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: 00800

INTERIM REPORT 2011

我的音乐无处不在!
My Music Everywhere!

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Corporate Information

EXECUTIVE DIRECTOR
Mr. Liu Xiaosong

NON-EXECUTIVE DIRECTOR
Mr. Li Wei

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Chan Yiu Kwong
Mr. Hui, Harry Chi
Mr. Zeng Liqing

AUDIT COMMITTEE
Mr. Chan Yiu Kwong *(Chairman)*
Mr. Hui, Harry Chi
Mr. Zeng Liqing

REMUNERATION COMMITTEE
Mr. Liu Xiaosong *(Chairman)*
Mr. Zeng Liqing
Mr. Hui, Harry Chi

AUTHORISED REPRESENTATIVES
Mr. Liu Xiaosong
Ms. Gao Keying

COMPANY SECRETARY
Ms. Ho Yip, Betty
Ms. Gao Keying

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STOCK CODE
00800

Interim Consolidated Income Statement

For the six months ended 30 June 2011

The Board of Directors (the "**Board**") of A8 Digital Music Holdings Limited (the "**Company**") is pleased to present the unaudited interim condensed consolidated financial statements ("**Interim Accounts**") of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010 as follows. The Interim Accounts have not been reviewed by the Company's auditors but they have been reviewed by the audit committee of the Company:

	Notes	**For the six months ended 30 June** **2011 (Unaudited) RMB'000**	2010 (Unaudited) RMB'000
Revenue		**249,176**	358,642
Business tax		**(5,628)**	(6,168)
Net revenue	3	**243,548**	352,474
Cost of services provided		**(145,079)**	(222,600)
Gross profit		**98,469**	129,874
Other income and gains, net	3	**8,677**	1,489
Selling and marketing expenses		**(68,884)**	(72,560)
Administrative expenses		**(25,797)**	(35,070)
Other expenses	4	**(530)**	(38)
PROFIT BEFORE TAX	5	**11,935**	23,695
Tax	6	**(2,384)**	(3,695)
PROFIT FOR THE PERIOD		**9,551**	20,000
Attributable to:			
Equity holders of the Company		**9,323**	20,090
Non-controlling interests		**228**	(90)
		9,551	20,000
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic (RMB per share)		**0.02**	0.04
Diluted (RMB per share)		**0.02**	0.04

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	**9,551**	20,000
OTHER COMPREHENSIVE INCOME		
Exchange realignment	**(73)**	(59)
Total comprehensive income for the period, net of tax	**9,478**	19,941
Attributable to:		
Equity holders of the Company	**9,250**	20,031
Non-controlling interests	**228**	(90)
	9,478	19,941

Interim Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**19,966**	14,682
Prepaid land lease payments		**27,119**	27,411
Prepayment for acquisition of property, plant and equipment		**9,138**	–
Investment in an associate	10	**5,300**	–
Goodwill		**1,515**	3,710
Prepayment for acquisition of intangible asset	11	**22,095**	27,912
Intangible assets		**10,113**	13,254
Deferred tax assets		**4,769**	5,068
Total non-current assets		**100,015**	92,037
CURRENT ASSETS			
Accounts receivable	12	**99,409**	83,389
Prepayments, deposits and other receivables		**43,566**	28,843
Investments at fair value through profit or loss		**16,731**	19,374
Time deposits with original maturity of more than three months		**7,288**	24,849
Cash and cash equivalents		**383,062**	392,540
Total current assets		**550,056**	548,995
CURRENT LIABILITIES			
Accounts payable	13	**35,843**	43,722
Other payables and accruals		**65,289**	53,177
Tax payable		**5,906**	10,737
Deferred income		**7,975**	9,975
Total current liabilities		**115,013**	117,611
NET CURRENT ASSETS		**435,043**	431,384
TOTAL ASSETS LESS CURRENT LIABILITIES		**535,058**	523,421
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,773**	1,903
Total non-current liabilities		**1,773**	1,903
Net assets		**533,285**	521,518

Interim Consolidated Statement of Financial Position (continued)

As at 30 June 2011

	Notes	**30 June 2011 (Unaudited) RMB'000**	31 December 2010 (Audited) RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	**4,178**	4,095
Reserves		**529,107**	516,597
		533,285	520,692
Non-controlling interests		**–**	826
Total equity		**533,285**	521,518

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to equity holders of the Company														
	Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Shares held under share award scheme (Unaudited) RMB'000	Merger reserve (Unaudited) RMB'000	Surplus contribution (Unaudited) RMB'000	Employee share-based compensation reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory reserve fund (Unaudited) RMB'000	Reserve fund (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
As at 1 January 2011	4,095	183,661	(280)	29,135	10,522	14,550	2,662	10,833	18,753	4,422	242,339	-	520,692	826	521,518
Profit for the year	-	-	-	-	-	-	-	-	-	-	9,323		9,323	228	9,551
Other comprehensive income for the period:															
Exchange realignment	-	-	-	-	-	-	(73)	-	-	-	-	-	(73)	-	(73)
Total comprehensive income for the period	-	-	-	-	-	-	(73)	-	-	-	9,323	-	9,250	228	9,478
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,054)	(1,054)
Exercise of share options	7	1,275	-	-	-	(886)	-	-	-	-	-	-	396	-	396
Issuance of new shares	76	-	(76)	-	-	-	-	-	-	-	-	-	-	-	-
Equity-settled share-based payment arrangements	-	-	-	-	-	4,404	-	-	-	-	-	-	4,404	-	4,404
Transfer of reserve upon the forfeiture or expiry of share option and restricted share	-	-	-	-	-	(1,366)	-	-	-	-	1,366	-	-	-	-
Employee share award scheme															
– shares purchased for share award scheme	-	-	(1,457)	-	-	-	-	-	-	-	-	-	(1,457)	-	(1,457)
– release of award shares	-	-	1,377	-	-	(1,377)	-	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	-	-	-	-	1,135		(1,135)		-	-	-
As at 30 June 2011	4,178	184,936	(436)	29,135	10,522	15,325	2,589	10,833	19,888	4,422	251,893	-	533,285	-	533,285

Interim Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2011

	Attributable to equity holders of the Company														
	Issued capital (Unaudited) RMB'000 (note 14)	Share premium account (Unaudited) RMB'000 (note 14)	Shares held under share award scheme (Unaudited) RMB'000	Merger reserve (Unaudited) RMB'000	Surplus contributions (Unaudited) RMB'000	Employee share-based compensation reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory reserve funds (Unaudited) RMB'000	Reserve fund (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2010	4,045	174,200	–	29,135	10,522	9,227	2,185	9,769	17,049	4,422	201,273	20,140	481,967	811	482,778
Profit for the period	–	–	–	–	–	–	–	–	–	–	20,090	–	20,090	(90)	20,000
Other comprehensive income for the period:															
Exchange realignment	–	–	–	–	–	–	(59)	–	–	–	–	–	(59)	–	(59)
Total comprehensive income for the period	–	–	–	–	–	–	(59)	–	–	–	20,090	–	20,031	(90)	19,941
2009 dividend declared	–	–	–	–	–	–	–	–	–	–	–	(20,140)	(20,140)	–	(20,140)
Exercise of share options	10	1,930	–	–	–	(1,304)	–	–	–	–	–	–	636	–	636
Equity-settled share-based payment arrangements	–	–	–	–	–	6,089	–	–	–	–	–	–	6,089	–	6,089
Transfer of reserve upon the forfeiture or expiry of share options	–	–	–	–	–	(514)	–	–	–	–	514	–	–	–	-
At 30 June 2010	4,055	176,130	–	29,135	10,522	13,498	2,126	9,769	17,049	4,422	221,877	–	488,583	721	489,304

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**(6,572)**	16,085
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,772)**	(50,102)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(1,061)**	(17,653)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,405)**	(51,670)
Cash and cash equivalents at beginning of period	**392,540**	333,801
Effect of foreign exchange rate changes, net	**(73)**	100
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**383,062**	282,231
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**292,180**	221,152
Short term deposits	**90,882**	61,079
	383,062	282,231

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2010, except in relation to the following new and revised International Financial Reporting Standards, ("IFRSs which also include IASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements.

IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010
IFRIC-Int 14 Amendments	Amendments to IFRIC-Int 14 *Prepayments of a Minimum Funding Requirement*
IFRIC-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

Other than as further explained below, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs.

There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

- IFRS 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entities their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- IFRS 7 *Financial Instruments: Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in the statement of changes in equity.

- IAS 34 *Interim Financial Statements*: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes contingent assets and liabilities in interim condensed financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. OPERATING SEGMENT INFORMATION

The Directors consider that the Group's activities constitute one operating segment as the Group is principally engaged in providing mobile value-added services, focusing on music and culture content through mobile phones. Management makes decisions about resource allocation and performance assessment on a group basis. Accordingly, neither business nor geographical segment information is presented in accordance with IAS 14 *Segment Reporting*.

Over 90% of the Group's revenue from external customers is derived from the Group's operations in the PRC, and no non-current assets of the Group are located outside the PRC.

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value and estimated value of services rendered.

An analysis of revenue and other income and gains, net, is as follows:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Ringtone services	**28,136**	37,615
Ringback tone services	**135,736**	122,858
Other music related services	**5,947**	22,185
Non-music related services	**79,357**	175,984
	249,176	358,642
Less: Business tax	**(5,628)**	(6,168)
Net revenue	**243,548**	352,474

Note: IVR music is reclassed to other music related services as it is immaterial to the total revenue.

Other income and gains, net		
Interest income	**3,573**	2,367
Exchange gain	**–**	213
Fair value loss on investments at fair value through profit or loss	**(327)**	(1,230)
Gain/(loss) on disposal of investments at fair value through profit or loss	**534**	(2,117)
Reversal of bad debts provision	**3,443**	–
Gain on disposal of subsidiaries	**794**	–
Others	**660**	2,256
	8,677	1,489

4. OTHER EXPENSES

Other expenses mainly represent the compensation for the settlement of a legal proceeding against the Company and its certain subsidiaries (collectively the "**Defendants**") instituted by an independent third party company (the "**Plaintiff**"), claiming damages of RMB16,100,000 in relation to the alleged infringement of the copyright of a song which happened in August 2009. On July 1st, 2011, the two parties entered into a settlement agreement, under which the Defendants paid RMB500,000 for the compensation.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation	**1,093**	1,213
Amortisation of intangible assets	**1,563**	1,607
Amortisation of prepaid land lease payments	**293**	293

6. TAX

An analysis of income tax charges for the six months ended 30 June 2011 and 2010 are shown as follows:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group		
Current – PRC		
Charge for the period	**2,215**	6,128
Tax exemption and refund in prior years	**–**	(2,400)
Deferred	**169**	(33)
	2,384	3,695

6. TAX (CONTINUED)

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2011 and 2010 respectively.

The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing tax rates based on existing legislation, interpretations and practices in respect thereof.

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2011 (2010: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount for the six months ended 30 June 2011 is based on the profit for the period attributable to equity holders of the Company of RMB9,323,000 (2010: RMB20,090,000) and the weighted average number of ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2011 of 469,431,607 (2010: 458,604,809).

The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the profit for the period attributable to equity holders of the Company of RMB9,323,000 (2010: RMB20,090,000) as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the 469,431,607 (2010: 458,604,809) ordinary shares in issue less shares held under share award scheme during the six months ended 30 June 2011, as used in the basic earnings per share calculation, and the weighted average of 2,192,126 (2010: 8,693,165) ordinary shares assumed to have been issued at no consideration on the deemed exercise of dilutive potential ordinary shares into ordinary shares and the effect of awarded shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB7,231,000 and disposed of property, plant and equipment with net carrying amount of RMB786,000 and RMB68,000 by way of disposal of subsidiaries.

10. INVESTMENT IN AN ASSOCIATE

During the period, the Group acquired 20% interest in Shenzhen Ningmenghai Technology Co., Ltd. ("Ningmenghai") for the total cash consideration of RMB5,300,000. Ningmenghai is a company incorporated in the PRC on 26 December 2010, and operated as an internet social network service provider.

11. PREPAYMENT FOR ACQUISITION OF INTANGIBLE ASSET

As at 30 June 2011, the prepayment for acquisition of intangible asset amounting to approximately RMB 22,095,000 represented a prepayment to an independent third party as development cost of certain parts of the Music Cloud project, a multi-functional system for consumers to access music products anywhere and anytime through diversified platforms based on cloud computing technology and wireless internet. Pursuant to an agreement dated 31 March 2011, the Group terminated the original development agreement with the third party and recovered the development results. The user acceptance procedures of the development results were completed subsequent to the end of the reporting period in July 2011..

12. ACCOUNTS RECEIVABLE

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Neither past due nor impaired:		
Within 1 month	**27,311**	34,539
1 to 2 months	**21,263**	29,214
2 to 3 months	**16,887**	11,623
3 to 4 months	**12,285**	3,680
Past due but not impaired:		
4 to 6 months	**13,653**	4,317
Over 6 months	**8,010**	16
	99,409	83,389

The Group has no formal credit period communicated to its customers but the customers usually settle the amounts due to the Group within a period of 30 to 120 days.

12. ACCOUNTS RECEIVABLE (CONTINUED)

The movements in provision for impairment of accounts receivable are as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
At the beginning of year/period	**5,216**	–
Impairment losses recognised	**–**	5,216
Reversal of bad debts provision (note 3)	**(3,443)**	–
At the end of year/period	**1,773**	5,216

The individually impaired accounts receivable related to customers that were in default and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

13. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within 1 month	**7,121**	8,701
1 to 3 months	**9,106**	15,685
4 to 6 months	**5,720**	7,531
Over 6 months	**13,896**	11,805
	35,843	43,722

14. SHARE CAPITAL

Shares

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Authorised:		
3,000,000,000 (2010: 3,000,000,000) ordinary shares of HK$0.01 each	**26,513**	26,513
Issued and fully paid:		
473,170,776 (2010: 463,402,530) ordinary shares of HK$0.01 each	**4,178**	4,095

A summary of the transactions during the six months ended 30 June 2011 in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares (Unaudited)	Nominal value of ordinary shares (Unaudited) HK$'000	Share premium account (Unaudited) HK$'000	Equivalent nominal value of ordinary shares (Unaudited) RMB'000	Equivalent share premium account (Unaudited) RMB'000	Total (Unaudited) RMB'000
1 January 2011	463,402,530	4,635	207,890	4,095	183,661	187,756
Exercise of share options	796,440	8	1,508	7	1,275	1,282
Issuance of new shares	8,971,806	90	–	76	–	76
As at 30 June 2011	**473,170,776**	**4,733**	**209,398**	**4,178**	**184,936**	**189,114**

15. DISPOSAL OF SUBSIDIARIES

(a) On 28 April 2011, the Group disposed of its entire interest in a wholly-owned subsidiary, Beijing Haide Zhongshi Cultural Broadcasting Co., Ltd. ("**Haide**") for a consideration of RMB100,000. Haide is engaged in the provision of providing and arranging cultural and art activities. The disposal was made as the Group would concentrate on the further development of music and music related business.

	RMB'000
Net assets disposed of:	
Property, plant and equipment	21
Accounts receivable	172
Prepayments, deposits and other receivables	2,017
Cash and bank balances	3,775
Accounts payable	(37)
Other payables and accruals	(6,434)
	(486)
Gain on disposal of a subsidiary	586
Satisfied by:	
Other receivable	100

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	–
Cash and bank balances disposed	(3,775)
Net outflow of cash and cash equivalents included in cash flows in respect of the disposal of a subsidiary	(3,775)

15. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) On 28 April 2011,, the Group disposed of its entire interest in a 80%-owned subsidiary, Beijing Zhengshangyou Cultural Broadcasting Co., Ltd. ("**Zhengshangyou**") for a consideration of RMB4,700,000. Zhengshangyou is engaged in the provision of mobile value-added services. The disposal was made as the Group would concentrate on the further development of music and music related business.

	RMB'000
Net assets disposed of:	
Property, plant and equipment	47
Intangible assets	1,995
Accounts receivable	1,696
Prepayments, deposits and other receivables	232
Cash and bank balances	147
Accounts payable	1,080
Tax payable	(273)
Other payables and accruals	(1,573)
Non-controlling interests	(1,054)
	2,297
Goodwill released	2,195
Gain on disposal of a subsidiary	208
Satisfied by:	
Other receivable	4,700

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration received	–
Cash and bank balances disposed	(147)
Net outflow of cash and cash equivalents included in cash flows in respect of the disposal of a subsidiary	(147)

16. COMMITMENTS

The Group had the following commitments as at the end of the reporting period.

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Authorised, but not contracted for:		
Construction in progress	**62,000**	281,000
Contracted, but not provided for:		
Construction in progress	**216,000**	11,000
	278,000	292,000

17 RELATED PARTY TRANSACTIONS

On 31 January 2011, the Group entered into an investment agreement with, among others, Mr. Lin Yizhong ("Mr. Lin") pursuant to which the Group subscribed for 20% of the equity interests of the enlarged registered capital of Ningmenghai for a total cash consideration of RMB5,300,000. Mr. Lin served as an executive director of the Company from 9 November 2007 to 9 November 2010 and owned 90% of the equity interests in Ningmenghai immediately prior to the date of the investment agreement.

On 28 April 2011, the Group entered into the share transfer agreements with, among others, Shenzhen Duyiweier Technology Co. Limited ("Shenzhen Technology") pursuant to which the Group agreed to sell 100% equity interest in Haide and 80% equity interest in Zhengshangyou for a consideration of RMB100,000 and RMB4,700,000 respectively. Mr. Liu Xiaosong is currently an executive director and a substantial shareholder of the Company and owned 80% equity interest of Shenzhen Technology.

18. APPROVAL OF THE UNAUDITED INTERIM ACCOUNTS

These unaudited Interim Accounts were approved by the Board on 16 August 2011.

BUSINESS REVIEW

Revenue and profit attributable to equity holders of the Company

For the six months ended 30 June 2011, the revenue of the Group amounted to approximately RMB249.2 million, representing a decline of approximately 31% as compared with the same period in 2010 (2010: approximately RMB358.6 million).

The decline in revenue was mainly due to the continuing negative impact brought by the strict regulations implemented to MVAS industry during 2010. Facing the persistant market pressure, the Group takes a positive attitude to strengthen its traditional music-related business. The total revenue of music-related services slightly decreased by 7% while the total revenue decreased by 31%.

For the six months ended 30 June 2011, the profit attributable to equity holders of the Company amounted to approximately RMB9.3 million, representing a decrease of approximately 54% as compared with the same period in 2010 (2010: approximately RMB20.1 million).

Cost of services provided

For the six months ended 30 June 2011, the cost of services provided by the Group amounted to approximately RMB145.1million, representing a decrease of approximately 35% as compared with the same period in 2010 (2010: approximately RMB222.6 million).

The cost of services provided mainly comprises revenue sharing with mobile operators and business alliances, and other costs such as music copyrights and direct labor costs.

Revenue share with mobile operators ranged from 15% to 60% of the total revenue received from mobile users and it averaged at approximately 35% of the total revenue for the six months ended 30 June 2011 (2010: approximately 27%). The increase was mainly due to the change of product mix. Ringback tone services ("RBT") has gone up to 54% of the total revenue from 34% as compared with the same period in 2010, where RBT are normally charged at a higher revenue share.

Revenue share with business alliances averaged at approximately 18% of the total revenue for the six months ended 30 June 2011 (2010: approximately 31%), representing a decrease of approximately 13% as compared with the same period in year 2010 as a result of the decline of revenue for non-music related services, which mainly constitute the cost of business alliance.

Gross profit

The gross profit of the Group amounted to approximately RMB98.5 million, representing a decrease of approximately 24% as compared with the same period in 2010 (2010: approximately RMB129.9 million).

For the six months ended 30 June 2011, the gross profit margin of the Group increased from approximately 36% to 40% as compared with the same period in 2010. The increase was mainly due to the sharp decline of revenue share with business alliance which downwards by the decrease of non-music related services.

Other income and gains

For the six months ended 30 June 2011, the other income and gains of the Group were approximately RMB8.7 million (2010: net gain of approximately RMB1.5 million). The increase was mainly due to the increase of interest income, bad-debt recovered and other income which amounted to approximately RMB3.6 million, RMB3.4 million and RMB1.7 million respectively.

Selling and marketing expenses

For the six months ended 30 June 2011, the selling and marketing expenses of the Group amounted to approximately RMB68.9 million, slightly decreased by 5% as compared with the same period of 2010, representing approximately 28% of total revenue (2010: approximately RMB72.6 million, representing approximately 20% of total revenue).

The increase in ratio of total revenue is due to the high promotion and marketing costs associated with the increasing RBT services, which covered more than 50% of the total selling and marketing expenses.

Administrative expenses

For the six months ended 30 June 2011, the administrative expenses of the Group amounted to approximately RMB25.8 million, representing a decrease of approximately 26% as compared with the same period in 2010 (2010: approximately RMB35.1 million).

The decrease was mainly due to the decrease of labor cost, share option expenses of approximately RMB2.1million and RMB1.8 million respectively, which most effected by staff streamline; it was also due to the decrease of professional fees and other administrative expenses of approximately RMB1.7 million and RMB.3.7 million.

Tax

For the six months ended 30 June 2011, income tax of the Group amounted to approximately RMB2.4 million, representing a decrease of approximately 35% as compared with the same period in 2010 (2010: approximately RMB3.7 million).

The effective tax rate of the Group increased to approximately 20.0% in the six months ended 30 June 2011 (2010: approximately 15.6%). As a result of the new Corporate Income Tax Law in China, the statutory tax rates are 0%, 15%, 24% and 25% in the respective operating companies of the Group for 2011 (2010: 0%, 15%, 22%, 25%). The increase was mainly due to the combined effect of the increase of the statutory tax rates of several subsidiaries from 22% in 2010 to 24% in 2011 according to the new Corporate Income Tax Law in China, the impact of income tax final settlement differences for 2010 and the tax exemption enjoyed by certain subsidiaries of the Group.

Current assets and current liabilities

As at 30 June 2011, the total current assets of the Group amounted to approximately RMB550.1 million (2010: approximately RMB549.0 million). Accounts receivable amounted to approximately RMB99.4 million (2010: approximately RMB83.4 million), and the turnover days of accounts receivable is 66 days (2010:54 days).

As at 30 June 2011, the total current liabilities of the Group amounted to approximately RMB115.0 million (2010: approximately RMB117.6 million). The slight decrease was mainly due to the decrease of accounts payable, tax payable and deferred income amounting to approximately RMB7.9 million,RMB4.8 million and RMB2.0 million respectively, which was offset by the increase of other payables and accruals amounting to approximately RMB12.1 million.

Liquidity and financial resources

As at 30 June 2011, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, time deposits with original maturity of more than three months and investments at fair value through profit or loss amounted to approximately RMB407.1 million (2010: approximately RMB436.8 million). Approximately RMB302.9 million or approximately 74% of them were denominated in RMB.

As of 30 June 2011, the Group did not have any borrowings or debts, thus the gearing ratio is not applicable. Gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalent and restricted cash) over the total equity.

The Group's exposure to changes in interest rate is mainly attributable to its time deposits placed with banks. The Group mainly operates in the mainland China with most of the transactions settled in Renminbi.

As at 30 June 2011, the Group did not have any derivative for hedging against both the interest and exchange rate risks.

Human resources

As at 30 June 2011, the Group had 299 employees (as at 30 June 2010:456 employees). However, the average headcounts for the first half of year 2011 was 346 while it was 443 for the same period of year 2010. Total employee costs for the six months ended 30 June 2011, including directors' emoluments, amounted to approximately RMB28.3 million (2010: approximately RMB31.8 million).

Employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed regularly. A share option scheme has also been put in place for the Company to encourage employees to work towards enhancing the value of the Company and promote the long-term growth of the Company. Furthermore, the Group offers training programs for employees to upgrade their skills and knowledge on a regular basis.

Interim dividend

The Board does not recommend the payment of an interim dividend for 2011.

BUSINESS OUTLOOK

Operation in the first half of 2011

During the first half of 2011, the market of mobile internet keeps momentum for development. According to the statistical data released by iResearch at July 2011, the potential market size of China Mobile Internet reaches RMB14.23 billion, with the growth of 40% year over year and 34% in annualized growth rate. However, mobile value-added business, which entitled with the largest portion of the mobile internet, still faces tough challenges due to the negative impacts of policies and measures implemented by relevant departments at the beginning of 2010. The status quo imposes the pressure to our traditional operations and incurred a decrease of revenue and net profit compared with the same period last year.

Under this situation, the company actively breaks through the new channels for development at current business:

Firstly, the Company further consolidates its leading position in the wireless music industry and expand the sources of music-related income by strengthening cooperation with China Telecomm, China Unicom and China Mobile. At the end of June 2011, mobile phone user in China reached 902 million, of which China Telecom garnered 108 million subscribers, creating a solid foundation for the growth of telecommunication music market. The Company ranked No. 3 in the list of music service providers to China Telecom, with revenue over RMB12.00 million in the first half of 2011, representing a significant increase of 550% as compared with same period of 2010. At the same time, as China Unicom has finished setting up the music base, the Company will grasp this market opportunity to strengthen its cooperation with China Unicom. The revenue of music and music related services reached RMB170 million in first half of 2011.

Secondly, working with handset manufacturers, the Company has reached strategic partnership agreement with famous mobile phone manufacturers including Lenovo and Huawei, which embedded musical services of A8 in their mobile handsets such as mobile phones and pad. At the same time, the company consolidated strategic cooperation in music with Nokia. In 2011, it has tailored the user-side interface for "Comes with Music" service of Nokia. All Nokia users can enjoy the music service with high quality through "Comes with Music" interface at mobile phone with better user experience.

Thirdly, the Company seeks for the development of new channels on the ground. For instance, by teaming up with all broadcasting stations of universities, the Company established a unique and scalable channel with huge potentials to promote the music products and then market value. Now, it has forged the model with 83 universities and colleges, encompassing over 2 million teachers and students. For the whole year, there are about 100 thousand minutes available for the promotion of songs.

Simultaneously, we also focused on the core UGC and B2C businesses. For UGC content, with the implementation of Composer Plan, exploration of the campus channels by kicking-off campus campaign and holding the 'Sixth A8 Original China Music Contest', A8 Music provides the cooperation opportunities between users of www.a8com, original music producers and singers. In turn, it acquired more high-quality original contents. In the first half of 2011, it has cooperated with more than 50 songwriters, over 20 singers, and produced 2 albums and 9 EPs with excellent songs. At the same time, the Company has promoted these songs vastly. Several songs **performed well on *Baidu* TOP500 Billboard**. In the first half of 2011, UGC songs have contributed to 43% of the total music and music related services revenue to the Company.

For the B2C (music cloud) business that is to acquire users and to provide music service to users directly, the Company's cloud music products has successfully supported various platforms for mobile phone including Symbian and J2ME. At the same time, the Company has finished synchronization of cloud platform with multimedia content platform and billing platform, laying a solid foundation for future billing of cloud platform. In the song archive, there are about 1.5 million songs, among which 600,000 has been marked with attributes by experts.

As mentioned in the Company's 2010 annual report, it will cooperate with more application providers to fully utilize the current sales network and improve efficiency of distribution. In the first half of 2011, the Company has reached agreements with some APP providers and with various independent third-party payment service providers in the development of settlement channels.

Business Outlook for the second half of 2011

Looking forward to the second half of 2011, the MVAS market will possibly be affected negatively due to the uncertain measures and environment of the industry. The Company will strengthen the management of the following business operations:

For music content, the Company has launched 'the Sixth A8 Original China Music Contest' to acquire more high-quality original songs and will continually strengthen the Composer plan. In addition, it will continue to cooperate with universities in the acquisition and promotion of songs in order to acquire more high-quality music contents and lay solid foundation for the development of its music business.

For traditional business, it will continue to strengthen its cooperation with China Telecom and China Unicom in order to grasp the development opportunity of wireless music for current businesses. In addition, it will speed up the cooperation with international brand handset manufacturers, as well as the exploration and development of ground channels.

For new business, it will continue to explore and attempt in the cooperation with providers of applications, diversifying settlement methods.

For music cloud, it will be exploring the hot spots toward open music platform and communities. Moreover, it will continue to improve the user satisfaction and loyalty of the products. In addition, it will extend the support for mobile phone platforms including iphone, ipad and Android. In addition, it will finish the development on Internet-connected speaker mode for family use. At the same time, it will reorganize the music cloud project at the appropriate moment in order to speed up its development, create more values for shareholders by extending music cloud service on more different channels.

The Board of A8 Music will continually work with all staffs for the sustainable development of the Company.

Share Option Schemes

On 26 May 2008, the shareholders of the Company adopted two share option schemes for the purpose of providing incentives and rewards to its Directors, executive officers, employees and other eligible persons.

The following table discloses movements in the Company's share options which are outstanding under the Pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") during the six months ended 30 June 2011:

	Number of share options								
Category of participants	**At 1 January 2011**	**Granted during the period**	**Exercised during the period**	**Lapsed/ forfeited during the period**	**At 30 June 2011**	**Date of grant of share options**	**Vesting period of share options**	**End of exercise period**	**Exercise price of share options**
									HK$ per share
Senior management of the Group	60,960	–	(34,560)	–	26,400	21 May 2008	minimum of 3 years and maximum of 4 years	21 May 2012	ranging from HK$0.16 to HK$0.74 per share
Other employees and eligible persons	1,078,980	–	(707,880)	(16,720)	354,380	21 May 2008	minimum of 3 years and maximum of 4 years	21 May 2012	ranging from HK$0.17 to HK$0.91 per share
In aggregate	1,139,940	–	(742,440)	(16,720)	380,780				

During the six months ended 30 June 2011, 742,440 share options granted under the Pre-IPO Share Option Scheme were exercised, 16,720 share options were lapsed following the resignations of the relevant employees and eligible persons, and no share option was cancelled.

There were 380,780 outstanding share options granted under the Pre-IPO Share Option Scheme, representing an aggregate of approximately 0.08% of the issued share capital of the Company as at the date of this interim report. All such share options were accepted by the relevant employees or eligible persons with a nominal consideration of HK$1.00. No further share option will be granted under the Pre-IPO Share Option Scheme and all share options granted under this scheme must be exercised on or before 21 May 2012. The exercise prices of the share options granted under this scheme were determined based on different valuations of the Company.

The following table discloses movements in the Company's share options which are outstanding under the share option scheme (the "**Share Option Scheme**") during the six months ended 30 June 2011:

Name/category of participants	Number of share options: At 1 January 2011	Exercised during the period	Granted during the period	Lapsed/ forfeited during the period	At 30 June 2011	Date of grant of share options	Vesting period of share options	End of exercise period	Exercise price of share options HK$ per share	Closing price of shares immediately before date of grant HK$ per share
Directors of the Company										
Mr. Liu Xiaosong	455,441	–	–	–	455,441	5 October 2009	one-third of the share options granted will be vested after every 12-month period starting from 5 October 2009	5 October 2014	3.168	2.98
Ms. Ho Yip, Betty (resigned on 1 June 2011)	108,000	(54,000)*	–	(54,000)	–	16 October 2008	one-fourth of the share options granted will be vested after every 12-month period starting from 16 October 2008	15 October 2018	1.16	1.08
	1,200,000	–	–	(1,200,000)	–	21 September 2009	one-third of the share options granted will be vested after every 12-month period starting from 21 September 2009	21 September 2014	3.63	3.63
	1,308,000	(54,000)	–	(1,254,000)	–					
Other eligible persons	2,202,640	–	–	–	2,202,640	15 October 2008	one-fourth of the share options granted will be vested after every 12-month period starting from 15 October 2008	14 October 2018	1.184	1.15
Other employees and eligible persons	5,924,400	–	–	(4,964,325)	960,075	5 October 2009	one-fourth of the share options granted will be vested after every 12-month period starting from 1 July 2009	5 October2014	3.168	2.98
Other employees and eligible persons	2,849,040	–	–	(1,566,900)	1,282,140	24 December 2009	Minimum of 2 years and maximum of 4 years	24 December 2014	3.2	3.13
Other employees and eligible persons	–	–	9,800,000	–	9,800,000	25 March 2011	one-fourth of the share options granted will be vested after every 12-month period starting from the earliest-8 September 2011 or the latest-25 March 2012	24 March 2016	2.41	2.26
In aggregate	12,739,521	(54,000)	9,800,000	(7,785,225)	14,700,296					

* Exercise price was HK$1.16 and the closing market price per share of the Shares immediately preceding the date on which the share options were exercised was HK$2.33.

During the six months ended 30 June 2011, 9,800,000 share options were granted under the Share Option Scheme.

During the six months ended 30 June 2011, 54,000 share options granted under the Share Option Scheme were exercised, 5,761,675 share options were lapsed following conversion to awarded shares, 2,023,550 share options were lapsed following the resignations of the relevant employees and eligible persons, and no share option was cancelled.

As at the date of this interim report, there were 10,915,681 outstanding share options and 10,431,214 un-granted share options under the Share Option Scheme, representing an aggregate of approximately 4.51% of the issued share capital of the Company as at the date of this interim report.

Share Award Scheme

The Board has approved the adoption of the share award scheme ("**Share Award Scheme**") on 16 August 2010 ("**Adoption Date**") with Law Debenture Trust (Asia) Limited as the trustee (the "**Trustee**").The Share Award Scheme will operate in parallel with the Company's Pre-IPO Share Option Scheme and the Share Option Scheme.

During the six months ended 30 June 2011, an aggregate of 8,971,806 awarded shares were granted under the Share Award Scheme, representing approximately 19.47% of the Share Award Scheme Limit of the Company. Following such awards, the Company has issued and allotted an aggregate of 8,971,806 awarded shares to the Trustee pursuant to the terms of the Share Award Scheme under the general mandate.

During the six months ended 30 June 2011, 1,593,623 awarded shares were released to awardees, 276,301 awarded shares were lapsed following the resignations of the relevant employees and eligible persons.

During the six months ended 30 June 2011, based on the Company's instructions, the Trustee has purchased an aggregate of 754,000 shares of the Company's existing shares on the market for the purpose of the Share Award Scheme, representing approximately 1.64% of the issued share capital of the Company as at the Adoption Date.

As at the date of this interim report, there were 8,168,671 outstanding awarded shares and 35,098,629 un-awarded shares, representing an aggregate of approximately 93.89% of the Share Award Scheme Limit of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the directors and chief executives of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules and the Code of Conduct for Securities Transactions by Directors of the Company ("**Own Code**"):

Long positions in shares and underlying shares of the Company

		Long positions in shares and underlying shares			Approximate percentage of interest in the Company's issued share capital
Name of Director	**Capacity**	**Ordinary shares**	**Underlying shares**	**Total**	
Mr. Liu Xiaosong	Founder of a trust[1]	159,565,954	Nil	161,943,395	34.23%
	Beneficial owner	1,922,000	455,441[2]		
Mr. Li Wei	Interest of spouse[3]	22,601,756	Nil	22,601,756	4.78%

Notes:

1. Mr. Liu Xiaosong is the founder of a family trust which is deemed under SFO to be interested in all the shares held by Ever Novel Holdings Limited ("**Ever Novel**") and Prime Century Technology Limited ("**Prime Century**") in the Company. As at 30 June 2011, Prime Century directly held 122,371,905 shares and Ever Novel directly held 37,194,049 shares in the Company.

2. Details of share options held by the Directors are shown in the section headed "**Share Option Schemes**".

3. Mr. Li Wei is deemed by SFO to be interested in the long positions and short positions in the shares of the Company held indirectly by Ms. Cui Jingtao who is his spouse.

Long positions in the registered capital of associated corporations of the Company

Shenzhen Huadong Feitian Network Development Co., Ltd. ("Huadong Feitian") [(4)]

Name of Director	Capacity	Long positions in the registered capital (RMB)	Approximate percentage of interest in the registered capital of the associated corporation
Mr. Liu Xiaosong	Beneficial owner	21,510,000	75%
Mr. Li Wei	Interest of spouse[(5)]	7,170,000	25%

Notes:

4. Huadong Feitian is a limited liability company incorporated in China which financial results are, through a number of structure contracts, consolidated into the financial statements of the Company and therefore an associated corporation of the Company.

5. Mr. Li Wei is deemed by SFO to be interested in the registered capital of Huadong Feitian owned by Ms. Cui Jingtao who is his spouse.

Save as disclosed above, as at 30 June 2011, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code and Own Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2011, the persons or corporations (other than a director or chief executive of the Company) who had interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares of the Company

Name of substantial	shareholder Capacity	Long positions in the shares Ordinary shares	Total	Approximate percentage of interest in the Company's issued share capital
HSBC International Trustee Limited	Trustee (other than a bare trustee)[1]	181,195,954	181,195,954	38.29%
River Road Investment Limited	Interest in controlled corporation[1]	159,565,954	159,565,954	33.72%
Knight Bridge Holdings Limited	Interest in controlled corporation[1]	159,565,954	159,565,954	33.72%
Ever Novel	Interest in controlled corporation[1], [2]	122,371,905	159,565,954	33.72%
	Beneficial owner	37,194,049		
Prime Century	Beneficial owner[1], [2]	122,371,905	122,371,905	25.86%

Notes:

1. HSBC International Trustee Limited is the trustee of family trusts which, through intermediate holding companies (including but not exclusively River Road Investment Limited, Knight Bridge Holdings Limited, Ever Novel and Prime Century), exercise or control the exercise of one third or more voting power at the general meetings of such companies and is deemed under the SFO to be interested in the shares of the Company held by such companies (181,165,954 shares in total). The rest 30,000 shares is held by HSBC International for its other clients.

2. As at 30 June 2011, Prime Century directly held 122,371,905 shares and Ever Novel directly held 37,194,049 shares in the Company. Ever Novel was entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Prime Century and was deemed to be interested in the 122,371,905 shares in the Company held directly by Prime Century.

Save as disclosed above, as at 30 June 2011, no person or corporation other than the directors or chief executives of the Company had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company.

ISSUE OF SHARES

During the period ended 30 June 2011, the Company issued an aggregate of 9,768,246 new shares (a) upon the exercise of the share options granted under the Pre-IPO Share Option Scheme to subscribe for 742,440 shares at a weighted average issue price of HK$0.54 per share with gross consideration of HK$400,932.00; (b) upon the exercise of the share options granted under Share Option Scheme to subscribe for 54,000 shares at a weighted average issue price of HK$1.16 per share with gross consideration of HK$62,640.00; and (c) following awarded shares were granted, 8,971,806 shares were issued and allotted to the Trustee at nominal value HK$0.01 per share pursuant to the terms of the Share Award Scheme under the general mandate with gross consideration of HK$89,718.06.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 30 June 2011, based on the Company's instructions, the Trustee has purchased 372,000 shares, 132,000 shares, 100,000 shares and 150,000 shares on 11 January 2011, 12 January 2011, 9 June 2011 and 20 June 2011 respectively from the market for the purpose of the Share Award Scheme, the aggregate gross consideration paid by the Company were HK$951,574.21, HK$336,808.56, HK$185,666.00 and HK$249,715.93 respectively.

Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period ended 30 June 2011, all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules were met by the Company, except for the deviation from code provision A.2.1 providing for the roles of chairman and chief executive officer (the "CEO") to be performed by different individuals.

Mr. Liu Xiaosong has diversified experience in the technology, media and telecommunication industry and has been being responsible for overall management and strategic planning of the Group. The Board considered that Mr. Liu is able to lead the Board in making better business decision for the group. Therefore, Mr. Liu has had the dual roles of the chairman and CEO of the Company despite deviation from code provision A.2.1 during the reporting period.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Own Code which covers the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct governing the directors' dealings in the Company's securities. Having made specific enquiries with all the Directors, they all confirmed that they have complied with the required standards set out in the Own Code (covering the Model Code) throughout the period under review.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters. The audit committee has reviewed the Group's unaudited Interim Accounts for the six months ended 30 June 2011.

By order of the Board
A8 Digital Music Holdings Limited
Liu Xiaosong
Chairman

Hong Kong, 16 August 2011