Waiver, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the Whitewash Waiver and a notice of the EGM, will be despatched by the Company to the Shareholders within 21 days of the date of this announcement.

RIGHTS ISSUE

Issue statistics

Basis of Rights Issue: Two Rights Shares for every existing Share held on the Record Date

Number of existing Shares in issue: 476,282,376 Shares as at the date of this announcement

Number of new Shares to be issued upon exercise of the outstanding Share Options in full (other than those Director Share Options) ^(Note 1): 6,778,915 Shares

Number of Rights Shares: Not less than 952,564,752 ^(Note 2) Rights Shares but not more than 966,122,582 ^(Note 2) Rights Shares

Enlarged issued share capital upon completion of the Rights Issue: Not less than 1,428,847,128 Shares but not more than 1,449,183,873 Shares

Subscription Price: HK\$0.36 per Rights Share

Underwriter: Ever Novel

Notes:

- As at the date of this announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 9,574,356 Shares, among which the Share Options entitling the holders thereof to subscribe for an aggregate of 2,795,441 Shares were Director Share Options. Pursuant to the Director Undertakings, each of Mr. Liu and Mr. Lu Bin, both being executive Directors, has undertaken to the Company not to exercise his respective Director Share Options from the date of the Director Undertakings until the date on which trading of the Rights Shares (in their fully paid form) commences on the Stock Exchange.*

2. *The figure of 952,564,752 is calculated on the assumption that no outstanding Share Options will be exercised and no other Shares are allotted and issued on or before the Record Date, and the figure of 966,122,582 is calculated on the assumption that all outstanding Share Options (other than the Director Share Options) will be exercised in full but no other Shares are allotted and issued on or before the Record Date.*

The minimum number of 952,564,752 Rights Shares to be allotted and issued pursuant to the terms of the Rights Issue represents 200.00% of the existing issued share capital of the Company and 66.67% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The maximum number of 966,122,582 Rights Shares to be allotted and issued pursuant to the terms of the Rights Issue represents 202.85% of the existing issued share capital of the Company and 66.67% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The number of Rights Shares which may be allotted and issued pursuant to the Rights Issue will be increased in proportion to any outstanding Share Options (other than the Director Share Options) that might be exercised and any other Shares that might be allotted and issued on or before the Record Date.

As at the date of this announcement, there were outstanding Share Options (other than the Director Share Options) entitling the holders thereof to subscribe for an aggregate of 6,778,915 Shares. If all Share Options (other than the Director Share Options) are exercised in full and Shares are allotted and issued pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to be increased to 483,061,291 and the number of Rights Shares that may be issued pursuant to the Rights Issue is expected to be increased to 966,122,582.

Save as disclosed above, the Company did not have any pre-existing obligation to issue any Shares or any derivatives or securities which are convertible or exchangeable into Shares as at the date of this announcement.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and, unless otherwise determined by the Directors, whose address as shown on the register of members of the Company on the Record Date must be inside Hong Kong.

In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. (Hong Kong time) on Tuesday, 19 February 2013.

The Company will send the Prospectus Documents, including the Prospectus, the provisional allotment letter(s) and the form(s) of application for excess Rights Shares to the Qualifying Shareholders. The Company will send the Prospectus only to the Excluded Shareholders (if any) for information purpose.

Rights of Overseas Shareholders

If there are any Overseas Shareholders at the close of business on the Record Date, such Overseas Shareholders may not be eligible to take part in the Rights Issue. As at the date of this announcement, there is no Overseas Shareholder.

In determining who will be the Excluded Shareholders on the Record Date, the Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholders (if any). If, based on legal opinions provided by the legal adviser to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Where applicable, summary on the legal opinion regarding the rights of the Overseas Shareholder(s) will be disclosed in the Circular and/or the Prospectus. The Excluded Shareholders, so long as they are Independent Shareholders, will be entitled to attend and vote at the EGM to consider and, if thought fit, pass the proposed resolution(s) in relation to the Rights Issue and the Whitewash Waiver.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Excluded Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

Closure of register of members

The register of members of the Company is expected to be closed from Thursday, 7 February 2013 to Thursday, 14 February 2013, both dates inclusive for determining the right to attend the EGM.

The register of members of the Company is expected to be closed from Wednesday, 20 February 2013 to Friday, 22 February 2013, both dates inclusive for determining entitlements under the Rights Issue.

No transfer of Shares will be registered during these periods.

TERMS OF THE RIGHTS ISSUE

Subscription Price

HK\$0.36 per Rights Share will be payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of 52% to the closing price of HK\$0.75 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 50.55% to the average closing price of approximately HK\$0.728 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 50.28% to the average closing price of approximately HK\$0.724 per Share for the ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 26.53% to the theoretical ex-rights price of approximately HK\$0.49 per Share based on the closing price of HK\$0.75 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. As the Rights Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Rights Issue. The Directors (excluding independent non-executive Directors whose opinion on the matter will be set forth in the Circular after having been advised by Guangdong Securities in this regard) consider the terms of the Rights Issue, including the Subscription Price, are fair and reasonable so far as the Company and the Shareholders as a whole are concerned. The net price per Rights Share, after deducting all the expenses incurred and to be incurred thereof, upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.35.

Basis of provisional allotments

Two Rights Shares (in nil-paid form) for every existing Share held by Qualifying Shareholders at the close of business on the Record Date.

Status of the Rights Shares

When allotted, issued and fully paid, the Rights Shares will rank pari passu in all respects with the then existing Shares in issue. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares.

Certificates for the Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted on or before Tuesday, 19 March 2013 by ordinary post to those entitled thereto at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are also expected to be posted on or about Tuesday, 19 March 2013 by ordinary post at the own risk of the Shareholders.

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for, (i) Rights Shares representing the entitlement of the Excluded Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable, and on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse the mechanism; and
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares will be allocated a higher percentage of the excess Rights Shares they have applied for whereas Qualifying Shareholders applying for larger number of Rights Shares will be allocated a lower percentage of the excess Rights Shares they have applied for (although they will still receive a greater number of Rights Shares than those applying for a smaller number) with board lot allocations to be made on a best effort basis. No reference will be made to Rights Shares comprised in applications by provisional allotment letter or the existing number of Shares held by Qualifying Shareholders.

No preference treatment will be given to the Concert Group in the allocation of the excess Rights Shares.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

Shareholders whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company prior to the Record Date must lodge all necessary documents with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for completion of the relevant registration by 4:30 p.m. on Tuesday, 19 February 2013.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid and fully-paid Rights Shares are expected to have the same board lot size as Shares (i.e. 2,000 Shares in one board lot).

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) on the branch register of members of the Company will be subject to the payment of stamp duty and other applicable fees and charges in Hong Kong.

Rights will be eligible for admission into CCASS

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into the CCASS.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing by the Independent Shareholders at the EGM of an ordinary resolution to approve the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Issue to the Excluded Shareholders) by no later than the Prospectus Posting Date;
- (b) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of any conditions attached to the Whitewash Waiver granted;
- (c) the passing by the Independent Shareholders at the EGM by way of poll of an ordinary resolution to approve the Whitewash Waiver by no later than the Prospectus Posting Date;
- (d) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date;
- (e) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (f) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;
- (g) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time of Termination;
- (h) the delivery of the duly signed Liu Undertaking and the Lu Undertaking to the Company; and
- (i) compliance with and performance of all the undertakings and obligations of signatory of each of the Liu Undertaking and the Lu Undertaking.

If the above conditions are not satisfied by the Latest Time for Acceptance of and Payment for Rights Shares, or such later time and/or date as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate (save in respect of the provisions in relation to indemnity, notices and governing law) and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed.

INFORMATION OF THE GROUP

The Group is principally engaged in providing music and culture related service, mainly including providing the mobile value-added services (“MVAS”) focusing on music to mobile phone users in the PRC and offering personalized music service to mobile internet users in PRC. As disclosed in the Profit Warning, the Group is expected to record a loss for the year ending 31 December 2012 which represents a significant decline as compared to the consolidated profit for the year ended 31 December 2011. As disclosed in the Profit Warning, the anticipated loss was due to (i) the continuing negative impact brought by the series of measures implemented to the MVAS industry by related industry management divisions and mobile operators in the PRC since 2010; (ii) restructure of the current business and deployment of new business in the Company are still in process; and (iii) the effect of sharing of losses of associates of the Company.

The anticipated loss in its consolidated accounts of the Group for the financial year ended 31 December 2012 as disclosed in the Profit Warning constitutes a loss forecast under Rule 10 of the Takeovers Code and therefore must be reported on by a financial adviser and reporting accountants of the Company in accordance with Rule 10 of the Takeovers Code. The Company has undertaken that reports from a financial adviser and the reporting accountants on the Profit Warning will be included in the Circular to be sent to the Shareholders in respect of the Rights Issue and the Whitewash Waiver. **Attention is drawn to the fact that the Profit Warning has not been reported on in accordance with the Takeovers Code and therefore should not be relied upon as a forecast of any future profitability of the Group. Accordingly, Shareholders and investors should exercise caution when interpreting the Profit Warning or when placing reliance on the Profit Warning in assessing the merits or demerits of the transactions contemplated in this announcement.**

The Company is still in the process of finalising the results of the Group for the financial year ending 31 December 2012. The information above is only preliminary assessment by the Directors based on the information available to them. Further details of the results of the Group will be disclosed in the results announcement and annual report of the Company for the financial year ending 31 December 2012 which are expected to be published by the end of March 2013.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

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| Date: | 4 January 2013 (after trading hours) |
| Underwriter: | Ever Novel, a company incorporated in the BVI with limited liability and is 100% beneficially owned by a family trust, the beneficiaries of which are the family members of Mr. |

Liu. Mr. Liu is the Chairman of the Company and an executive Director and holds 1,922,000 Shares as at the date of this announcement, representing 0.40% of the existing issued share capital of the Company. As at the date of this announcement, Ever Novel, together with Prime Century, holds in aggregate 167,463,954 Shares, representing 35.16% of the issued share capital of the Company. The principal business of the Underwriter is investment holding. The Underwriter does not underwrite issues of securities in its ordinary course of business.

Number of outstanding Share Options: 6,778,915 Share Options (other than Director Share Options) entitling the holders thereof to subscribe for 6,778,915 Shares under the Share Option Scheme. Each of the Directors has undertaken to the Company not to exercise his respective Director Share Options from the date of the Director Undertakings until the date on which trading of the Rights Shares (in their fully paid form) commences on the Stock Exchange.

Number of Underwritten Shares (being the difference between the total number of Rights Shares and the Committed Shares): Not less than 613,792,844 Rights Shares (assuming no Shares have been allotted and issued before the Record Date pursuant to any exercise of the outstanding Share Options and that no Shares have been allotted and issued on or before the Record Date) and not more than 627,350,674 Rights Shares (assuming Shares have been allotted and issued on or before the Record Date pursuant to the full exercise of the outstanding Share Options (other than the Director Share Options) but otherwise no Shares have been allotted and issued on or before the Record Date)

Commission: Ever Novel will receive a commission in respect of its underwriting of the Rights Issue at 2% of the total subscription price of the Underwritten Shares.

The Board (excluding independent non-executive Directors whose opinion on the matter will be set forth in the Circular after having been advised by Guangdong Securities in this regard) is of the opinion that the terms of the Underwriting Agreement and the amount of commission given to the Underwriter are fair as compared to the market practice and commercially reasonable as agreed between the parties of the Underwriting Agreement.

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing to the Company prior to the Latest Time for Termination if:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States or the PRC which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue.

If the Underwriter exercises such rights, the Rights Issue will not proceed.

Undertaking by the Underwriter

The Underwriter irrevocably undertakes to the Company to (i) accept and pay for the 90,184,098 Rights Shares to be provisionally allotted to it, and that all Shares beneficially owned by it as at the date of the Underwriting Agreement will remain beneficially owned by it as on the Record Date; and (ii) procure Prime Century to accept and pay for the 244,743,810 Rights Shares to be provisionally allotted to it, and that all Shares beneficially owned by Prime Century as at the date of the Underwriting Agreement will remain beneficially owned by it as on the Record Date.

Liu Undertaking and Lu Undertaking

Pursuant to the Director Undertakings, each of Mr. Liu and Mr. Lu Bin, both being executive Directors, has undertaken to the Company not to exercise his respective Director Share Options from the date of the Director Undertakings until the date on which trading of the Rights Shares (in their fully paid form) commences on the Stock Exchange.

As at the date of this announcement, Mr. Liu holds 1,922,000 Shares, representing 0.40% of the existing issued share capital of the Company while Mr. Lu Bin does not have any Shares. Mr. Liu has also undertaken to accept and pay for all 3,844,000 Rights Shares to be provisionally allotted to him on the Record Date.

INFORMATION OF THE UNDERWRITER

None of the Underwriter nor parties acting in concert with it has any dealings in any securities of the Company in the six-month period preceding the date of this announcement.

As at the date of this announcement:

- (i) the Underwriter or any persons acting in concert with it have not received any irrevocable commitment to vote for or against the proposed resolution approving the Rights Issue and/or the Whitewash Waiver at the EGM;
- (ii) save for the Share Options granted to Mr. Liu to subscribe for 455,441 new Shares and the Share Options granted to Mr. Lu Bin to subscribe for 2,340,000 new Shares, none of the Underwriter and persons acting in concert with it holds any convertible securities, warrants or options;
- (iii) the Underwriter or any persons acting in concert with it have not entered into any outstanding derivative in respect of the securities of the Company;
- (iv) save for the transactions contemplated under the Underwriting Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares entered into by the Underwriter or any persons acting in concert with it and which might be material to the Rights Issue

and/or the Whitewash Waiver;

- (v) save for the Underwriting Agreement, there is no arrangement or agreement to which the Underwriter or any persons acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue (other than those listed under “Conditions of the Rights Issue”) and the Whitewash Waiver; and
- (vi) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Underwriter or any persons acting in concert with it has borrowed or lent.

SHAREHOLDING STRUCTURE

For illustration purposes only, the table below depicts the possible shareholding structure of the Company as at the date of this announcement and the possible changes upon completion of the Rights Issue:

Immediately upon completion of the Rights Issue

| Shareholder | As at the date of the announcement | | Assuming no exercise of the outstanding Share Options on or before the Record Date | | | | Assuming full exercise of the outstanding Share Options (other than the Director Share Options) on or before the Record Date | | | |
|--|------------------------------------|---------------|--|---------------|---|---------------|--|---------------|---|---------------|
| | No. of Shares | % | Full acceptance by the Qualifying Shareholders under the Rights Issue | | No acceptance by the Qualifying Shareholders under the Rights Issue (other than Ever Novel, Prime Century and Mr. Liu) (Note 1) | | Full acceptance by the Qualifying Shareholders under the Rights Issue | | No acceptance by the Qualifying Shareholders under the Rights Issue (other than Ever Novel, Prime Century and Mr. Liu) (Note 1) | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| The Underwriter (i.e. Ever Novel) and persons acting in concert with it (Note 2) | 190,985,954 | 40.10 | 572,957,862 | 40.10 | 1,143,550,706 | 80.03 | 572,957,862 | 39.54 | 1,157,108,536 | 79.85 |
| Public | 285,296,422 | 59.90 | 855,889,266 | 59.90 | 285,296,422 | 19.97 | 876,226,011 | 60.46 | 292,075,337 | 20.15 |
| Total | 476,282,376 | 100.00 | 1,428,847,128 | 100.00 | 1,428,847,128 | 100.00 | 1,449,183,873 | 100.00 | 1,449,183,873 | 100.00 |

Notes:

- These scenarios are for illustration only and assuming the provisional allotments of the Rights Shares of all other Shareholders are taken up by the Underwriter. As at the date of this announcement, the Underwriter, Prime Century and Mr. Liu hold, in aggregate, 169,385,954 Shares. Pursuant to the Underwriting Agreement and the Liu Undertaking, the Underwriter, Prime Century and Mr. Liu have undertaken to take up, in aggregate, 338,771,908 Rights Shares provisionally allotted to them respectively.
- The Underwriter is 100% beneficially owned by a family trust, the beneficiaries of which are the family members of Mr. Liu. As at the date this announcement, (i) the Underwriter, together with Prime Century,

holds in aggregate 167,463,954 Shares, representing 35.16% of the existing issued share capital of the Company;(ii) Mr. Liu, being a member of the Concert Group, is directly holding 1,922,000 Shares, representing 0.40% of the existing issued share capital of the Company; and (iii) Grand Idea, being a member of the Concert Group, is directly holding 21,600,000 Shares, representing 4.54% of the existing issued share capital of the Company. The issued share capital of Grand Idea is 100% beneficially owned by a family trust set up by Ms. Xie Yuanbi for the benefits of her family members. Ms. Xie Yuanbi is the mother of Mr. Liu.

Pursuant to the Underwriting Agreement, in any event that the public float of the Company shall fall below the prescribed percentage applicable to the Company under the Listing Rules, the Underwriter has undertaken to place out sufficient Rights Shares that will be required to be underwritten by it under the Underwriting Agreement to independent third parties not connected or associated with the Directors, substantial Shareholders or chief executive of the Company and its subsidiaries, or any of their respective associates as soon as practicable after the Latest Time for Acceptance of and Payment for Rights Shares in order to restore the public float of the Company to not less than the prescribed percentage applicable to the Company under the Listing Rules. The Underwriter has undertaken to enter into placing agreement(s) before completion of the Underwriting Agreement to ensure that at least 25% of the Company's total issued share capital would be at all times be held by the public. It is expected that the public float requirements under Rule 8.08 of the Listing Rules will be fulfilled upon completion of the Rights Issue.

APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, (i) the Underwriter, together with Prime Century, holds in aggregate 167,463,954 Shares, representing 35.16% of the existing issued share capital of the Company; (ii) Mr. Liu holds 1,922,000 Shares, representing 0.40% of the existing issued share capital of the Company and (iii) Grand Idea, being a member of the Concert Group, is directly holding 21,600,000 Shares, representing 4.54% of the existing issued share capital of the Company. In the event that the Underwriter is called upon to subscribe for the Underwritten Shares in full pursuant to its obligations under the Underwriting Agreement, the interest of the Concert Group in the voting rights of the Company would increase from approximately 40.10% to approximately 80.03% immediately upon completion of the Rights Issue (assuming that no outstanding Share Options are exercised and no other Shares are allotted and issued on or before the Record Date) or from approximately 39.54% to approximately 79.85% immediately upon completion of the Rights Issue (assuming that all outstanding Share Options (other than the Director Share Options) are exercised in full but no other Shares are allotted and issued on or before the Record Date). Accordingly, the underwriting by the Underwriter of the Rights Issue will trigger an obligation for the Concert Group to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Concert Group.

The Concert Group has not acquired any voting rights of the Company and has not dealt in any securities of the Company in the six months prior to the date of this announcement.

The Underwriter will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders taken by poll at the EGM. (i) The Underwriter and persons acting in concert with it; (ii) the controlling Shareholders (i.e. the Underwriter, Prime Century, Mr. Liu and Grand Idea) and their respective associates; and (iii) those who are involved in, or interested in, the Underwriting Agreement and/or the Whitewash Waiver are required by the Takeovers Code to abstain from voting on the proposed resolution approving the Whitewash Waiver. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Underwriter and persons acting in concert with it, no Shareholders have material interest in the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution at the EGM.

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or if granted, is not approved by the Independent Shareholders, the Rights Issue will not proceed.

LISTING RULES IMPLICATIONS

The Underwriter, together with Prime Century, Mr. Liu and Grand Idea, is a controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. Therefore, the Underwriting Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, provided that Rule 7.21(2) of the Listing Rules has been complied with, the allotment and issue of the Underwritten Shares to the Underwriter pursuant to the Underwriting Agreement will be exempted from the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. As the Company has made arrangement to apply for the Rights Shares by the Qualifying Shareholders in excess of their entitlements under the Rights Issue as referred to in Rule 7.21(1) of the Listing Rules, Rule 7.21(2) of the Listing Rules has been complied with and the allotment and issue of the Underwritten Shares to the Underwriter pursuant to the Underwriting Agreement will be exempted from the reporting, announcement and Independent Shareholder's approval requirements under Chapter 14A of the Listing Rules.

In addition, the payment of the underwriting commission to the Underwriter constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the maximum underwriting commission to be received by the Underwriter pursuant to the

Underwriting Agreement is approximately HK\$4.52 million and the relevant percentage ratios (other than the profits ratio) as defined in the Listing Rules are less than 5% and the total underwriting commission payable is more than HK\$1,000,000, it is therefore subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules. Mr. Liu has not voted on the proposed resolution approving the payment of the underwriting commission at the Board meeting as Mr. Liu is a member of the Concert Group.

Pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional on, among other things, the approval by the Shareholders at the EGM at which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. Therefore, the Concert Group and the respective associates of its members shall abstain from voting in favour of the resolution in relation to the Rights Issue at the EGM.

EXPECTED TIMETABLE

2013

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| Despatch of the Circular to the Shareholders | Friday, 25 January |
| Latest time for lodging transfer of the Shares in order to be qualified for the attendance of the EGM | 4:30 p.m. on Wednesday, 6 February |
| Register of members closes to determine the right to attend the EGM (both dates inclusive) | Thursday, 7 February to Thursday, 14 February |
| Latest time for return of form of proxy for the EGM | 10:00 a.m. on Tuesday, 12 February |
| EGM | 10 a.m. on Thursday, 14 February |
| Announcement of the results of the EGM | Thursday, 14 February |
| Last day of dealings in the Shares on a cum-rights basis | Friday, 15 February |
| Commencement of dealings in the Shares on an ex-rights basis | Monday, 18 February |
| Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue | 4:30 p.m. on Tuesday, 19 February |

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| Register of members closes to determine entitlements under the Rights Issue (both dates inclusive) | Wednesday, 20 February to Friday, 22 February |
| Record Date | Friday, 22 February |
| Register of members re-opens | Monday, 25 February |
| Despatch of the Prospectus Documents | Monday, 25 February |
| First day of dealing in nil-paid Rights Shares | Wednesday, 27 February |
| Latest time for splitting nil-paid Rights Shares | 4:30 p.m. on Friday, 1 March |
| Last day of dealings in nil-paid Rights Shares | Wednesday, 6 March |
| Latest Time for Acceptance of and Payment for Rights Shares | 4:00 p.m. on Monday, 11 March |
| Latest Time for Termination | 4:00 p.m. on Wednesday, 13 March |
| Announcement of results of the Rights Issue | Monday, 18 March |
| Despatch of refund cheques for wholly and partially unsuccessful applications for excess Rights Shares | Tuesday, 19 March |
| Despatch of certificates for the fully paid Rights Shares | Tuesday, 19 March |
| Dealings in fully-paid Rights Shares expected to commence | Wednesday, 20 March |

All dates and times set out in the timetable above refer to Hong Kong time.

Dates or deadlines specified in this announcement are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be announced by the Company.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

Existing Shares will be dealt with on an ex-rights basis from Monday, 18 February 2013. The Rights Shares will be dealt with in their nil-paid form from Wednesday, 27 February 2013 to Wednesday, 6 March 2013 (both dates inclusive). If prior to 4:00 p.m.

on Wednesday, 13 March 2013 (or such later time or date as the Underwriter may agree with the Company), the Underwriter terminates the Underwriting Agreement (see the sub-section headed “Termination of the Underwriting Agreement” above) or the conditions of the Rights Issue (see the sub-section headed “Conditions of the Rights Issue” above) cannot be fulfilled, the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions to which the Rights Issue is subject are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Wednesday, 27 February 2013 to Wednesday, 6 March 2013, both days inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are recommended to consult with their own professional advisers if they are in any doubt.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Directors believe that the Rights Issue is in the best interest of the Group and the Shareholders as a whole and it would enable the Group to enlarge the capital base and strengthen the financial position of the Group. The Rights Issue would also enable the Qualifying Shareholders to maintain their respective pro rata shareholding interest in the Group and participate in the future growth of the Group by participating in the Rights Issue.

The estimated gross proceeds from the Rights Shares will be not less than approximately HK\$342.92 million before expenses and not more than approximately HK\$347.80 million before expenses.

The estimated expenses in relation to the Rights Issue, including financial, legal and other professional expenses, of approximately HK\$5.82 million to HK\$5.92 million will be borne by the Company.

The estimated net proceeds of the Rights Issue will be approximately HK\$337.10 million after the deduction of all estimated expenses (assuming no Shares have been allotted and issued before the Record Date pursuant to any exercise of the Share Options and that no Shares have been allotted and issued on or before the Record Date), or approximately HK\$341.89 million (assuming Shares have been allotted and issued before the Record Date pursuant to full exercise of the Share Options (other than the Director Share Options) but otherwise no Shares have been allotted and issued on or before the Record Date).

As set out in the interim report of the Company for the six months ended 30 June 2012, the Group had interest-bearing borrowings amounted to approximately RMB39.7 million (equivalent to approximately HK\$48.96 million). The said borrowings were used for the construction of A8 building of the Group, which is expected to complete in the first half of

2013. The Directors currently intend to apply the net proceeds from the Rights Issue of approximately HK\$85.8 million for settlement of the Group's loan payables to certain banks, which are independent third parties of the Company, approximately HK\$210 million for the continuing investments in the construction of A8 building and the remaining balance of approximately HK\$41.3 million as general working capital to facilitate the Group's development and business.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not effected any equity fund raising exercises in the 12 months immediately preceding the date of this announcement.

GENERAL

Pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue is subject to the approval by the Shareholders at the EGM at which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. Therefore, the Concert Group and the respective associates of its members shall abstain from voting in favour of the resolution in relation to the Rights Issue at the EGM.

The Whitewash Waiver is subject to the approval by the Independent Shareholders at the EGM in accordance with the requirements of the Takeovers Code. (i) The Underwriter and persons acting in concert with it; (ii) the controlling Shareholders (i.e. the Underwriter, Prime Century, Mr. Liu and Grand Idea) and their respective associates; and (iii) those who are involved in, or interested in, the Underwriting Agreement and/or the Whitewash Waiver are required by the Takeovers Code to abstain from voting on the proposed resolution approving the Whitewash Waiver. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Underwriter and persons acting in concert with it, no Shareholders have material interest in the Underwriting Agreement and/or the Whitewash Waiver which requires him/her/it to abstain from voting on the relevant resolution at the EGM.

An Independent Board Committee of the Company comprising all independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue and the Whitewash Waiver. Guangdong Securities has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the Whitewash Waiver. The appointment of Guangdong Securities has been approved by the Independent Board Committee.

The Circular containing, among other things, further details of the Rights Issue and the Whitewash Waiver, a letter of recommendations from the Independent Board Committee to the Independent Shareholders, a letter of advice from Guangdong Securities to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the Whitewash Waiver and a notice of the EGM, will be despatched by the Company to the Shareholders within 21 days of the date of this announcement.

Share Option Scheme

As at the date of this announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 9,574,356 Shares, among which the Share Options entitling the holders thereof to subscribe for an aggregate of 2,795,441 Shares were Director Share Options. Pursuant to the Director Undertakings, each of Mr. Liu and Mr. Lu Bin, both being executive Directors, has undertaken to the Company not to exercise their outstanding Share Options from the date of the Director Undertakings until the date on which trading of the Rights Shares (in their fully paid form) commences on the Stock Exchange. As a result, there are outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 6,778,915 Shares after taking into account the Director Undertakings.

Pursuant to the terms of the Share Option Scheme, adjustment to the outstanding share options may be made in the event of any alteration in the capital structure of the Company including by way of a rights issue. Further announcement on the details of such adjustment (if any) will be made as and when necessary.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

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| “acting in concert” | has the meaning ascribed thereto in the Takeovers Code |
| “associates” | has the same meaning as ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business |
| “BVI” | the British Virgin Islands |

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| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Circular” | the circular to be despatched to the Shareholders by the Company relating to, among other things, the Rights Issue and the Whitewash Waiver |
| “Committed Shares” | an aggregate of 338,771,908 Rights Shares comprising (i) the 334,927,908 Rights Shares the Underwriter irrevocably has undertaken to accept and/or procure the acceptance thereof as rights entitlement under the Rights Issue pursuant to the Underwriting Agreement (representing the Rights Shares to be provisionally allotted to the Underwriter and Prime Century); and (ii) the 3,844,000 Rights Shares which Mr. Liu has undertaken to accept pursuant to the Liu Undertaking (representing the Rights Shares to be provisionally allotted to Mr. Liu) |
| “Company” | A8 Digital Music Holdings Ltd., a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange |
| “Companies Ordinance” | Companies Ordinance (Chapter 32 of the Laws of Hong Kong) |
| “Concert Group” | the Underwriter and the parties acting in concert with it (including Mr. Liu, Prime Century and Grand Idea) |
| “controlling shareholder” | has the meaning ascribed thereto in the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Director Share Options” | the outstanding Share Options held by the Directors as at the date of the Director Undertakings |
| “Director Undertakings” | the Liu Undertaking and the Lu Undertaking |
| “EGM” | the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things (if any), the Rights Issue and the Whitewash Waiver |
| “Ever Novel” or “Underwriter” | Ever Novel Holdings Limited, a company incorporated in the BVI with limited liability whose issued share capital is 100% beneficially owned by a family trust set up by Mr. Liu for the benefit of his family members |
| “Executive” | the Executive Director of the Corporate Finance Division of Securities and Futures Commission of Hong Kong, or any delegate of the Executive Director |

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| “Excluded Shareholder(s)” | Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. The Excluded Shareholders (if any), for so long as they are Independent Shareholders, will be entitled to vote at the EGM |
| “Grand Idea” | Grand Idea Holdings Limited, a limited liability company incorporated in the BVI whose issued share capital is 100% beneficially owned by a family trust set up by Ms. Xie Yuanbi for the benefits of her family members. Ms. Xie Yuanbi is the mother of Mr. Liu |
| “Group” | the Company and its subsidiaries |
| “Guangdong Securities” or “Independent Financial Adviser” | Guangdong Securities Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | a committee of the Board (comprising Mr. Chan Yiu Kwong, Mr. Zeng Liqing and Ms. Wu Shihong, all being independent non-executive Directors) established to advise the Independent Shareholders on the Rights Issue and the Whitewash Waiver |
| “Independent Shareholders” | Shareholders other than (i) the Underwriter and persons acting in concert with it; (ii) the controlling Shareholders (i.e. the Underwriter, Prime Century, Mr. Liu and Grand Idea) and their respective associates; and (iii) those who are involved in, or interested in, the Underwriting Agreement and/or the Whitewash Waiver |
| “Last Trading Day” | Friday, 4 January 2013, being the full trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement |
| “Latest Time for Acceptance of and Payment for Rights Shares” | 4:00 p.m. on Monday, 11 March 2013 or such other time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares and if there is a “black” rainstorm warning |

or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day (i) at anytime before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance of and Payment for Rights Shares will be extended to 5:00 p.m. on the same Business Day; and (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance of and Payment for Rights Shares will be extended to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. noon and 4:00 p.m.

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| “Latest Time for Termination” | 4:00 p.m. on the second Business Day immediately after the Latest Time for Acceptance of and Payment for Rights Shares, or such later time as may be agreed between the Company and the Underwriter. |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Liu Undertaking” | the irrevocable undertaking dated 4 January 2013 and executed by Mr. Liu in accordance with the Underwriting Agreement, among other matters, (i) not to exercise any of the subscription rights attaching to the Share Options granted to him to subscribe for 455,441 new Shares from the date of the irrevocable undertaking until the date on which trading of the Rights Shares (in their fully paid form) commences on the Stock Exchange; and (ii) to accept and pay for all 3,844,000 Rights Shares to be provisionally allotted to him on the Record Date |
| “Lu Undertaking” | the irrevocable undertaking dated 4 January 2013 and executed by Mr. Lu Bin, an executive Director, in accordance with the Underwriting Agreement, among other matters, not to exercise any of the subscription rights attaching to the Share Options granted to him to subscribe for 2,340,000 new Shares from the date of the irrevocable undertaking until the date on which trading of the Rights Shares (in their fully paid form) commences on the Stock Exchange |
| “Mr. Liu” | Mr. Liu Xiaosong, the Chairman of the Company and an executive Director |
| “Overseas Shareholder(s)” | Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong |
| “PRC” | the People’s Republic of China |
| “Prime Century” | Prime Century Technology Limited, a company incorporated in the BVI with Limited liability and owned as to 80.20% by Ever |

Novel. The remaining 19.80% of interest is held by Ms. Wang Gang. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ms. Wang Gang does not hold any Share as at the date of this announcement

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| “Profit Warning” | the announcement of the Company dated 24 December 2012 relating to the anticipated loss of the Group for the year ended 31 December 2012 |
| “Prospectus” | the prospectus relating to the Rights Issue to be despatched to the Shareholders |
| “Prospectus Documents” | the Prospectus, the provisional allotment letter(s) and the form(s) of application for excess Rights Shares |
| “Prospectus Posting Date” | Monday, 25 February 2013 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents |
| “Qualifying Shareholder(s)” | Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than those Excluded Shareholders |
| “Record Date” | Friday, 22 February 2013, the record date to determine entitlements to the Rights Issue, or such other date as may be agreed between the Underwriter and the Company |
| “Rights Issue” | the proposed issue by way of rights of two Rights Shares for every existing Share in issue on the Record Date at a price of HK\$0.36 per Rights Share |
| “Rights Share(s)” | new Share(s) to be allotted and issued in respect of the Rights Issue (being not less than 952,564,752 and not more than 966,122,582 new Shares) |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Share Options” | the outstanding options to subscribe for 9,574,356 new Shares granted to the Directors and employees of the Group pursuant to the Share Option Scheme |
| “Share Option Scheme” | the share option scheme (other than the Pre-IPO share option scheme of the Company) adopted by the Company on 26 May 2008 |
| “Shareholder(s)” | holder(s) of the Shares |

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| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | the issue price of HK\$0.36 per Rights Share at which the Rights Shares are proposed to be offer for subscription |
| “Takeovers Code” | the Code on Takeovers and Mergers of Hong Kong |
| “Underwriting Agreement” | the underwriting agreement entered into between the Company and Ever Novel dated 4 January 2013 in relation to the Rights Issue |
| “Underwritten Shares” | the Rights Shares other than the Committed Shares (being not less than 613,792,844 Rights Shares (assuming no Shares have been allotted and issued before the Record Date pursuant to any exercise of the outstanding Share Options and that no Shares have been allotted and issued on or before the Record Date) and not more than 627,350,674 Rights Shares (assuming Shares have been allotted and issued before the Record Date pursuant to the full exercise of the outstanding Share Options (other than the Director Share Options) but otherwise no Shares have been allotted and issued on or before the Record Date) |
| “Whitewash Waiver” | a waiver to be granted by the Executive pursuant to Note 1 of the Notes on the dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Underwriter and parties acting in concert with it to make a mandatory general offer for all securities of the Company not already owned by the Concert Group which would otherwise arise as a result of the Underwriter subscribing for the Underwritten Shares |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

By order of the Board

A8 Digital Music Holdings Limited

Liu Xiaosong

Chairman and Executive Director

Hong Kong, 6 January 2013

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

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

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Ever Novel) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by Ever Novel) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement (other than those relating to Ever Novel) in this announcement misleading.

The directors of Ever Novel jointly and severally accept full responsibility for the accuracy of the information relating to Ever Novel contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement by Ever Novel have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement relating to Ever Novel in this announcement misleading.