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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **A8 Digital Music Holdings Limited**, you should at once pass this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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A8 Digital Music Holdings Limited

A8 電媒音樂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 800)

**ACQUISITION OF LAND USE RIGHTS
DISCLOSEABLE TRANSACTION**

A letter from the board of Directors of the Company is set out on pages 3 to 6 of this circular.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the Land Use Rights
“Agreement”	the land use rights transfer agreement dated 6 November 2008 entered into between Huadong Feitian and Shenzhen Land Bureau in relation to the transfer of the Land Use Rights in Shenzhen, Guangdong Province, the PRC
“Board”	the board of Directors
“Company”	A8 Digital Music Holdings Limited (A8 電媒音樂控股有限公司), a company incorporated in the Cayman Islands with limited liability on 2 October 2007
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration of RMB29,265,400.00 payable to Shenzhen Land Bureau under the Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Huadong Feitian”	Shenzhen Huadong Feitian Network Development Co., Ltd., a limited liability company established in the PRC on 22 May 2000 and a subsidiary which is indirectly controlled by the Company through contractual arrangements
“Land”	a parcel of land situated at Lot No. T204-0111, Southern District of Hi-Tech Industry Park, Nanshan District, Shenzhen, Guangdong Province, the PRC with a total gross floor area of approximately 4,745.49 sq.m. to be used for industrial purpose
“Land Use Rights”	the land use rights for the Land

DEFINITIONS

“Latest Practicable Date”	24 December 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Reminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Land Bureau”	Shenzhen Municipal Bureau of Land Resources and Housing Management, a governmental authority which is responsible for the management of land resource and housing management in Shenzhen, Guangdong Province, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.
“sq.m.”	square metre

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is based on the exchange rate of RMB0.8841 = HK\$1. The exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate at all.



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)

Executive Directors:

Mr. Liu Xiaosong (*Chairman*)

Mr. Lin Yizhong

Ms. Ho Yip, Betty

Non-executive Director:

Mr. Li Wei

Independent Non-executive Directors:

Mr. Chan Yiu Kwong

Mr. Hui, Harry Chi

Mr. Song Yong Hua

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business
in Hong Kong:*

Level 28

Three Pacific Place

1 Queen's Road East

Hong Kong

31 December 2008

To the Shareholders

Dear Sir and Madam,

ACQUISITION OF LAND USE RIGHTS DISCLOSEABLE TRANSACTION

INTRODUCTION

On 11 December 2008, the Board announced that Huadong Feitian has entered into an agreement dated 6 November 2008 with Shenzhen Land Bureau for the acquisition of the land use rights of the Land from Shenzhen Land Bureau for an aggregate cash consideration of RMB29,265,400.00 (equivalent to approximately HK\$33,101,911.55).

As the applicable percentage ratio as set out in the Listing Rules is more than 5% but less than 25%, the transaction under the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further details of the Acquisition.

LETTER FROM THE BOARD

THE AGREEMENT

Date: 6 November 2008

Parties:

Seller: Shenzhen Land Bureau

Purchaser: Huadong Feitian

Consideration: RMB29,265,400.00
(equivalent to approximately HK\$33,101,911.55)

Terms of land use rights: 50 years from 6 November 2008

Land use rights to be transferred: The land use rights for a parcel of land (“Land”) situated at Lot No. T204-0111, Southern District of Hi-Tech Industry Park, Nanshan District, Shenzhen, Guangdong Province, the PRC with a total gross floor area of approximately 4,745.49 sq.m. to be used for industrial purpose. As at the date of this circular, no property has been erected on the Land.

The Company confirms that, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Shenzhen Land Bureau, a governmental department of the PRC, and its ultimate beneficial owners are third parties independent of the Group and connected persons of the Group.

The Consideration includes land transfer fee of RMB4,389,810, land development fee of RMB474,549 and the cost of related municipal utility facilities of RMB24,401,041. The Consideration in the sum of RMB29,265,400 was fully paid by Huadong Feitian on 10 November 2008 and funded by internal resources of the Group which does not include the proceeds from the Company’s initial public offering in June 2008 (“Proceeds”) and as such does not affect the use of the Proceeds as stated in the Company’s prospectus dated 28 May 2008. There will not be any immediate impact on the earnings of the Group as the Land is still a vacant site pending for construction as at the Latest Practicable Date. The Acquisition will not have any effect on the total assets and total liabilities of the Group.

The Board considers that the value of the Land Use Rights is commensurable with the Consideration which was arrived at as a result of a successful bid by Huadong Feitian at an open bidding organized by Shenzhen Land Bureau having taken into account the location and potential value of the Land and the average market price assessed value of similar plots of land in the proximity. The directors are of the view that the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE AGREEMENT

1. The construction on the Land shall be completed on or before 6 November 2011.
2. The total investment for the development and construction on the Land is expected to be not less than RMB120,000,000. The investment of RMB120,000,000 is merely an estimation and intention rather than a contractual commitment.
3. Upon expiration of the term of the Land Use Rights, if Huadong Feitian wishes to extend its rights to use the Land, it shall apply for such extension to Shenzhen Land Bureau with half a year's prior notice.
4. If Huadong Feitian fails to complete the construction on or before 6 November 2011, Shenzhen Land Bureau will impose a charge calculated on the basis of the Consideration depending on the extent of the delay. If Huadong Feitian completes the construction within 6 months from 6 November 2011, Shenzhen Land Bureau will impose a charge equivalent to 5% of the Consideration. In the case of more than 6 months but less than 1 year, the charge will be equivalent to 10% of the Consideration and in the case of more than 1 year but less than 2 years, the charge will be equivalent to 15% of the Consideration. If Huadong Feitian fails to complete the construction after 2 years from 6 November 2011, Shenzhen Land Bureau will forfeit the Land Use Rights, the construction on the Land and affixtures with no consideration.

INFORMATION ON THE GROUP AND HUADONG FEITIAN

The Group principally engages in the business of digital music. It sources its music content from its own interactive platform, www.a8.com, as well as from other international and domestic record labels, and sells the music content to mobile phone subscribers in the PRC.

Huadong Feitian, a limited liability company established in the PRC and a subsidiary of the Company which is indirectly controlled by the Company through contractual arrangements, is principally engaged in the business of, among others, the technological development of computer hardware and software and information networking systems, advertising businesses and telecommunications value-added services.

REASONS FOR THE ACQUISITION

According to the Eleventh Five-Year Plan (2006-2010) for the Development of Shenzhen Cultural Industry dated 13 December 2007 issued by the Shenzhen Municipal Government (the "Plan"), it is the goal of the Shenzhen Municipal Government to build and develop Shenzhen as the hub of digital culture in the southern part of China. The Company was also identified as one of the leaders of digital content providers under the Plan. In addition, pursuant to Shenzhen Municipal Culture Industry Development Regulation which was passed on 26 September 2008, Shenzhen Municipal and District Government shall give priority to support enterprises in innovative cultural industry in terms of land, capital, human resources and etc..

LETTER FROM THE BOARD

In light of these encouraging policies, the Board considers that it would be beneficial to the Group to acquire the Land and to take part in building the hub of digital culture in the southern part of China as it helps to promote the name of the Company and contributes to the future growth and development of the Group. Commercial buildings will be constructed on the Land principally for promoting original independently produced music content and research and development in relation to digital-music business.

The Company will comply with the Listing Rules in respect of any related transaction in relation to the construction on the Land in the future.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio as set out in the Listing Rules is more than 5% but less than 25%, the transaction under the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Company admits that it has failed to make timely disclosure of the Acquisition in accordance with the Listing Rules and such delay in disclosure constitutes a breach of Rule 14.34 of Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
A8 Digital Music Holdings Limited
Liu Xiaosong
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the directors and chief executives of the Company and their associates had the following interests 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")) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) which were required to be 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 as adopted by the Company, were as follows:

(i) Interest in the Company

Name of director	Number of shares held and nature of interest			Underlying Shares pursuant to share options	Total	Percentage of the Company's issued share capital
	Personal interest	Family interest	Corporate interest			
Mr. Liu Xiaosong	802,000	-	216,839,023	-	217,641,023	48.77%
Mr. Li Wei	-	48,609,756	-	-	48,609,756	10.89%
Ms. Ho Yip Betty	108,000	-	-	108,000	108,000	0.02%
Mr. Lin Yizhong	4,405,280	-	-	4,405,280	4,405,280	0.99%

Notes:

- (1) The personal interests of Mr. Liu Xiaosong comprise 802,000 shares. In addition, 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 Latest Practicable Date, Prime Century directly held 179,644,974 shares and Ever Novel directly held 37,194,049 shares in the Company.
- (2) Mr. Li Wei is deemed by SFO to be interested in the shares in the Company held indirectly by Ms. Cui Jingtao who is his spouse.

(ii) Interests in associated corporations of the Company

Name of director	Nature of interest	Associated corporation of the Company	Approximate percentage of interest in the associated corporation’s registered capital
Mr. Liu Xiaosong	Personal	Huadong Feitian ⁽³⁾	75%
Mr. Li Wei	Family ⁽⁴⁾	Huadong Feitian ⁽³⁾	25%
Mr. Lin Yizhong	Personal	Kuaitonglian ⁽⁵⁾	100%

Notes:

- (3) Shenzhen Huadong Feitian Network Development Co., Ltd. (“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.
- (4) 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.
- (5) Shenzhen Kuaitonglian Technology Co., Ltd. (“Kuaitonglian”) 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of Part XV of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' interests and short positions

As at the Latest Practicable Date and so far as was known to the Directors or the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of shares capital that carry a right to vote in all circumstances at general meetings of any other member of the Group:

Name of substantial shareholder	Nature of interest	Number of ordinary shares (long positions)	Approximate percentage of interest in the Company's issued share capital
HSBC International	Trustee (other than a bare trustee) ⁽ⁱ⁾	238,439,023	54.42%
River Road	Corporate ⁽ⁱ⁾	216,839,023	48.59%
Knight Bridge	Corporate ⁽ⁱ⁾	216,839,023	48.59%
Ever Novel	Corporate & Beneficial Owner ^{(i), (ii)}	216,839,023	48.59%
Prime Century	Beneficial Owner ^{(i), (ii)}	179,644,974	40.25%
Ms. Cui Jingtao	Corporate ⁽ⁱⁱⁱ⁾	48,609,756	10.89%
Success Profit	Corporate ⁽ⁱⁱⁱ⁾	48,609,756	10.89%
Top Result	Beneficial Owner ⁽ⁱⁱⁱ⁾	48,609,756	10.89%

Notes:

- (i) HSBC International Trustee Limited ("HSBC International") is the trustee of family trusts which, through intermediate holding companies (including but not exclusively River Road Investments Limited ("River Road"), Knight Bridge Holdings Limited ("Knight Bridge"), 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.
- (ii) As at the Latest Practicable Date, Prime Century directly held 179,644,974 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 179,644,974 shares in the Company held directly by Prime Century.
- (iii) Ms. Cui Jingtao is deemed to be interested in the shares held by Top Result Enterprises Limited ("Top Result") in the Company under the SFO because Top Result is wholly owned by Success Profit Investments Limited ("Success Profit"), which is wholly owned by Ms. Cui Jingtao.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors or the chief executive of the Company, no other person had, or was deemed or taken to have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who were interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital that carry a right to vote in all circumstances at general meetings of any member of the Group.

3. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up.

5. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment or any compensation other than statutory compensation).

7. GENERAL

- (a) The qualified accountant and secretary of the Company is Ms. Ho Yip, Betty who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The principal place of business of the Company in Hong Kong is at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (d) The branch share registrar of the Company in Hong Kong is at the offices of Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular will prevail over the Chinese text.