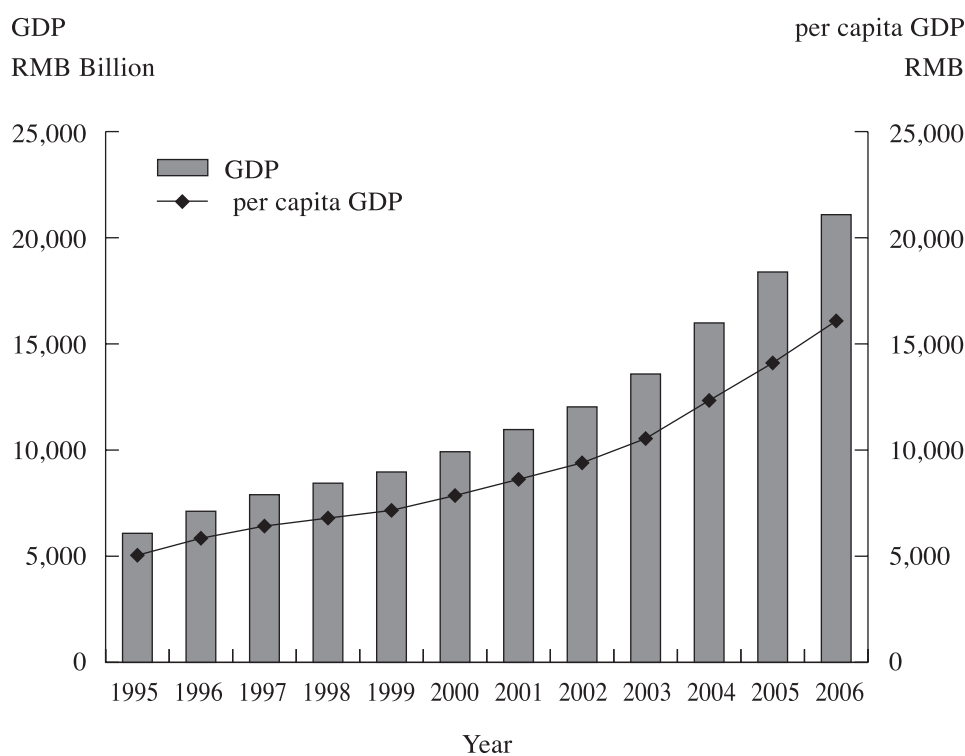


INDUSTRY OVERVIEW

ECONOMIC DEVELOPMENT IN THE PRC

The PRC economy has grown rapidly. According to the National Bureau of Statistics of China (中華人民共和國國家統計局) ("National Bureau of Statistics"), the PRC's GDP grew from approximately RMB6,079.4 billion in 1995 to approximately RMB21,087.1 billion in 2006, representing a CAGR of approximately 12.0%. According to the data published by the National Bureau of Statistics, the GDP per capita of the PRC grew from approximately RMB5,046.0 in 1995 to approximately RMB16,084.0 in 2006, with a CAGR of approximately 11.1%. The following chart depicts the growth of GDP and per capita GDP from 1995 to 2006 in the PRC.

GDP and per capita GDP in the PRC (1995-2006)

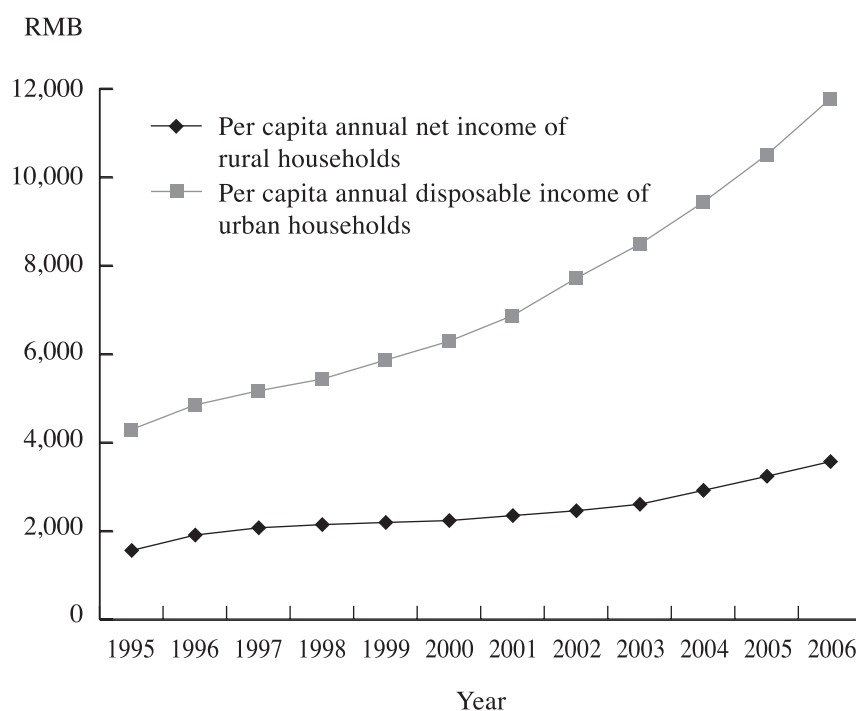


Source: National Bureau of Statistics

INDUSTRY OVERVIEW

In line with the growth in GDP in the PRC, the per capita annual disposable income of urban households and the per capita annual net income of rural households in the PRC have been in a growing trend. The per capita annual disposable income of urban households in the PRC increased from approximately RMB4,283.0 in 1995 to approximately RMB11,759.5 in 2006, representing a CAGR of approximately 9.6%, while the per capita annual net income of rural households in the PRC increased from approximately RMB1,577.7 in 1995 to approximately RMB3,587.0 in 2006, representing a CAGR of approximately 7.8%, according to the data published by the National Bureau of Statistics. The chart below sets forth the per capita annual disposable income of urban households and the per capita annual net income of rural households in the PRC from 1995 to 2006.

**Per capita annual income of rural households and
per capita annual disposable income of urban households**



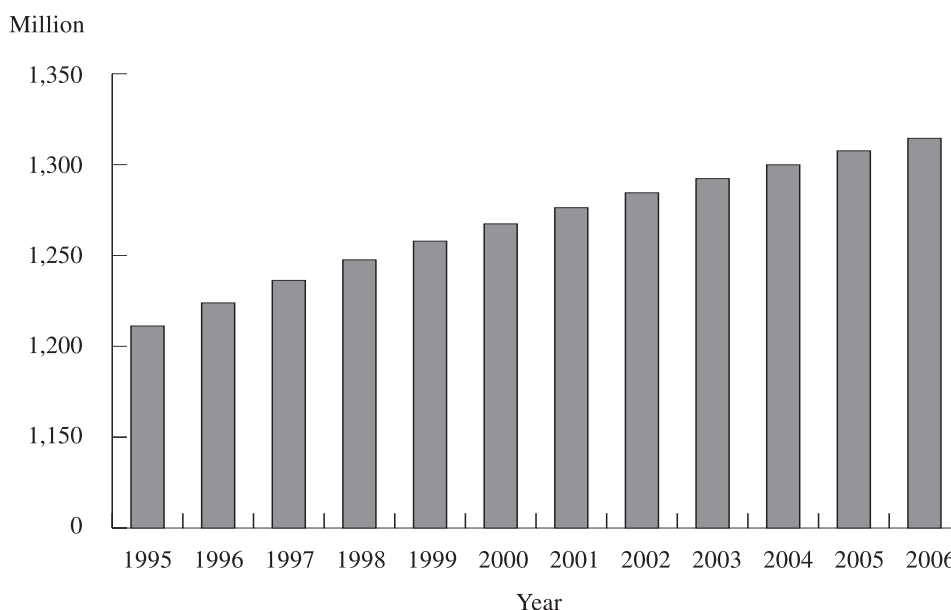
Source: National Bureau of Statistics

INDUSTRY OVERVIEW

POPULATION GROWTH IN THE PRC

Currently, the PRC has the largest population in the world. Its population grew at a CAGR of approximately 0.7% between 1995 and 2006, and reached approximately 1.3 billion in 2006 according to the National Bureau of Statistics. The population grew at a steady pace within these ten years. The chart below illustrates the growth in the PRC population from 1995 to 2006.

PRC population (1995-2006)



Source: National Bureau of Statistics

Since the Group generates substantially all of its revenue in the PRC, the business growth of the Group is to a certain extent affected by the growth in GDP and population in the PRC. With a rapid growth in the economy and a stable growth in the population of the PRC, the enlarging customer base together with its growing purchasing power constitutes considerable market potential for companies that provide music-focused content and applications to mobile phone subscribers through wireless networks.

DIGITAL MUSIC

Digital music generally includes music delivered over online and mobile platforms. Online music services mainly include downloading from the Internet to personal computers or other digital devices. Mobile music services refer to music-related services, which are provided to mobile phone subscribers through wireless networks.

INDUSTRY OVERVIEW

ONLINE MUSIC MARKET

The global market

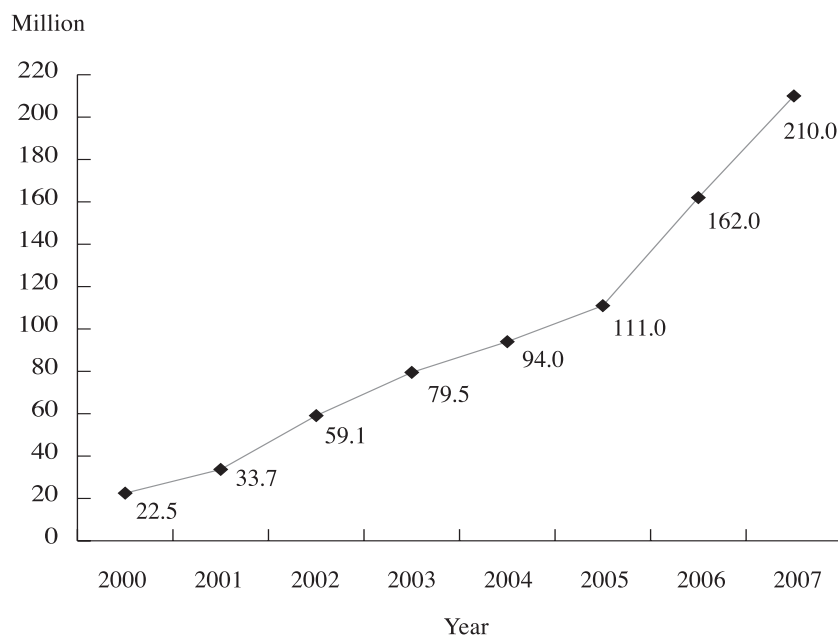
According to eMarketer, an Internet market research company independent of the Group, its directors, shareholders and their respective associates, the global online music market generated revenue of approximately US\$1.9 billion (equivalent to approximately RMB13.6 billion) in 2006. Based on the estimation of eMarketer, the global online music market will reach approximately US\$7.5 billion (equivalent to approximately RMB53.8 billion) in 2011, representing a CAGR of approximately 31.6% within these five years.

The PRC market

Internet population

According to the data published by the CNNIC, the number of Internet users in the PRC has grown rapidly from approximately 22.5 million in 2000 to approximately 210.0 million in 2007 at a CAGR of approximately 37.6%. The robust growth in the number of Internet users provides considerable market potential for Internet-related businesses in the PRC. The chart below shows the growth in the number of Internet users in the PRC from 2000 to 2007 according to the CNNIC.

Number of Internet users in the PRC



Source: CNNIC

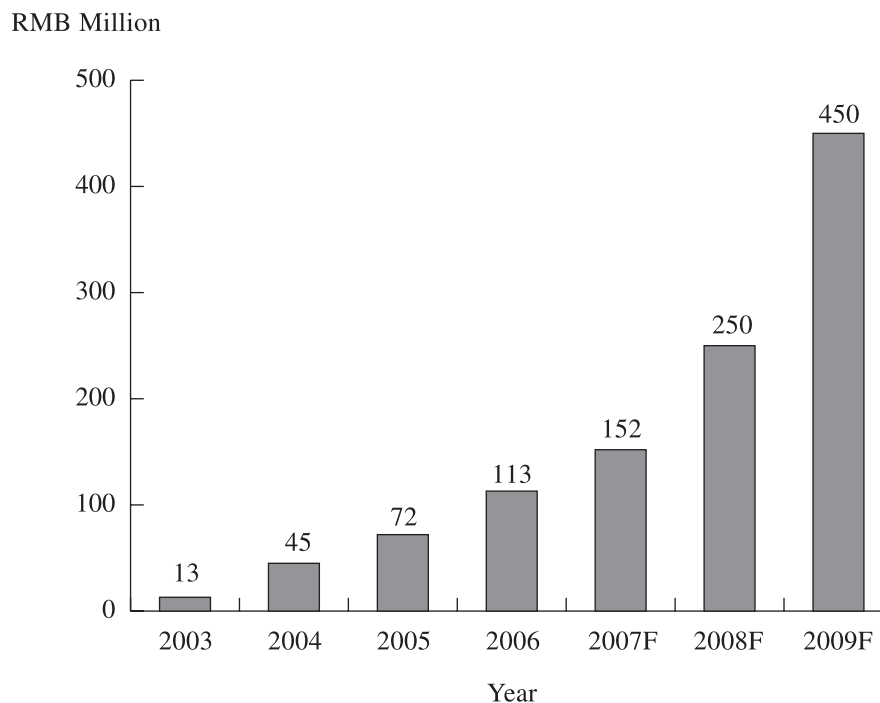
INDUSTRY OVERVIEW

Market prospects

According to iResearch, a PRC-based Internet-related industry market research company independent of the Group, its directors, shareholders and their respective associates, the development of the online music market in the PRC has been seriously affected by piracy and the availability of free downloads. The market turnover of the online music market in the PRC was approximately RMB113.0 million in 2006, which was smaller than the traditional record market in the PRC and other foreign online music markets. In 2006, the number of Internet users having downloaded or listened to music through the Internet reached approximately 119.0 million in the PRC, while, it was estimated that only approximately 1.5 million users paid for such services, representing only approximately 1.3% of the total number of Internet users having downloaded or listened music through the Internet in the PRC.

According to the estimation of iResearch, the online music market turnover in the PRC will grow significantly at a CAGR of approximately 58.5% from 2006 to 2009, and will reach approximately RMB450.0 million in 2009. The chart below shows iResearch's estimate of the online music market turnover in the PRC from 2003 to 2006 and such forecasts for the period from 2007 to 2009.

Online music market turnover in the PRC, 2003-2009F



Source: iResearch

INDUSTRY OVERVIEW

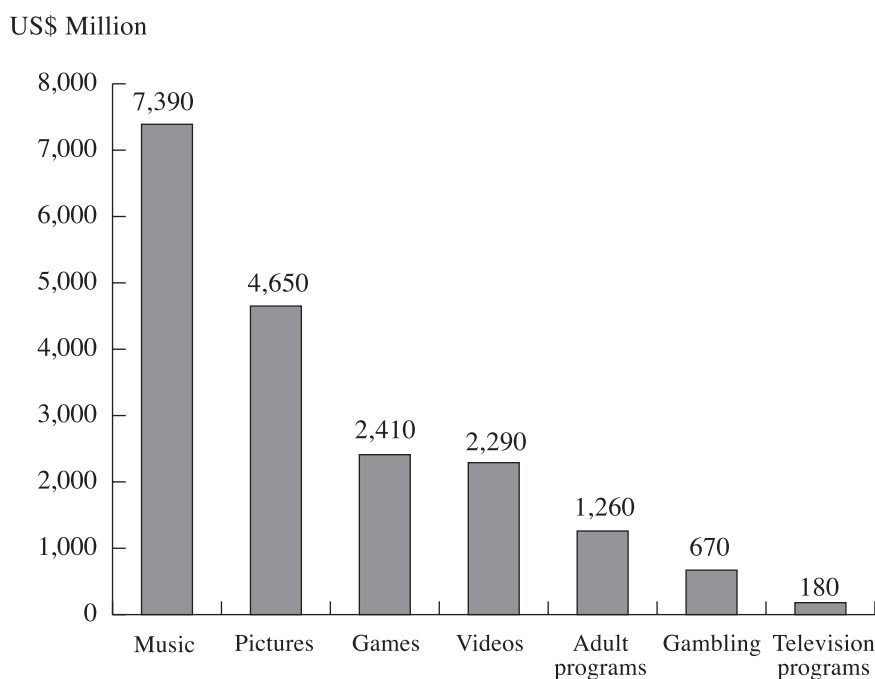
In addition, the Directors are of the view that, in recent years, the problem of Internet music piracy in the PRC could be improved since regulations over intellectual property rights launched by the PRC government authorities have become more stringent, details of which are set out in the paragraph headed “Regulations in respect of intellectual property rights” in the section headed “Regulatory overview” in this prospectus.

MOBILE MUSIC SERVICES MARKET

The global market

According to Informa Telecoms & Media, a UK-based research and marketing group which focuses on global telecoms and media markets and is independent of the Group, its directors, shareholders and their respective associates, as quoted by iResearch, mobile music services globally generated approximately US\$7,390.0 million (equivalent to approximately RMB53,030.6 million) turnover, which is the largest turnover among various types of mobile entertainment services (including pictures, games and video) in 2006, as shown below.

Global turnover from mobile entertainment services in 2006



Source: Informa Telecoms & Media as quoted by iResearch

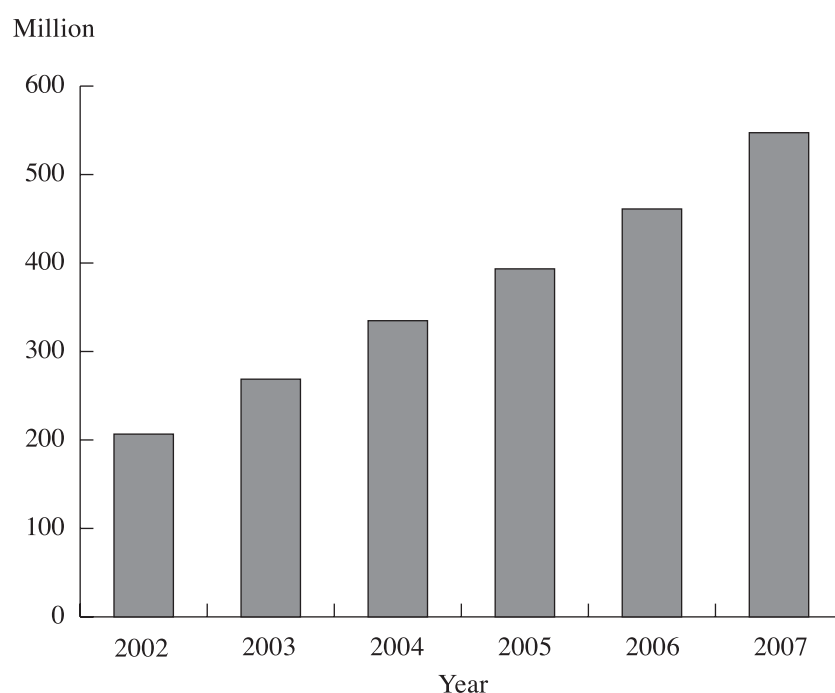
INDUSTRY OVERVIEW

The PRC market

Mobile phone subscribers in the PRC

According to data published by the MII and as shown in the diagram below, mobile phone subscribers in the PRC grew from approximately 206.6 million in 2002 to approximately 547.3 million in 2007, representing a CAGR of approximately 21.5% within these five years. As shown in the statistics from the MII, the penetration rate of mobile phones in the PRC grew from 11.2% in January 2002 to 41.6% in December 2007.

Number of mobile phone subscribers in the PRC



Source: MII

According to the CNNIC, as at December 2007, there were approximately 210.0 million Internet users and approximately 78.0 million computers in the PRC. It is believed by the Directors that many mobile phone subscribers may have no regular access to the Internet and consequently the mobile network has become one of the most important channels for music lovers who do not have regular access to the Internet to access their favorite music in digital form. This provides significant growth potential to companies that are engaged in music-focused business via the mobile network.

INDUSTRY OVERVIEW

According to the National Bureau of Statistics, the population aged between 15 and 39 comprised approximately 38.8% of the whole population in the PRC in 2006. The Directors believe that there is a huge potential customer base for mobile music-focused businesses, since the mobile phone is a popular item among young people. It is believed that the rising popularity of mobile phones and related services among the younger age group of the PRC will drive demand for mobile music services in the PRC.

MAJOR MOBILE OPERATORS IN THE PRC MOBILE MARKET

The major mobile operators in the PRC market include China Mobile Group, China Unicom Group, China Telecom Group and China Netcom Group.

China Mobile Group operates basic mobile voice services and value-added services such as data, IP telephone and multimedia services. China Mobile Group is the largest mobile operator in the world in terms of market value. It has operating licences for Internet services and the international gateways and is famous for its brands like GoTone (“全球通”), Easyown (“神州行”) and M-Zone (“动感地带”).

China Unicom Group currently operates international and domestic long distance calls, data and Internet services, and other related telecommunications value-added businesses. It also provides various wireless value-added services in different aspects, among others, stock trading information services, music and television programs.

China Telecom Group is a state-owned telecom operator which owns various provincial enterprises. China Telecom Group operates various kinds of domestic and international fixed line telecom networks, telecom network-based voice, data, image, multimedia and information services.

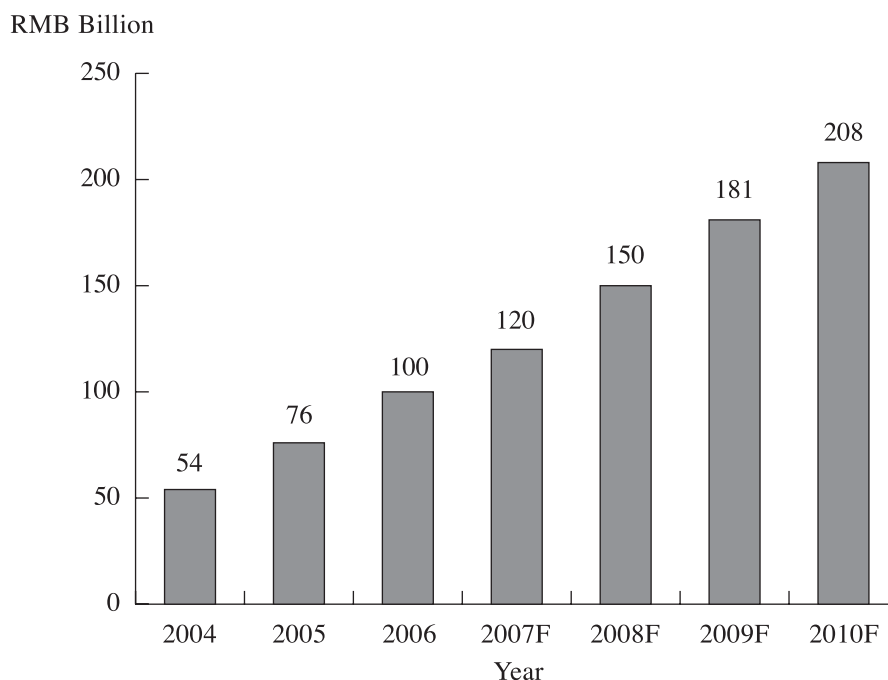
China Netcom Group is another well-known telecommunications operator in China. China Netcom Group is a provider of fixed-line telephone services and other telecommunications-related services.

INDUSTRY OVERVIEW

WIRELESS VALUE-ADDED SERVICES MARKET IN THE PRC

According to iResearch, the total size of the wireless value-added services in the PRC market reached RMB100.0 billion in 2006, representing a growth rate of approximately 31.6% from 2005. iResearch forecasts that the market size will grow at a fast pace between 2008 and 2010 under the influence of the Beijing 2008 Olympic Games. The size of the wireless value-added services market in the PRC is expected to reach approximately RMB208.0 billion in 2010. The chart below sets forth the trend in relation to the size of the wireless value-added service market in the PRC for the period from 2004 to 2006 and the expected trend from 2007 to 2010.

Market size of the PRC wireless value-added services in 2004-2010F



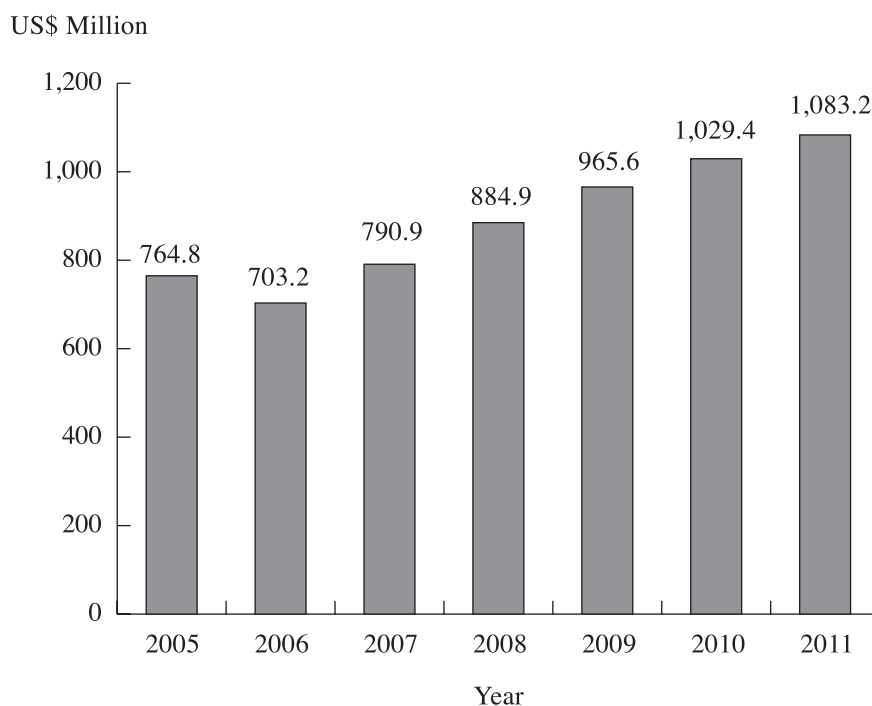
Source: iResearch

INDUSTRY OVERVIEW

MOBILE MUSIC-FOCUSED SERVICES MARKET IN THE PRC

According to In-Stat, a US-based research company independent of the Group, its directors, shareholders and their respective associates, mobile music has been one of the most successful wireless data services in the PRC, and mobile phone subscribers in the PRC regard mobile music as fashionable and a means of distinguishing themselves by personalized ringtones and RBTs. The mobile music market in the PRC has exhibited continuous growth from 2002 to 2005. In-Stat estimated that in 2005, the mobile music industry in the PRC contributed revenue of approximately US\$764.8 million (equivalent to approximately RMB5,488.2 million). Following three years of continuous strong growth, the mobile music market in the PRC slowed down in 2006 as a result of strict regulations governing pricing and other practices of service providers (“SPs”) initiated by the MII. Details of the relevant regulations are set out in the section headed “Regulatory overview” in this prospectus. Mobile music market revenue in the PRC declined slightly to US\$703.2 million (equivalent to approximately RMB5,046.2 million) in 2006 due to the above regulations. Nevertheless, In-Stat considers that the negative effect of the SPs regulations in 2006 affecting the mobile music services has been short-term only. According to In-Stat, the SPs regulations in 2006 have been positive for the mobile music market’s continuous development because of the phasing-out of small SPs and recovery of consumer trust in SPs. In-Stat expects that the mobile music market revenue in the PRC market will increase from US\$703.2 million (equivalent to approximately RMB5,046.2 million) in 2006 to US\$1,083.2 million (equivalent to approximately RMB7,773.0 million) in 2011, representing a CAGR of 9.0% within these five years. The chart below illustrates the forecasted mobile music market revenue in the PRC from 2005 to 2011.

PRC’s mobile music market revenue forecast (2005-2011)

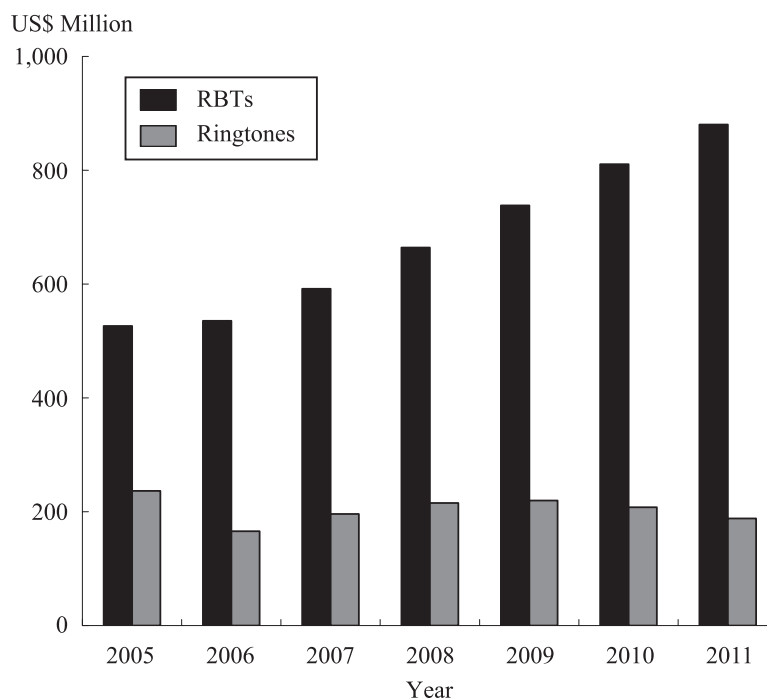


Source: In-Stat

INDUSTRY OVERVIEW

As the Group's operations primarily focus on providing ringtones and RBTs, discussion of the PRC mobile music market also focus on the respective markets for ringtones and RBTs. The following chart shows the forecasted revenue of ringtones and RBTs in the PRC from 2005 to 2011, according to In-Stat.

RBTs and ringtones market revenue forecast in the PRC



Source: In-Stat

RBTs – the audible music, voice, or other sound that is heard by the calling party after dialing and prior to the call being answered by the called party. RBT substitutes the standard ringing sound. According to In-Stat, in 2006, RBT revenue in the PRC was approximately US\$535.5 million (equivalent to approximately RMB3,842.7 million), which represents around 76.2% of total mobile music market revenue. In-Stat estimates that RBT revenue in the PRC will reach approximately US\$880.3 million (equivalent to approximately RMB6,317.0 million) in 2011, representing a CAGR of 8.9% from approximately US\$526.6 million (equivalent to approximately RMB3,778.9 million) in 2005.

Ringtones – the customizable sound that a mobile phone makes in order to indicate an incoming call. There are three different types of ringtones: monophonic, polyphonic, and truetones. According to In-Stat, ringtones revenue in the PRC was approximately US\$165.6 million in 2006 (equivalent to approximately RMB1,188.3 million). In-Stat estimates that ringtone revenue in the PRC will recover following the SPs regulations in 2007 and maintain steady growth between 2007 and 2009 and then begin to move downward afterwards.