

**A8 DIGITAL MUSIC HOLDINGS LTD:  
NEITHER THE SINGER NOR THE SONG IS SWEET**

One need not be a very clever sleuth to come to the realisation that the Net Profit Attributable to Shareholders in respect of the 2007 Financial Year, ended December 31, 2007, of A8 Digital Music Holdings Ltd (A8) (Code: 800, Main Board, The Stock Exchange of Hongkong Ltd) was inflated by material amounts of money, mostly due to one-off gains .

This is not to suggest that Management of A8 Digital Music did anything wrong or that the Profit and Loss Account with regard to the 2007-Year was in any way inaccurate, but it is clear that a number of the positive elements, combining to produce the profits for that Financial Year, is highly unlikely to recur again.

At Appendix I-3 of the Placing and Public Offer Prospectus, dated May 28, 2008, one is presented with the track-record results of this Company for the 3 Financial Years, ended December 31, 2007.

At a cursory glance, many people may be impressed at the Profit and Loss Accounts for the 3 Financial Years, but, then, as one scans the accounts, one notes the following in respect of the 2007-Year:

- |  |                     |
|--|---------------------|
| 1. A ‘Gain arising from disposal of an equity interest in a jointly-controlled entity’ | 5,694,000 renminbi  |
| 2. ‘Other income and gains, net’   | 20,180,000 renminbi |

In respect of the first item – ‘Gain arising from disposal of an equity interest in a jointly-controlled entity’ – this is, without question, a one-off item because it did not happen before and it, definitely, cannot happen again.

As for the second item – ‘Other income and gains, net’ – Note 6 at Appendix I-23 indicates that A8 Digital Music earned:

1. 1,138,000 renminbi in ‘Interest income’ in the 2007-Year (2006: 1,415,000 renminbi);
2. 1,450,000 renminbi from the ‘Realisation of an unrealised gain arising from a transfer of assets from Huadong Feitain [Shenzhen Huadong Feitain Network Development Company Ltd ()] to a jointly controlled entity’ (2006: 241,000 renminbi);
3. 3,067,000 renminbi, brought about by ‘Fair value gain on derivative financial instruments’ (2006: 935,000 renminbi);
4. 3,083,000 renminbi, being ‘Gain on disposal of investments at fair value through profit and loss’ (2006: 1,119,000 renminbi);
5. 153,000 renminbi, being ‘Dividend income from investments at fair value through profit and loss’ (2006: Nil);

6. 152,000 renminbi, being 'Gain on disposal of subsidiaries' (2006: Nil); and,
7. 75,000 renminbi, being 'Exchange gain' (2006: Nil).

According to **TARGET**'s calculations, therefore, the Bottom Line in the 2007-Year was boosted by at least 5,694,000 renminbi (the gain on the disposal of an equity interest in a jointly controlled entity) and by about 5,408,000 renminbi, being **TARGET**'s calculation for exceptional gains, recognised in the 2007-Year, adjusted for similar exceptional items, recognised in the 2006-Year.

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