

A8 電媒音樂控股有限公司

A8 Digital Music Holdings Limited

Stock Code: 800.HK

2011 Annual Results Announcement

28 March 2012





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.

In particular, the Group faces risks and uncertainties that it may not be able to sustain its business model, that revenues may be lower or expenses higher than projected, or that business strategies or transactions may not go forward as planned.

Such statement are not, and should not be construed as a representation as to future performance of the Group. In particular, such target, if any, should not be regarded as a forecast or projection of future performance of the Group. It should be noted that the actual performance of the Group may vary significantly from such targets (if any).

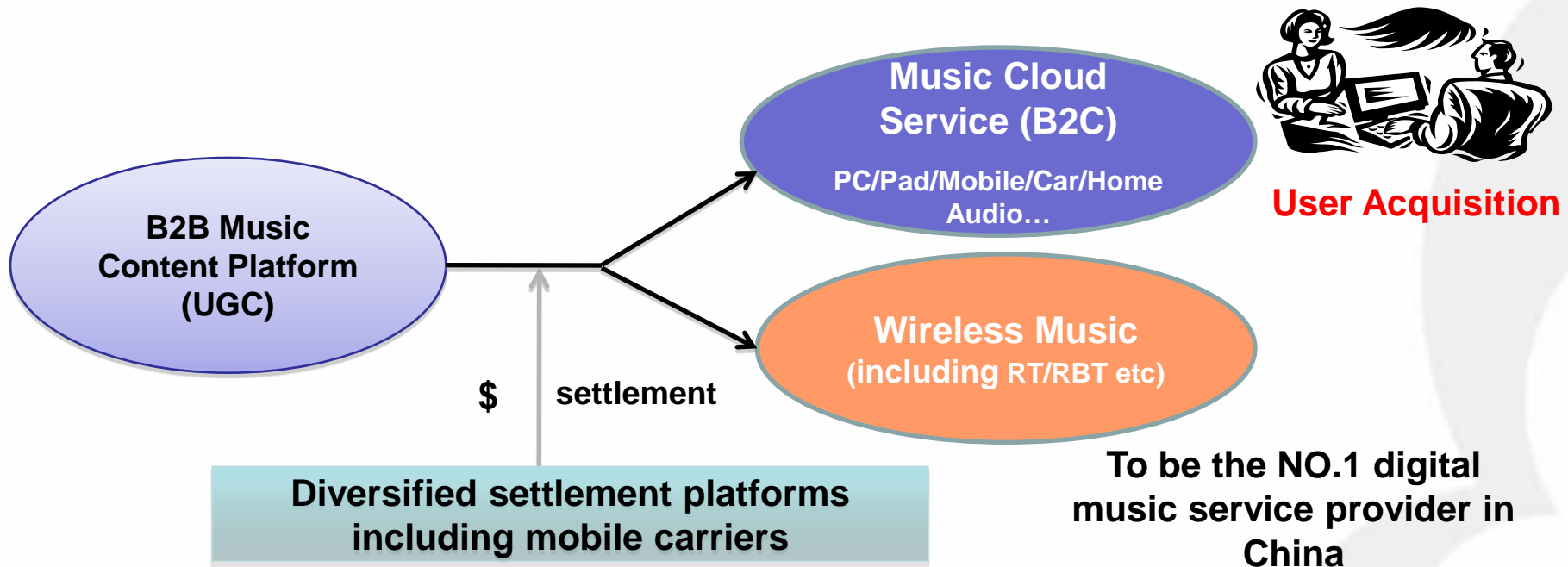
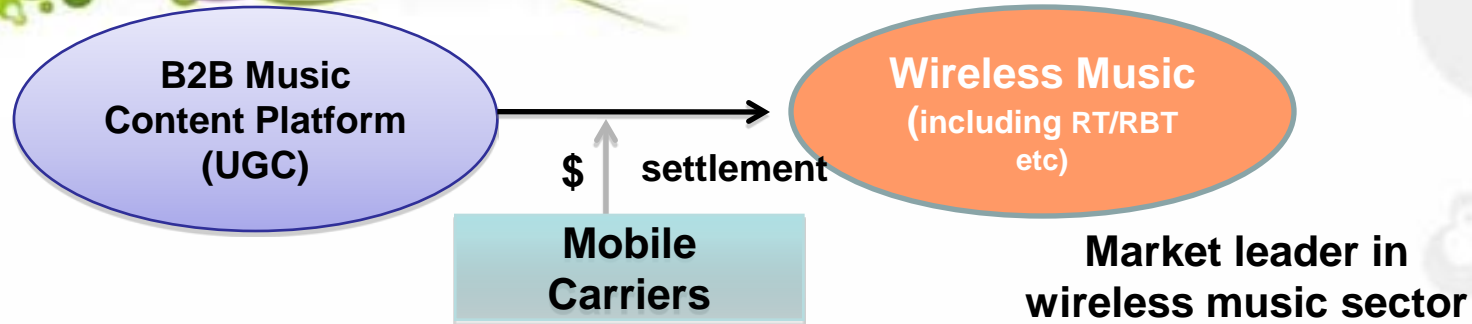
Confidentiality

The information provided to you in this presentation (including any of the contents thereof) is given on a confidential basis and must not be passed or disclosed to any other person and no photocopy shall be allowed.

Overview

- **A leading digital music company focused on UGC (User Generated Content) and extensive co-operation with content providers, officially entered into Guangdong National Music Industrial Base**
- **We're in a transitional period, from a leading wireless music service provider based on WVAS to a leading digital music service provider in booming mobile internet with multiple music-related products.**
- **Currently the settlement of revenues relies on mobile carriers. The regulation from carriers in 2010 continually impacted negatively in financials for all players in WVAS industry in 2011. The strong cash position will boost our strategic change in the high growth industry.**

Transition Business Model



2011 Financial Highlight

- **2011 full year revenue amounted to approximately RMB484 million, representing 29% decrease from RMB682 million in 2010**
- **Profit attributable to the shareholders in 2011 decreased by 69.6% amounted to approximately RMB12.7 million from RMB41.8 million in 2010**
- **Strong balance sheet, with cash balance of approximately RMB434 million and net assets of approximately RMB541 million as of 31 December 2011**
- **EPS: GAAP basis RMB0.03 vs. RMB0.09 of last year (Diluted)**

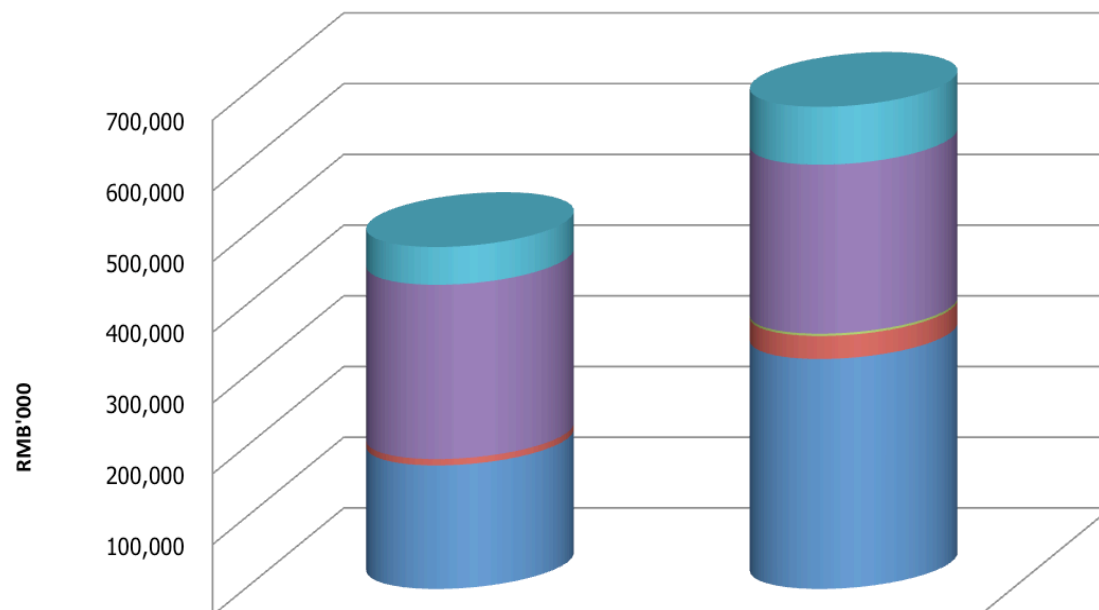
Historical Financial Data

RMB'000	2007	2008	2009	2010	2011
Revenue	285,964	706,079	707,148	681,839	483,587
Cost of services provided	149,375	425,806	425,723	418,573	285,916
Gross Profit	128,729	266,077	270,133	251,773	186,125
Selling expenses	67,073	115,281	112,852	142,768	124,032
Administrative expenses	21,715	44,180	50,145	64,801	53,472
Net Profit	55,237	80,800	102,169	42,318	12,915
Gross Margin	45.0%	37.7%	38.2%	36.9%	38.5%
Net Profit Margin	19.3%	11.4%	14.4%	6.2%	2.7%
EPS (Basic)	N/A	0.20	0.23	0.09	0.03

Revenue Breakdown

- Revenue amounted to RMB 484M, 29% decrease compared with 2010
- RBT represents 51% of total revenue

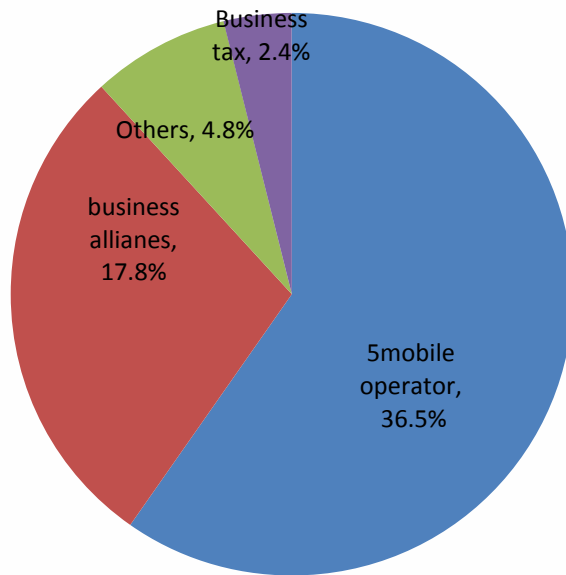
A8 Keeps the No.1 leading position in the wireless music market



	Year 2011		Year 2010	
■ Ringtone	53,404	11%	81,928	12%
■ Ringback tone	246,448	51%	238,878	35%
■ IVR music	-	0%	3,234	%
■ Other music related	8,966	2%	32,617	5%
■ Non - music related	174,769	36%	325,182	48%

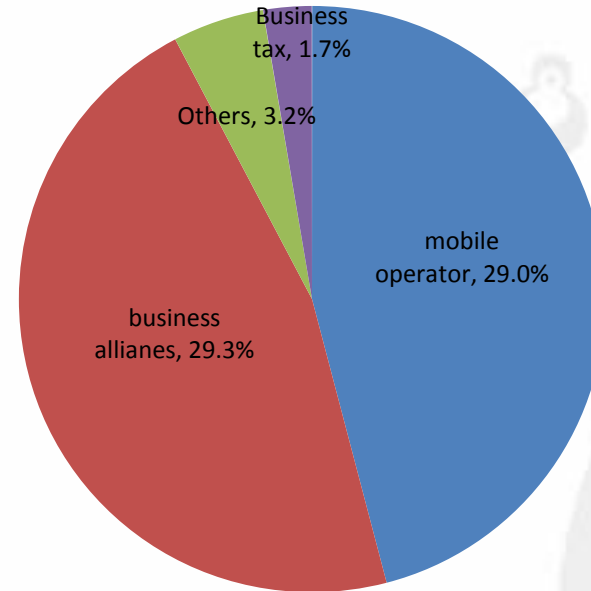
Cost of Services Provided

2011



Gross Margin: 38.5%

2010



Gross Margin: 36.9%

Gross margin increased because of the change of product mix (revenue with higher share % from business alliances decreased)

Strong Balance Sheet

	As of 31 Dec 2011	As of 31 Dec 2010
	RMB'000	
Cash Balance	434,387	436,763
Total Assets	668,352	641,032
Net Assets	540,778	521,519
A/R Turnover days	52	54

We invested Duomi Music at the consideration of RMB19 million in 2011 and we are continuously looking for compatible M&A targets related with digital music and mobile internet in 2012.

Cash Flow

As of 31 Dec 2011
(RMB'000)

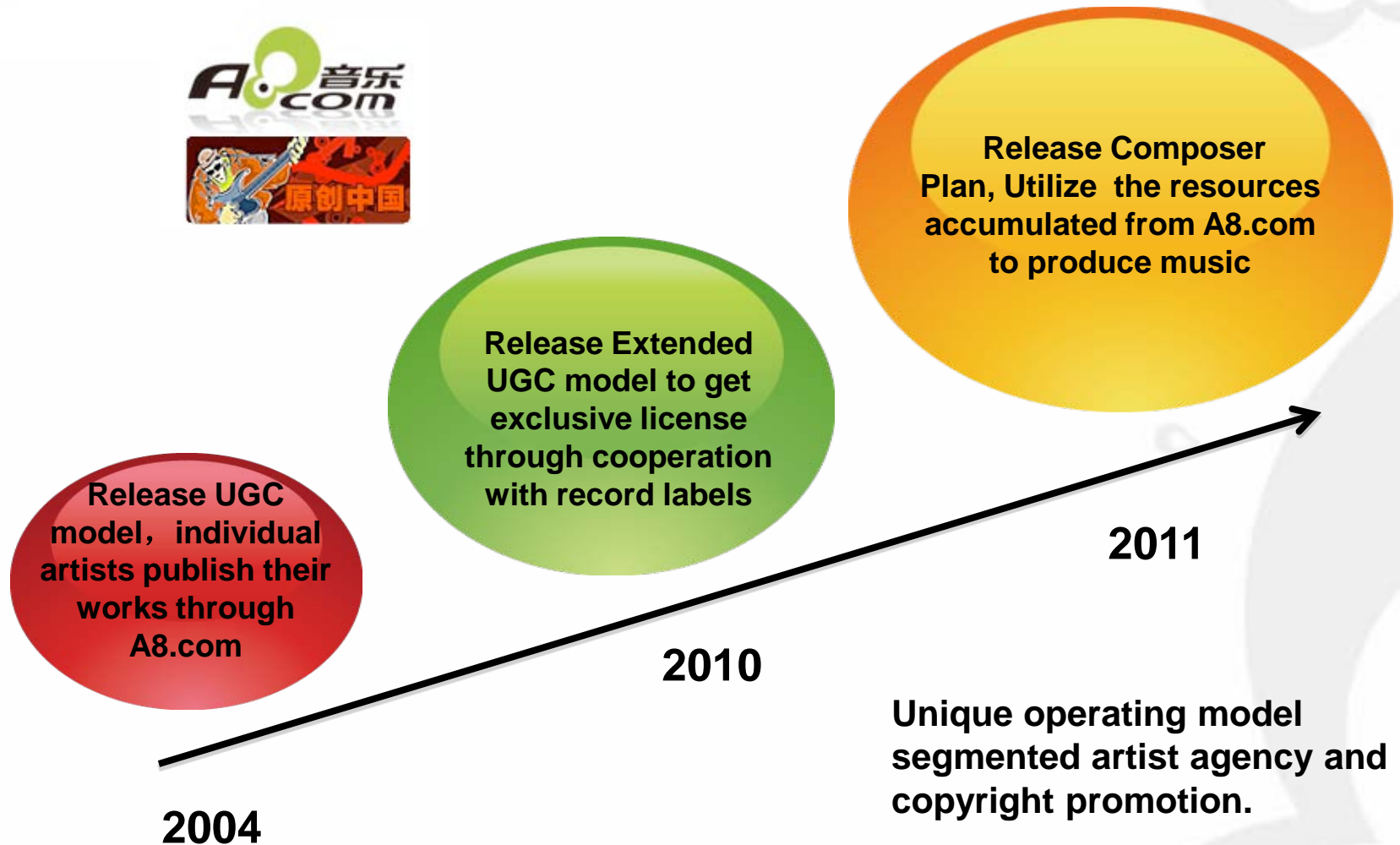
Net Cash Flow from Operating Activities	23,853
Net Cash Flow from Investing Activities	(66,496)
Net Cash Flow from Financing Activities	11,229
Total Net Cash Flow	(31,414)

Outstanding Shares

As of 31 Dec 2011		
	Outstanding Shares	%
Controlling Shareholders	184,917,954	38.85%
Top Result	22,601,756	4.75%
Public	268,456,786	56.40%
Total	475,976,496	100.00%

2011 Achievements

Continue to Enhance Music Content



Continue to Enhance Music Content

- Attracted more than 100 excellent individual artists and 40 bands, produced 130 original songs, 2 albums, 21 EP in 2011. Among of them 10 songs are listed in Baidu TOP 500 billboard.
- The number of new songs we produced entered into the TOP 3 in record industry.
- Held The Sixth Annual “Original Music Competition ”



Extend Operator's Cooperation

According to the data from MIIT, the total mobile phone users has reached over 100 Million as the end of March 2012, which provides good foundation for the growth of music business.



A8 Music keeps the NO.1 position in music sector

China Telecom



A8 ranks Top 3 and keeps higher growth

China Unicom



Solid foundation for future growth

Enhance Mobile Internet Business

Cooperation with mobile phone providers

NOKIA

SAMSUNG
三星电子


MOTOROLA

 **HUAWEI**

Coolpad 酷派

lenovo 联想

K-Touch / 天语

A8 provides music service for major domestic and international smart phone mobile brands, which cover around 70% market share.

Integrating Music Cloud Sources

- We invested Duomi Music for the consideration of RMB19M representing 42.69% interest.



A leading digital music service provider especially on SNS

- 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.

A8 Building



Land cost :
RMB30m (paid in Nov 2008)

Expected Construction Cost :
RMB 250-300m

Land Size : 4,746 sq. meter

Building Size : 40,800 sq. meter

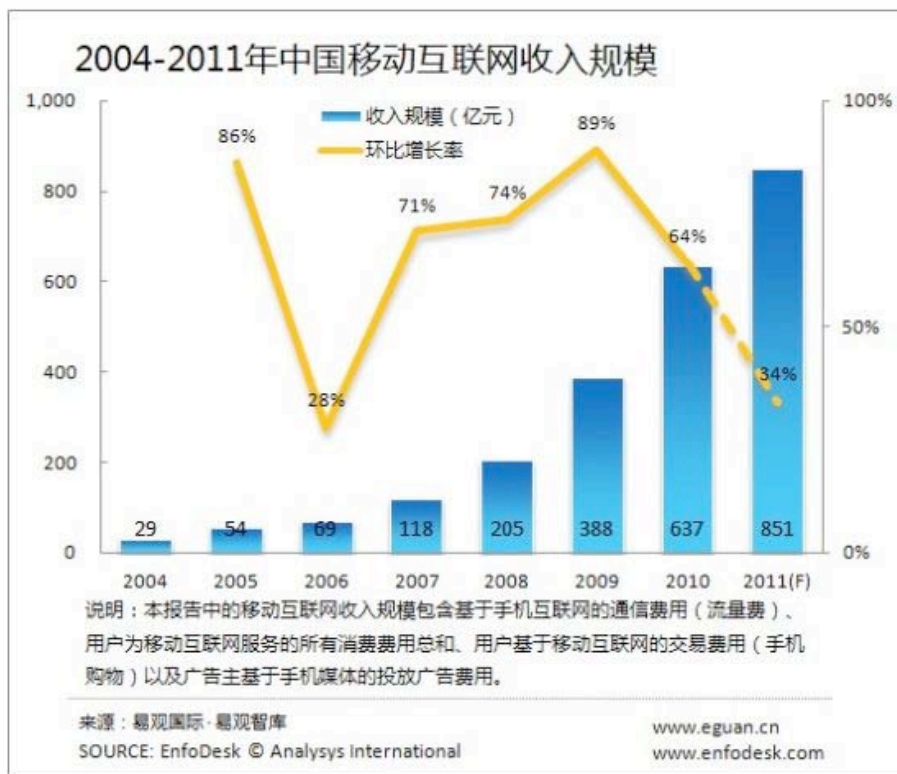
Estimated no. of floors : 25 floors
12 floors has been finished

Expected Completion Date: March 2013

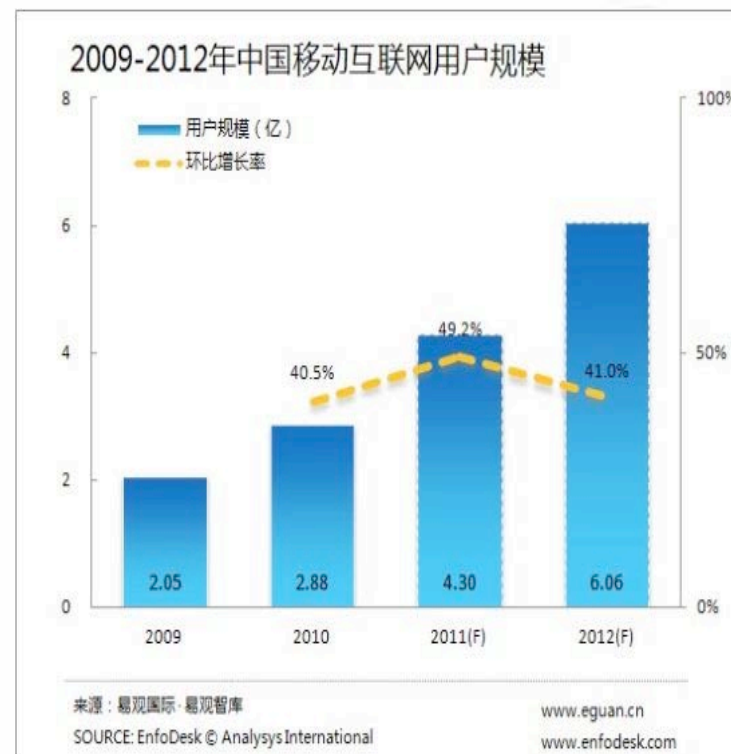
2012 and Beyond

Mobile Internet Industry is Booming

Mobile Internet Market Size



Mobile Internet User Scale



According to Eguan International, the mobile internet users reached 430 Million at the end of 2011 and the market size reached 85 billions in 2011 in china, representing 49% and 34% growth rate.

Huge User Base for Digital Music in China

Around **200M** mobile internet users listen or download music from mobile phone.

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

Cited from: June 2011 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)

The Bright Future of Digital Music

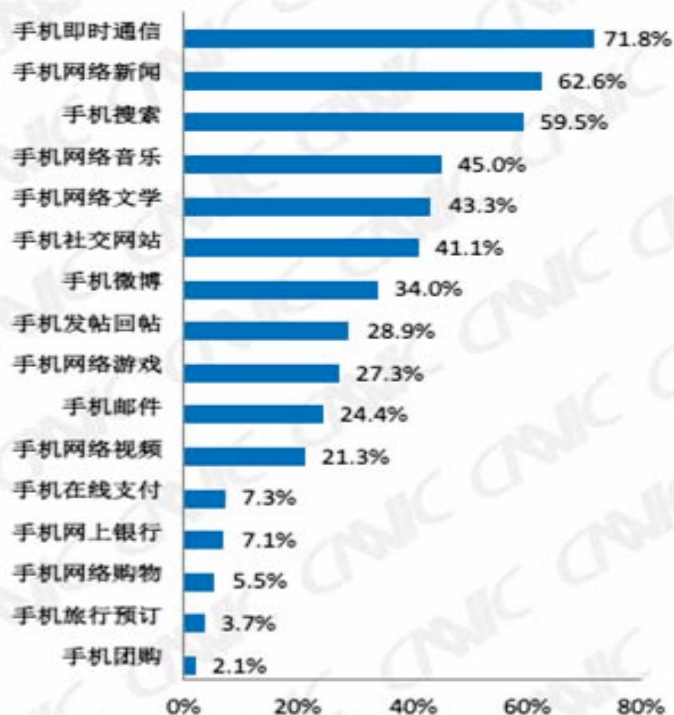
It's just a timing to charge users

The circumstance of anti-privacy for music is a trend:

- The policy changed from “Ignored” to “Criminal Offense” for music’s privacy behavior.
- China mobile and Apple were pioneers of “direct charge to users” in music industry.

The Users used to pay for mobile services including ringtone, ring back tones and services convenient and timely.

It's quite convenient for micro payment through mobile phone.



According to the report from CNNIC in 2011, 142 Million mobile users, representing 45% of total mobile internet users, enjoyed online music services.

Music Cloud Roadmap

Extension from mobile phone to family apps to cars



Mobile
Handset with
music cloud



Home



car

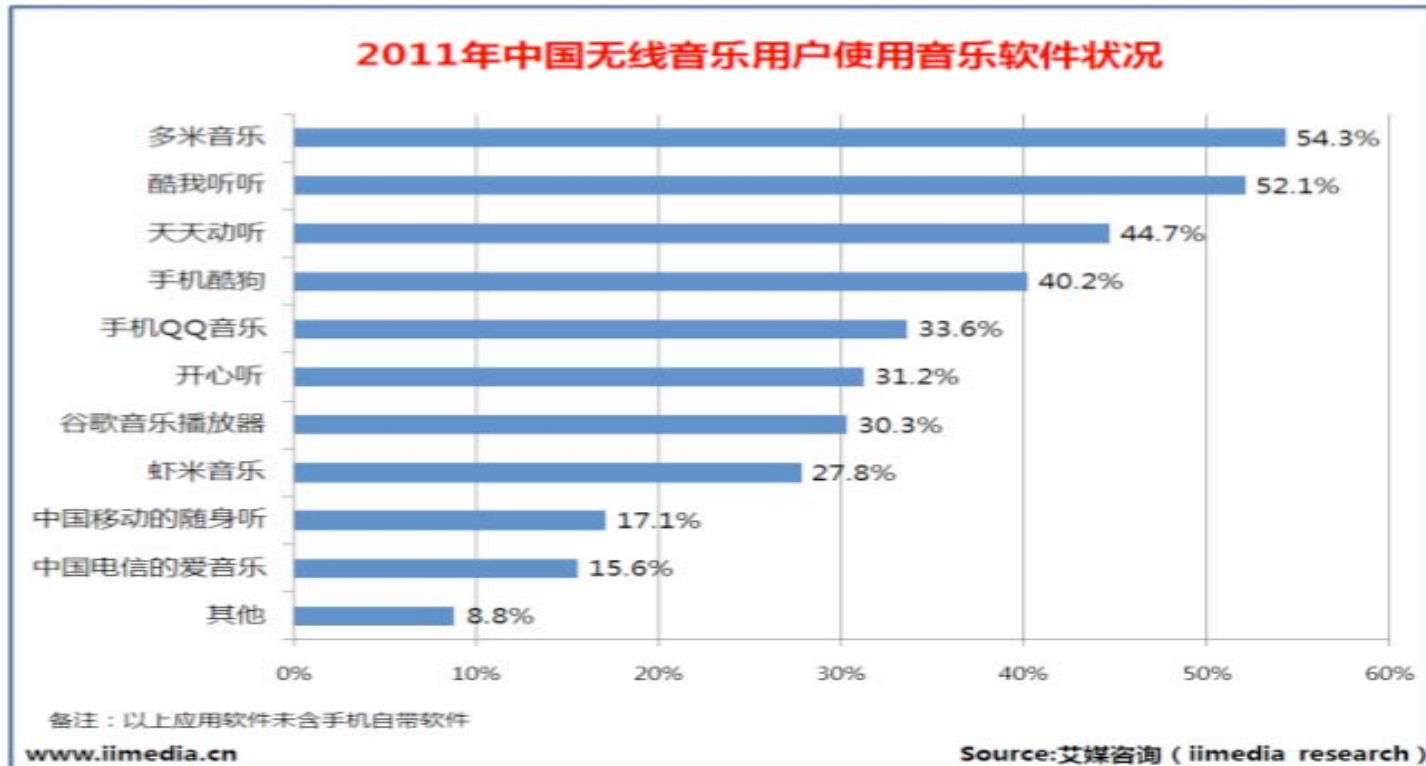
我的音乐无处不在!
My Music Everywhere!

Music Cloud Crossover Platform

2012 and Beyond

- 1. For traditional business, we will enhance the cooperation with three mobile operators. We will keep the market share in China mobile music market and get higher growth in line with the growth of China telecom and Unicom .**
- 2. We will consolidate the music cloud business to get more market share and establish the solid foundation for future growth.**

Appendix—about Duomi Music



According to the research of Imedia, Duomi is the most popular music software in the market. The user's growth rate ranks NO.1 in 2011

Q & A

Contact us

Email: ir@a8.com
Direct: +86 755 3332 6316
General: +86 755 3332 6333