SUMMARY

OVERVIEW

The Group is an integrated digital music company. It sources its music content from its own interactive Internet UGC platform, www.a8.com, as well as from other international and domestic record labels. The Group promotes such music content through the wireless network of mobile operators and on the Internet. It sells the music content in form of ringtones, RBTs and IVR Music to mobile phone subscribers in the PRC.

The music content distributed by the Group can be put into two broad categories namely, the original independently produced music content and other music content. The original independently produced music content is uploaded by artists to the Group's own interactive Internet UGC platform, www.a8.com, while other music content is licensed from international and domestic record labels. The Group distributes its services through the wireless network of mobile operators such as China Mobile Group and China Unicom Group. In addition, the Group sells non-music content which include games, wall-papers, entertainment news and jokes.

The Group's major customers are China Mobile Group and China Unicom Group. The Group commenced its business cooperation with China Mobile Group since the Group's establishment in 2000 and with China Unicom Group in 2001. For the year ended 31 December 2007, the Group derived approximately 86.3% of its revenue from its collaboration with China Mobile Group and 13.4% of its revenue from its collaboration with China Unicom Group. If either China Mobile Group and/or China Unicom Group were to terminate its cooperation with the Group, it would be impossible for the Group to find another appropriate mobile operator of a similar scale as a replacement. Any major alteration to the Group's current cooperation mode with China Mobile Group and China Unicom Group, or even loss of its business relationship with either of these major mobile operators may materially adversely affect the operations and financial performance of the Group.

– Terms of agreements

Renewal of agreements entered into between the Group and the major mobile operators is not guaranteed and new agreements may not be agreed upon in the future. Failure to have such agreements renewed or for new agreements to be entered into may result in an adverse effect on the business and operations of the Group.

– **Operations**

Failure to obtain or delay in obtaining approvals with respect to each service offered to the mobile phone subscribers and the pricing for such service from the major mobile operators could place the Group at a disadvantageous position in the market and adversely affect the Group's revenue and profitability. Besides, the Group relies on China Mobile Group and China Unicom Group to maintain accurate records of the fees paid for the Group's services by mobile phone subscribers. The business and results of operations of the Group could be adversely affected if any mobile operators miscalculate the revenue generated by the services provided by the Group.

– **Compliance with policies**

Any future enforcement against the Group by the mobile operators of their customer service policies or guidelines in the event that the Group's operation has deviated from such policies or guidelines could result in the incurrence of additional charges by the Group or even prohibition from offering certain existing services or new services by the Group. This could in turn materially and adversely impact the business operations of the Group and profitability of the Group.

– **Provision of own wireless value-added services as service providers**

Given the dominant market positions of China Mobile Group and China Unicom Group, the business of the Group may be adversely affected if either China Mobile Group or China Unicom Group or both were to decide to provide their own wireless value-added services as a service provider, or if they were to provide their own mobile music services to their mobile phone subscribers as a service provider, this will lead to competition with the Group.

During the Track Record Period, the Group experienced occasional differences in revenue calculation with China Mobile Group and China Unicom Group. When major differences in such revenue calculation are encountered, the Group would request checking of the data record of the operator against the internal records kept by the Group. The Directors consider that such requests for checking of internal records for revenue calculation have not been frequent and do not relate to a substantial amount of the Group's transactions with either China Mobile Group or China Unicom Group.

The Group started-up as a provider of general wireless value-added services in 2000. It produced and delivered mobile entertainment services including music, wall-papers, games, jokes and entertainment news through SMS, MMS and WAP to the mobile phone subscribers in the PRC. Mr. Liu Xiaosong, an executive Director and the chairman and chief executive officer of the Company, foresaw the growth opportunity in the PRC digital music industry, and noticed the decreasing revenue of the traditional record labels in the PRC due to piracy. The management of the Group then gradually shifted the Group's primary focus to the provision of services which were mobile-music-related services. In line with such business strategy, the Group has committed itself to become the leading "E-label" in the PRC to promote digital music in the PRC.

The Directors consider that the Group's reliance on the mobile operators can generally be categorized into three different aspects, namely (1) customer data; (2) settlement platform; and (3) service transmission network. In order to reduce reliance on the mobile operators, the Group has adopted the following strategies:

As regards the provision of ringtone services, the Group will allow users to acquire the services through its UGC platform to their personal computer and then transmit them to their mobile phones. In addition, the Group will further strengthen its collaboration with mobile manufacturers to implement its own software like A8Box, which could gather the information for analysis purpose from the mobile phone subscribers, to deliver the Group's services directly to the mobile phone subscribers and to settle the services fees through third parties.

The Directors believe that, with the introduction of more advanced technology in the settlement and delivery channels and the launch of 3G technology, the Group can reduce its reliance on China Mobile Group and China Unicom Group in the following aspects:

1. The Directors anticipate that the PRC Government is planning to issue licences to mobile operators other than China Mobile Group and China Unicom Group and the Group will enter into business cooperation with such new mobile operators, thereby reducing the Group's reliance on the two current mobile operators. The Group is planning to expand its current business cooperation with other mobile operators such as China Telecom Group and China Netcom Group.

2. The Group is trying to expand its settlement channels to prepaid cards which is a channel currently used by other service providers. The Group can launch its own prepaid card and mobile phone subscribers could purchase the prepaid card at designated locations. Subscribers could then subscribe the relevant services by entering the relevant password or verification numbers to purchase songs from A8Box or WAP.

3. The Group is exploring the technical possibility of expanding its delivery channels, including but not limited to free WAP and handset preset, to deliver its services to the mobile phone subscribers. By utilizing the free WAP product/portal, the mobile phone subscribers can access and download services from the Group's WAP portal. The mobile phone subscribers do not need to access the portal of the mobile operator for selection of the Group's music services. The mobile phone subscribers could directly select their favorite music service from the Group's WAP portal which also allows the Group to gather and analyze the customer preference. Moreover, the Group may directly charge for the services rendered from mobile phone through prepaid card or electronic currency, so that the Group could further reduce its reliance on the mobile operators in terms of the settlement platform.

The operations of the Group's business requires certain specific licences and permits. Huadong Feitian, one of the structured subsidiaries, is required to obtain approval for its Internet publishing business in accordance with the requirements under the Provisional Regulations for the Administration of Internet Publishing (《互聯網出版管理暫行規定》), approval for its Internet electronic bulletin business in accordance with the requirements under the Regulations for the Administration of Internet Electronic Notice Services (《互聯網電子公告服務管理規定》) and approval for its streaming and downloading services in accordance with the requirement under the Internet Visual/Audio regulations. Huadong Feitian has applied and obtained approval from the Administration of Press and Publication of Guangdong Province in December 2007 and is in the process of applying for the licence from the General Administration of Press and Publication of the PRC for the approval of its Internet publishing business. However, such approval has not yet been granted by the relevant authority. Therefore, the Group ceased its electronic bulletin services in April 2008 and will not engage any third party agent to provide such services. The Group also ceased all streaming and downloading functions of its UGC platform in April 2008 and adopted the following changes to comply with the relevant laws and regulations:

- on the Group's UGC platform, there are links to third party websites, which possess the necessary licences and/or approvals for streaming and downloading, and such streaming and downloading is provided free of charge so that users of the Group's UGC platform are able to access the Group's original independently produced music content from the third party websites through streaming and downloading.

The SARFT and the MII jointly held a press conference in relation to the Provisions on Administration of Internet Visual/Audio Programming Services (《互聯網視聽節目服務管理規定》) on 3 February 2008 responding that for Internet visual/audio programs provider who has operated legally prior to the promulgation of such provisions and has no record of illegal activities is able to re-register and continue to operate such services. At the Latest Practicable Date, supplemental rules in relation to the specific procedures of such re-registration have not been issued by either the SARFT or the MII. It is the Group's intention to re-register once the supplementing rules are available.

As advised by the Company's legal advisers as to PRC laws, in the event that Huadong Feitian is found to have contravened the Provisional Regulations for the Administration of Internet Publishing 《互聯網出版管理暫行規定》, the relevant Internet publishing business may be suspended, the major equipment in connection with such business be seized and Huadong Feitian will be subject to a maximum penalty of 10 times of the revenue attributable to such business. No penalty is expected because, as confirmed by the Directors, no revenue has been generated from such Internet publishing business.

As also advised by the Company's legal advisers as to PRC laws, in the event that the operation of Huadong Feitian is found having exceeded the scope as permitted under the Regulations for the Administration of Internet Electronic Notice Services 《互聯網電子公告服務管理規定》, all revenue attributable to such business is liable to be confiscated and Huadong Feitian is also liable to a maximum penalty which is equal to five times of such revenue and in case of a serious contravention, the operation of the Internet website will be ordered to be closed down. No penalty is expected and impact to the Group would be immaterial because, as confirmed by the Directors, no revenue has been generated from such business.

As advised by the Company's legal advisers as to PRC laws, in the event that Huadong Feitian is found to have contravened the Internet Visual/Audio regulations, the Group might be ordered by authorities to cease such operation and to pay a fine not more than RMB30,000, and the equipment in connection with such operation will be seized and the Group will be subject to a maximum penalty of two times of the total investment to such business in case of severe contravention. Based on the internal financial record on total investment to such business of the Group, the Directors estimate such penalty, if imposed on the Group, will be approximately RMB410,000.

The Controlling Shareholders have provided an indemnity to the Group against any penalty, loss, damage or cost imposed on or suffered by any member of the Group arising from or as a result of any of the above non-compliance by any member of the Group with the relevant laws and regulations.

COMPETITIVE STRENGTHS

The Directors believe the Group possesses the following competitive strengths:

- The Group has one of the largest interactive Internet UGC platforms for collection of original independently produced music content in the PRC
- The Group possesses a strong multi-channel promotion capability for its content, in particular, the UGC
- The Group is well set to capture the growth in mobile music industry in the PRC with its extensive marketing and sales network and insight into the PRC music market
- The Group possesses an integrated marketing and sales model
- The Group has an experienced management team

STRATEGIES

The Group intends to become one of the largest "E-Labels" utilizing wireless sales channels in the PRC for original independently produced music content. The Directors believe that by achieving such goal, the Group will become one of the leading digital music companies in the PRC. To achieve this goal, the Group intends to leverage on its competitive strengths and undertake the following strategies:

- continue to strengthen its content by improving the interactive UGC collection platform www.a8.com
- increase the brand awareness of the A8.com brand through improving the Internet UGC collection platform
- strengthen its distribution capacity by further developing A8Box as a new mobile multimedia platform
- integrate its business with the introduction of 3G mobile technology

SUMMARY FINANCIAL INFORMATION

Combined income statements

The following table is a summary of the combined results of the Group for each of the three years ended 31 December 2007. The summary below should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 December		
	2005	**2006**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	233,233	268,438	285,964
Business tax	(6,361)	(8,348)	(7,860)
Net revenue	226,872	260,090	278,104
Cost of services provided	(101,912)	(127,815)	(149,375)
Gross profit	124,960	132,275	128,729
Other income and gains, net	926	9,699	20,180
Gain arising from disposal of an equity interest in a jointly-controlled entity	–	–	5,694
Selling and marketing expenses	(69,285)	(67,821)	(67,073)
Administrative expenses	(14,123)	(22,383)	(21,715)
Other expenses	(138)	(2,757)	(70)
Finance costs	(310)	(4,965)	(4,913)
Share of profits and losses of jointly-controlled entities	(59)	554	(347)
PROFIT BEFORE TAX	41,971	44,602	60,485
Tax	(974)	(5,314)	(5,248)
PROFIT FOR THE YEAR	40,997	39,288	55,237
Attributable to:			
Equity holders of the Company	41,842	39,863	55,274
Minority interests	(845)	(575)	(37)
	40,997	39,288	55,237

DIVIDEND POLICY

During the Track Record Period, the Group has not declared any dividend. In [●] 2008, the Group declared a special dividend of RMB100 million to its then shareholders which represents approximately 55.1% of the net asset value of the Group as at 31 December 2007. Given the Group has approximately RMB131.3 million cash and cash equivalents as at 31 December 2007 and expected a positive cash position generated from operating activities by the time the dividend to be paid out, such dividends was paid out of the Group's internal resources, which was settled on [●] 2008. Potential investors should note that there is no assurance that dividends of similar amounts or at similar rates will be paid in the future. In this regard, please also refer to the paragraph headed "The historical dividends of the Group should not be treated as an indicator of future dividend policy" in the section headed "Risk factors" in this prospectus.

Currently the Group has no intention of paying any dividends after the completion of the Share Offer. However, the Directors intend to pay dividends in the future, and the amount and rates of dividends will be subject to, among other things, the Group's results of operations, cash flow, financial conditions, operating and capital requirements and other factors which the Directors consider important.

STRUCTURE CONTRACTS

Current PRC laws and regulations limit foreign investment in businesses providing telecommunications value-added services in the PRC. The businesses operated by the Group involve the provision of telecommunications value-added services in the PRC which are regulated by the PRC laws and regulations as to foreign investment, as a result of which the Group has adopted the Contractual Arrangements with, among others, Huadong Feitian and Kuaitonglian to operate that portion of the Group's businesses. As a foreign-invested enterprise, Cash River does not have licences to provide telecommunications value-added services to mobile phone subscribers in the PRC, including the provision of ringtones, RBTs and IVR Music. Accordingly, the Group conducts parts of its business which involve the provision of telecommunications value-added services through Huadong Feitian and Kuaitonglian pursuant to a number of contracts (collectively, the "**Structure Contracts**") entered into between the Group and these companies.

The Structure Contracts are designed to provide the Company with effective control over and (to the extent permitted by the PRC laws) the right to acquire the equity interests in and/or assets of Huadong Feitian and Kuaitonglian. Pursuant to such Structure Contracts, the Group is also able to recognize and receive the economic benefit of the business and operation of Huadong Feitian and Kuaitonglian. The Structure Contracts generally provide the Company (through Cash River) with the following rights and obligations:

– to receive the immediately available cash of Huadong Feitian and Kuaitonglian after deducting the aggregate amount of (i) the working capital required to maintain their daily operations and satisfy their needs for their business; (ii) the cash amount required for capital expenditure; and (iii) any other short-term anticipated expenditure, all as determined by the Supervisory Management Board (as defined in the paragraph headed "Structure contracts" in the section headed "History and development" to this prospectus) from time to time ("**Surplus Cash**");

– to acquire all the equity interests in and the assets of Huadong Feitian and Kuaitonglian, at a nominal price or such higher amount as may be required by the laws, regulations, rules and policies of the PRC;

– to use certain intellectual property rights of Huadong Feitian, including trademarks and domain names, at a consideration of RMB1.00 or the lowest amount permitted by the PRC laws;

– to have a continuing security interest of first priority and subject to no other encumbrances in the entire equity interests in Huadong Feitian and Kuaitonglian; and

– to sell the software used to assist Huadong Feitian and Kuaitonglian to develop interactive entertainment, social networking and other mobile value-added services for their provision of business at an agreed price.

These arrangements, taken as a whole, permit the financial results and conditions of Huadong Feitian and Kuaitonglian to be consolidated under the Company's financial statements as if they were wholly owned subsidiaries of the Company. In addition, because the Structure Contracts effectively transfer the net income and operating cash flows and thereby the economic risks and benefits of Huadong Feitian and Kuaitonglian to the Group and the Group has the power to govern the financial and operating policies of these two companies, in substance, all the voting rights at the general meetings of Huadong Feitian and Kuaitonglian are vested with the Company.

The Company's legal advisers as to PRC laws are of the opinion that:

- the prevailing laws, regulations and regulatory documents in the PRC do not prohibit the Contractual Arrangements regarding the structure of the Group;
- each of the Structured Contracts is legal, valid and binding on the contracting parties under the PRC laws, rules and regulations;
- the execution, delivery, effectiveness, enforceability and performance of each of the Structure Contracts do not violate any PRC laws, rules and regulations;
- neither the Structure Contracts nor the corporate and shareholding structure of the Group described in the paragraph headed "Structure contracts" in the section headed "History and development" in this prospectus contravenes any PRC laws, rules and regulations; and
- no filings, registrations, consents, approvals, permits, authorizations, certificates and/or licences of any PRC government authorities, except for registration of the Exclusive Right and Pledge Agreement (as defined in the paragraph headed "Structure contracts" in the section headed "History and development" in this prospectus) under the new PRC Property Rights Law (《中華人民共和國物權法》) which has been completed as described on page [108] of this prospectus, are currently required in connection with the execution, delivery, effectiveness and enforceability of the Structure Contracts.

The Company's legal advisers as to PRC laws are of the view that the operation of Huadong Feitian, Kuaitonglian and their respective subsidiaries under the Structure Contracts is in compliance with their respective articles of association and the Group's operation under the Contractual Arrangements is in compliance with the current laws and regulations of the PRC, including the Notice regarding Strengthening Administration of Foreign Investment in Operating Telecommunications Value-added Businesses (《關於加強外商投資經營增值電信業務管理的通知》) ("**MII Notice**") which prohibits holders of telecommunications value-added businesses operating licences from leasing, transferring or selling their licences to any foreign investors in any form, or providing any resources, sites or facilities to any foreign investors for illegal operation of telecommunications businesses in the PRC. Please refer to the paragraph headed "Regulations in respect of foreign investments in telecommunications value-added industry" in the section headed "Regulatory overview" in this prospectus for details.

However, the relevant PRC regulatory authorities may take a different view and determine that such Structure Contracts are in violation of applicable PRC laws, rules or regulations. If these Structure Contracts are found to be in violation of such PRC laws, rules or regulations, the relevant PRC regulatory authorities will have discretion to take action against Huadong Feitian or Kuaitonglian, or their respective shareholders or Cash River for such violation, including unwinding the Contractual Arrangements or prohibiting the Group from operating its business in the PRC.

If Huadong Feitian and Kuaitonglian or either of them fails to perform or violates any or all of the Contractual Arrangements, the Group would have to rely on legal remedies under the PRC legal system to enforce these arrangements, which may be less effective than in other jurisdictions. As advised by the Company's legal advisers as to PRC laws, the Group is able to take legal action against Huadong Feitian and/or Kuaitonglian for failure to perform their obligations in relation to the Structure Contracts and the judgment shall be enforceable.

Moreover, pursuant to the Exclusive Right and Pledge Agreement (as defined in the paragraph headed "Structure contracts" in the section headed "History and development" in this prospectus), the Group is (i) granted by the respective shareholders of Huadong Feitian and Kuaitonglian an irrevocable and exclusive right to purchase, or to designate any person to purchase on its behalf, all or part of the equity interests in Huadong Feitian and Kuaitonglian; and (ii) granted by Huadong Feitian and Kuaitonglian an irrevocable and exclusive right to purchase, or to designate any person to purchase on its behalf, all or part of the assets, including, among others, fixed assets, current assets, intellectual property rights, ownership of equity interests in any person within or outside the PRC and the benefit (subject to the burden) of all contracts into by Huadong Feitian and Kuaitonglian.

The Directors consider that it is in the best interest of the Group to assume control over Huadong Feitian and Kuaitonglian rather than to seek for remedies by taking legal action against Huadong Feitian and/or Kuaitonglian.

Please refer to the paragraph headed "Structure contracts" in the section headed "History and development" in this prospectus for details.

The Company and its legal advisers as to PRC laws confirmed that to the best of their respective knowledge, as at the Latest Practicable Date, the relevant PRC authority had not conducted any investigation or examination over the Reorganization and the Contractual Arrangements with each of Huadong Feitian and Kuaitonglian. The Company has consulted and confirmed with officers of the MII that the Structure Contracts do not breach any applicable laws or regulations in the PRC.

RISK FACTORS

There are certain risks which a potential investor should evaluate in connection with a possible investment in the Offer Shares. These risks can be categorized as (i) risks relating to the Group; (ii) risks relating to the industry; and (iii) risks relating to conducting business in the PRC, which are summarized as follows:

Risks relating to the Group

- Reliance on or risks in relation to major mobile operators, namely China Mobile Group and China Unicom Group

- Reliance on the Contractual Arrangements

- Any shortage of UGC provided to the Group may adversely affect the business performance of the Group

- Failure to identify music content with potential for popularity may affect the Group's business

- The Group may face increasing competition which could reduce its market share and adversely affect its financial condition and results of operations

- The Group may be liable for the provision of improper or illegal content

- The Group may not be able to adequately protect its intellectual property rights in relation to its services

- The Group's ability to generate revenue could be adversely affected if the Group fails to promptly respond to the trend of the mobile music market and the services provided by the Group cannot fully satisfy the demand of the mobile phone subscribers

- The Group has no business insurance coverage

- Reliance on key management personnel

- The historical dividends of the Group should not be treated as an indicator of future dividend policy

- The Group is subject to credit risk in respect of its accounts receivable

- The Group's gross profit margin may continue to decrease, affecting its competitiveness

- The Group's overall reputation may be damaged as a result of improper activities by its structured subsidiaries

- The Group may not be able to renew the leases for its office premises or staff quarters on favorable terms

- Failure to provide proper title documents by the landlords for some of the Group's leased properties in the PRC

- [Trust arrangements for equity interests in Huadong Feitian and Kuaitonglian are subject to risk of unenforceability]

- The Group undertook and will continue to undertake equity investments and such investments may be unsuccessful

Risks relating to the industry

- Unexpected network interruptions, security breaches or computer virus attacks could have a material adverse effect on the business, financial condition and results of operations of the Group

- Any significant restructuring of any segment of the telecommunications industry in the PRC could adversely affect the business operations of the Group

- The operations of the Group's business requires certain specific licences and permits

- Improper activities of other wireless value-added service providers could affect the business performance of the Group or damage the reputation of the Group

Risks relating to conducting business in the PRC

- Political and economic policies of the PRC government

- Development of laws and regulations in relation to the Internet or wireless value-added services may affect the Group's ability to expand its business

- The growth of the PRC economy

- The government control of currency conversion

- PRC foreign exchange control may limit the ability of the Company to utilize the Group's revenue effectively and affect the ability of the Company to receive dividends and other payments from the Company's PRC-incorporated subsidiary

- The implementation of the PRC Enterprise Income Tax Law may significantly increase the Group's income tax expenses and materially decrease the Group's profitability

- Future outbreak of Severe Acute Respiratory Syndrome or any other epidemic in the PRC

- There are uncertainties regarding interpretation and enforcement of the PRC laws and regulations