



Stock Code : 00800.HK

A8 電媒音樂控股有限公司

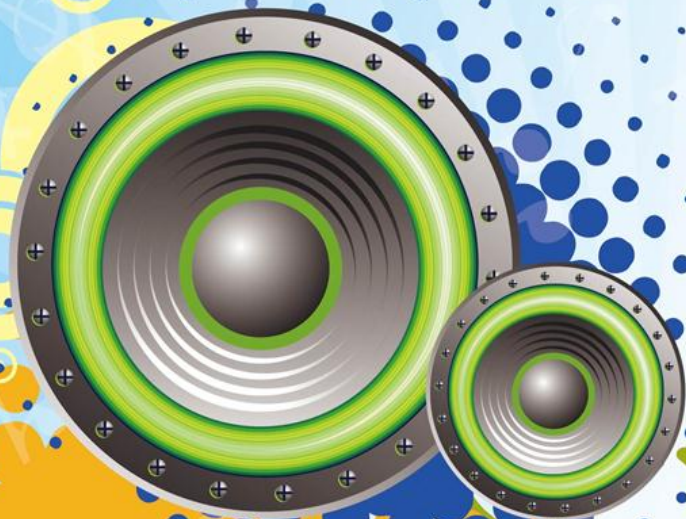
A8 Digital Music Holdings Limited

Stock Code: 800.HK

2012 Annual Results Announcement

27 March 2013

我的音乐无处不在!
My Music Everywhere!



Disclaimer

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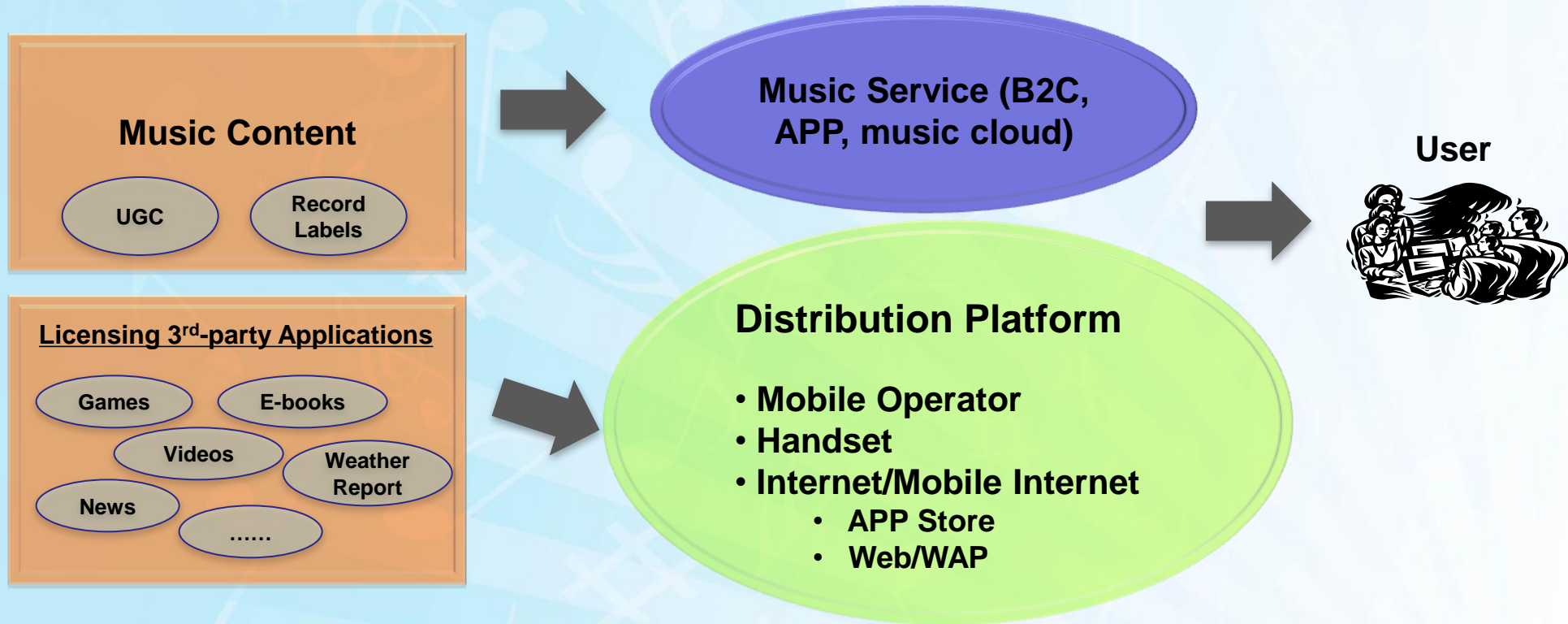
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A8 Overview

- A leading digital music company focused on UGC (User Generated Content) and extensive co-operation with content providers, offering digital music service to consumers directly through “traditional” diversified channels, as well as the uptrend of mobile internet, with various settlement solutions.
- Currently the settlement of revenues relies on mobile carriers, which was impacted negatively due to status quo of WVAS industry. In the other side, the deployment in mobile internet achieved notable progress.
- Coupled with high growth of mobile internet, MM (mobile Market branded in China Mobile) project, the collaboration with handset makers, APP and strategic investment in Duomi pave the way to future turnaround.

Business Model

To be the No.1 digital music service provider in China



2012 Financial Highlight

- 2012 full year revenue amounted to approximately RMB345.1million, representing 28.6% decrease from RMB483.6 million in 2011
- Loss attributable to the shareholders in 2012 amounted to approximately RMB29.9million, dropped by 335.4% from profit attributable to the shareholders of 12.7million in 2011
- Strong balance sheet, with cash balance of approximately RMB387.2 million and net assets of approximately RMB515.3million as of 31 December 2012
- EPS: GAAP basis RMB-0.05 vs. RMB0.02(restated) of last year (diluted)

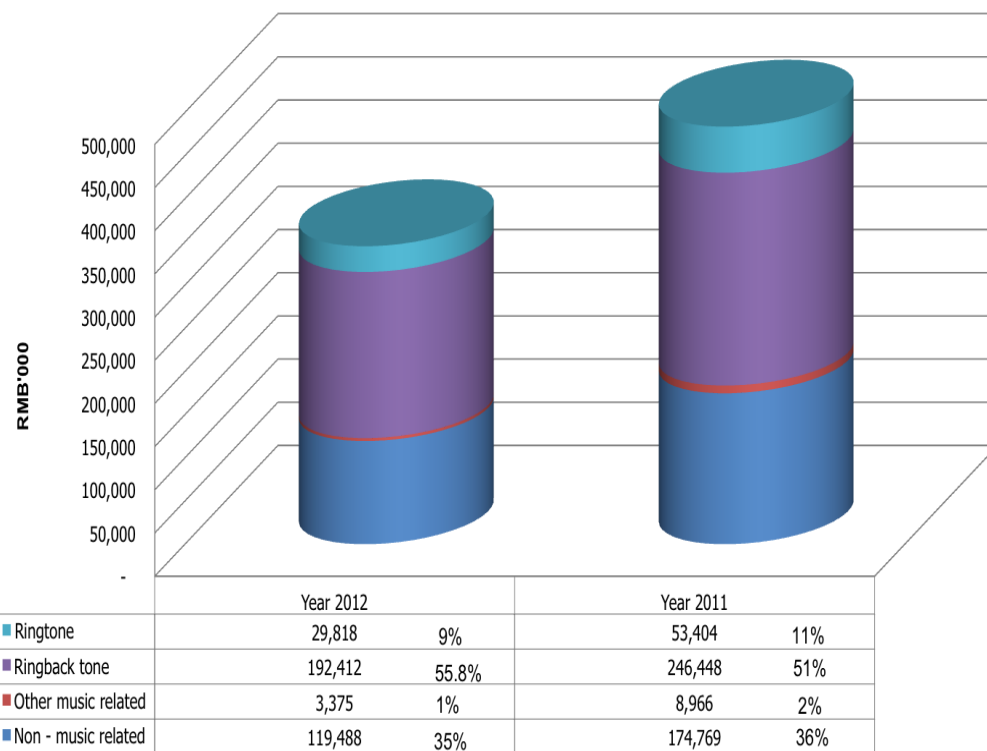
Historical Financial Data

RMB'000	2007	2008	2009	2010	2011	2012
Revenue	285,964	706,079	707,148	681,839	483,587	345,093
Cost of services provided	(149,375)	(425,806)	(425,723)	(418,573)	(285,916)	(223,094)
Gross Profit	128,729	266,077	270,133	251,773	186,125	116,282
Selling expenses	(67,073)	(115,281)	(112,852)	(142,768)	(124,032)	(90,055)
Administrative expenses	(21,715)	(44,180)	(50,145)	(64,801)	(53,472)	(50,347)
Net Profit/(Loss)	55,237	80,800	102,169	42,318	12,915	(30,012)
Gross Margin	45.0%	37.7%	38.2%	36.9%	38.5%	33.7%
Net Profit Margin	19.3%	11.4%	14.4%	6.2%	2.7%	-8.7%
EPS (Basic)	N/A	0.20	0.23	0.09	0.02	(0.05)

Revenue Breakdown

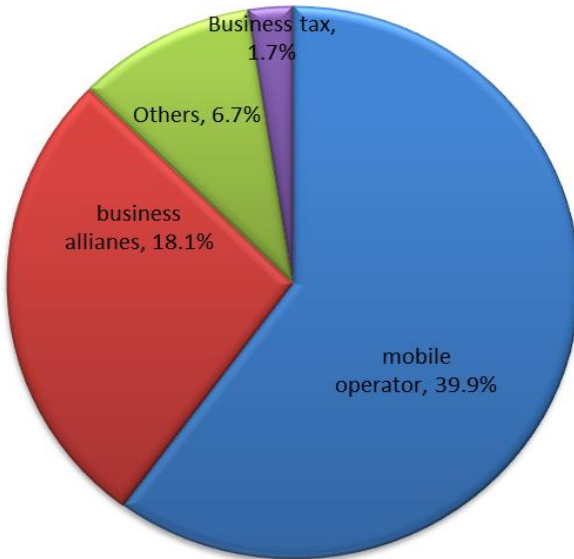
- Revenue amounted to RMB345.1M, decreased by 28.6% as compared with 2011
- RBT represents 55.8% of total revenue

A8 continues to keep the leading position in the wireless music market



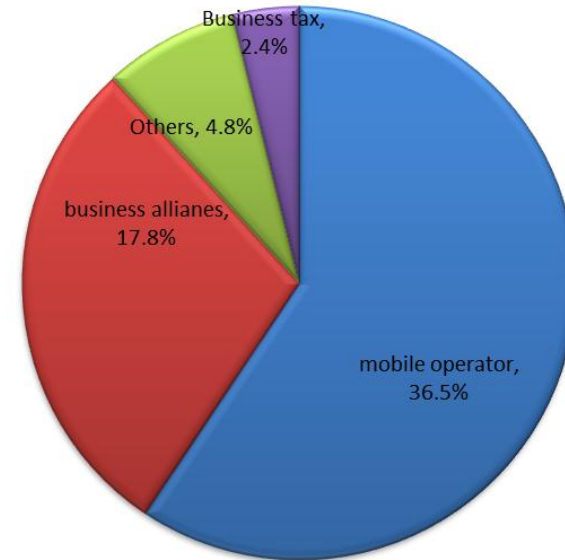
Cost of Services Provided

2012



Gross Margin: 33.7%

2011



Gross Margin: 38.5%

Gross margin decreased due to increase of revenue share with mobile operators related to RBT

Strong Balance Sheet

	As of 31 Dec 2012	As of 31 Dec 2011
	RMB'000	
Cash Balance	387,191	434,387
Total Assets	709,839	668,352
Net Assets	515,266	540,778
A/R Turnover days	56	52

We invested Duomi Music at the consideration of USD600 million in 2012 and we are continuously looking for compatible M&A targets related with digital music and mobile internet in 2013.

Cash Flow

RMB'000	As of 31 Dec 2012 (RMB'000)
Net Cash Flow from Operating Activities	(4,314)
Net Cash Flow from Investing Activities	(36,178)
Net Cash Flow from Financing Activities	54,580
Total Net Cash Flow	14,088

Outstanding Shares

As of 31 Dec 2012		
	Outstanding Shares	%
Controlling Shareholders	190,985,954	40.10%
Public	285,296,422	59.90%
Total	476,282,376	100.00%

As the right issue is completed at the end of March, the issued shares will increase to 1,428,847,128

2012 Achievements

Continue to 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

2012

Unique operating model segmented artist agency and copyright promotion.

Continue to Enhance Music Content

- Produced more than 120 original songs in last 12 months. Some songs performed quite well on Baidu Billboard and Wireless Music Selling Billboard.



- The number of new songs we produced entered into the TOP 3 in record industry.

- Held the Seventh Annual “Original Music Competition” in H2

Extend Cooperation with Operators

A8 won the bid to provide all support service including R&D, operation etc to China Mobile's Mobile Market Platform (MM project)



Extend Operator's Cooperation

According to the data from MIIT, the total mobile phone users has reached over 1.1 Billion and the mobile internet users reached 780 million as the end of Jan 2013, 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

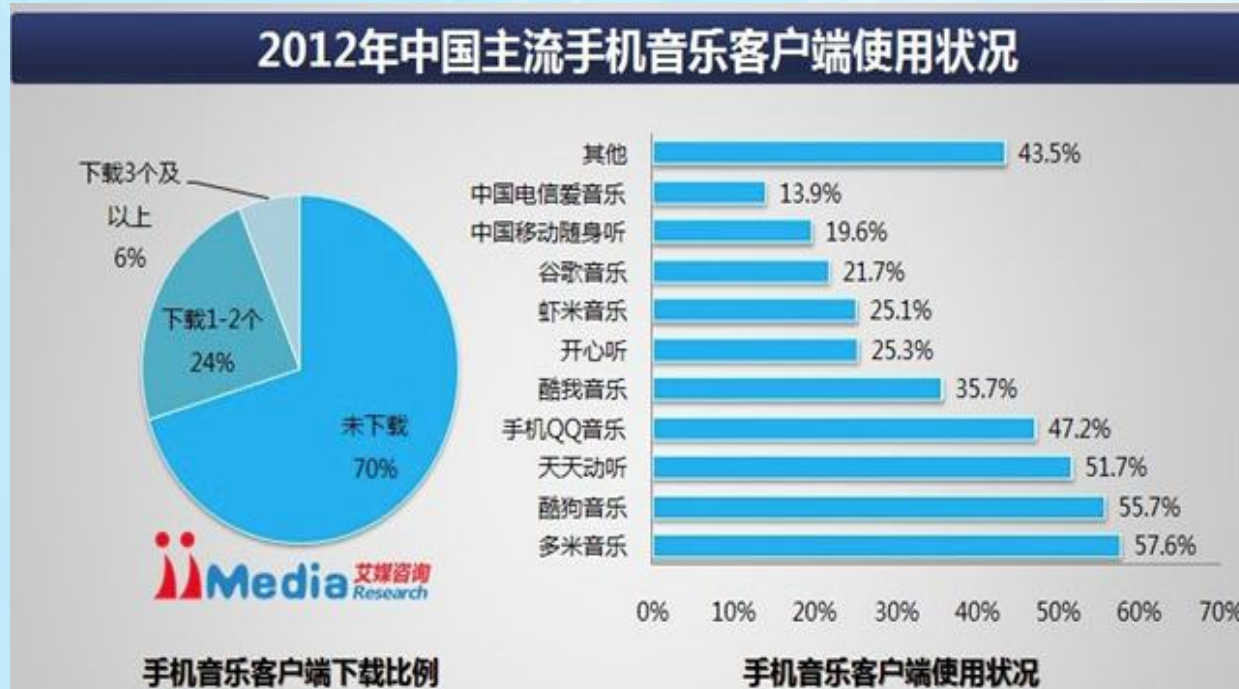
Cooperation with mobile phone providers

The Nokia logo, featuring the word "NOKIA" in a bold, blue, sans-serif font.The Samsung logo, featuring the word "SAMSUNG" in white, bold, sans-serif font inside a blue oval, with the Chinese characters "三星电子" (Samsung Electronics) in blue below it.The Motorola logo, featuring a blue stylized "M" inside a circle, with the word "MOTOROLA" in blue, bold, sans-serif font below it.The Huawei logo, featuring a red stylized flower-like icon to the left of the word "HUAWEI" in black, bold, sans-serif font.The Coolpad logo, featuring the word "Coolpad" in blue, bold, sans-serif font, followed by the Chinese characters "酷派" in black.The Lenovo logo, featuring the word "lenovo" in blue, bold, sans-serif font, followed by the Chinese characters "联想" in black.The K-Touch logo, featuring the word "K-Touch" in blue, bold, sans-serif font, followed by the Chinese characters "天语" in black.

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

Diversifying Music Products

- We invested Duomi Music USD6M to subscriber for the preferred shares of Duomi Music in 2012, and we holds 42.73% interest of Duomi Music currently.



According to the research of Imedia, Duomi Music is the most popular music software in the market, 57.6% mobile music users enjoyed music through Duomi Music.

Diversifying Music Products

Launched the application of Jing.fm, through which users can find the personalized music by saying the characters of the music they preferred.

Broaden our device coverage support including more mobile handset kinds, PC, TVs, and Cars



A8 Building



Total Construction Cost : RMB 300m

Building Size : 40,800 sq. meter

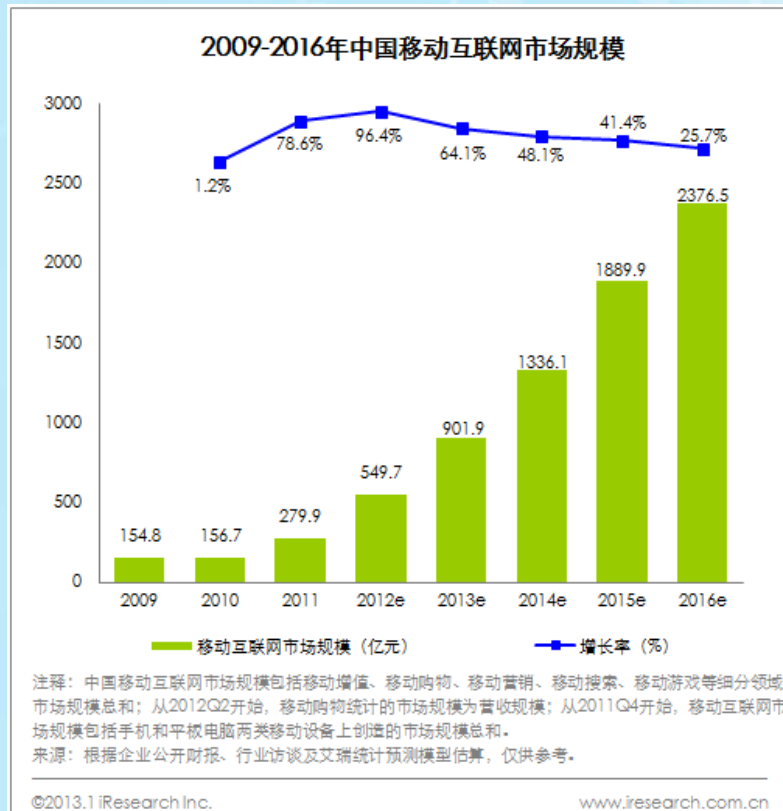
No. of floors : 25 floors

Expected Completion Date: June 2013

2013 and Beyond

Mobile Internet Industry is Booming

Mobile Internet Market Size



According to the report from MIIT, the mobile internet users reached 780 Million at the end of 2012

According to the report from Iresearch, the market size of mobile internet reached 54.9 billion in 2012 in china.

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 **RMB11 billion**

Over **17M** cars will be sold in China. “online in-car music” will be the next uptrend demand

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 legislation is changing more strict for music's piracy 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.

2011-2012年 手机网民各类手机应用使用率



来源: CNNIC 中国互联网络发展状况统计调查

2012.12

According to the report from CNNIC in 2012, 214 Million mobile users, representing 50.9% 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

Music Cloud Crossover Platform

我的音乐无处不在!
My Music Everywhere!

2013 and Beyond

1. For traditional business, we have disposed the obsolete business without future. In turn, we take the trend of internet mobilization on the music service by providing kinds of applications.
2. We will continue to enhance the music content business and try to explore online and offline music service based on specified user base and online experience.
3. We will explore the revenue model of music cloud, meanwhile focus on attracting users and improving their activation rate.
4. For mobile internet business, we will continue the distribution and payment service to app suppliers.

Q & A

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