



**A8 MUSIC 2010 INTERIM REVENUE INCREASED 23% AND NET PROFITS  
DECREASED 55%  
EXCLUDING THE IMPACT OF NON-CORE ITEMS, NET PROFITS DECREASED  
2%**

**Results Highlights:**

- Actively responded to policy changes and expedited the pace of strategic adjustment to become a leading digital music and culture related company
- For the first half of 2010, revenue amounted to RMB359 million, representing an increase of 23% from RMB291 million of the same period last year
- Profit attributable to equity holders amounted to RMB20 million, representing a decrease of 55% from RMB45 million of the same period last year
- Excluding items such as share option expenses and additional expenses for new business lines, the net profits of the Group for the first half of 2010 decreased 2% as compared with the same period of last year
- Cash and net assets amounted to RMB398 million and RMB489 million respectively without debts

(Hong Kong, 17 August 2010) – Leading integrated digital music company in China - A8 Digital Music Holdings Limited ("A8 Music" or the "Group") (Stock Code: 00800.HK) today announced its unaudited interim results for the six months ended 30 June 2010.

During the period under review, the Group generated revenue of approximately RMB359 million, representing an increase of approximately 23% as compared with the same period last year. Profit attributable to equity holders of the Company amounted to RMB20 million, decreased by 55%. Excluding items such as share option expenses and additional expenses for new business lines, the net profits of the Group in 2010 decreased 2% as compared with the same period of last year. Basic earnings per share were RMB0.04 (2009 interim: RMB0.10). The Board of Directors did not recommend payment of interim dividend for the six months ended 30 June 2010.

As at 30 June 2010, the Group enjoyed a strong financial position with no debt and a cash balances (including cash and cash equivalents, time deposits with maturity of more than three months and investments at fair value through profit or loss) amounted to approximately RMB398 million (2009: approximately RMB402 million). The Group paid the dividends for

Since the beginning of 2010, there have been some regulatory and policies changes in the Mobile Value-Added Service (“MVAS”) industry due to mobile users’ complaints on the relevant MVAS services regarding misleading product promotions and the absence of charging reminder, etc. As a result, The State of Administration of Radio Film and Television (“SARFT”), the Ministry of Industry and Information Technology of People’s Republic of China (“MIIT”) and mobile operators have been implementing a series of new measures to address the issues, including but not limited to: 1) SARFT has temporarily suspended the promotion of some specific IVR products on all Provincial radio and TV Station. 2) China Mobile requested charging reminder and multi confirmation before mobile users subscribe the products, especially for all pre-set MVAS products in mobile handset. These measures indeed will bring negative financial impact to all related players in this industry in short term. Based on 2Q results announcements of similar MVAS related listed companies, the MVAS revenue in 2Q 2010 decreased 25-36% QoQ and 18-25% sequentially. But in long run, it will build a more healthy, proper and transparent MVAS environment in the whole value chain and hence will benefit the ultimate mobile users.

Amid the current industry environment, the Group’s revenue for 2Q was affected. Nevertheless, the results of 1Q was better than expected, thus the revenue for 1H recorded a modest growth of 23% as compared with the same period of last year. However, due to the increase in cost of services provided as a result of keen competition as well as the additional costs incurred for setting up new business lines, the net profit of the Group decreased. In response to the changes in policies and regulations, the Group adopted various measures to improve the situation.

Firstly, the Group has started its strategy to expand to its cooperation with international handset brands. In the first half of 2010, the Group achieved a breakthrough in cooperating with one of the renowned international brand handset. The Group, through its subsidiary, entered into a cooperation agreement with ‘Nokia’, pursuant to which the Group will provide a revolutionary music service called “Comes With Music” to Nokia’s handset users and the Group will be responsible for the operation and supporting services for the users of Nokia’s music handsets. With such cooperation, the Group will be in a better position to provide professional music service to more users. Currently, this project has achieved its expected revenue and operating results. We are enhancing and enriching the functions on Comes With Music and expect to further increase the turnover in the near future.

Secondly, a series of cost controls plans have been implemented. We have streamlined headcount from our existing MVAS business by 30% and reduced related administration, selling and promotion costs, representing a reduction of over RMB10 million combined.

Looking forward to the second half of 2010, as the regulatory environment is still uncertain, the MVAS market may still be impacted. In view of the inherent risks of the MVAS industry, the Group has clearly defined its short and long term strategy by dividing the business into three sections: Mobile Internet, Content and Music Cloud.

For Mobile Internet, the Group is maximizing the value of the existing channels and diversifying the product lines onto Mobile Internet.

The Group has introduced diversified contents to mobile users including mobile games/entertainments and mobile reading. In light of the exponential growth in the mobile internet industry and leveraging on our existing experiences on mobile industry, we will diversify our channels to the mobile internet. Statistics from the China Internet Network Information Centre in July 2010 showed that the number of mobile web users within the country amounted to 277 million, with an increase of 43.34 million or 18.6% in just half year's time, 11.7% of which were web users who only access the internet by handsets, 3.7% higher than that at the end of last year. The Group will launch a music social networking portal in August to our target users who are interested in music and intend to communicate and share with same kind of people.

As for the development for the handset brands, in addition to Nokia, we are also working with other renowned handset brands to provide a one-stop music solution. We have signed a contract with 'Lenovo', which is a famous local handset brand with annual roll out rate of around eight million handsets. A8 will provide exclusive music service to the Lenovo's mobile users. Meanwhile, we have reached a preliminary cooperation intention with 'MOTOROLA' and keep continue our efforts with other handset manufactures.

For content strategy, the Group will continue the annual original songs competition and keep sourcing exclusive music content. During the first half of the year, A8 Music has successfully collected user generated content ('UGC') and generated revenue through its interactive UGC platform [www.a8.com](http://www.a8.com). Revenue generated from UGC accounted for 46% of total music and music related revenue of the Group in the first half of 2010, representing an increase of 2% as compared with the same period of last year. Our top five songs recorded a total of 25 million downloads, of which the song "把我的爱还给我" was a big hit and ranked top 10 on the China Mobile Wireless Billboard and Baidu's Top 50 Billboard Chart.

For Music Cloud, the Group announced this sustainable long term direct consumer strategy (2C model) earlier in March this year. It has achieved initial success in project's research and development through internal and external incubation since its launch. The mobile music

client is now available on all the major platforms including Symbian, iPhone, Android and J2ME. The mobile music client has been well received in the market – it has reached many millions of registered users with over 40% active ratio. The short term goal of this project is to own loyal users first, the Group thus will be focusing on user experiences and functionalities of the Music Cloud. As a result, the Group did not expect Music Cloud would generate revenue in 2-3 years. The Group also plans to extract the most value out of it by spinning off this project thru an initial public offering at an appropriate time.

At the appropriate timeline, the external incubated projects will be integrated into the Group's music cloud project. The Group scheduled to aggressively launch new services and support new terminals in the foreseeable future; particularly a music PC client product will be launched by the end of this year. The combination, which is expected to be in 1H 2011, of the mobile music products and the music cloud platform together with the new PC client shall lay down a solid foundation for the growth of customer base and one step closer toward the cross devices strategy.

**Mr. Liu Xiaosong, Chairman of A8 Music**, said, “The business of the Group will be in a transitional period in the coming years, transforming from being a MVAS service provider to a leading digital music/culture company by dividing the business into three sections - Mobile Internet, Content and Music Cloud strategy. We believe that it not only covers the Group's short-term needs, but also could achieve its long-term goal to have a consumer model. As such it will have its own customers and receive related fees, which will be a breakthrough in its business.”

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**A8 Music Holdings Limited**  
**Consolidated Income Statement**

(Unaudited)	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Revenue	358,642	290,756
Business tax	(6,168)	(4,514)
Net revenue	<b>352,474</b>	<b>286,242</b>
Cost of services provided	(222,600)	(173,826)
Gross profit	129,874	112,416
Other income and gains, net	1,489	8,072
Selling and marketing expenses	(72,560)	(43,194)
Administrative expenses	(35,070)	(25,681)
Other expenses	(38)	(81)
Profit before tax	<b>23,695</b>	<b>51,532</b>
Tax	(3,695)	(6,502)
Profit for the period	<b>20,000</b>	<b>45,030</b>
Attributable to:		
Equity holders of the Company	<b>20,090</b>	<b>44,895</b>
Minority interests	(90)	135
	<b>20,000</b>	<b>45,030</b>
Earnings per share attributable to equity holders of the Company		
Basic (RMB per share)	<b>0.04</b>	<b>0.10</b>
Diluted (RMB per share)	<b>0.04</b>	<b>0.10</b>

**About A8 Digital Music Holdings Limited**

A8 Music is a leading integrated digital music company that sells music content through mobile phones, sourced from its highly successful interactive UGC platform [www.a8.com](http://www.a8.com), as well as from international and domestic record labels, and promoted through traditional and new media such as Internet and wireless network. 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.

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