A8 DIGITAL MUSIC HOLDINGS LIMITED
A8電媒音樂控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 800)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- 2013 full year revenue amounted to RMB189.7 million, representing a decrease of 45% from RMB345.1 million in 2012.
- Profit attributable to the shareholders in 2013 amounted to RMB9.8 million while loss attributable to the shareholders amounted to RMB29.9 million in 2012.
- Strong balance sheet, with cash and bank balance and highly liquid short term assets of RMB475.9 million and net assets of RMB785.9 million as of 31 December 2013.

The board of directors (the "**Board**") of A8 Digital Music Holdings Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2013. The results have been reviewed by the Audit Committee of the Company, comprising all the independent non-executive Directors.

BUSINESS REVIEW IN 2013

Mobile Internet market grows rapidly in 2013 in China. The whole industry presented a robust development momentum. With the rising penetration rate of smartphones, the improving network environment and the declining expense in data streaming, the mobile Internet user's scale reached 570 million, which is almost the same scale as the PC internet users. Mobile phones have been becoming the prominent internet entrance, triggering the growth of the applications primarily with entertainment services, in which music and games continuously become popular on smartphones in a fast pace.

The breakdown of the revenue generated from mobile internet business shows as following:

1) The business in traditional mobile value-added service continued to shrink, with its share of the mobile internet market dropping to 32.5% in 2013 from 49.8% in 2012;

2) In 2013, besides the mobile e-commerce, mobile games was the highest growth segment among all others in mobile Internet. Based upon the data survey in the game industry conducted by Games Engineering Professional Committee under China Audio-video and Digital Publishing Association, mobile games entered a fast growth period in 2013-the number of mobile game users and revenue scale recorded a year-on-year growth of 248.5% and 246.9% respectively, reaching 310 million users and RMB11.24 billion in 2013.

The development of mobile Internet boosted the intensified competition in mobile music business, which is recognized as an important attraction power of mobile Internet traffic. According to the data from iiMedia Research, the number of users for music application reached 290 million, representing a 6.6% growth. Meanwhile, the emerging revenue models of music application, such as fixed rate subscription of data usage in music streaming, differentiated services for prime members and online advertisements, gradually come to test and mature. In turn, the accelerated progress of licensed music leads to competition of content becoming the core of the business.

As stated in the 2012 Annual Report and 2013 Interim Report, the Group disposed of some traditional wireless value-added business which barely create value for users or satisfy user experience and would be replaced in the future as anticipated since the end of 2012. Instead, the Group has been shifting our strategic to the field of digital music and mobile Internet. Through two-year exploration, in 2012 and 2013, the Group positioned itself to build up a new digital entertainment group including music-based entertainment platform and the prime game publishing platform, in which the products and operations would be the core supported by content production, channel cooperation, market promotion and monetization.

The music industry chain

In 2013, the Group continued to strengthen and consolidate the music business from contents, channels and products, and speeded up the building of music platform.

In music contents, the Group continued to make efforts in UGC music contents, composers program and accumulation of copyrights. For the purpose of providing more valuable services for composers, the Group completed the restructure of A8.com, which was remodeled as a users-content-generation platform by helping musicians complete a chain of work starting from content creation, digital music publishing then to marketing and promotion. At the same time, in 2013, the Group rehearsed the "Eighth Original China Internet Music Contest", as well as other programs to collect user-generated music by working with Coca-cola, Zhejiang Satellite TV and other parties. Furthermore, the Group obtained the "Internet Publishing License" ("互聯網出版許可證"), which will have positive effects to our digital music business.

In music channels, the Group actively collaborated with carriers and mobile Internet channels to activate ringtone users, and boost revenue from wireless music.

In music products, the Group actively explored mobile music applications, strengthened the combination of UGC and the applications and explore business model and profit model.

In 2013, Duomi Music Holding Limited ("Duomi Music") invested by the Group posted a strong growth and made certain progress in exploring business models and monetization. First, with the launch of Duomi Music version 5.0 embedded with social network in the beginning of the year, Duomi Music enjoyed the improvement of community function by creating convenience for users to find good music and good friends. And Duomi Music's unique function of "Playlist" attracted lots of musicians as registered users. As a result, Duomi Music was highly appraised by users. Currently, the accumulated number of users of Duomi Music exceeded 200 million, and the average listening hours in active users reached around 7 days a month. In December 2013, at the Fourth China Mobile Phone Application Developer Conference organised by iiMedia Research Group, Duomi Music was awarded the "Best Entertainment Application Award" of the "2nd China Mobile Internet Fist Prize".

Additionally, Duomi Music extended and strengthened the external cooperation with mainstream mobile phone manufacturers, including Lenovo, Huawei, ZTE, Coolpad and Meizu, as well as continuing strategic cooperation with Sony Mobile and BesTV. Duomi Music has been endorsed by more excellent enterprises in various industries as a professional music service provider.

In the end, Duomi Music expedited its monetization by feasible business model and achieved remarkable progress. The fixed rate of music data traffic program with China Unicom subscribers has made sound effect and was still in upward trend either in number of subscriptions or in revenue. In addition, Duomi Music is also exploring mobile advertisement model with the mainstream of brand advertisement shifted from the single effect advertisement, compounded with rapid increase in advertisement revenue.

Mobile Internet

In 2013, in light of the rapid growth of the mobile game market, combined with our historical operational experiences and access to billing resources, the Group commenced to be the agency of publishing mobile games. The Group carried out the mobile game publishing business through a new brand of Gaming between Fingers (「指遊方寸」) and subsequently published the Android version of two Internet games PaPa Three Kingdoms (「啪啪三國」) and One Up on War (「一將成名」) and four single-player games. Of which, "PaPa Three Kingdoms" is an excellent game product. With the efforts of the game team, this product was successfully ranked in Top Ten for 360 Android Mobile Internet Games Revenue Billboard on 7 November 2013 in its first debut month, and went up to No. 7 in December 2013.

Backed with the rapid development of mobile Internet and the active transformation of mobile carriers, combined with our advantages in channels and integrated access to the billing capabilities of traditional carriers, the Group collaborated with mobile Internet APPs by offering promotion, operation and billing services. Meanwhile, the Group continued the service contract with China Mobile MM (Mobile Market) base, by which we strengthened the strategic cooperation with mobile carriers in the area of mobile Internet products and channels, and accumulated operational experiences and resources in various digital products through providing operational support services. In return, the contract with MM recorded remarkable increase compared with last year.

Business Outlook for 2014

Looking into 2014, the mission of the Group is to build a music-based entertainment platform and prime game publishing platform, ensuring the healthy and sustainable business models for monetization.

Music-based entertainment industry chain based on mobile internet

With the development of licensed music, music contents and copyright operation has become an important base for building music and entertainment platform. The Group will continue to accumulate music contents through existing and innovative approaches, including the development of A8.com platform and model innovation; in the meantime, the Group will jointly launch and set up music culture industry fund with Beijing Culture Creative Industry Fund, and focus more on contents, production and copyrights operation in an effort to "attract more external resources working for the Group".

At the same time, the Group will continue to sustain the operations in traditional business and strengthen the cooperation with carriers and other partners.

A8 Building had completed the construction and commercialized by the end of 2013, and The National Music Industry Base was also launched. The Group will build the Live House theatre and content incubator in A8 Building.

Duomi Music will differentiate itself by tuning up products, users and business models in 2014. Regarding products, Duomi Music will continue the position of social network by enhancing interaction, accumulating more social connections and offering more diversified entertainment services with the focus to meet the needs of target users. Regarding users, Duomi Music will shift its focus to the number of active users from the number of new users, and enhance users' interaction and loyalty. In exploring the business models, Duomi Music will extend the fixed rate of music data streaming program to the other carries with the exception of China Unicom, by which pave a way to set up hierarchy service to users and make a breakthrough in user fee model. Regarding business users, Duomi Music will explore more new forms of advertisements with focus on brand advertisements. In addition, capitalizing on the huge traffic of Duomi Music, and combining with the Group's capabilities in games operation, the Group will cooperate in exploring new revenue model.

Regarding music products, in order to enhance its competitive edge, the Group will centralize resources to focus on the development of content operation and strengthen the close cooperation with Duomi Music.

Prime games publishing platform

Based on the breakthrough made in mobile games business in 2013, the Group will expedite to strengthen mobile games publishing business and build the Gaming between fingers (「指遊方寸」) as a game publishing platform in 2014. Meanwhile, through investment in Qingsong Fund, the Group will have more chance to find and explore more quality games for publishing.

In 2014, the Group will launch 4-5 mobile Internet games with high quality and currently two have been chosen, including the King of Gods (「眾神之王」). The Group will integrate work closely with game developers in the early stage of game design, with the core goal of meeting players' needs. We hope to gain a stronger foothold in the competition through the lean operation and multidimensional marketing and promotion, so as to achieve a place in the Top Ten of the mobile games publishing business. In the meantime, in the field of mobile games, although we position ourselves as a mobile games publisher, the Group will look for mergers and acquisition opportunities in upstream game developer and in downstream channels by which we may enhance sustainable competitive strength.

Regarding the MM project with China Mobile, the Group will strive to expand more new valuable projects. Combined with the advantages accumulated by the Group in channels, we will further integrate the billing capabilities to provide service to mobile Internet APP, particularly games products.

A8 Music has gradually built up its competitive advantages on digital music and mobile game market. The Group will focus on providing value to users, and take this as our philosophy to support the rapid and sustainable development in the future and build a leading new media group in China. The Board and the management will work more closely with all staffs for the sustainable development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revenue and profit attributable to owners of the Company

For the year ended 31 December 2013, the revenue of the Group amounted to approximately RMB189.7 million, representing a decrease of 45.0% as compared with 2012 (2012: approximately RMB345.1 million).

The decline in revenue was mainly due to the downtrend of our disposal of some such business that is to be replaced in the future as we anticipated. As of 2013, we positioned the Group to the business of prime game publishing platform and Music-based entertainment platform and achieved progress. However, the revenue in new business still need time to cover the negative impact of downtrend of the given-up business. In 2013, the Group started to enter into prime game publishing business, and completed the restructure of resources as needed in the new business which started to generate significant revenue from October. The Prime Game Platform business will become one of main business lines in 2014.

For the year ended 31 December 2013, the profit attributable to the owners of the Company amounted to approximately RMB9.8 million, which included fair value gain on investment properties under construction, share of losses of associates and impairment of an intangible asset of approximately RMB90.2 million, RMB32.0 million and RMB12.9 million, respectively, as compared with a loss of approximately RMB29.9 million in 2012.

In addition, the research and development cost of wireless music application, in-house development (including the technical-side development of jing.fm) and home entertainment streaming devices also have a negative impact on the Group's profit. The Group considered that they are relatively remote from business model and monetisation, and prudently abandoned the development in 2014. Instead, considering the prime status of Duomi Music in the mobile Internet music industry and the trend in cooperation in the current mobile internet industry, the Group shifted to the intrinsic cooperation with Duomi Music, so as to jointly build the music entertainment platform.

Cost of services provided

For the year ended 31 December 2013, cost of services provided by the Group amounted to approximately RMB125.3 million, representing a decrease of approximately 43.8% as compared with 2012 (2012: approximately RMB223.1 million).

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

Revenue share with mobile operators was charged from 15% to 70% of the total revenue received from mobile users and it averaged at approximately 41.1% of the total revenue for the year ended 31 December 2013, representing a slight increase of 1.2% as compared with 2012 (2012: approximately 39.9%).

Revenue share with business alliances averaged at approximately 17.7% of the total revenue for the year ended 31 December 2013, remaining almost the same level as 2012 (2012: approximately 18.1%).

Gross profit

For the year ended 31 December 2013, the gross profit of the Group amounted to approximately RMB62.2 million, representing a decrease of approximately 46.5% as compared with 2012 (2012: approximately RMB116.3 million). The overall gross profit margin of the Group decreased from 33.7% in 2012 to 32.8% in 2013. The decrease was mainly due to product mix which resulted in higher revenue share with mobile operators.

Other income and gains, net

For the year ended 31 December 2013, the other income and gains of the Group were approximately RMB111.4 million, as compared to net gain of approximately RMB19.8 million in 2012.

The sharp increase was mainly due to the increase of fair value gains on investment properties under construction and imputed interest income for redemption right of preferred shares amounted to approximately RMB90.2 million and RMB4.5 million, respectively, which was partly offset by the decrease of government grant released and fair value gain on conversion option of approximately RMB2.6 million and RMB1.2 million, respectively.

Selling and marketing expenses

For the year ended 31 December 2013, the selling and marketing expenses of the Group amounted to approximately RMB55.6 million, decreased by 38.3% as compared with 2012, representing 29.3% of total revenue (2012: approximately RMB90.1 million, representing 26.1% of total revenue). The rising proportion of selling expense over total revenue was due to the labor adjustment, such as layoff and new hire incurred with the business reposition.

Administrative expenses

For the year ended 31 December 2013, the administrative expenses of the Group amounted to approximately RMB49.2 million, representing a decrease of approximately 2.4% as compared with 2012 (2012: approximately RMB50.3 million).

The decrease was mainly due to the decrease of share option expense, labor cost and rental expenses which amounted to approximately RMB2.7 million, RMB1.6 million and RMB1.1 million, respectively, which was offset by the increase of other administrative expenses including the corporation cultural training and office relocation of approximately RMB4.2 million.

Other expenses, net

For the year ended 31 December 2013, the other expenses, net of the Group amounted to approximately RMB15.6 million, compared with approximately RMB2.7 million in 2012. The sharp increase was mainly due to the impairment of an intangible asset of Music cloud and exchange losses related to foreign currency amounted to approximately RMB12.9 million and RMB2.5 million, respectively, which was partly offset by the decrease of accounts receivable provision and its reversal amounted to approximately RMB2.6 million in total. In January 2010, the Group outsourced Music cloud system recorded as an intangible asset, which supported the technology framework at that time. However, with the dramatic development of mobile technology in recent years and significant change of mobile business model and competition roadmap in music side in current year, the Group repositioned the music business, which strengthened the co-operation with partners. Considering the out-of-date status of Music cloud system, the Group realised that it was not commercially viable for the Group to update the system and develop the business based on it, thus the impairment of Music cloud was made in time.

Share of losses of associates

For the year ended 31 December 2013, share of losses of associates for the Group amounted to approximately RMB32.0 million as compared with approximately RMB19.5 million in 2012, which mainly represented share of loss of Duomi Music. The Group owned 42.69% shares in Duomi Music. Although the revenue of Duomi Music marched great step, the company was still in the stages of development and investment, which in turn, the revenue rarely compensate the cost and expense incurred by business and customer development. With the change of the goal in Duomi Music from user accumulation to monetisation, plus achievement in Duomi Music monetisation, the Group thought it would be in the next stage, just as the track in internet industy.

Income tax

For the year ended 31 December 2013, the income tax expenses of the Group amounted to approximately RMB12.7 million, while it was approximately RMB3.3 million in 2012.

The effective tax rate of the Group was 60.1% in 2013 (2012: approximately negative of 12.4%). According to the new Corporate Income Tax Law in China, the statutory tax rates were 12.5%, 15%, 25% for the respective operating subsidiaries of the Group for 2013, the same as those in 2012. The tax expenses for the period were mainly due to deferred tax liability related to the appreciation of investment property of approximately RMB13.5 million, which were partly offset by the deferred tax asset related to the deductible temporary differences amounted to approximately RMB1.7 million.

Liquidity and Financial Resources

As at 31 December 2013, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, restricted cash, time deposits with original maturity of more than three months and investments at fair value through profit or loss amounted to approximately RMB475.9 million (2012: approximately RMB387.2 million). Approximately RMB360.1 million, or approximately 76% of the Group's cash and cash equivalents, was denominated in RMB.

As at 31 December 2013, the Group did not have any borrowings or debts. Accordingly, the gearing ratio which is measured by the net borrowings over the total assets is not applicable.

The Group's exposure to changes in interest rates is mainly attributable to its time deposits placed with banks. The Group mainly operates in the PRC with most of the transactions settled in RMB.

As at 31 December 2013, the Group did not have any derivatives for hedging against both the interest and exchange rate risks.

Non-current Assets

As at 31 December 2013, the total non-current assets of the Group amounted to approximately RMB389.2 million (2012: approximately RMB248.3 million). The increase was mainly due to the increase of investment properties under construction of A8 building amounted to approximately RMB210.8 million which were partly offset by the decrease of debt portion of preferred shares, intangible assets, prepaid land lease payments and prepayment for acquisition of items of property, plant and equipment amounted to approximately RMB26.9 million, RMB22.3 million, RMB12.4 million and RMB7.1 million, respectively.

Current Assets and Current Liabilities

As at 31 December 2013, the total current assets of the Group amounted to approximately RMB546.2 million (2012: approximately RMB461.6 million). The increase was mainly due to the increase of cash and bank and highly liquid short term assets of approximately RMB88.8 million which mainly derived from rights issue completed in March 2013, which was partly offset by the decrease of accounts receivable and prepayment, deposits and other receivable of approximately RMB4.2 million in total. The turnover days of accounts receivable is 99 days (2012: 56 days).

As at 31 December 2013, the total current liabilities of the Group amounted to approximately RMB122.0 million (2012: approximately RMB118.0 million). The increase was mainly due to the increase of current portion of deferred income, other payable and accruals of approximately RMB4.2 million and RMB1.0 million, respectively, which were partly offset by the decrease of accounts payable amounted to approximately RMB1.3 million.

Cash Flow

Net cash outflow from operating activities of the Group for the year ended 31 December 2013 was approximately RMB29.8 million, resulted from cash outflow from operations of approximately RMB28.6 million and tax paid of approximately RMB1.2 million.

Net cash outflow from investing activities of the Group for the year ended 31 December 2013 was approximately RMB85.4 million, resulted from the cash outflow of purchases of property, plant and equipment, increase in restricted cash amounted to approximately RMB74.3million and RMB13.5million, and it was also due to the cash outflow of acquisition of Duomi Music preferred shares and net purchase of investments at fair value through profit or loss amounted to approximately RMB11.3 million and RMB10.1 million respectively, which were partly offset by the interest received and decrease in short term time deposit over three months of approximately RMB15.5 million and RMB8.3 million, respectively.

Net cash inflow from financing activities of the Group for the year ended 31 December 2013 was approximately RMB197.5 million, representing the net proceeds derived from issue of shares under rights issue and new bank loan of approximately RMB273.0 million and RMB13.3 million, respectively, which partly offset by the repayment of interest-bearing bank loan of approximately RMB82.8 million.

Contingent Liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

Human Resources

As at 31 December 2013, the Group employed 209 employees (2012: 251 employees). However, the average headcounts of year 2013 was 230 while it was 260 in year 2012. The Group determines the remuneration of its employees based on various factors such as responsibilities, qualifications and years of experience. Total employee costs for the year ended 31 December 2013, including directors' emoluments, amounted to approximately RMB46.8 million, representing a decrease of approximately 9% as compared with 2012 (2012: approximately RMB51.5 million), which was mainly due to the combine effect of staff streamline, wage growth and severance packages for departing staff during 2013.

Events after the reporting period

On 7 January 2014, the Group subscribed for a Wealth Management Product issued by Ping'an Trust Co., Ltd. at a subscription amount of RMB70 million.

On 24 January 2014, the Group invested RMB20 million to subscribe approximately 6% interest of Qingsong Fund II, which is engaged in investment in the mobile internet and internet industry.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	**2013**	2012
		RMB'000	*RMB'000*
REVENUE		**189,736**	345,093
Business tax		**(2,237)**	(5,717)
Net revenue	*5*	**187,499**	339,376
Cost of services provided		**(125,339)**	(223,094)
Gross profit		**62,160**	116,282
Other income and gains, net	*5*	**111,420**	19,770
Selling and marketing expenses		**(55,573)**	(90,055)
Administrative expenses		**(49,152)**	(50,347)
Other expenses, net		**(15,604)**	(2,735)
Share of losses of associates	*13*	**(31,964)**	(19,526)
Share of loss of a joint venture	*14*	**(67)**	(73)
PROFIT/(LOSS) BEFORE TAX	*6*	**21,220**	(26,684)
Income tax expense	*8*	**(12,747)**	(3,328)
PROFIT/(LOSS) FOR THE YEAR		**8,473**	(30,012)
Attributable to:			
Owners of the Company	*9*	**9,820**	(29,868)
Non-controlling interests		**(1,347)**	(144)
		8,473	(30,012)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*11*		
Basic (RMB per share)		**0.8 cents**	(4.9 cents)
Diluted (RMB per share)		**0.8 cents**	(4.9 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2013

	Notes	**2013**	2012
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**132,563**	135,520
Investment properties	*12*	**210,800**	–
Prepaid land lease payments		**13,855**	26,240
Goodwill		**1,515**	1,515
Prepayment for acquisition of items of property, plant and equipment		**1,051**	8,160
Intangible assets		**6,799**	29,077
Investments in associates	*13*	**3,318**	3,651
Investment in a joint venture	*14*	**3,360**	3,427
Deferred tax assets		**2,906**	1,193
Conversion option embedded in preferred shares	*18*	**13,015**	12,600
Debt portion of preferred shares	*18*	**–**	26,890
Total non-current assets		**389,182**	248,273
CURRENT ASSETS			
Accounts receivable	*15*	**51,141**	53,100
Prepayments, deposits and other receivables		**19,081**	21,275
Investments at fair value through profit or loss		**10,316**	1,371
Restricted cash balances		**16,476**	2,940
Time deposits with original maturity of more than three months		**–**	8,318
Cash and cash equivalents		**449,157**	374,562
Total current assets		**546,171**	461,566
CURRENT LIABILITIES			
Accounts payable	*16*	**28,967**	30,262
Other payables and accruals		**80,126**	79,096
Tax payable		**5,160**	5,113
Deferred income		**7,770**	3,533
Total current liabilities		**122,023**	118,004
NET CURRENT ASSETS		**424,148**	343,562
TOTAL ASSETS LESS CURRENT LIABILITIES		**813,330**	591,835
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing	*17*	**–**	69,567
Deferred tax liabilities		**14,644**	1,382
Deferred income		**12,800**	5,620
Total non-current liabilities		**27,444**	76,569
Net assets		**785,886**	515,266
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*19*	**11,914**	4,203
Reserves		**775,213**	510,957
		787,127	515,160
Non-controlling interests		**(1,241)**	106
Total equity		**785,886**	515,266

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

A8 Digital Music Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in providing mobile value-added services, focusing on music and culture-related content through mobile phones in the People's Republic of China (the "PRC" or "Mainland China").

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") approved by the International Accounting Standards Committee that remain in effect.

The financial statements have been prepared under the historical cost convention, except for investment properties, investments at fair value through profit or loss and a conversion option embedded in the preferred shares which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendment to IFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (Revised)	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*
Annual Improvements 2009-2011 Cycle	*Amendments to a number of IFRSs issued in May 2012*

The adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

4. OPERATING SEGMENT INFORMATION

The directors consider that the Group's activities constitute one operating segment as the Group is principally engaged in providing digital entertainment services including digital music and mobile games. Management makes decisions about resource allocation and performance assessment on a group basis.

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.

Revenue of approximately RMB106,386,000 (2012: RMB200,020,000) and RMB20,476,000 (2012: RMB33,287,000), respectively, were derived from providing mobile value-added services through mobile phones to the two largest customers.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Ringback tone services	**86,094**	192,412
Other music related services	**43,223**	33,193
Games	**37,177**	29,441
Other entertainment services	**23,242**	90,047
	189,736	345,093
Less: Business tax	**(2,237)**	(5,717)
Net revenue	**187,499**	339,376
Other income and gains, net		
Bank interest income	**15,474**	14,414
Imputed interest income	**4,741**	215
Government grant released *(note)*	**–**	2,613
Gain on disposal of a subsidiary *(note 20)*	**256**	–
Gain on disposal of items of property, plant and equipment	**–**	6
Fair value gains on investments at fair value through profit or loss	**–**	598
Fair value gains on investment properties	**90,158**	–
Fair value gain on conversion option embedded in preferred shares	**415**	1,575
Foreign exchange differences, net	**–**	191
Others	**376**	158
	111,420	19,770

Note: In 2012, a government grant was received by the Group for developing high and new technology industry in Shenzhen in relation to Shenzhen's government policy. There are no unfulfilled conditions or contingencies relating to this grant.

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2013	2012
	RMB'000	*RMB'000*
Depreciation	**1,439**	1,454
Amortisation of intangible assets#	**9,288**	8,579
Amortisation of prepaid land lease payments#	**585**	585
Operating lease rentals in respect of office buildings	**6,262**	7,373
Auditors' remuneration	**1,504**	1,367
Employee benefit expense (including directors' remuneration):		
Wages, salaries and bonuses	**34,110**	39,195
Welfare, medical and other expenses	**4,544**	4,307
Contributions to social security plans	**5,579**	5,373
Equity-settled share option expense	**968**	1,569
Equity-settled share award expense	**587**	2,650
	45,788	53,094
Impairment of accounts receivable**	**132**	1,184
Write-back of impairment of accounts receivable**	**(1,545)**	–
Impairment of other receivables**	**–**	820
Impairment of an intangible asset**	**12,889**	–
Foreign exchange differences, net**	**2,528**	(191)
Mobile and Telecom Charges*	**78,246**	137,586
Loss/(gain) of disposal of items of property, plant and equipment**/***	**34**	(6)
Loss on disposal of investments at fair value through profit or loss**	**1,084**	555
Fair value losses/(gains) on investments at fair value through profit or loss**/***	**55**	(598)

Included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

* Included in "Cost of services provided" on the face of the consolidated statement of profit or loss.

** Included in "Other expenses, net" on the face of the consolidated statement of profit or loss.

*** Included in "Other income and gains, net" on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Interest on bank loan	**1,254**	2,390
Less: Interest capitalised	**(1,254)**	(2,390)
	–	–

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2012: Nil). The income tax for the subsidiaries operating in Mainland China is calculated at the prevailing rates in the jurisdictions in which the subsidiaries operate.

An analysis of the income tax charges for the year is as follows:

	2013	2012
	RMB'000	*RMB'000*
Group		
Current-PRC		
Charge for the year	**873**	975
Underprovision/(overprovision) in prior years	**325**	(787)
Deferred	**11,549**	3,140
Total tax charge for the year	**12,747**	3,328

9. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 December 2013 includes a loss of RMB4,760,000 (2012: RMB1,801,000) which has been dealt with in the financial statements of the Company.

10. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2013 (2012: Nil).

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount for the year ended 31 December 2013 is based on the profit for the year attributable to equity holders of the Company of RMB9,820,000 (2012: loss of RMB29,868,000), and the weighted average number of ordinary shares in issue less shares held under the share award scheme during the year of 1,219,482,000 (2012: 612,801,000), as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of the share options outstanding and the awarded shares had an anti-dilutive effect on the basic earnings/(loss) per share amount presented.

12. INVESTMENT PROPERTIES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Under construction		
Carrying amount at 1 January	**–**	–
Transfer from property, plant and equipment	**108,572**	–
Transfer from prepaid land lease payments	**12,070**	–
Fair value gain on investment properties	**90,158**	–
Carrying amount at 31 December	**210,800**	–

The Group's investment properties under construction are situated in Mainland China and are held under medium term leases.

The Group's investment properties under construction were revalued on 31 December 2013 based on valuation performed by Asset Appraisal Limited, independent professionally qualified valuers.

The valuations of investment properties under construction were based on the residual approach, and have taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development on the basis that the properties will be developed and completed in accordance with the Group's latest development plan.

13. INVESTMENTS IN ASSOCIATES

	Group 2013 RMB'000	2012 RMB'000
Share of net assets	**676**	1,009
Goodwill on acquisition	**2,642**	2,642
	3,318	3,651

In the opinion of the directors, the debt portion of preferred shares is considered as quasi-equity investments in the associate.

Particulars of the Group's associates are as follows:

Company name	Particulars of registered capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shenzhen Ningmenghai Technology Co., Ltd. ("Ningmenghai") *(note (i))**#	RMB5,000,000	PRC	19.34%	Provision of internet social network service
Duomi Music Holding Limited *	USD50,000	Cayman Islands/ PRC	42.69%	Provision of online and connected digital music service

Notes:

(i) As at 31 December 2013, the Group owned a 19.34% equity interest in Ningmenghai (2012: 19.34%). Although the Group holds less than 20% of the equity interest in Ningmenghai, in the opinion of the Company's directors, the Group is in a position to exercise significant influence over Ningmenghai having considered the prevailing widely dispersed shareholding structure of Ningmenghai.

* The above investments in associates are indirectly held by the Company.

\# The English name of the company represents the best effort made by management of the Company to directly translate its Chinese name as it did not register any official English name.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material. The Group did not have any individually material associates for each of the reporting periods.

	2013	2012
	RMB'000	*RMB'000*
Share of the associates' loss for the year	**(31,964)**	(19,526)
Share of the associates' total comprehensive loss	**(31,964)**	(19,526)
Aggregate carrying amount of the Group's investments in the associates	**3,318**	3,651

The Group has discontinued the recognition of its share of losses of an associate, Duomi Music, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were RMB6,251,000 (2012: RMB9,330,000) and RMB15,581,000 (2012: RMB9,330,000), respectively.

14. INVESTMENT IN A JOINT VENTURE

	Group	
	2013	2012
	RMB'000	*RMB'000*
Share of net assets	–	67
Goodwill on acquisition	**3,360**	3,360
	3,360	3,427

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest	Principal activity
Nanjing Utooo Information Technology Co., Ltd. ("Utooo")	Registered and paid-up capital of RMB1,059,000	PRC	15%*	Mobile application distributor

The English name of the company represents the best effort made by management of the Company to directly translate its Chinese name as it did not register any official English name.

* Notwithstanding that the Group owned a 15% equity interest in Utooo, in the opinion of the Company's directors, the Group is in a position to have joint control over Utooo having considered that the other shareholders have contractually agreed the sharing of control over the key financial and operating activities of Utooo with the Group.

The following table illustrates the financial information of the Group's joint venture that is not material. The Group did not have any material joint venture for each of the reporting periods.

	2013	2012
	RMB'000	*RMB'000*
Share of the joint venture's loss for the year	**(67)**	(73)
Share of the joint venture's total comprehensive loss	**(67)**	(73)
Carrying amount of the Group's investment in the joint venture	**3,360**	3,427

The Group has discontinued the recognition of its share of losses of a joint venture, Utooo, because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this joint venture for the current year and cumulatively were RMB2,000 (2012: Nil) and RMB2,000 (2012: Nil), respectively.

15. ACCOUNTS RECEIVABLE

	Group	
	2013	2012
	RMB'000	*RMB'000*
Accounts receivable	**53,311**	56,683
Impairment	**(2,170)**	(3,583)
	51,141	53,100

The Group has no formal credit period communicated to its customers but the customers usually settle the amounts due to it within a period of 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable. Accounts receivable are non-interest-bearing.

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:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired:		
Within 1 month	**15,338**	14,053
Over 1 month but less than 2 months	**13,721**	8,315
Over 2 months but less than 3 months	**3,692**	9,112
Over 3 months but less than 4 months	**2,861**	5,171
Past due but not impaired:		
4 to 6 months	**4,361**	9,328
Over 6 months	**11,168**	7,121
	51,141	53,100

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
At 1 January	**3,583**	2,399
Impairment losses recognised *(note 6)*	**132**	1,184
Write-back of impairment *(note 6)*	**(1,545)**	–
At 31 December	**2,170**	3,583

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

16. 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:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Within 1 month	**7,381**	4,877
1 to 3 months	**7,597**	9,170
4 to 6 months	**2,616**	4,620
Over 6 months	**11,373**	11,595
	28,967	30,262

The accounts payable are non-interest-bearing and are normally settled on 30-day to 180-day terms.

17. INTEREST-BEARING BANK BORROWING

Group

	2013			2012		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Non-current						
Bank loan-secured	–	–	–	6.55%	2014-2015	69,567

	Group	
	2013	2012
	RMB'000	*RMB'000*
Analysed into:		
Bank loan repayable:		
In the second year	–	24,000
In the third to fifth years, inclusive	–	45,567
	–	69,567

Notes:

(a) As at 31 December 2012, the Group's bank loan was secured by the pledge of the Group's leasehold land situated in Mainland China, which had a carrying value of approximately RMB26,825,000.

(b) As at 31 December 2012, the Group's entire bank borrowing was guaranteed by a subsidiary.

(c) The Group's bank borrowing was denominated in RMB.

18. DEBT PORTION OF PREFERRED SHARES AND CONVERSION OPTION EMBEDDED IN PREFERRED SHARES

On 14 December 2012 (the "Completion Date"), Phoenix Success Limited ("Phoenix Success"), a subsidiary of the Group, subscribed for 13,853,868 convertible redeemable preferred shares (the "preferred shares") at US$0.43 each for cash issued by Duomi Music. All the above preferred shares can be converted into ordinary shares at US$0.43 per share (subject to adjustments). The major terms of the preferred shares are set out below:

(i) Phoenix Success has the option to request all (but not less than all) the preferred shares it holds to be converted at any time, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares in Duomi Music.

(ii) From the beginning of the fourth anniversary of the Completion Date, Phoenix Success has the right to request Duomi Music to redeem all (but not less than all) of the preferred shares held by Phoenix Success for a redemption price per share equal to 140% of the subscription price of the preferred shares plus all accrued but unpaid dividends (subject to adjustment).

The Group classified the debt portion of the preferred shares in Duomi Music as loans and receivables and the conversion option embedded in preferred shares is deemed as held for trading and recognised at fair value through profit or loss on initial recognition with changes in fair value recognised in profit or loss subsequently. In the opinion of the directors, the debt portion of preferred shares is considered as part of the Group's investment in Duomi Music. As such, the debt portion was used to cover the share of loss of Duomi Music in 2013. The fair values of the conversion option embedded in preferred shares on initial recognition and at the end of the reporting period are determined by the directors of the Company with reference to the valuation performed by independent qualified valuers, Grant Sherman Appraisal Limited. Details of the method and assumptions used in the Binomial Pricing Model in the valuation of the conversion option embedded in the preferred shares are as follows:

	31 December 2013	31 December 2012
Expected volatility (i)	**43.37%**	53.45%
Dividend yield	**–**	–
Option life (year(s))	**3.96**	4.96
Risk-free interest rate (ii)	**1.22%**	0.65%

Notes:

(i) Expected volatility was calculated by reference to annualised standard deviation of the continuously compounded rates of return on the weekly average adjusted share price of the comparable companies.

(ii) Risk-free interest rate was used by reference to the United States Treasury Bond Rate with similar maturity at the valuation date.

The fair value of each underlying share of Duomi Music is estimated using a discounted cash flow model, which included some assumptions that are not supportable by observable market prices or rates. In determining the fair value, a weighted average cost of capital of 22.7% and 19.88% were used as at 31 December 2013 and 31 December 2012, respectively.

The effective interest rate of the debt portion of the preferred shares is 17.80% per annum.

19. SHARE CAPITAL

Shares

	2013	2012
	RMB'000	*RMB'000*
Authorised:		
3,000,000,000 (2012: 3,000,000,000) ordinary shares of HK$0.01 each	**26,513**	26,513
Issued and fully paid:		
1,428,847,128 (2012: 476,282,376) ordinary shares of HK$0.01 each	**11,914**	4,203

A summary of the transactions in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	**Nominal value of ordinary shares**	**Share premium account**	**Equivalent nominal value of ordinary shares**	**Equivalent share premium account**	**Total**
		HK$'000	*HK$'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2012	475,976,496	4,761	209,458	4,201	184,959	189,160
Exercise of share options	305,880	4	583	2	475	477
As at 31 December 2012 and 1 January 2013	476,282,376	4,765	210,041	4,203	185,434	189,637
Rights issue	952,564,752	9,525	333,398	7,711	269,904	277,615
Share issue expenses	–	–	(5,734)	–	(4,568)	(4,568)
As at 31 December 2013	1,428,847,128	14,290	537,705	11,914	450,770	462,684

During the year, a rights issue of two rights shares for every existing share held by members on the register of members on 27 February 2013 was made, at an issue price of HK$0.36 per rights share, resulting in the issue of 952,564,752 shares of HK$0.01 each for a total cash consideration, before expenses, of HK$342,923,000 (equivalent to RMB277,615,000).

During the prior year, a total of 305,880 share options under the Pre-IPO share option scheme were exercised at exercise prices ranging from HK$0.52 to HK$0.74 per share, for a total cash consideration, before expenses, of HK$197,000 (equivalent to RMB160,000).

20. DISPOSAL OF A SUBSIDIARY

On 30 August 2013, the Group disposed of its entire interest in a wholly-owned subsidiary, Fuzhou Zhuolong Tianxun Information Technology Ltd. ("Zhuolong"), for a cash consideration of RMB950,000 and the Group can retain all assets and liabilities on the management accounts of Zhuolong as at 30 August 2013 except for intangible assets of RMB694,000. Zhuolong is engaged in the provision of music and mobile internet related services. The disposal was made as the Group has shifted its strategic focus to the rapid layout in the field of digital music and mobile Internet.

	Note	*RMB'000*
Net assets disposed of:		
Intangible assets		694
Accounts receivable		336
Prepayments, deposits and other receivables		263
Amounts due from related parties		1,246
Cash and bank balances		142
Accounts payable		(274)
Other payables and accruals		(1,927)
Total identifiable net assets at fair value		480
Gain on disposal of a subsidiary	5	256
		736
Satisfied by:		
Cash		760
Other receivables		190
Net liabilities (excluding the intangible assets)		(214)
		736

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

	RMB'000
Cash consideration received	760

21. PLEDGE OF ASSETS

At 31 December 2012, the Group's bank loan was secured by certain asset of the Group. Details were included in note 17(a) to the financial statements.

22. COMMITMENTS

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Authorised, but not contracted for:		
Construction in progress	**–**	120,000
Contracted, but not provided for:		
Construction in progress	**1,851**	60,660
	1,851	180,660

23. RELATED PARTY TRANSACTIONS

(a) In addition to those detailed elsewhere in these financial statements, during the current year, the Group had the following transaction:

	2013	2012
	RMB'000	*RMB'000*
Service fee paid	**506**	1,906

The Company entered into a subcontract agreement with Beijing Caiyun Online Technologies Co., Ltd. (a subsidiary of Duomi Music) dated 4 November 2011 for software development and the provision of music downloading service. The service fee was determined at rates mutually agreed between the relevant parties.

The above related party transaction also constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel of the Group

	2013	2012
	RMB'000	*RMB'000*
Short term employee benefits	**2,771**	3,289
Post-employment benefits	**181**	159
Equity-settled share option expenses	**216**	1,111
Equity-settled share award expenses	**808**	91
Total compensation paid to key management personnel	**3,976**	4,650

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year of 2013, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme has purchased a total of 16,172,120 shares of the Company at a total consideration of about HKD5.82 million in accordance with the terms of the prospectus relating to the Rights Issue.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, and successful business growth and enhancing shareholders' value.

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. Throughout the year ended 31 December 2013, the Company has applied the principles and complied with all code provisions, and where applicable, the recommended best practices as set out in the Corporate Governance Code (the "CG Code"), except for the deviation from code provision A.2.1 as explained on page 32 in the section headed "Chairman and Chief Executive Officer".

Code provision A.2.1 in the CG Code stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual. In the year ended 31 December 2013, the chairman and chief executive officer of the Company are both held by Mr. Liu Xiaosong, the Company did not complied with code provision A.2.1. Considering 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 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 year ended 31 December 2013.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure that they comply with the statutory and professional standards and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its Own Code on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Own Code and the Model Code throughout the year ended 31 December 2013.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

AUDIT COMMITTEE

The Audit Committee of the Company, all members of which are independent non-executive Directors with the Chairman Mr. Chan Yiu Kwong having appropriate professional qualifications and experience in financial matters, has reviewed the accounting policies, accounting standards and practices adopted by the Group, discussed auditing, internal control and financial reporting matters, and reviewed the consolidated financial statements and results of the Group for the year ended 31 December 2013.

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

Hong Kong, 27 March 2014

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

(1) Executive Directors namely Mr. Liu Xiaosong and Mr. Lu Bin; and

(2) Independent Non-Executive Directors namely Mr. Chan Yiu Kwong, Ms.Wu Shi Hong and Mr. Song Ke.