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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)

CONTINUING CONNECTED TRANSACTION COOPERATION FRAMEWORK AGREEMENT

COOPERATION FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 4 November 2011 relating to the continuing connected transaction of the Subcontract Agreement between Huadong Feitian (indirectly controlled subsidiary of the Company) and Beijing Caiyun. As at the date of this announcement, the Board on a prudent basis estimated that the transaction under the Subcontract Agreement will be completed by the end of 2013, and the highest annual cap for the Subcontract Agreement shall be revised to RMB1,000,000 for the year of 2013 and nil for 2014.

Further to the above-mentioned Subcontract Agreement, the Board is pleased to announce that on 8 June 2013, the Company, through Huadong, Feitian entered into a Cooperation Framework Agreement with Beijing Caiyun to promote the business development. Pursuant to the Cooperation Framework Agreement, the Company will provide promotion services of various products and payment and billing services for Beijing Caiyun, and Beijing Caiyun will provide promotion services for the ringtone services of the Company. The revenues generated from the above-mentioned services will be shared between the Company and Beijing Caiyun according to the revenues sharing formula as set out in the Cooperation Framework Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Given that (1) Mr. Liu is the executive Director and a Substantial Shareholder and thus a Connected Person; (2) Beijing Caiyun is directly owned as to 44.74% by Mr. Liu and thus an Associate of Mr. Liu and a Connected Person pursuant to Rule 14A.11(4) of the Listing Rules, the transactions conducted under the Cooperation Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Assuming the transactions conducted under the Subcontract Agreement and the Cooperation Framework Agreement are to be aggregated pursuant to Rule 14A.25 for calculation, for (A) the aggregate sum of (i) the annual cap of RMB1,000,000 with respect to the Subcontract Agreement for the year ended 31 December 2013 and (ii) the pro rata annual cap of approximately RMB3,700,000 with respect to the Cooperation Framework Agreement for the term commencing 8 June 2013 and ending on 31 December 2013, and (B) the aggregate sum

of (i) the annual cap of RMB0 with respect to the Subcontract Agreement for the period from 1 January 2014 to 30 April 2014 and (ii) the pro rata annual cap of approximately RMB3,700,000 with respect to the Cooperation Framework Agreement for the balance of the term commencing 1 January 2014 and ending on 7 June 2014, the highest applicable percentage ratio (other than the profits ratio) as specified under the Listing Rules is expected to be higher than 0.1% but less than 5% on an annual basis. Pursuant to Chapter 14A of the Listing Rules, the Cooperation Framework Agreement is only subject to the reporting and announcement requirements but exempted from independent shareholders' approval. The Cooperation Framework Agreement also shall be subject to the relevant annual review requirements, and details of the Cooperation Framework Agreement shall be included in the annual report and accounts of the Company.

In view of his interest in Beijing Caiyun, Mr. Liu has abstained from voting on the Board resolution approving the Cooperation Framework Agreement.

BACKGROUND INFORMATION

Reference is made to the announcement of the Company dated 4 November 2011 relating to the continuing connected transaction of the Subcontract Agreement between Huadong Feitian and Beijing Caiyun. As at the date of this announcement, the Board on a prudent basis estimated that the transaction under the Subcontract Agreement will be completed by the end of 2013, and the highest annual cap for the Subcontract Agreement shall be revised to RMB1,000,000 for the year of 2013 and nil for 2014.

Further to the above-mentioned Subcontract Agreement, on 8 June 2013 the Company through Huadong Feitian entered into the Cooperation Framework Agreement with Beijing Caiyun to promote the business development. Pursuant to the Cooperation Framework Agreement, the Company will provide promotion services of various products and payment and billing services for Beijing Caiyun, and Beijing Caiyun will provide promotion services for the ringtone services of the Company. The revenue generated from the above-mentioned services will be shared between the Company and Beijing Caiyun according to the revenues sharing formula as set out in the Cooperation Framework Agreement.

THE COOPERATION FRAMEWORK AGREEMENT

The principal terms of the Cooperation Framework Agreement are as follows:

Date:

8 June 2013

Parties:

- 1) Huadong Feitian; and
- 2) Beijing Caiyun

Duration:

For a term of one year from the date of the Cooperation Framework Agreement.

Major terms:

Pursuant to the Cooperation Framework Agreement:-

(i) the Company agreed to provide promotion services of various products for Beijing Caiyun;

The Company will make use of its own advantages in channel resources and network connections to promote in all PRC provinces the various packaged products of Beijing Caiyun and other telecommunication operators including but not limited to: ① the flow package services operated jointly by Beijing Caiyun and China Unicom; ② the customized ringtone services provided by Beijing Caiyun on the telecommunication platforms operated by China Telecom and China Mobile. The revenues generated from customers' subscription and purchase of the abovementioned products will be shared between the Company and Beijing Caiyun in the ratio of 3:7 based on the clearing revenue figures received by Beijing Caiyun from the telecommunication operators after deduction of relevant taxes and costs and expenses in relation to promotion and marketing.

(ii) the Company agreed to provide payment and billing services for Beijing Caiyun;

The Company will provide payment and billing services to Beijing Caiyun by making use of its own billing codes obtained from telecommunication operators, which services will include without limitation to the provision of payment and billing channels and planning of payment and billing schemes. The revenues generated therefrom will be shared between the Company and Beijing Caiyun in the ratio of 2:8 based on the clearing revenue figures received by the Company from the telecommunication operators after deduction of relevant taxes and costs.

(iii) Beijing Caiyun agreed to provide promotion services for the ringtone services of the Company ;

Beijing Caiyun will make use of the increasing market share of Duomi clients to promote the customized ringtone subscription services of the Company through the telecommunication platform operated by China Telecom and China Mobile. The revenues generated from the customers' subscription and purchase of the abovementioned products will be shared between the Company and Beijing Caiyun in the ratio of 4:6 based on the clearing revenue figures received by the Company from the telecommunication operators after deduction of the relevant taxes.

The Company or its subsidiaries (including Huadong Feitian) and Beijing Caiyun will enter into separate agreements from time to time to set out detailed terms in relation to provision of the above services, including but not limited to the pricing basis and annual transaction amounts, in accordance with all the terms and conditions of the Cooperation Framework Agreement.

PRICING BASIS OF THE CONTINUING CONNECTED TRANSACTION

The prices for the services under the Cooperation Framework Agreement will be determined on the following basis:

- (i) the prevailing fair market prices set by industry participants for similar transactions; or
- (ii) the historical prices of similar transactions entered into between the Company and independent third parties.

The payment clearance will make reference to the payment terms and practice of similar transactions among industry participants during the transaction period.

ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTION

The following table sets out the proposed annual caps of the transactions contemplated under the Subcontract Agreement and the Cooperation Framework Agreement from 8 June 2013 to 7 June 2014.

	Annual Cap from 8 Jun2013 to 31 Dec 2013 (RMB'000)	Annual Cap from 1Jan 2014 to 7 June 2014 (RMB'000)
Transactions under the Subcontract Agreement	1,000 ^{Note 1}	0
Promotion services of various products provided by the Company for Beijing Caiyun	900	900
Products payment and billing services provided by the Company for Beijing Caiyun	2,400	2,400
Promotion services of ringing tone services provided by Beijing Caiyun for the Company	400	400
TOTAL:	4,700	3,700

Note 1: According to the announcement of the Company dated 4 November 2011, the highest annual caps for the continuing connected transactions conducted under the Subcontract Agreement were RMB3,138,916 and RMB1,251,390 respectively for the financial years ended 31 December 2013 and 31 December 2014 (expiring on 30 April 2014). As at the date of this announcement, the Company on a prudent basis estimated that the transaction under the Subcontract Agreement will be completed by the end of 2013, and the highest annual cap for the Subcontract Agreement shall be revised to RMB1,000,000 for the year of 2013 and nil for 2014.

The above-mentioned annual caps for the Cooperation Framework Agreement were determined based on: (i) the judgment of development trend of the industry; (ii) the historical growth rates of related products in the past; and (iii) the reasonable assessment of the market scale of related services.

REASONS FOR AND BENEFITS OF THE COOPERATION FRAMEWORK AGREEMENT

The Group focuses on the provision of professional music solutions for mobile internet channel in order to broaden the sources of revenue and increase the market shares. Beijing Caiyun has been a cooperation partner of the Group in the mobile internet industry in the past. As a service provider engaging in the business of content and channel promotion with a solid track record, the Group is able to make profits by providing services to Beijing Caiyun through a combination and integration of various billing systems and schemes. On the other hand, the Group will be able to build up its own brand and reputation through providing services to Beijing Caiyun as a result of the expanding market share of Beijing Caiyun. The Board believes that the Group will not only be able to broaden the sources of revenue from providing services to Beijing Caiyun under the Cooperation Framework Agreement, but will also be able to promote and introduce the Group's products to the field and users of mobile internet.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Cooperation Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, have been arrived at

after arm's length negotiations, are on normal commercial terms, are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

Save for Mr. Liu, none of the Directors had any material interest in the entering into of the Cooperation Framework Agreement; and therefore no Director (except Mr. Liu) is required to abstain from voting on the board resolutions to approve and ratify the Cooperation Framework Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Given that (1) Mr. Liu is the executive Director and a Substantial Shareholder and thus a Connected Person; (2) Beijing Caiyun is directly owned as to 44.74% by Mr. Liu and thus an Associate of Mr. Liu and a Connected Person pursuant to Rule 14A.11(4) of the Listing Rules, the transactions conducted under the Cooperation Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Assuming the transactions conducted under the Subcontract Agreement and the Cooperation Framework Agreement are to be aggregated pursuant to Rule 14A.25 for calculation, for (A) the aggregate sum of (i) the annual cap of RMB1,000,000 with respect to the Subcontract Agreement for the year ended 31 December 2013 and (ii) the pro rata annual cap of approximately RMB3,700,000 with respect to the Cooperation Framework Agreement for the term commencing 8 June 2013 and ending on 31 December 2013, and (B) the aggregate sum of (i) the annual cap of RMB0 with respect to the Subcontract Agreement for the period from 1 January 2014 to 30 April 2014 and (ii) the pro rata annual cap of approximately RMB3,700,000 with respect to the Cooperation Framework Agreement for the balance of the term commencing 1 January 2014 and ending on 7 June 2014, the highest applicable percentage ratio (other than the profits ratio) as specified under the Listing Rules is expected to be higher than 0.1% but less than 5% on an annual basis. Pursuant to Chapter 14A of the Listing Rules, the Cooperation Framework Agreement is only subject to the reporting and announcement requirements but exempted from independent shareholders' approval. The Cooperation Framework Agreement also shall be subject to the relevant annual review requirements, and details of the Cooperation Framework Agreement will be included in the annual report and accounts of the Company.

In view of his interest in Beijing Caiyun, Mr. Liu has abstained from voting on the Board resolution approving the Cooperation Framework Agreement.

INFORMATION ON THE PARTIES

The Company principally engages in the business of digital music. It sources its music content from its own interactive platform, www.a8.com, as well as from other international and domestic record labels, and sells the music content to mobile phone subscribers in the PRC.

Huadong Feitian, a limited liability company incorporated under the laws of the PRC and a subsidiary of the Company which is indirectly controlled by the Company through contractual arrangements, is principally engaged in the business of, among others, the technological development of computer hardware and software and information networking systems, advertising businesses and telecommunications value-added services.

Beijing Caiyun is a limited liability company incorporated under the laws of the PRC and is directly owned as to 44.74% by Mr. Liu. Beijing Caiyun is indirectly controlled by Duomi Music through contractual arrangements and is principally engaging in the business of products research particularly in the area relating to music product in the mobile internet sector.

Duomi Music is owned as to 30.13% by Mr. Liu and 42.73% by the Company (assuming no option under the existing ESOP has been exercised) and Duomi Music is an Associate of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Associate”	has the meaning ascribed to the term under the Listing Rules
“Beijing Caiyun”	Beijing Caiyun Online Technologies Co. Ltd. (北京彩雲在線技術開發有限公司), a limited liability company incorporated under the laws of the PRC and directly owned as to 44.74% by Mr. Liu
“Board”	the board of the Directors
“Company”	A8 Digital Music Holdings Limited (A8 電媒音樂控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 800)
“Huadong Feitian”	Huadong Feitian Network Development Co., Ltd. (深圳市華動飛天網絡技術開發有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of the Company which is indirectly controlled by the Company through contractual arrangements
“Connected Person”	has the meaning ascribed to the term under the Listing Rules
“Cooperation Framework Agreement”	the cooperation framework agreement dated 8 June 2013 entered into between Huadong Feitian and Beijing Caiyun in relation to the continuing connected transactions of the Company with effective period from 8 June 2013 to 7 June 2014
“Director(s)”	the director(s) of the Company
“Duomi Music”	Duomi Music Holding (Cayman) Company Limited (多米音樂控股(開曼)有限公司), a company incorporated in the Cayman Islands on 7 June 2011
“Group”	the Company and its subsidiaries, including Huadong Feitian
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Xiaosong, the executive Director and a Substantial Shareholder of the Company
“Nokia Project Agreement”	the project agreement and other ancillary agreements dated 30 April 2011 entered into between Huadong Feitian and Nokia Alliance Internet Services Company Limited (a company incorporated under the laws of the PRC) in relation to the development of certain music related application software and the cooperation on the operation of the Comes With Music (Yue Sui Xiang) service
“Percentage Ratio”	has the meaning ascribed to the term under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, and, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontract Agreement”	the subcontract agreement dated 30 April 2011 entered into between Huadong Feitian and Beijing Caiyun in relation to the subcontracting of certain work to be performed by Huadong Feitian under the Nokia Project Agreements to Beijing Caiyun
“Substantial Shareholder”	has the meaning ascribed to the term under the Listing Rules
“%”	percent

In this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of RMB0.790 = HK\$1 for the purpose of illustration.

By Order of the Board
A8 Digital Music Holdings Limited
Liu Xiaosong
Chairman and Executive Director

Hong Kong, 8 June 2013

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

*(1) Executive Directors namely Mr. Liu Xiaosong and Mr. Lu Bin; and
(2) Independent Non-Executive Directors namely Mr. Chan Yiu Kwong, Ms. Wu Shihong and Mr. Song Ke.*