

A8 電媒音樂控股有限公司

A8 Digital Music Holdings Limited

Stock Code: 800.HK

2010 Annual Results Announcement

24 March 2011





Disclaimer

This presentation includes forward-looking statements and predictions, including statements about potential revenue-bearing transactions, A8 Digital Music Holdings Limited (“The Group”)’s strategies and business plans. These forward-looking statements represent the Group’s judgment and assumptions as of the date of this presentation, including but not limited to, prevailing economic and market conditions, and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements.

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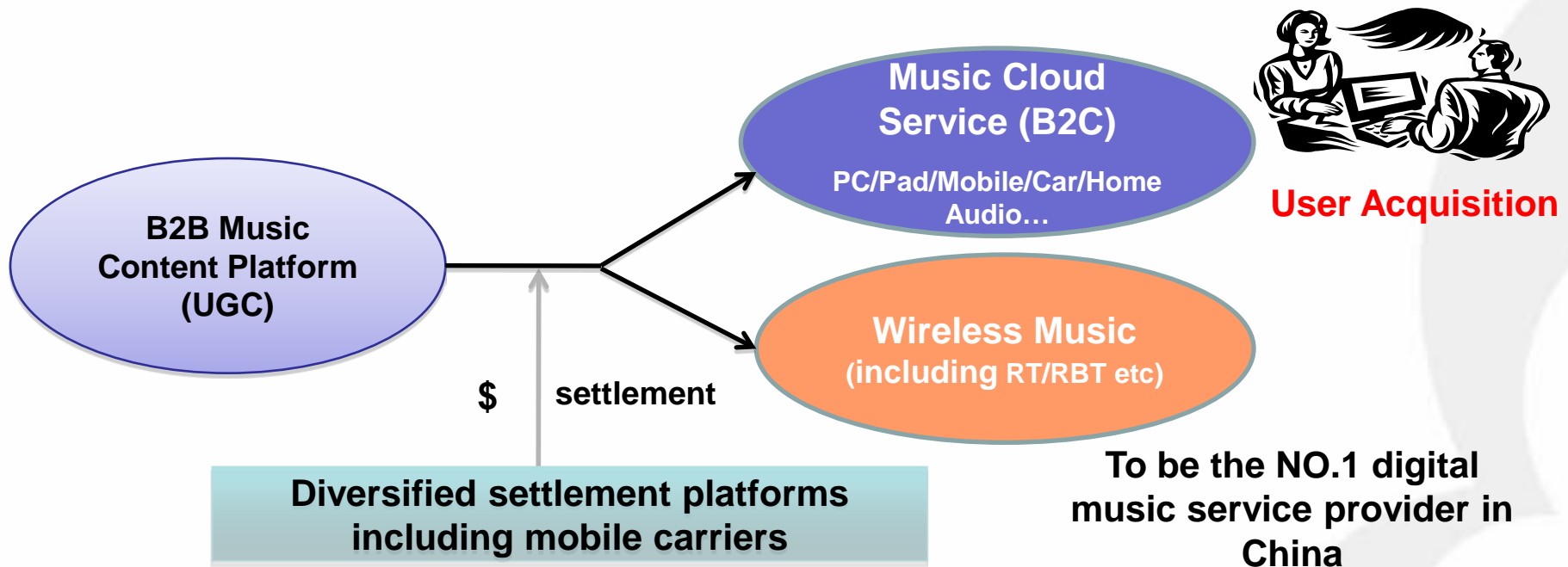
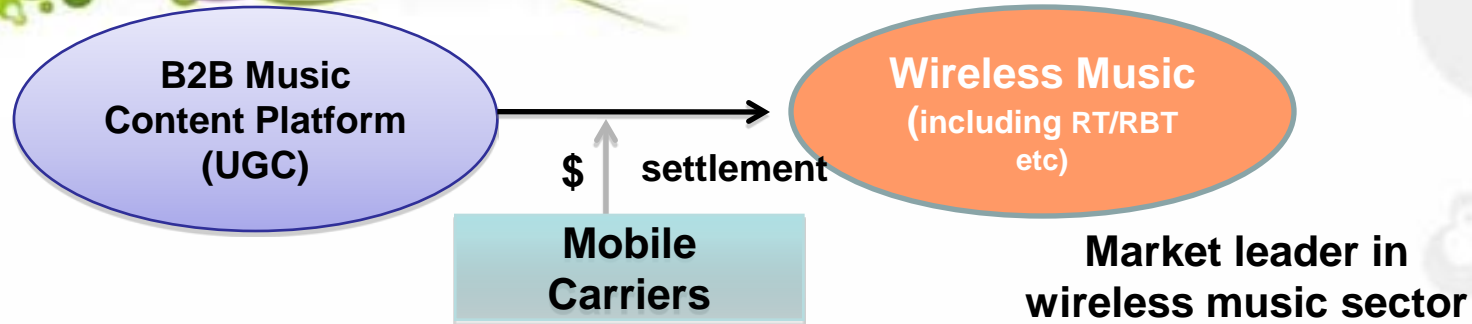
Confidentiality

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Overview

- **A leading digital music company focused on UGC (User Generated Content) and extensive co-operation with content providers.**
- **We're in a transitional period, from a leading wireless music service provider based on WVAS to a leading digital music service provider to consumers directly acquired by A8 through diversified channels, based on cloud technology , with various settlement solutions.**
- **Currently the settlement of revenues relies on mobile carriers. The new regulation from carriers during Q2 impacted negatively in financials for all players in WVAS industry. A8's strong marketing capabilities prompt revenue in 3Q and 4Q much better than 2Q.**
- **To keep us better prepared for the fierce competition, the company has been restructured to several business units, each with emphasis of its distinct strategic focus.**

Transition Business Model



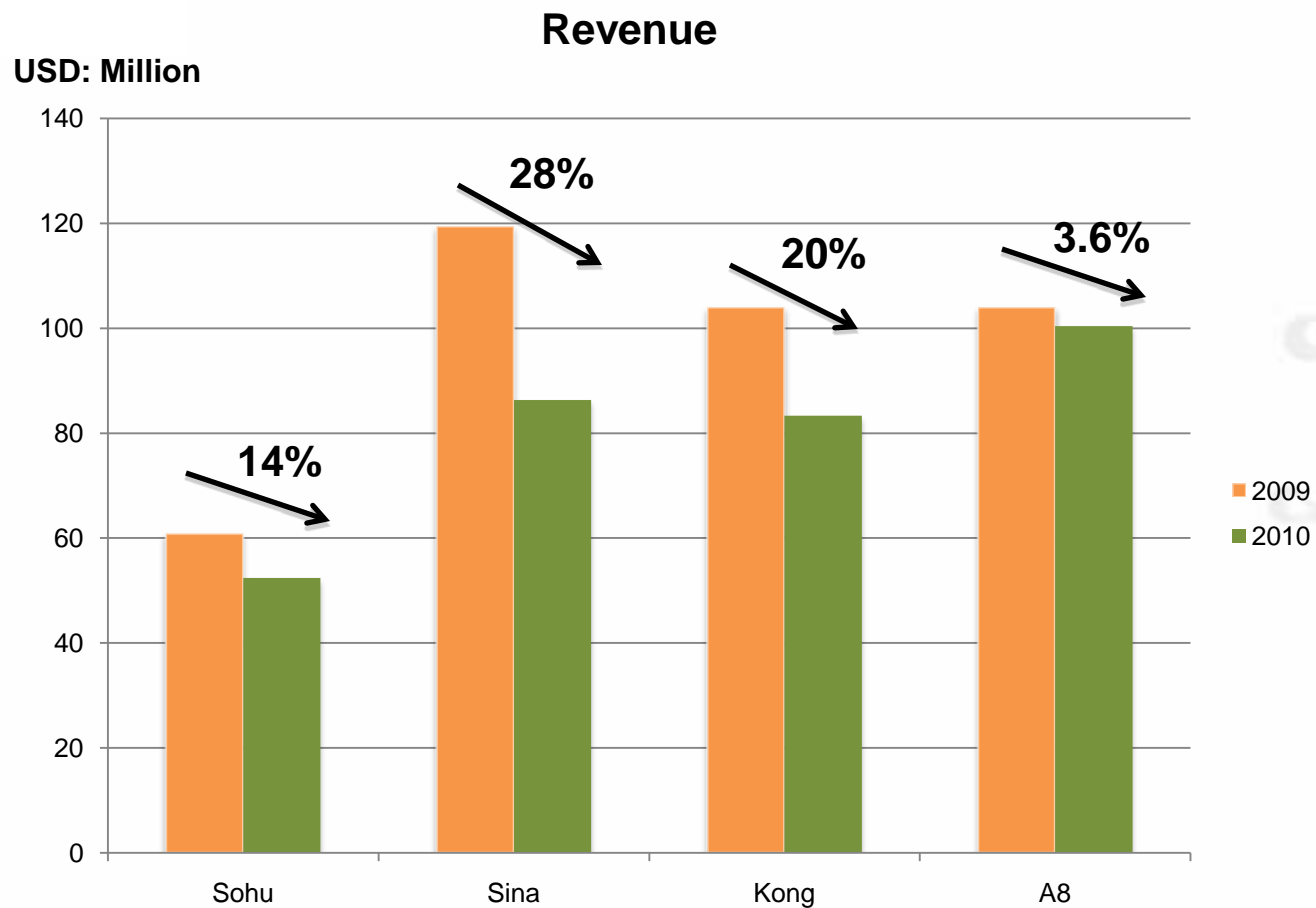
2010 Financial Highlight

- **2010 full year revenue amounted to approximately RMB682 million, representing a slight decrease from RMB707 million in 2009**
- **Profit attributable to the shareholders in 2010 decreased by 59% amounted to approximately RMB41.8 million from RMB102 million in 2009**
- **Non GAAP basis -- Excluding non-operating items and set up costs for new business lines, profit attributable to the shareholders *decreased by 29%* amounted to approximately RMB76.7 million as compared with the same period last year (RMB108.7 million)**
- **Strong balance sheet, with cash balance of approximately RMB437 million and net assets of approximately RMB522 million as of 31 December 2010**
- **EPS: GAAP basis RMB0.09 vs. RMB0.22 of last year (Diluted)
Non-GAAP basis RMB0.17 vs. RMB0.24 of last year (Diluted)**

Financial Data

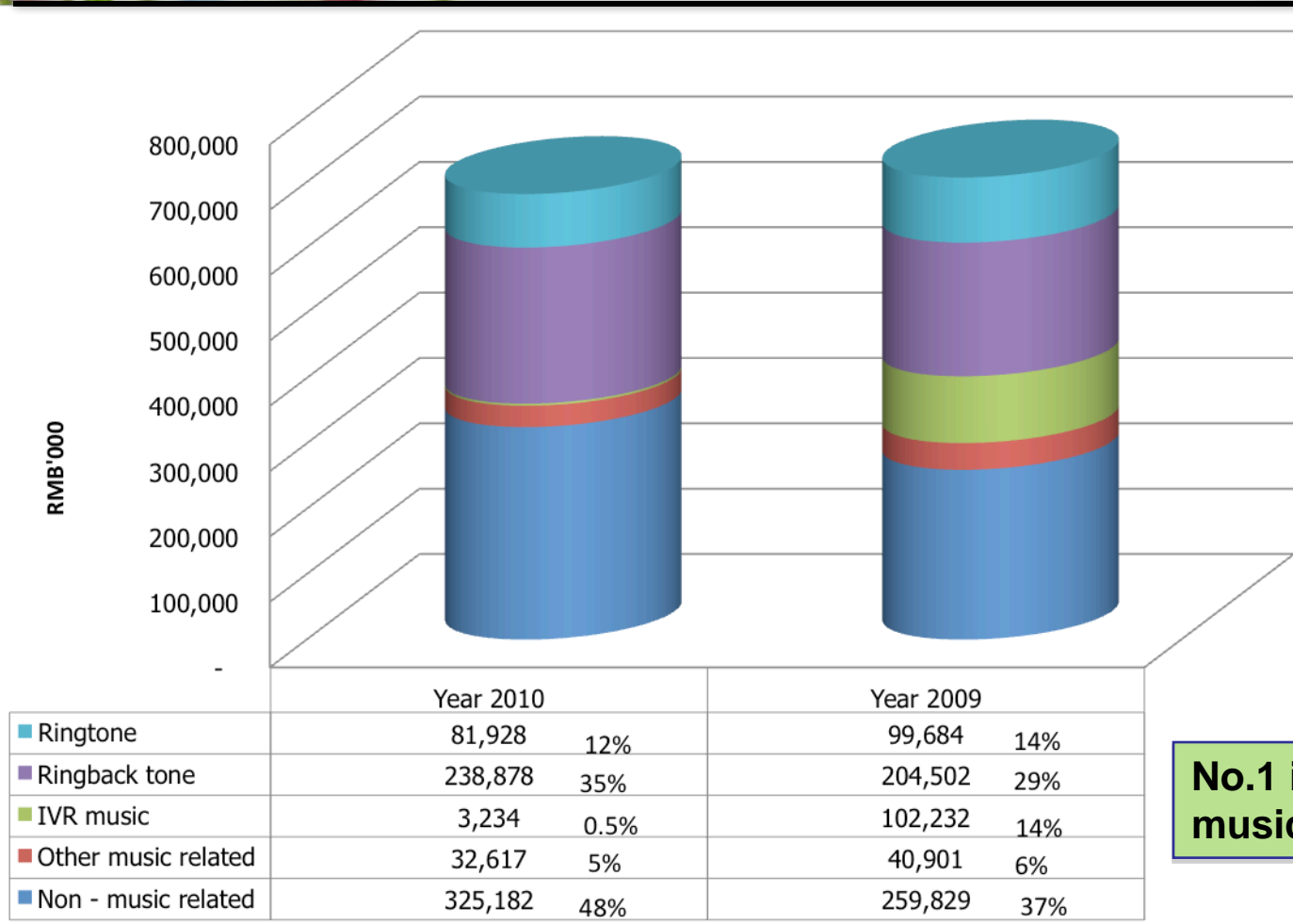
RMB'000	2007	2008	2009	2010	YoY
Revenue	285,964	706,079	707,148	681,839	-3.6%
Net Revenue after Business Tax	278,104	691,883	695,856	670,346	-3.6%
Cost of services provided	149,375	425,806	425,723	418,573	-1.7%
Gross Profit	128,729	266,077	270,133	251,773	-6.8%
Selling & Marketing expenses	67,073	115,281	112,852	142,768	26.5%
Administrative expenses	21,715	44,180	50,145	64,801	29.2%
Net Profit	55,237	80,800	102,169	42,318	-58.6%
Gross Margin	45.0%	37.7%	38.2%	36.9%	
Net Profit Margin	19.3%	11.4%	14.4%	6.2%	
EPS (Basic)	N/A	0.20	0.23	0.09	

Outperform In the Industry



Source: 2010 the Fourth Quarter's Earning Release from Sohu, Sina and Kong

Revenue Breakdown

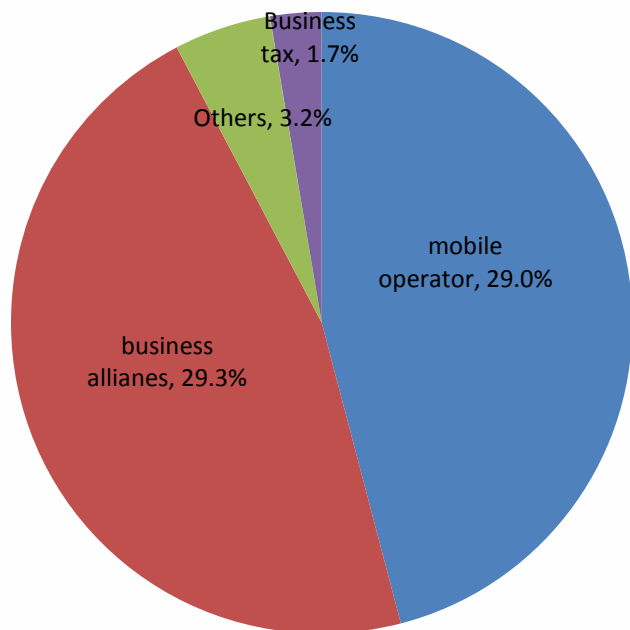


No.1 in the wireless music market

- IVR Music declined sharply because of the policy issue which leads to suspension of marketing
- Non Music revenue increased due to expansion of new products in mobile internet area.

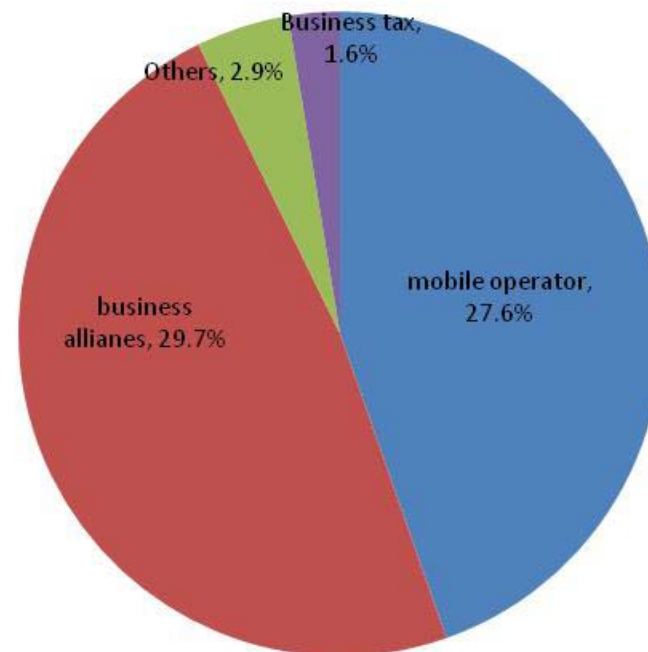
Cost of Services Provided

2010



Gross Margin: 36.9%

2009



Gross Margin: 38.2%

Gross margin decreased because of the higher revenue share ratio for the new products launched in 2010.

Strong Balance Sheet – No Debt

	As of 31 Dec 2010	As of 31 Dec 2009
	RMB'000	
Cash Balance	436,763	401,955
Total Assets	641,032	602,121
Net Assets	521,519	482,778
A/R Turnover days	54	57

We made some small sized acquisitions in 2010, while we are continuously looking for suitable M&A targets related with digital music and music content in 2011.

Cash Flow

As of 31 Dec 2010
(RMB'000)

Net Cash Flow from Operating Activities **85,823**

Net Cash Flow from Investing Activities **(9,911)**

Net Cash Flow from Financing Activities **(17,650)**

Total Net Cash Flow **58,262**

Outstanding Shares

As of 31 Dec 2010		
	Outstanding shares	%
Controlling Shareholders	183,087,954	39.51%
Top Result	22,601,756	4.88%
Public	257,712,820	55.61%
Total	463,402,530	100.00%

2010 Achievements

Continue to Enhance Music Content

- Accumulated over 80,000 songs in our library
- Held The Fifth Annual “Original Music Competition ”

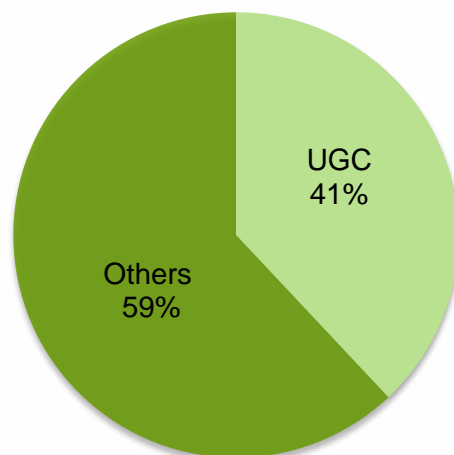


第五届A8原创中国音乐大赛

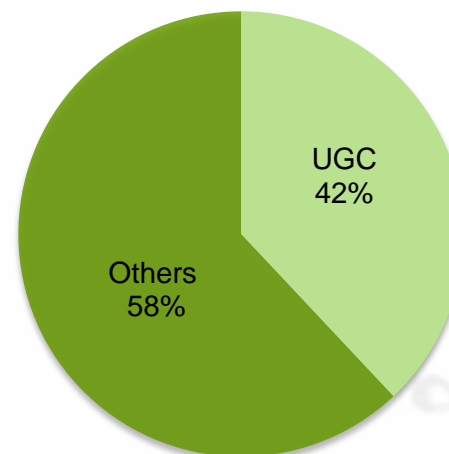


UGC Reaching a Balance

FY 2010



FY 2009



UGC Songs recorded 146M revenue in 2010

Top 10 songs contributed to only 20% of the total music and music related revenue, maintained a very balanced portfolio

Enhance Channel Cooperation



Launched Yue Sui Xiang (Comes With Music, CWM) Music Service in China with Nokia in April 2010

Recorded revenue since launch, we expect to expand the cooperation.



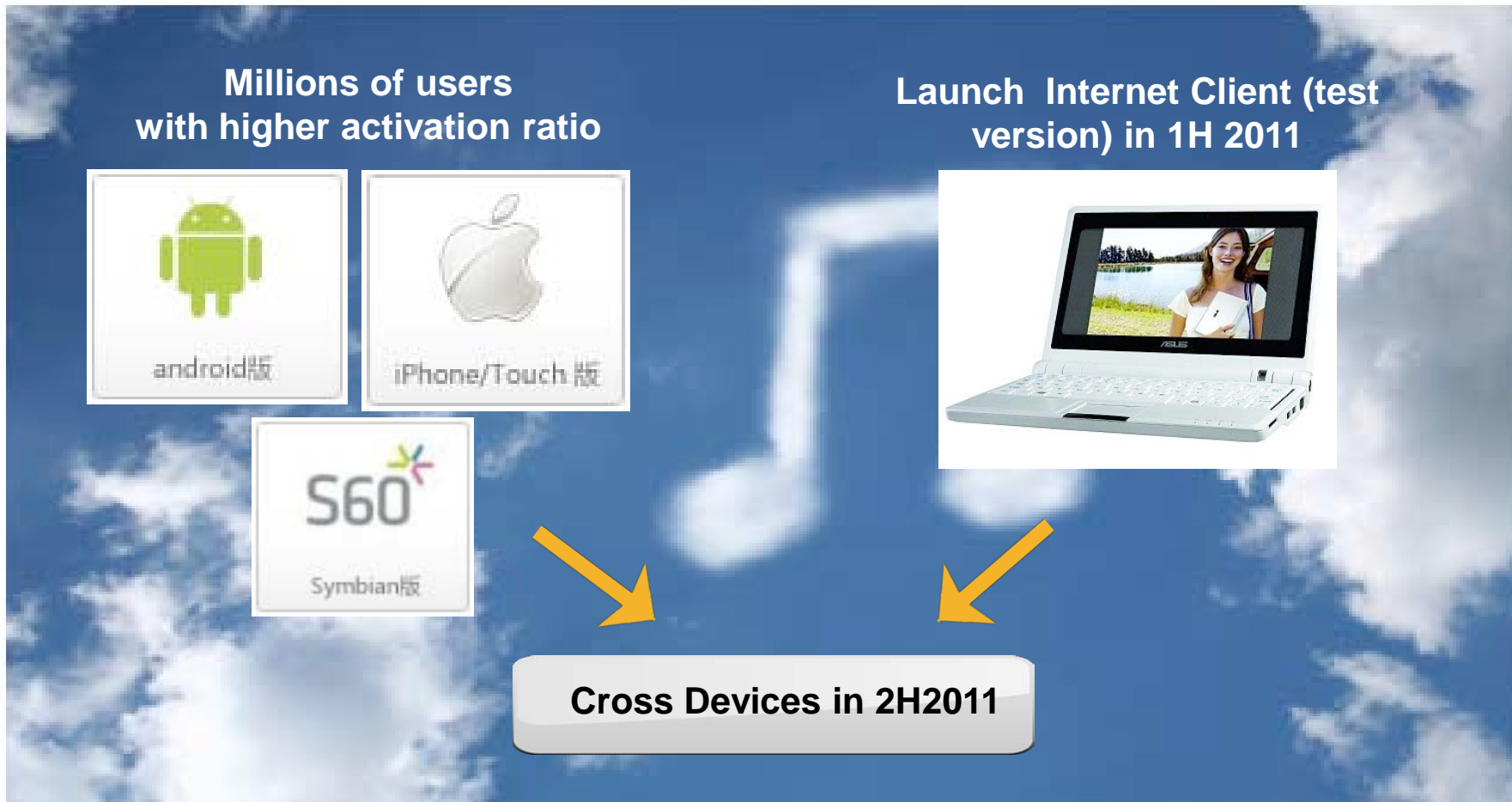
Provide Key Music Solution to well-known mobile handsets including Lenovo, Gionee etc.



Over 300+ partners including Chipset Suppliers, Design Houses and Handset Manufacturers in the whole value chain



Achieved Key Milestones for Music Cloud Initiative

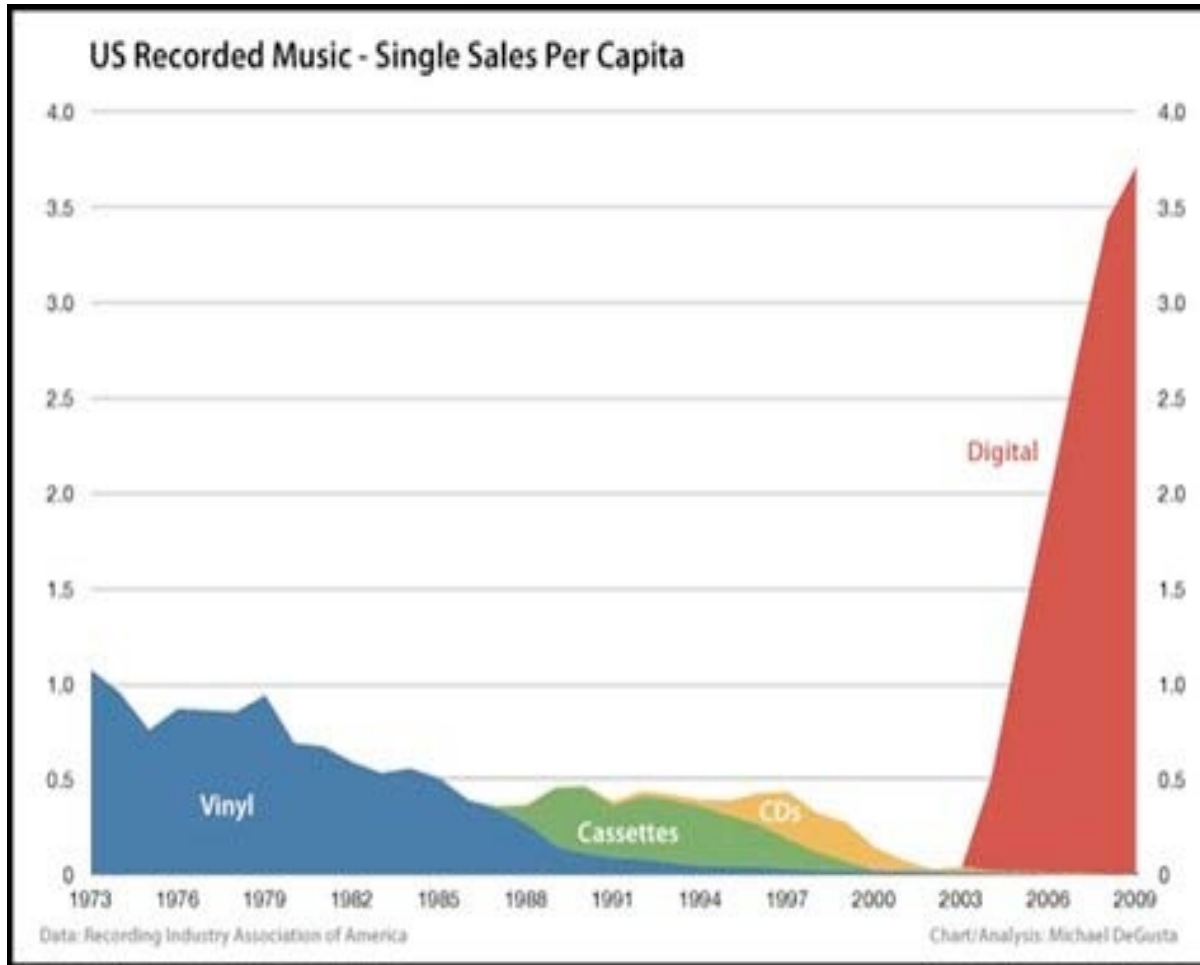


2011 and Beyond

2011 and Beyond

- 1. Focus on Music Cloud service, acquire more users through further strengthening Music Cloud platform and offering more differentiated music-oriented applications across devices.**
- 2. Expand the current mobile internet business with more outsourced apps and diversified payment channels.**

Digital Music Keeps Growing



1. From the data of Recording Industry Association in America, Digital Music ARPU is drastically increasing, while CD and others is downsizing.
2. Based on research data from Ovum, global market size of digital music will reach \$20 billion in 2015, with CAGR 24% between 2011 and 2015

Huge User Base for Digital Music in China

Over **100M** mobile internet users listen or download music from mobile phone.

Over **300M** users listen music online every day;

Cited from: Jan. 2010 CNNIC report on internet and mobile internet

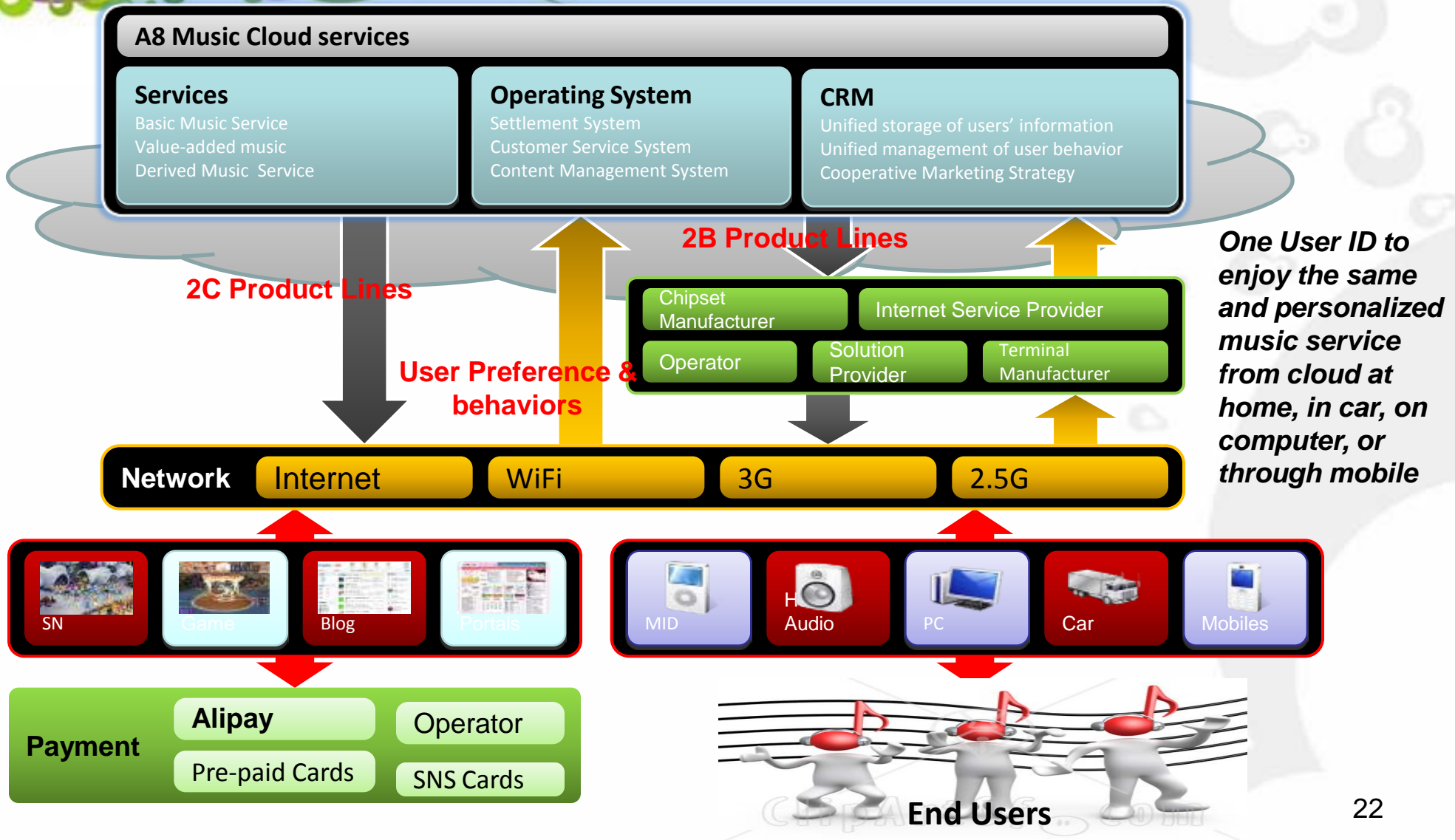


The market size of home audio is over **¥11 billion**

Over **17M** cars will be sold in China. “online in-car music” becoming the most sought after audio requirement

Cited from: China Automobile Association (CAA)

Music Cloud Service Architecture



Pave the way to Become the No.1 digital music player in China

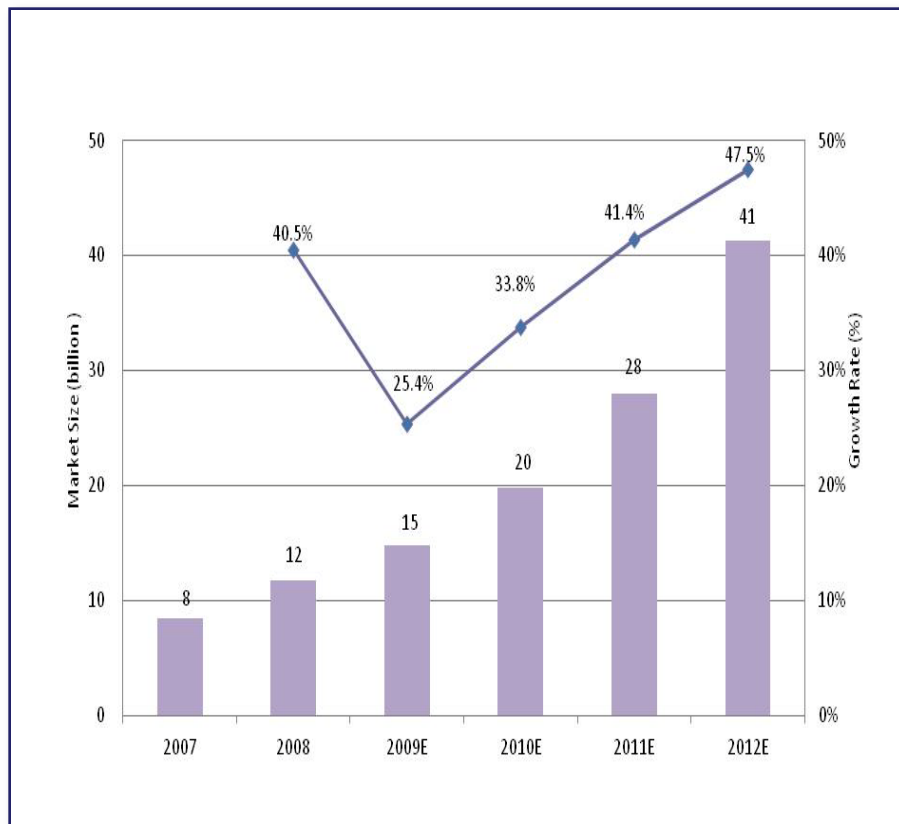
- We will restructure Music Cloud business to secure its steady and fast growth
- Further broaden our device coverage support including more mobile handset kinds, PC, TVs, and Cars
- Expand our distribution channels by collaborating with the domestic renowned handsets vendors, WAP web-sites, leading app stores, and manufacturers and distributors of various terminals

2011 and Beyond

- 1. Focus on Music Cloud service, acquire more users through further strengthening Music Cloud platform and offering more differentiated music-oriented applications across devices.**
- 2. Expand the current mobile internet business with more outsourced apps and diversified payment channels.**

Mobile Internet Industry is Booming

Mobile Internet Market Size

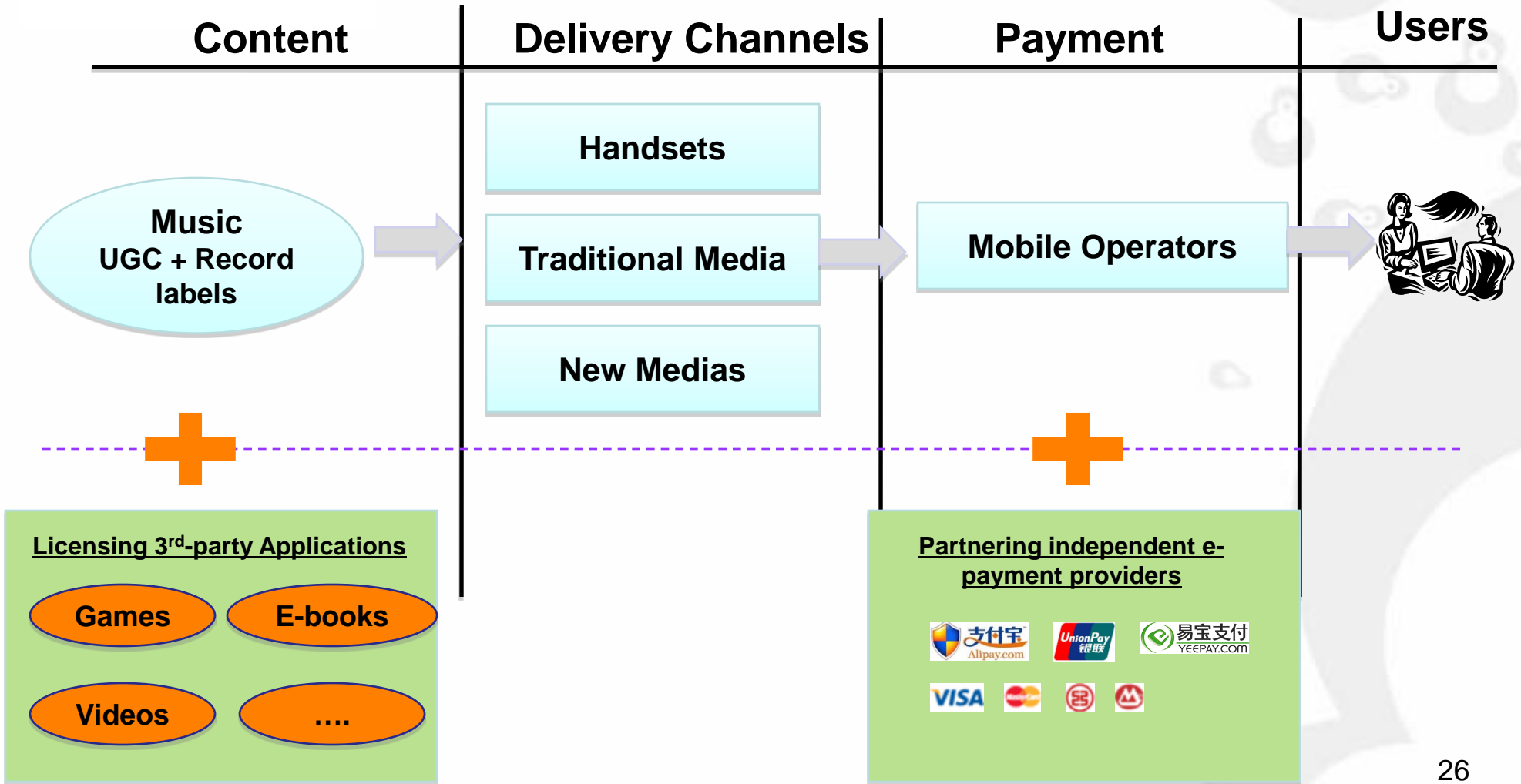


Mobile Internet User Size



Source: iResearch China Digital Music Analysis Report for 2009-2010

Broaden Mobile Internet Business



Enhance Music Content



Release UGC model, individual artists publish their works through A8.com

2004

Release Extended UGC model to get exclusive license through cooperation with record labels

2009

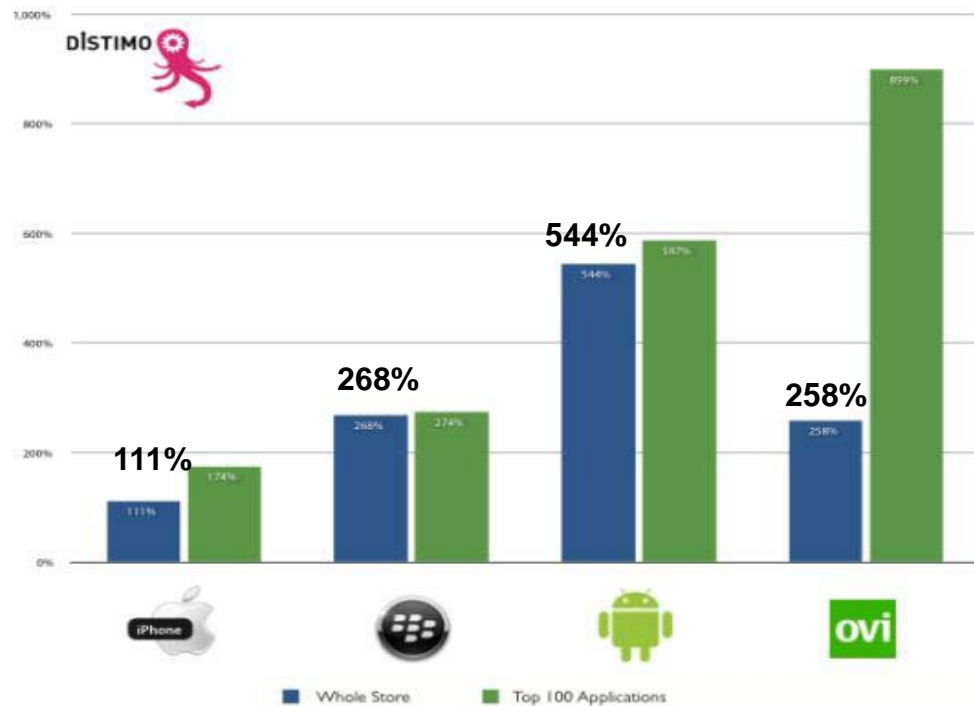
Release Composer Plan, Utilize the resources accumulated from A8.com to produce music

2011

Outsource More Apps

App Store Growth from 2009 to 2010

Application Store Growth (January - December 2010, All Countries)

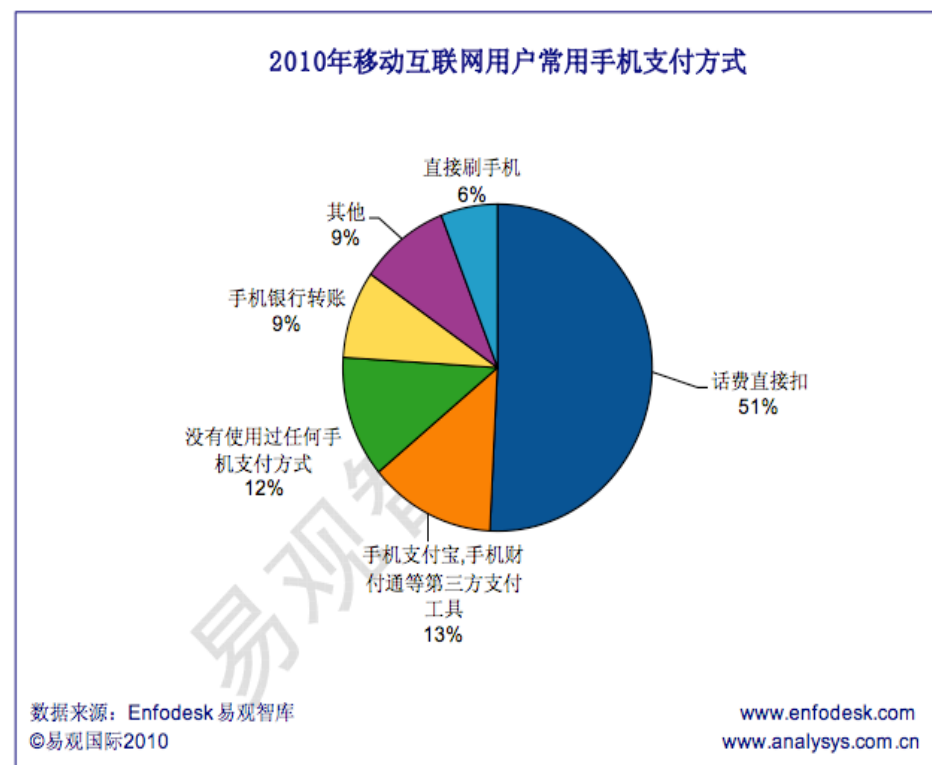
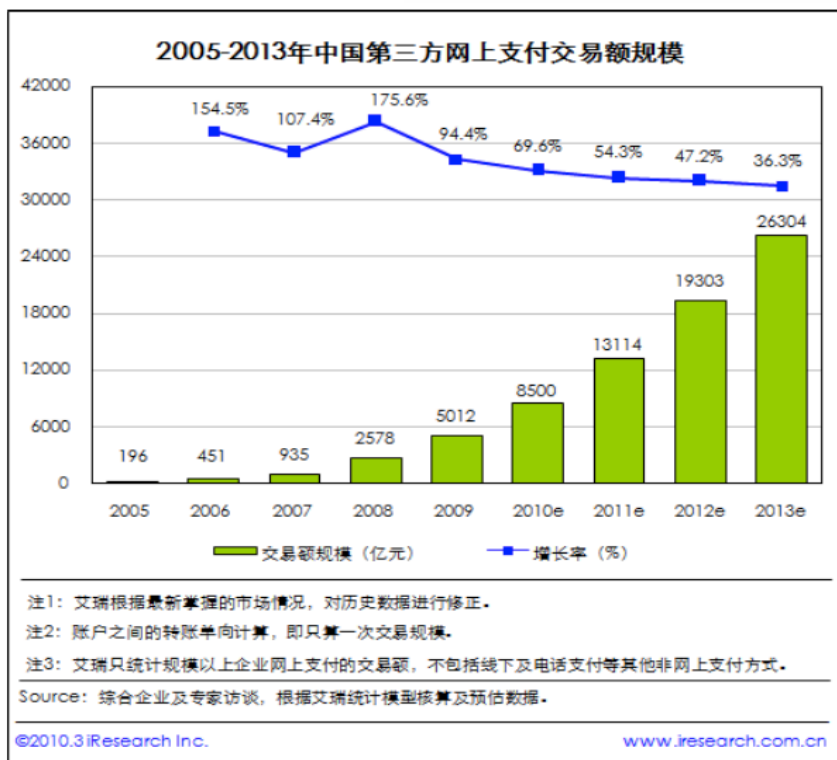


Market --The number of applications in App stores surged in 2010.

Competitiveness – Strong distribution channel

Utilization – Outsource App and input in channel

Diversified Payment channels



Expand our payment channel from mobile operators to other diversified third parties channels.

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