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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)**

**COMPLETION OF THE CONNECTED TRANSACTION  
IN RELATION TO THE DUOMI MUSIC SHARE SUBSCRIPTION**

The Board is pleased to announce that all the conditions precedent to completion of the Duomi Music Share Subscription Agreement have been fulfilled and the Completion took place on 23 April 2012. Following Completion, Duomi Music Holding has become a 42.69%-owned associated company of the Group.

Immediately following Completion, Duomi Music Holding and all of its shareholders including Phoenix Success entered into the Shareholders' Agreement to establish certain rules for the operation and management of Duomi Music Holding, its subsidiaries and the PRC Subsidiaries, and provide for certain right and obligations among themselves.

Reference is made to the announcements of the Company dated 19 September 2011 in relation to, among other things, the subscription of 42.69% of the enlarged share capital of Duomi Music by Phoenix Success, a wholly-owned subsidiary of the Company (the "**First Announcement**") and dated 21 December 2011 in relation to the impact of certain new measures implemented by SAFE (the "**Second Announcement**", together with the First Announcement, the "**Announcements**"). Terms used in this announcement shall have the same meanings as those defined in the Announcements unless otherwise stated herein.

**CHANGE OF PARTIES TO THE TRANSACTION OF DUOMI MUSIC SHARE SUBSCRIPTION**

As disclosed in the Second Announcement, the relevant parties were required to use newly-registered offshore special purpose vehicles to participate in the Transactions due to certain new measures recently implemented by SAFE. In light of the above, the Board wishes to announce that on 30 December 2011, Phoenix Success, Mr. Liu, Fortune Sail Investments, Fortune Light, Mr. Shi, Bile Investments, Duomi Music, Duomi Music Holding, Boundless Melody, Boundless Melody HK, the Founders and the Founders' Designated Entities entered into a supplemental agreement (the "**Supplemental Agreement**") to give effect to such change of parties to the transaction of the Duomi Music Share Subscription.

Pursuant to the Supplemental Agreement, each of Fortune Light, Duomi Music Holding and Boundless Melody HK were assigned respectively with all the rights and interests and assumed all the obligations and liabilities of Fortune Sail Investment, Duomi Music and Boundless Melody respectively under the Duomi Music Share Subscription Agreement.

Fortune Light is an investment holding company newly incorporated in the British Virgin Islands with limited liability and is owned as to 100% by Mr. Liu.

Duomi Music Holding is an investment holding company newly incorporated in the Cayman Islands with limited liability and is the subject company under the Duomi Music Share Subscription Agreement. The current shareholders of Duomi Music Holding immediately before Completion were as follows:

Shareholders of Duomi Music Holding	Number of shares of Duomi Music Holding	Approximate percentage immediately before Completion
Fortune Light	35,435,640	77.73%
Beyond Faith Limited	2,489,328	5.46%
Hero Victory Investments Limited	7,661,760	16.81%

Boundless Melody HK is an investment holding company newly incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of Duomi Music Holding.

The Board considers that (i) the entering into of the Supplemental Agreement has no adverse effect to the Group and is in the best interests of the Group and the Shareholders as a whole; and (ii) the terms of the Supplemental Agreement are fair and reasonable.

Save as disclosed above, the other terms and conditions of the Duomi Music Share Subscription Agreement remain the same in all material respects. The Board considers that the terms and conditions of the Supplemental Agreement did not constitute a material change to the provisions of the Duomi Music Share Subscription Agreement.

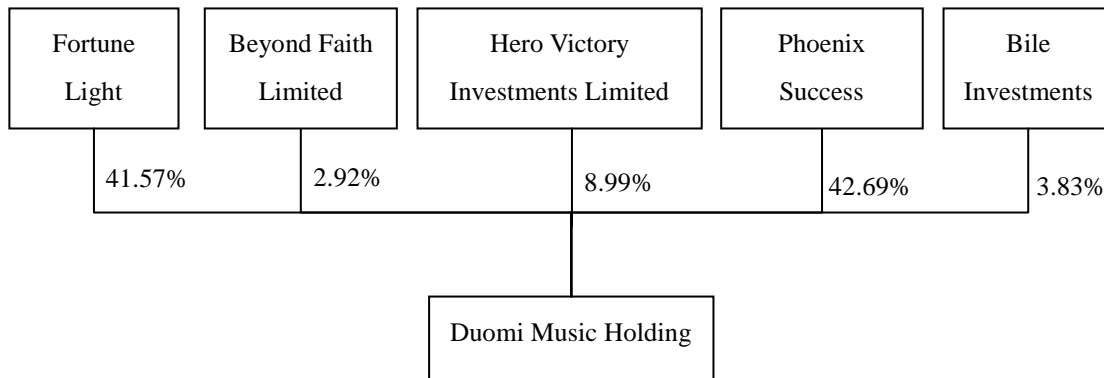
## **COMPLETION OF THE TRANSACTION**

The Board is pleased to announce that all the conditions precedent to completion of the Duomi Music Share Subscription Agreement (the “**Completion**”) have been fulfilled and the Completion took place on 23 April 2012. Following Completion, Duomi Music Holding has become a 42.69%-owned associated company of the Group.

The above percentage figure relating to the shareholding of Duomi Music Holding is based on the assumption that no option has been granted and exercised under the ESOP. As disclosed in the First Announcement, assuming that options under the ESOP to subscribe for up to 14,755,218 shares of Duomi Music Holding have been granted and exercised in full, the interest in Duomi Music Holding held by Phoenix Success (a wholly-owned subsidiary of the Company) will be diluted to 36.39%.

**THE SHAREHOLDING STRUCTURE OF DUOMI MUSIC HOLDING IMMEDIATELY AFTER COMPLETION**

Assuming that no option has been granted and exercised under the ESOP, as at the date of this announcement, the shareholding structure of Duomi Music Holding immediately after Completion is as follows:



**THE SHAREHOLDERS’ AGREEMENT**

**Date:**

23 April 2012

**Parties:**

- (1) Duomi Music Holding
- (2) Phoenix Success
- (3) Fortune Light
- (4) Bile Investments
- (5) the Founders’ Designated Entities

The parties have entered into the Shareholders’ Agreement to establish certain rules for the operation and management of Duomi Music Holding, its subsidiaries and the PRC subsidiaries, and provide for certain

right and obligations among themselves.

### **Principal terms of the Shareholders' Agreement**

Pre-emptive Rights: The shareholders of Duomi Music Holding shall have the right, but not the obligation, to purchase all or any part of its pro rata share of new securities which Duomi Music Holding may, from time to time, propose to sell and issue.

Restrictions on Share Transfer: Without the prior written consent of the other shareholders, no shareholders of Duomi Music Holding, nor their respective beneficial owners, shall, directly or indirectly sell, transfer, encumber or otherwise dispose of or permit the sale, transfer, encumbrances or other disposition of any shares held by such shareholder or of any interest in such shares.

Right of First Refusal: Before the completion of a qualified IPO, if at any time a shareholder of Duomi Music Holding wishes to transfer any or all of its shares to any person, it shall serve written notice of such intent stating the details of the proposed offer on the other shareholders. Upon receipt of such written notice, the other shareholders shall have the right, but not the obligation, to purchase all, or a part of, the offered shares.

Notwithstanding the above-mentioned restrictions on share transfer, each shareholder of Duomi Music Holding may transfer any or all of its shares in Duomi Music Holding to an Affiliate, provided that, in addition to the other conditions, the transferee is not a competitor competing with the Duomi Group in direct or indirect manner; or (ii) a potential investor that might materially and adversely affect the business operation of the the Duomi Group.

Shareholders' Meeting: The quorum for a meeting of the shareholders of Duomi Music Holding shall be a majority of the shareholders.

Board of Directors: The board of Duomi Music Holding shall consist of five directors, of which two shall be nominated and appointed by Phoenix Success, and the other three shall be appointed by the other

shareholders.

The quorum for a meeting of the board of Duomi Music Holding shall be a majority of the directors.

The composition, appointment and removal of the board of each of the PRC Subsidiaries shall be decided by the board of Duomi Music Holding or such entities or committees designated by the board from time to time.

Important  
Decisions of the  
Board of  
Directors:

Except as required under applicable law, the board of Duomi Music Holding shall have the authority for all matters of Duomi Music Holding. All decisions of the board of Duomi Music Holding shall be deemed approved, by a majority vote of the directors of the board for which there is a quorum, save and except for the following matters which shall be approved with the consent of the two thirds of the board of Duomi Music Holding:

- (a) merger and consolidation, division, spin offs, divestures, change of corporate form, suspension, filing for bankruptcy, dissolution, liquidation, business reorganizations and other similar proceedings of Duomi Music Holding or its subsidiaries;
- (b) issuance or repurchase of shares, convertible securities, options, warrants or any other equity interests or convertible securities in Duomi Music Holding and any of its subsidiaries or affiliates, except for an IPO of Duomi Music Holding;
- (c) approval of a qualified IPO of the Duomi Group and capital expenditure of Duomi Music Holding exceeding the limit as approved pursuant to the Shareholders' Agreement;
- (d) purchase or disposal of assets exceeding the limit as approved pursuant to the Shareholders' Agreement;
- (e) any material change of the business of Duomi Music

Holding, including termination of core business, or commencement of any new line of business unrelated to its current business;

- (f) any declaration of dividends or distribution of any kind;
- (g) any borrowing, guarantee, indebtedness, including leasing and creation of any encumbrance by Duomi Music Holding, other than trade payables within the scope of core business and loans, guarantees or liabilities incurred in the ordinary course of business;
- (h) appointment of an auditor that is not one of the “Big Four” international firms as the auditor of Duomi Music Holding, removal of the auditor of Duomi Music Holding, or any material change of the accounting policies of Duomi Music Holding;
- (i) amendment or termination of the articles of association (or equivalent document) of Duomi Music Holding;
- (j) adoption of any employee stock plan;
- (k) purchase or sale of real property of Duomi Music Holding;
- (l) formulation of any policy and limit governing the transaction between Duomi Music Holding or any of its subsidiaries and either party or affiliates, directors, shareholders or related parties of Duomi Music Holding;  
and
- (m) any Structural Agreements entered into between the WFOE and the PRC Subsidiaries.

IPO Undertakings: The parties shall use their best endeavors to complete an IPO in the U.S. or any other stock exchange as agreed by the shareholders of Duomi Music Holding on such terms and conditions as agreed by the shareholders of Duomi Music Holding.

**Anti Dilution:** Until immediately prior to the IPO of Duomi Music Holding, some management of Duomi Music Holding shall be granted with additional options so that their respective percentages of share options in the total issued shares of Duomi Music Holding ( assuming options under ESOP to subscribe for up to 14,755,218 Shares of Dumoi Music Holding have been granted and exercised in full) shall remain the same as at the date of Completion (4.75% in total) and at the same price as the price of any new securities to be issued by Duomi Music Holding.

**THE STRUCTURAL AGREEMENTS**

**Date:**

23 April 2012

**Parties:**

- (1) the WFOE
- (2) the PRC Subsidiaries
- (3) the shareholders of the PRC Subsidiaries

In fulfilling one of the conditions precedent to Completion, Duomi Music Holding has procured the WFOE to enter into the Structural Agreements with the PRC Subsidiaries and their shareholders to facilitate the injection of the PRC Subsidiaries and the businesses and assets in relation thereto into the Duomi Group.

**Principal terms of the Structural Agreements**

<p>Exclusive Technical Consulting and Services Agreement</p>	<p>The WFOE provide the exclusive technique, marketing and management consulting services to the PRC Subsidiaries, and the service fee will be determined by the amount of human resources and the number of days to be spent by the WFOE for such services;</p> <p>The intellectual property rights created by the WFOE in the course of performing the Exclusive Technical Consulting Services Agreement (including without limitation any copyrights, trademarks or logos registered or not, patents and proprietary technology) shall belong to the WFOE.</p>
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Equity Option Agreement	The shareholders of the PRC Subsidiaries irrevocably grant the WFOE or its designated person(s) the purchase right for its equity interest in the PRC Subsidiaries.
Equity Interest Pledge Agreement	The shareholders of the PRC Subsidiaries pledge, and if required, transfer and assign the equity interest to the WFOE.  The WFOE is entitled to collect any and all dividends or other distributions, if any, arising from such equity interest during the term of the Equity Interest Pledge Agreement.
Exclusive Intellectual Property Right Option Agreement	The PRC Subsidiaries irrevocably grant the WFOE or its designated persons the purchase right for the intellectual property right owned by the PRC Subsidiaries.
Power of Attorney	The shareholders of the PRC Subsidiaries irrevocably authorize the WFOE to exercise (i) the right to vote for themselves at the shareholders' meetings of the PRC Subsidiaries and to exercise full voting rights as shareholders granted by the PRC law and under the articles of association of the PRC Subsidiaries; and (ii) authorize the right to designate and appoint the directors and management personnel of the PRC Subsidiaries.

## DEFINITIONS

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

“Affiliate”	any person (including any individual, partnership, joint venture, corporation, limited liability company, limited liability partnership, trust, unincorporated organization or governmental authority or any department or agency thereof ) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, another Person
“Boundless Melody HK”	Boundless Melody Hong Kong Limited, a company incorporated in Hong Kong with limited liability on 30 December 2011 which is owned as to 100% by Duomi Music Holding
“Duomi Group”	Duomi Music Holding and its subsidiaries including Boundless Melody HK, the WFOE and other subsidiaries through the entering into of the Structural Agreements by the WFOE with the PRC Subsidiaries and their shareholders
“Duomi Music Holding”	Duomi Music Holding Ltd, a company incorporated in the



Cayman Islands on 20 December 2011 which is authorized to issue a maximum of 500,000,000 Shares with a par value of US\$0.0001 each

“Founders’ Designated Entities”

Hero Victory Investments Limited and Beyond Faith Limited, both companies incorporated on 12 December 2011 in the British Virgin Islands and designated by the Founders to subscribe for the shares of Duomi Music Holding for the benefits of the Founders pursuant to the terms of the Duomi Music Share Subscription Agreement and the Supplemental Agreement

“Fortune Light ”

Fortune Light Investments Limited, a company incorporated on 12 December 2011 in the British Virgin Islands and wholly owned by Mr. Liu

“WFOE”

Beijing Huanwuyuedong Network Technology Limited(北京歡舞悅動網絡科技有限公司), a wholly-foreign owned enterprise incorporated in the PRC with limited liability and wholly owned by Boundless Melody HK

By Order of the Board

**A8 Digital Music Holdings Limited**

**Liu Xiaosong**

*Chairman and Executive Director*

Hong Kong, 23 April 2012

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

- (1) executive Directors namely Mr. Liu Xiaosong and Mr. Lu Bin; and*
- (2) independent non-executive Directors namely Mr. Chan Yiu Kwong, Mr. Zeng Liqing and Ms. Wu Shihong.*