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**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)**

## **A8 Digital Music Holdings Limited Announces 2012 Annual Results**

(27 March 2013, Hong Kong) **A8 Digital Music Holdings Limited** (“A8 Digital Music” or the “the Company”, stock code: 0800) announces the annual results of the Company for the financial year ended 31 December 2012 (“the year” or “2012”).

### **Results Highlights**

#### **Year ended 31 December**

	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>Change</u></b>
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	<b>345,093</b>	<b>483,587</b>	<b>- 28.64%</b>
Gross profit	<b>116,282</b>	<b>186,125</b>	<b>- 37.52%</b>
(Loss)/Profit before tax	<b>(26,684)</b>	<b>18,156</b>	<b>- 246.97%</b>
(Loss)/Profit and total comprehensive income for the year, attributable to owners of the Company	<b>(29,868)</b>	<b>12,687</b>	<b>- 335.42%</b>
Basic earnings per share	<b>RMB Yuan <u>(0.05)</u></b>	<b>RMB Yuan <u>0.02</u> <b>(Restated)</b></b>	<b>-3.5%</b>

## **Financial Summary & Operational Performance**

For the year ended 31 December 2012, the revenue of the Group amounted to approximately RMB345.1 million, representing a decrease of 28.6% as compared with 2011 (2011: approximately RMB483.6 million). The decline in revenue was mainly due to the down trend of our MVAS business plus the active focus on mobile business, which in turn, the Group disposed some business without future. The Group has actively diversified and optimized its business through co-operation with more telecom carriers and handset manufacturers, as well as other mobile internet partners. However, the transformation of business still need time to cover the downturn of revenue. The loss attributable to the owners of the Company amounted to approximately RMB29.9 million, representing a sharp decrease of approximately 335.4% as compared with 2011 (2011: profit of approximately RMB12.7 million).

During the Year ended 31 December 2012,

1. The gross profit of the Group amounted to approximately RMB116.3 million, representing a decrease of approximately 37.5% as compared with 2011 (2011: approximately RMB186.1 million). The overall gross profit margin of the Group decreased from 38.5% in 2011 to 33.7% in 2012. The decrease was mainly due to the increase of revenue share with mobile operators which related to the increasing ratio of Ringback tone services.
2. As at 31 December 2012, cash and bank balances and highly liquid short term assets of the Group including cash and cash equivalents, time deposits with original maturity of more than three months and investments at fair value through profit or loss amounted to approximately RMB387.2 million (2011: approximately RMB434.4 million). Approximately RMB337.7 million, or approximately 87.2% of the Group's cash and cash equivalents, was denominated in RMB.

## **Business Review**

### **Positively engaged in Digital Music Business**

During the Year, the Group proactively developed its business in the aspect of digital music.

Regarding the wireless music market, the Group's revenue from music and music related business reached RMB226 million in 2012. The Group further consolidates its leading position in the wireless music industry and in the China Mobile's wireless market, as well as rank top 3 in the list of music service providers to China Telecom, from which the revenue generated represents a significant 30.6% increase as compared to 2011.

The Group further explored the "Composer Plan" in 2012. The Group has accumulated more than 120 music copyrights through the plan in 2012, and so a leading position in music industry regarding the annual number of new songs production in the Greater China Region. As well, the market share of hot music reached 21%. Through the promotion of UGC songs, the market value of the composers improved, which in turn strengthened the cooperation between the Group and the composers and the Group's reputation based on the healthy ecosystem.

Meanwhile, the Group deployed the music cloud business to accumulate the users and achieved a higher level till now. The Group continued its investment on Duomi Music to obtain 42.73% (Assuming all preferred shares converted to ordinary shares) of the shares of Duomi Music. Users scale of Duomi Music have reached one hundred million. The Group also launched a family music streaming media system and a pioneering music application – Jing.fm to allow users to quickly search their favorite music through an innovative "Natural Language Description".

The Group also actively expanded distribution channels for digital content and mobile internet products based on our accumulated channel advantages, and made some progress. In addition, the close cooperation with telecom operators, like the "Operational Support to Digital Content Channels" with the China Mobile MM (Mobile Market) base provided products and functional design, operating promotion and integrated service support for the operation. This strengthens the strategic cooperation but also accumulated experiences and resources in various digital products business of mobile internet. The Group also extended the operation with internationally renowned enterprises like Nokia, Samsung, Lenovo and Huawei.

## **PROSPECT**

### **Bright future in the digital music industry**

The digital music industry is facing a brighter future due to the change in digital music market and the improvement on copyright protection. Meanwhile, the operation of the mobile Internet applications (APP) will show an attractive development space.

### **Strengthen cooperation for wireless music business**

In order to strengthen our cooperation with China Mobile, China Telecom and China Unicorn, we will continue to develop and provide the wireless music product and applications to keep up with the changes of wireless music under the mobile Internet trend. Forecast in 2013, the music revenue of China Mobile, China Telecom and China Unicorn will increase significantly compared with 2012. Thus, the Group will retain the leading position in wireless music market.

### **Promotion and Distribution Platform for Digital Music and Mobile Internet Products**

In 2013, the Group will continue to strengthen and consolidate the music business from content, channels and products, continue to increase investment to build a platform for music distribution and promotion services for composers, as well as the service platform to users, and put efforts to explore the business model. Meanwhile, based on the user base advantage and the operation advantage on digital music industry, the Group will explore the combination of online and offline music business.

Based on our past years accumulated advantages and experience, we will cooperate with mobile manufactures and telecom operators to promote and operate the digital music content and mobile applications. We will extend the cooperation with applications of mobile internet, integrate the billing resources of mobile operators and third party' s payment resources including Ali Pay to provide integrated payment solutions.

## **About A8 Digital Music Holdings Limited**

Founded in 22 May 2000, and listed on the Main Board of the Stock Exchange with Stock Code: 0800.HK on 12 June 2008. A8 Music is a leading digital music company that sources music content from its highly successful interactive UGC platform [www.a8.com](http://www.a8.com) and from international domestic record tables, as well as through effective digital music production, promotes extensive music content through its strong distribution channels including the national marketing network, more than 300 handset manufacturers, traditional and new media etc. It also sells music content to mobile users in the form of ringtone, ring-back tone and full track song. A8 music has leading position in the wireless music market.

Since 2011, A8 Music continues to enhance the UGC through Composer Plan to gather more high quality UGC songs. Meanwhile, 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 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.

For further information, please contact:

**A8 Digital Music Holdings Limited**

Tel : (86) 755 3332 6316

E-mail : [ir@a8.com](mailto:ir@a8.com)

**BMI Innovation Limited**

Ms. Sarah Chan

Tel : (852) 3970 9230

E-mail : [schan@bmintelligence.com](mailto:schan@bmintelligence.com)