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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
SUBJECT TO RULE 14A.41 REQUIREMENTS**

On 30 April 2011, Huadong Feitian entered into the Subcontract Agreement with Beijing Caiyun, pursuant to which Beijing Caiyun agreed to undertake certain work to be performed by Huadong Feitian under the Nokia Project Agreements; and Huadong Feitian agreed to pay Beijing Caiyun the agreed share of the Development Price and the agreed share of net profits to be derived from the Comes With Music (Yue Sui Xiang) service.

Reference is made to the announcement of the Company dated 19 September 2011 relating to the entering into of the Duomi Music Share Subscription Agreement. Upon completion of the domestic restructuring of Beijing Caiyun, Beijing Caiyun would be directly owned as to 44.74% by Mr. Liu, who is the executive Director, a Substantial Shareholder and thus a Connected Person.

The Board has recently been informed by Mr. Liu that the domestic restructuring of Beijing Caiyun was completed on 25 October 2011. As a result, Beijing Caiyun has become the Associate of Mr. Liu and thus a Connected Person pursuant to Rule 14A.11(4) of the Listing Rules from 25 October 2011.

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 Subcontract Agreement begun to constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules from 25 October 2011. The highest applicable percentage ratio (other than the profits ratio) as specified under the Listing Rules in respect of the Subcontract Agreement is expected to be higher than 0.1% but less than 5% on an annual basis.

Upon becoming aware of the change of status of Beijing Caiyun, the Company has taken immediate steps to comply with the applicable reporting and disclosure requirements under Rule 14A.41 of the Listing Rules, pursuant to which the Subcontract Agreement shall be subject to the relevant reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the relevant annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules. The Company will also comply in full with all applicable requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Subcontract Agreement.

BACKGROUND INFORMATION

On 30 April 2011, Huadong Feitian, an indirectly controlled subsidiary of the Company, entered into the Nokia Project Agreements with Nokia Alliance, an Independent Third Party. Pursuant to the Nokia Project Agreements, Huadong Feitian agreed to develop certain music related application software and cooperate on the operation of the Comes With Music (Yue Sui Xiang) service; and Nokia Alliance agreed to pay Huadong Feitian the Development Price while the revenue to be derived from the cooperation on the operation of Comes With Music (Yue Sui Xiang) service will be split between Nokia Alliance and Huadong Feitian according to the agreed revenue sharing model.

Upon the signing of the Nokia Project Agreements, on 30 April 2011, Huadong Feitian entered into the Subcontract Agreement with Beijing Caiyun, pursuant to which Beijing Caiyun agreed to undertake certain work to be performed by Huadong Feitian under the Nokia Project Agreements; and Huadong Feitian agreed to pay Beijing Caiyun the agreed share of the Development Price and the agreed share of revenue to be derived from the Comes With Music (Yue Sui Xiang) service.

Prior to 25 October 2011, Beijing Caiyun was an Independent Third Party; and therefore the entering into of the Subcontract Agreement was not subject to any reporting and announcement requirements under the Listing Rules.

Reference is made to the announcement of the Company dated 19 September 2011 relating to the entering into of the Duomi Music Share Subscription Agreement. Upon completion of the domestic restructuring of Beijing Caiyun, Beijing Caiyun would be directly owned as to 44.74% by Mr. Liu, who is the executive Director, a Substantial Shareholder and thus a Connected Person.

The Board has recently been informed by Mr. Liu that the domestic restructuring of Beijing Caiyun was completed on 25 October 2011. As a result, Beijing Caiyun has become an Associate of Mr. Liu and thus a Connected Person pursuant to Rule 14A.11(4) of the Listing Rules.

THE NOKIA PROJECT AGREEMENTS

The principal terms of the Nokia Project Agreements are as follows:

Date:

30 April 2011

Parties:

Nokia Alliance as purchaser
Huadong Feitian as supplier

Subject Matter:

Development of certain music related application software and cooperation on the operation of the Comes With Music (Yue Sui Xiang) service.

Consideration payable to Huadong Feitian:

- a. For the development of certain music related application software, an aggregate sum of RMB 6,500,000 (equivalent to approximately HK\$7,975,460), which shall be paid in six installments from May 2011 to April 2012;

- b. For the cooperation on the operation of the Comes With Music (Yue Sui Xiang) service, the revenue to be derived from the operation of the Comes With Music (Yue Sui Xiang) service will be split between Nokia Alliance and Huadong Feitian according to the agreed revenue sharing model.

Duration:

It is expected that under the Nokia Project Agreements, the work relating to the software development will be completed in or around April 2012 and the work relating to the cooperation on the operation of the Comes With Music (Yue Sui Xiang) service will be terminated on or around 30 April 2014.

THE SUBCONTRACT AGREEMENT

The principal terms of the Subcontract Agreement are as follows:

Date:

30 April 2011

Parties:

Huadong Feitian as contractor

Beijing Caiyun as subcontractor

Subject Matter:

Subcontracting of certain development and operation work to be performed by Huadong Feitian under the Nokia Project Agreements to Beijing Caiyun, including but not limited to the provision of work space, hardware devices, appropriate technical support, post technical operation and maintenance, music library management, back support, etc.

Consideration payable to Beijing Caiyun:

- a. For the software development , 60% of the Development Price upon deducing certain costs to be incurred from the provision of human resources and hardware devices.
- b. For the operation of the Comes With Music (Yue Sui Xiang) service:
 - (a) 70% of the full track revenue in the first year upon the signing of the Subcontract Agreement and to be adjusted from the second year onward; and
 - (b) 20% of the ringtone revenue.

Duration:

It is expected that the duration of the Subcontract Agreement shall be basically the same as the term of the Nokia Project Agreements, under which the work relating to the software development will be completed around in or April 2012 and the work relating to the cooperation on the operation of the Comes With Music (Yue Sui Xiang) service will be terminated on or around 30 April 2014.

ANNUAL CAP

The maximum aggregate annual value, i.e. the annual cap, for the Subcontract Agreement for each of the financial years ending 31 December 2011 (commencing from 25 October 2011), 31 December 2012, 31 December 2013 and 31 December 2014 (expiring on 30 April 2014) are RMB1,293,415 (approximately HK\$1,587,013), RMB4,199,764 (approximately HK\$5,153,085), RMB3,138,916 (approximately HK\$3,851,431) and RMB1,251,390 (approximately HK\$1,535,448) respectively, which are determined by reference to the agreed

share of the Development Price to which Beijing Caiyun shall be entitled and the estimated amount of revenue arising from the operation of the Comes With Music (Yue Sui Xiang) service in each of the financial years from 2011 to 2014.

REASONS FOR AND BENEFITS OF THE SUBCONTRACT AGREEMENT

The entering into of the Subcontract Agreement for the subcontracting of certain work to be performed by Huadong Feitian under the Nokia Project Agreements to Beijing Caiyun provides the Group with a good opportunity to capitalize on the resources and expertise of Beijing Caiyun in effectively fulfilling its obligations under the Nokia Project Agreements. The Directors (including the independent non-executive Directors) are of the view that the terms of the Subcontract 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 Subcontract Agreement; and therefore no Director (except Mr. Liu) is required to abstain from voting on the board resolutions to approve and ratify the Subcontract 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 Subcontract Agreement begun to constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules from 25 October 2011 on which date the domestic restructuring of Beijing Caiyun was completed. The highest applicable percentage ratio (other than the profits ratio) as specified under the Listing Rules in respect of the Subcontract Agreement is expected to be higher than 0.1% but less than 5% on an annual basis.

Upon becoming aware of the change of status of Beijing Caiyun, the Company has taken immediate steps to comply with the applicable reporting and disclosure requirements under Rule 14A.41 of the Listing Rules, pursuant to which the Subcontract Agreement shall be subject to the relevant reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the relevant annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules. The Company will also comply in full with all applicable requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Subcontract 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. Upon completion of Duomi Music Share Subscription Agreement, it will be indirectly controlled by Duomi Music through contractual arrangements. Beijing Caiyun is principally engaged in the business of products research relating particularly to the music product in the mobile internet sector.

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
“Connected Person”	has the meaning ascribed to the term under the Listing Rules
“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)
“Development Price”	an aggregate sum of RMB6,500,000 (equivalent to approximately HK\$7,975,460) payable by Nokia Alliance to Huadong Feitian in six installments from May 2011 to April 2012 in accordance with the terms set out in the Nokia Project Agreements
“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
“Duomi Music Share Subscription Agreement”	the subscription agreement entered into by Duomi Music on 19 September 2011 with, inter alios, Phoenix Success Limited in relation to subscription of the shares of Duomi Music
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“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 in the PRC and an indirectly controlled subsidiary of the Company
“Independent Third Party”	person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Company and its Connected Persons
“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 Alliance”	Nokia Alliance Internet Services Company Limited, a company duly incorporated under the laws of the PRC
“Nokia Project Agreements”	the project agreement and other ancillary agreements dated 30 April 2011 entered into between Huadong Feitian and Nokia Alliance 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
“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 RMB0.815 = 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, 4 November 2011

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

- (1) Executive Directors Mr. Liu Xiaosong and Mr. Lu Bin;*
- (2) Non-Executive Director namely Mr. Li Wei; and*
- (3) Independent Non-Executive Directors namely Mr. Chan Yiu Kwong, Mr. Zeng Liqing and Mr. Hui, Harry Chi.*