



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)**

**Explore the market to form solid foundation for transition**

**Financial highlight:**

- 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 2011, revenue amounted to RMB249 million, representing a decrease of 31% from RMB359 million of the same period last year
- Profit attributable to equity holders amounted to RMB9.3 million, representing a decrease of 53.6% from RMB20.1 million of the same period last year
- Cash and net assets amounted to RMB407 million and RMB533 million respectively without debts
- The Board of Directors did not recommend the payment of interim dividend

(Hong Kong, 17 August 2011) – The leading integrated digital music company in China - A8 Digital Music Holdings Limited ("A8 Music", the "Group" or the "Company") (HKSE: 0800.HK) today announced its unaudited interim results for the six months ended 30 June 2011.

During the period under review, the Group generated revenue of approximately RMB249 million, representing a decrease of approximately 31% as compared with the same period last year due to the continuing negative impact brought by the implementation of WVAS policy restrictions in 2010. Profit attributable to equity holders of the Company amounted to RMB9.3 million (2010 interim: 20.1 Million) decreased by 53.6%. Basic earnings per share were RMB0.02 (2010 interim: RMB0.04). The Board of Directors did not recommend payment of interim dividend for the six months ended 30 June 2011.

As at 30 June 2011, 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 RMB407 million (2010: approximately RMB437 million).

**Mr. Liu Xiaosong (“Mr. Liu”), Chairman of A8 Music**, said, “2011 is a transitional period for A8 Music. The negative impact to the whole operation of WVAS industry is continuing due to the series of measures and policies implemented to WVAS industry by related management division and mobile operators in China in 2010. The Group maintains and consolidates its leading position in wireless music through strengthening the cooperation with China Telecom, China Unicom and China Mobile to conform to the change of industry policy and development trend. Meanwhile, the Group is strengthening each part of its business model by focusing 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 channels to improve distribution efficiency”.

During the first half of 2011, the Group further consolidates its leading position in the wireless music industry and expands the sources of music-related income by strengthening cooperation with China Telecom, China Unicom and China Mobile. At the end of June 2011, mobile phone users in China reached 902 million, of which China Telecom garnered 108 million subscribers, creating a solid foundation for the growth of the music market. The Group ranked No.3 in the list of music service providers to China Telecom, with revenue over RMB12 million in the first half of 2011, representing a significant increase of 550% as compared with the same period of 2010. At the same time, as China Unicom has finished setting up the music base, the Group will grasp this market opportunity to strengthen its cooperation with China Unicom. The revenue of music and music related services reached RMB170 million in the first half of 2011.

The Group continues to develop the music content based on UGC. With the implementation of Composer Plan, exploration of the campus channels by kicking-off campus campaign and holding the 'Sixth A8 Original China Music Contest', A8 Music provides the cooperation opportunities between users of [www.a8.com](http://www.a8.com), original music producers and singers. In turn, it acquired more high-quality original contents. In the first half of 2011, it has cooperated with more than 50 songwriters, over 20 singers, and produced 2 albums and 9 EPs with excellent songs. At the same time, the Group has promoted these songs vastly. Several songs **performed well on Baidu TOP500 Billboard**. In the first half of 2011, UGC songs have contributed to 43% of the total revenue of music and music related services to the Group.

For the B2C (music cloud) business that is to acquire users and to provide music service to users directly, the Group’s cloud music products has successfully supported various platforms for mobile phones including Symbian and J2ME. At the same time, the Group has finished synchronization of cloud platform with multimedia content platform and billing platform, laying a solid foundation for future billing of cloud platform. In the song archive, there are about 1.5 million songs, among which experts have marked 600,000 with attributes.

As mentioned in the Group’s 2010 annual report, it will cooperate with more application providers to fully utilize the current sales network and improve efficiency of distribution. In the first half of 2011, the Group has reached agreements with some APP providers and with various independent third-party payment channel companies in the development of settlement channels.

For the cooperation with handset manufacturers, the Group consolidated strategic cooperation in music with Nokia. In 2011, it has tailored the user-side interface for “Comes with Music” service of Nokia. All Nokia users can enjoy music service with high quality through “Comes with Music” interface at mobile phone with better user experience.

Mr. Liu concludes, “A8 Music’s long-term development strategy is to build B2C business model and have its own customers. We’re glad to see that the music cloud business has gained achievements after one more year of research and development. It’s painful for the Group during the transitional period, but we believe that the Group’s performance will be better and we will provide personalized music to our customers and finally achieve the goal of “My music everywhere”. ”

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

(Unaudited)	For the six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Revenue	249,176	358,642
Business tax	(5,628)	(6,168)
Net revenue	<u>243,548</u>	<u>352,474</u>
Cost of services provided	(145,079)	(222,600)
Gross profit	<u>98,469</u>	<u>129,874</u>
Other income and gains, net	8,677	1,489
Selling and marketing expenses	(68,884)	(72,560)
Administrative expenses	(25,797)	(35,070)
Other expenses	(530)	(38)
Profit before tax	<u>11,935</u>	<u>23,695</u>
Tax	(2,384)	(3,695)
Profit for the period	<u><u>9,551</u></u>	<u><u>20,000</u></u>
Attributable to:		
Equity holders of the Company	9,323	20,090
Minority interests	228	(90)
	<u><u>9,551</u></u>	<u><u>20,000</u></u>
Earnings per share attributable to equity holders of the Company		
Basic (RMB per share)	<u><u>0.02</u></u>	<u><u>0.04</u></u>
Diluted (RMB per share)	<u><u>0.02</u></u>	<u><u>0.04</u></u>

**About A8 Digital Music Holdings Limited**

A8 Music is a leading integrated digital music company that sources music content from its highly successful interactive UGC platform and from record labels, promotes extensive music content through its strong distribution channels and sells music content to mobile users in different forms currently. Based on the deep understanding of music consuming behavior, A8 Music initiated to develop and launch personalized music service based on music cloud technology, which enables users conveniently and seamlessly enjoy and share their personalized music service at any time, anywhere through any devices connected with internet, including mobile phone, PC, car audio, home audio, MID etc. Thus, A8 music emerged to be the largest and most popular music service provider in China through highly integrated creation, publishing and consuming of music content. The Group was listed on the Main Board of the Hong Kong Stock Exchange on 12 June 2008. The Group has been incorporated in the Guangdong National Music Industrial Base in June 2011.

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