



**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)

**A8 MUSIC DEPLOYS ACTIVE STRATEGY TO TACKLE TRANSITION  
FIRM LAID FOUNDATION FOR FURTHER GROWTH**

**Financial Highlight:**

- Revenue in 2010 amounted to RMB682 million, representing a slight decrease of 3.6% from RMB707 million in 2009.
- Profit attributable to shareholders in 2010 amounted to RMB41.765 million from RMB102 million in 2009, a decrease of 59%.
- Excluding non-operating items and set-up costs for new business lines, profit attributable to shareholders amounted to RMB76.668 million, a decrease of 29% compared with that of the previous year.
- The year 2010 ended with a strong balance sheet, with cash and bank balance and highly liquid short-term assets of RMB437 million (an increase of RMB34.81 million as compared with 2009) and net assets of RMB522 million as of 31 December 2010.
- The Board of Directors did not recommend the payment of final dividend for the year ended 31 December 2010.

Hong Kong, March 24, 2011 – The leading digital music company in China **A8 Music Holdings Limited** (“**A8 Music**” or the “**Group**”) (Stock Code: 00800.HK) today announced its audited annual results for the year ended 31 December 2010.

In 2010, revenue for the Group amounted to approximately RMB682 million, representing a slight decrease of around 3.6% as compared to 2009 which recorded RMB707 million. This is mainly due to the implementation of WVAS policy restrictions from mobile operators in the second quarter of 2010, which brought about a negative impact to the whole industry.

The profit attributable to shareholders of the company amounted to RMB41.765 million, representing a decrease of 59% as compared with 2009 which recorded RMB102 million. This is largely due to the investments in new business lines. Excluding non-operating related share option expenses incurred in 2010 and additional expenses for the new business development, the adjusted profit attributable to shareholders of the company amounted to RMB76.668 million, representing a decrease of 29% as compared with 2009. Basic earnings per share were RMB0.09 (2009: RMB0.23). The Board did not recommend the payment of final dividend for the year ended 31 December 2010.

The Group enjoyed a strong financial position with no debt, cash balances and highly liquid short-term assets of RMB437 million. As at 31 December 2010, this amount represents an increase of RMB34.81 million as compared with 2009.

“The year 2010 was a transitional year for A8 Music. The implementation of WVAS policy restrictions from mobile operators has brought a negative impact to the whole industry. In response to the changes of industry policies and development trends, we further enhanced cooperation with our business partners and streamlined operation in regard to the current traditional WVAS business so as to maintain and consolidate our current leading position in the wireless music market,” said the Chairman of A8 Music, Mr. Liu Xiaosong.

“At the strategic level, a preliminary business model has been formed through our adjustment to the management and corporate structure as well as investments in new business lines, which centers on B2B music content platform based on UGC, B2C music consuming service based on music cloud and providing extensive applications through the utilization of distribution channel to improve distribution efficiency, which laid a good foundation for our successful transition,” Mr. Liu added.

During the year under review, the Group’s position in the wireless music market was further consolidated. The music revenue in 2010 reached RMB357 million and after deducting revenue from IVR music which was discontinued for policy reasons, it amounted to RMB353 million, representing an increase of RMB8.34 million as compared with 2009. As a result, the Group’s market share in the wireless music market was further strengthened with a secured leading position.

The year 2010 also saw the Group continuing its efforts in UGC-Oriented music content. The Fifth Original Music Contest was held through A8.com, during which thousands of original music players participated in the contest, sourcing considerable original songs while the group extended its cooperation with record labels and independent musicians. During the year in review, UGC revenue contributed to 41% of the company’s music and music-related revenue.

In April 2010, the Group entered into an agreement with Nokia, pursuant to which the Group would provide a revolutionary music service called “Comes With Music” to domestic handset users. The cooperation has made good progress. Moreover, the Group also entered into an agreement with Lenovo, a renewed domestic handset manufacturer, to provide music service to its handset users. These successful agreements laid good foundation for future cooperation with more handset manufacturers.

Leveraging on the distribution channels for wireless music, the Group benefited from the development of wireless Internet by introducing other application services beyond music through external cooperation. In 2010, the Group’s non-music business increased with its contribution to the Group’s revenue rising from 37% in 2009 to 48%.

The rapid growth of mobile Internet in 2010 supported our previous conclusion towards the development trend of the industry. To go along with the changes from the competition of content, distribution channel and user number, the Group completed its strategic adjustments in 2010. The

Group actively and boldly deployed resources and tapped into markets such as mobile internet music and expedited the deployment in the combined form of investment, acquisition and merger as well as self-development. For instance, the Group made significant investment in the Music Cloud project and has achieved specific breakthrough. In October 2010, the “Music Cloud Technology” of the Company won the “2010 Digital Media Work Awards” by the International Development Information Network Association (DEVNET) Pavilion of Expo 2010 Shanghai China.

According to the Mobile Internet Annual Statistics of China in 2010 issued by iResearch on January 25, 2011, the establishment of 3G and WIFI and the emergence of various mobile devices resulted in a steady increase in the mobile internet market in China, leaving its market scale at RMB20.25 billion (function fees are excluded from music service) which represents a year-on-year growth of 31.1%, while the users scale of mobile internet in China reached 303 million, representing a year-on-year growth of 30.0%. Along with the upsurge of industry segments and renovation from new services, it is expected that the mobile internet market will embrace a strong growth in 2011. iResearch estimated that the size of mobile internet market will amount to RMB39.11 billion in 2011, an anticipated increase of 93%. The Group has reasonable grounds to believe that the mobile internet industry in China will move forward steadily in 2011 under the orderly involvement of entities in the industry eco-system and the business layout deployed by the Group in 2010 which will bring benefits in 2011.

As for 2011, the Group will focus on the music business which consists of music content, distribution channel and music service rendered to users. The business model of A8 Music will be refined to provide personalized high quality music service at anytime and anywhere to a broad range of users through various channels by gathering high quality music content from UGC platform and the cooperation with record labels.

The Group aims to be the leading digital music service provider in China. In addition, the Group will provide other applications other than music and music related service through cooperation with application developers to utilize the current strong music distribution channels including the national marketing teams, more than 300 handset manufacturers, traditional and new media, etc.

“A8 Music’s long term strategy is to establish a B2C model directly to our users. After a year of continuous research and development, the Group has made a significant breakthrough in its Music Cloud project. Due to the rapid growth of Music Cloud and its innovative nature compared to traditional businesses, the Group intends to restructure the Music Cloud business to secure its steady and fast growth. The Group’s plan in the future is for Music Cloud products to cover most of the handset platforms and the terminals on PC, TV, and cars to realize the Music Cloud service based on multi-terminals,” Mr. Liu said. “Besides, we will expand the cooperation with a number of renowned domestic handset manufacturers to lay a firm foundation for the continuous growth of the number of users so as to create more value for our shareholders.”

## A8 Digital Music Holdings Limited Consolidated Income Statement

For the Year ended 31 December

|                                | <b>2010</b>    | <b>2009</b>    |
|--------------------------------|----------------|----------------|
|                                | <b>RMB'000</b> | <b>RMB'000</b> |
| Revenue                        | 681,839        | 707,148        |
| Business tax                   | (11,493)       | (11,292)       |
| Net revenue                    | 670,346        | 695,856        |
| Cost of services provided      | (418,573)      | (425,723)      |
| Gross profit                   | 251,773        | 270,133        |
| Other income and gains, net    | 13,758         | 11,543         |
| Selling and marketing expenses | (142,768)      | (112,852)      |
| Administrative expenses        | (64,801)       | (50,145)       |
| Other expenses                 | (10,529)       | (87)           |
| Profit before tax              | 47,433         | 118,592        |
| Income tax expenses            | (5,115)        | (16,423)       |
| Profit for the year            | 42,318         | 102,169        |
| Attributable to:               |                |                |
| Owners of the Company          | 41,765         | 102,008        |
| Minority interests             | 553            | 161            |
|                                | 42,318         | 102,169        |
| Dividends (HKD 0.05 per share) | N/A            | 20,140         |
| Earnings per share             |                |                |
| Basic (RMB per share)          | 0.09           | 0.23           |
| Diluted (RMB per share)        | 0.09           | 0.22           |

### **About A8 Digital Music Holdings Limited**

A8 Music is a leading digital music company that sources music content from its highly successful interactive UGC platform [www.a8.com](http://www.a8.com), as well as from international and domestic record labels; promotes music content through traditional and new media such as mobile operators, internet and wireless network, and sells music content in the form of ringtone, ring-back tone, full track song and interactive voice response. Led by a team of experienced top executives with foresight and vision, the Group is able to capitalise on its integrated marketing and sales multi-channel network to acquire insights into consumer preferences in different regions and thus customize its marketing strategies. The Group was listed on the Main Board of the Hong Kong Stock Exchange in June 2008. In 2009, the Group was awarded "Gold Winner of The Asset Corporate Award 2009" and selected as "Deloitte Technology Fast 500 Asia Pacific".

### **For press enquiries:**

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