

## Media Sector

2nd Quarter 2007

### China Media M&A Quarterly

#### Highlights

- Impression Creative Inc., received Series A funding of US\$25 million from SIG, Goldman Sachs and IDG

Impression Creative develops and produces location-based live entertainment performed at outdoor scenic venues in China

- Cars.com.cn received Series C funding of US\$25 million from Walden International and DT Capital Partners

Cars.com.cn provides car insurance brokerage service through Internet and telephone

- Ninetowns acquired a 70% stake in Ample Spring Holdings Ltd. for US\$27 million

Ninetowns acquired a majority interest in a related party of Beijing Baichuan Tongda Science and Technology Development Co., Ltd., a leading Chinese vertical search engine, and also entered into a number of service and other agreements with Baichuan

- Synnex Corp. acquired a controlling stake in HiChina Web Solutions (Beijing) Ltd. for US\$30 million

The acquisition of HiChina further supports Synnex's revenue diversification and higher margin goals and is anticipated to be accretive to Synnex's earnings

- Electronic Arts purchased a 15% stake in The9 Ltd. for US\$167 million

The agreement builds on EA's strategy of partnering with proven regional operators to bring online games to Asia and The9's strategy of expanding its game product offerings in the Chinese market

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## INTRODUCTION

We are pleased to present our quarterly review of Media M&A activity in China, focusing on notable transactions in the (i) Traditional Media and (ii) New Media sectors. This report summarizes and highlights notable M&A and private placement activities of interest to venture capital, private equity, and strategic buyers/investors. Our review is divided into two broad sectors, which are further separated into individual sub-sectors.

### TRADITIONAL MEDIA

- ◆ Indoor / Outdoor Advertising
- ◆ Newspaper / Magazine / Book Publishing
- ◆ Television Production and Broadcasting
- ◆ Music Production and Distribution

### NEW MEDIA

- ◆ Ecommerce, Search and Portals
- ◆ Online Entertainment
- ◆ Wireless Value-Added Services (“WVAS”)

However, during the second quarter of 2007, there were no notable transactions in the Music Production and Distribution sector.

## TRADITIONAL MEDIA

### Indoor / Outdoor Advertising

Xinhua Finance Media, China’s leading diversified financial and entertainment media company, has completed its acquisition of a 100% interest in Singshine (Holdings) Hong Kong Limited. With the acquisition, Singshine has become a wholly-owned subsidiary of XFMedia. It will expand the geographic coverage of XFMedia’s radio program consultation and advertising capabilities from northern to southern China and add entertainment and high-end consumer-oriented advertising to XFMedia’s current range of financial and corporate focused advertising.

Shanghai-based 3D Media China has received funding from Softbank China Venture Capital. 3D Media China is a wholly-owned subsidiary of 3D Holdings Ltd., a media and entertainment holding company focused on integrating advertising, entertainment, internet and video-gaming through auto stereoscopic 3D displays. Founded by Mr. Al Pien in 2006, the company has created a nationwide 3D Media entertainment platform in China through constructing media networks in mid-to-high end shopping malls, stylish nightlife entertainment spots and upscale Internet cafes.

#### Selected Indoor / Outdoor Advertising Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 19, 2007	Softbank	3D Media Holdings Ltd.	NA	NA	NA	3D media entertainment platform operator
Jun 14, 2007	Xinhua Finance Media Ltd. [NASDAQ:XFML]	Singshine (Holdings) Hong Kong Ltd.	8.1	100.0	8.1	Consulting and advertising services provider

### Newspaper / Magazine / Book Publishing

China Cartoon Century, a domestic professional cartoon channel operator, is dedicated to exploring and operating new models for the commercialized cartoon industry in China. In May, the company raised US\$10 million led by iD TechVentures, with follow-on from FAT Capital Management and Miven Venture Partners. On the same day, China Cartoon Century announced its strategic acquisition of TVbean, a Taiwan-based animation provider.

#### Selected Newspaper / Magazine / Book Publishing Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
May 28, 2007	iD Techventures, FAT Capital Management, Miven Venture Partners	China Cartoon Century	10.0	NA	NA	Cartoon content provider and publisher

### Television Production and Broadcasting

In the television production sector, Sequoia China has made a US\$10 million investment into China’s Polybona, the most successful private film distribution company in China. PolyBona, known by some as “the Chinese Miramax” has distributed nearly 100 Chinese and Hong Kong co-produced films.

Another private placement deal in the production subsector was Impression Creative's US\$25 million first round of financing from SIG, IDG and Goldman Sachs. Impression Creative, which develops and produces location-based live entertainment performed at outdoor scenic venues in China, is the brainchild of three of China's leading creative talents: Academy Award nominated Zhang Yimou; Wang Chaoge, one of China's leading directors and designers; and Fan Yao, a multi-award winning set designer. The productions, often based on famous historical or cultural events, make use of local scenery and performers to create an unparalleled viewing experience, and are tailored to highlight regional points of interest.

C9 Media Inc, a producer and distributor of innovative interactive TV program content, has raised US\$750,000 in preferred seed financing from Dragonvest Partners. The funding will be used to launch the company's interactive new media TV service across China. Beijing-based C9 Media generates revenue from the fixed line and mobile telecommunications services associated with its interactive TV programs, and shares revenue with its TV channel and other ecosystem partners.

Shanghai Oriental Pearl (Group) made a series of acquisitions in 2007. After the acquisition of 6.83% stake in Shaanxi Broadcast & TV Network Intermediary Co. Ltd. in the first quarter, the company continued with the acquisition of a 50% stake in Taiyuan Cable Television Network and an additional 10% stake in Oriental Cable Network Co., Ltd. for US\$28.4 and US\$20.7 million respectively in April 2007.

#### Selected Television Production and Broadcasting Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 27, 2007	Sequoia Capital Partners	PolyBona Film Distribution Co. Ltd.	10.0	NA	NA	Film distribution company, subsidiary of China Poly Group Corp.
Jun 4, 2007	ABN AMRO Holding N.V. (ENXTAM:AABA), Citic Guoan Information Industry Co. Ltd. (SZSE:000839)	Asia Television Ltd.	NA	NA	NA	Television station operator in Hong Kong
Jun 1, 2007	SIG, Goldman Sachs, IDG	Impression Creative	25.0	NA	NA	Outdoor stage entertainment company
May 28, 2007	China Cartoon Century	TVbean	NA	100.0	NA	Taiwan-based cartoon TV contents producer and licensor
May 22, 2007	Dragonvest	C9 Media	0.8	NA	NA	Producer and distributor of innovative interactive TV program content
Apr 17, 2007	Shanghai Oriental Pearl (Group) [SHSE: 600832]	Taiyuan Cable Television Network	28.4	50.0	56.8	Operates cable television city network
Apr 17, 2007	Shanghai Oriental Pearl (Group) [SHSE: 600832]	Oriental Cable Network Co., Ltd.	20.7	10.0	207.0	Operates cable television city network that covers the entire Shanghai city
Apr 9, 2007	Subaye.com, Inc.	Free Stage Studios Ltd.	NA	100.0	NA	Producer of stage lighting, sound and video in China

## NEW MEDIA

### Ecommerce, Search, and Portals

In the second quarter of 2007, investment activity in the Ecommerce, Search, and Portals subsector remained robust.

The Ecommerce sector received significant attention from investors. RedBaby, a Beijing-based online retailer of mother and baby products in China raised a Series C funding of US\$25 million from KPCB China. This is meant to be a pre-IPO round for RedBaby. In December 2005, RedBaby raised a US\$2.5 million Series A financing round. Northern Light VC and NEA jointly invested US\$10 million in the Series B financing round. RedBaby disclosed that its 2006 revenues were over RMB200 million and that they have over 500 employees. PPG, established in 2005, has a similar business model to that of RedBaby but focused mainly on the sale of clothing for men. The company raised a second round of funding from the existing investors, TDF and JAFCO, and new investor, KPCB China. Total funding raised to date for PPG was approximately US\$50 million. Guangzhou Tianker Information Technology, a Chinese service provider of online ticketing order and sales, has received VC funding of US\$10 million from IDG, who aims to cover the whole e-ticketing market in China through this investment.

In another ecommerce space, Internet product comparison website MyETone.com has acquired its rival Askyaya.com. The two sites together place the company far ahead of the competition among companies offering comparison shopping. Slightly

different from online retailers that focus on sales as their main revenue stream, comparison shopping websites generate revenue from advertising, sponsorships and commissions from other retailers.

Cars.com.cn, a car insurance intermediary, secured US\$25 million in Series C financing and is actively preparing for an overseas listing. Last September, the company received a US\$13 million cash injection from Walden International, DT Capital Partners, Fortune Venture Investment Group and Sumitomo. Another car related deal in the second quarter was United Automobile Association (UAA), a car information and community website, securing a US\$13 million second round investment from KPCB and Cross Country Automobile Services, the largest US auto service company. The Series A round for UAA was injected in June 2006 by Legend Capital.

Another notable deal was Ninetowns's acquisition of a 70% stake in Ample Spring, a leading Chinese vertical search engine, through the purchase of US\$13.5 million worth of existing shares and the subscription for US\$13.5 million of new shares. The completion of this acquisition enables Ninetowns to integrate and leverage its business-to-government (B2G) trade processing expertise into new business-to-business (B2B) vertical search and services.

The biggest deal in the sector was Synnex Corporation, a global IT supply chain services company, which purchased a controlling interest of HiChina Web Solutions, a leading eCommerce company that provides domain name registration, web site hosting and design. HiChina is headquartered in Beijing and has approximately 360 employees.

### Selected Ecommerce, Search, and Portals Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 11, 2007	HMQ Capital	China.busytrade.com	8.0	NA	NA	B2B e-business platform in the greater China region
Jun 9, 2007	KPCB China	Redbaby.com.cn	25.0	NA	NA	Online retailer of mother and baby products in China
Jun 8, 2007	Walden International, DT Capital Partners, etc.	Cars.com.cn	25.0	NA	NA	Online car insurance brokerage platform
Jun 7, 2007	KPCB China Cross Country Automotive Services	Uaa.cn	13.0	NA	NA	Car-related information and community portal
Jun 5, 2007	Netsun [SZSE: 002095]	Efu.com.cn	0.4	51.0	0.9	Online apparel e-business platform
Jun 4, 2007	Gobi Partners	Longtuo.com	2.0	NA	NA	Online advertising company
May 31, 2007	Thomson Financial	Assets of Xinhua Finance Ltd. [TSE: 9399]	NA	NA	NA	Seven Asia-Pacific news bureaus from Xinhua Finance Ltd., the Chinese supplier of financial information
May 30, 2007	IDG	Tianker.com.cn	10.0	NA	NA	Online ticket distributor
May 29, 2007	Steamboat Ventures	Clicktosee.com	NA	NA	NA	Provider of technology and services that enable in-stream video advertisements by inserting advertisement clips into the beginning, middle or end of a video program
May 23, 2007	Myetone.com	Askyyaya.com	NA	100.0	NA	Chinese Internet product comparison website
May 21, 2007	Legend Capital	Cubcn.com	1.5	NA	NA	Customized products developer and e-commerce platform operator
May 17, 2007	Efuture [NASDAQ: EFUT]	99114.com	NA	NA	NA	B2B e-commerce website
May 11, 2007	SWIL	Easyeb.com	3.0	NA	NA	B2B e-commerce website
May 9, 2007	CDH Investments, Softbank China Venture Capital	Randv.com	NA	NA	NA	Online advertising and e-commerce website
Apr 30, 2007	Ninetowns Internet Technology [NASDAQ: NINE]	Ample Spring Holdings Ltd.	27.0	70.0	38.6	Chinese vertical search engine
Apr 24, 2007	TDF, JAFCO, KPCB China	PPG	NA	NA	NA	Distributor of apparels and household appliances via telephone and Internet
Apr 5, 2007	Synnex Corp. [NYSE:SNX]	HiChina Web Solutions (Beijing) Limited	30.0	100.0	30.0	Internet service provider of domain name registration, web site hosting and design

## Online Entertainment

Online Entertainment, especially the online game sector, continued to be one of the most active sectors for M&A and private placement activities in the second quarter of 2007.

Electronic Arts Inc., the world's leading developer and publisher of interactive entertainment, announced an equity investment in one of China's largest online game operators, The9 Limited. The two companies also announced a licensing agreement that gives The9 exclusive publishing rights for EA Sports FIFA Online in China. Upon the completion of the equity investment, EA will own approximately 15 percent of the common shares of The9. The investment is worth roughly US\$167 million. In another online game deal, Finet Group, a financial services provider in Greater China bought mainland online game developer and operator, Hangzhou Tianchang Network Technology for US\$26 million in cash. The buyout is part of Finet's internet media and mobile growth strategy in China. Some of Tianchang's popular online role-playing games include The Legend of Tang Dynasty, Warfield, New Knight Errant Story and QQ Shui Hu.

In the social networking sector, 51.com, the fastest growing blog community and Love21cn.com, a serious dating site, both received second rounds of investment in the second quarter of 2007. The 51.com blog community established in August 2005 currently has 60 million registered users and concurrent users of 500,000, exceeding most online games. Love21cn was founded in October 2003, and now has about 5.5 million registered users.

Video sharing websites are also still attracting attention from financial investors. Tudou closed its Series C financing from current investors including IDG, Granite Global and JAFCO Asia and three new venture capital firms including Capital Today, General Catalyst Partners and KTB Ventures. Tudou started exactly two years ago, and had two other rounds, an US\$800,000 first round in 2005 and an US\$8.5 million second round in 2006. An emerging video sharing website established in mid-2006, Ku6.com raised over US\$10 million due to its successful UGA model - user generated advertising. Ku6.com attracts users by sharing advertising revenue with content providers.

### Selected Ecommerce, Search, and Portals Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Jun 25, 2007	GSR Ventures	NGI	10.0	NA	NA	Online game advertising company in China
Jun 25, 2007	NGI	Gameblaster	NA	NA	NA	Online game advertising company in France
Jun 25, 2007	Dragonvest Partners, LLC	Ultizen Games Ltd.	1.5	NA	NA	Game development and offshore game outsourcing company in China
Jun 14, 2007	Origo Sino-India PLC [LSE:OSI]	ifensi.com	2.0	NA	NA	Online entertainment information and media portal
Jun 11, 2007	CDC Corporation [NASDAQ: CHINA]	Optic	NA	100.0%	NA	Online games publishing division of CITIC Pacific
Jun 11, 2007	Legend Capital, Hotung Group, Fortune Venture Investment	Beijing Lakala Billing Service Co., Ltd.	5.0	NA	NA	Online payment solutions provider
Jun 8, 2007	Qiming Venture Partners	Captiv8	NA	NA	NA	IGA (In Game Advertisement) and video advertisement provider
Jun 4, 2007	NA	Duowan.com	4.0	NA	NA	Online gaming information portal and community
May 30, 2007	Qiming Venture	Love21cn.com	10.0	NA	NA	Series dating website
May 28, 2007	Ambient Sound Investments	Frenzoo.com	NA	NA	NA	Online 3D social networking website for the Asian youth market
May 24, 2007	IDG	G-bits Network	NA	NA	NA	Online game developer
May 21, 2007	Electronic Arts [NASDAQ: ERTS]	The9 Ltd. [NASDAQ: NCTY]	167.0	15.0%	1,113.3	China's leading online game operator
May 16, 2007	Finet Group [HKSE: 8317]	Hangzhou Tianchang Network Technology Co. Ltd.	25.6	100.0%	25.6	Online gaming developer and operator in China
May 15, 2007	Sun 3C Media [AIM: SCCC]	CEC-Unet Ltd.	18.8	100.0%	18.8	Provider of electronic payment and top up services for mobile phones
May 13, 2007	IDG	Linekong.com	15.0	NA	NA	Online gaming developer and operator in China

**Selected Ecommerce, Search, and Portals Transactions**

<b>Date Announced</b>	<b>Lead Investor(s) / Buyer</b>	<b>Target</b>	<b>Transaction Value (US\$ mm)</b>	<b>%</b>	<b>Implied Valuation (US\$ mm)</b>	<b>Description of Target</b>
May 11, 2007	Hong-Bo Investment Holdings	Greedland.net	3.9	100.0%	3.9	Animation portal
May 9, 2007	Intel Capital, Redpoint Ventures, Sequoia Capital, Susquehanna International	51.com	NA	NA	NA	Social networking site
Apr 16, 2007	IDG, Capital Today, General Catalyst Partners, Granite Global Ventures, KTB Ventures, JAFCO	Tudou.com	NA	NA	NA	Online video community
Apr 10, 2007	CID Group	Woku.com	5.0	NA	NA	Online and mobile casual and entertainment community

**WVAS**

Apart from the acquisition in traditional media, Xinhua Finance Media acquired a 100% interest in Beijing Mobile Interactive Co., Ltd. for US\$10 million. This acquisition is intended to enable XFMedia to rapidly integrate mobile service capabilities with its existing range of popular media assets and market a variety of new interactive products and services to more than 487 million mobile phone users in China. The target creates and manages a wide range of mobile and online interactive products including online games, text-messaging voting, ringtones and wallpaper downloads.

Linktone has signed an agreement with eChinaCash to purchase a 49% equity stake in eChinaMobile (BVI) Ltd, a wholly owned subsidiary of eChinaCash. As a US-incorporated, Beijing-based company, eChinaCash is a leading provider in the emerging Chinese market of advanced customer relationship management, brand management and target marketing programs, and strategic and direct marketing management of large-scale nationwide promotion campaigns. One of the primary objectives of eChinaMobile is to establish a user-friendly platform to provide wireless value-added services and original content to eChinaCash's clients.

**Selected Ecommerce, Search, and Portals Transactions**

<b>Date Announced</b>	<b>Lead Investor(s) / Buyer</b>	<b>Target</b>	<b>Transaction Value (US\$ mm)</b>	<b>%</b>	<b>Implied Valuation (US\$ mm)</b>	<b>Description of Target</b>
Jun 19, 2007	Linktone Ltd. [NASDAQ: LTON]	eChinaMobile	NA	49.0%	NA	Wholly owned subsidiary of eChinaCash, provides wireless value-added services and original content to eChinaCash's clients
Jun 13, 2007	SBI Group, JAIC-Crosby, Dentsu Inc.	Fractalist Ltd.	5.0	NA	NA	Mobile advertising solutions and services provider in China
Jun 13, 2007	Minfo.com	Guanxi SMS	NA	100.0%	NA	English mobile search company in China
Jun 5, 2007	Xinhua Finance Media [NASDAQ: XFML]	Beijing Mobile Interactive Co., Ltd.	10.0	100.0%	10.0	WVAS service provider of WAP, SMS, MMS, IVR, JAVA-based gaming and CRBT
Apr 2, 2007	Fans Media	m-Ikon Ltd.	0.4	NA	NA	Content provider offering unique content from sports and entertainment stars to wireless and online service providers, corporations and media channels like TV, radio and print

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