

Media Sector

1st Quarter 2008

China Media M&A Quarterly

Highlights

- **Towona raised Series C funding of US\$50 million from Baring Private Equity Partners**

Towona, a bus screen advertising company, has now raised a combined US\$110 million in three rounds.

- **Sky Flying Media received US\$83 million funding from Series A investors including Goldman Sachs, New Horizon Capital, Sequoia China and Farallon Capital**

Skyflying Media is China's largest outdoor media advertising operator focused on the transportation sector.

- **Sequoia China has bought a majority stake in mail order company MecoxLane for US\$80 million**

In 2000, MecoxLane launched online shopping site m18.com, through which the company sells apparel and home cosmetics and other consumer products.

- **9You.com has raised US\$100 million from investors led by Temasek Holdings**

9You is an online game operator. By February 2008, the company's games have more than 1 million peak concurrent users.

- **Monster.com to acquire 55% stake in ChinaHR.com for US\$200 million to US\$225 million**

After this acquisition, Monster will be the 100% owner of ChinaHR.com.

Beijing

Room 705, East Tower, Twin Tower,
B12 Jianguomenwai Avenue,
Chaoyang District, Beijing 100022,
China.

+86 (10) 8447 7398

Hong Kong

Suite 3518, Jardine House,
One Connaught Place,
Central, Hong Kong.

+852 2973 5311

Shanghai

5F Crystal Century Tower,
567 Weihai Road, Jingan District,
Shanghai 200040, China.

+86 (21) 6288 6555

info@latitudecapital.com

www.latitudecapital.com

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

NEW MEDIA

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

During the first quarter of 2008, there were no notable transactions in the Newspaper / Magazine / Book Publishing sector.

TRADITIONAL MEDIA

Indoor / Outdoor Advertising

In the first quarter, activities in the outdoor advertising sector remained robust. Towona Co., a bus screen advertising company in China, announced a Series C funding of US\$50 million from Baring Private Equity Partners. The Company previously raised from Cathay Capital Group, CDH, Walden International and Chengwei Ventures US\$45 million last year. Towona raised a combined US\$110 million in three rounds during the past two years. With these financings, the Company has expanded rapidly to over 30 cities nationwide with its bus TV advertisements.

Another notable deal is the US\$83 million equity financing of Transit-focused media advertising operator Sky Flying Media from Series A investors including Goldman Sachs, New Horizon Capital, Sequoia China and Farallon Capital. The deal is the largest private equity financing recorded in China’s outdoor advertising business. Founded in 2006, Skyflying Media is China’s largest outdoor media advertising operator focused on the transportation sector, and has established leading outdoor media networks in high-end and audience-intensive transport hubs such as airports, subway stations and railway stations in Beijing, Guangzhou and Shenzhen.

Selected Indoor / Outdoor Advertising Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 27	United Microelectronics Corporation, LG, Mustang, HSR, Jubilant, Qiming Ventures	Touch Media	13.9	NA	NA	Interactive taxi advertising company
Feb 28	eCyberChina Holdings Ltd. (SEHK:254)	U-Look Media and Advertising Company	NA	100.0	NA	Outdoor billboard advertising company
Feb 15	Baring Private Equity Asia	Towona Co.	50.0	NA	NA	Leading bus DTV media operator
Feb 14	KTB Investments, Oak Creek Capital	Seven Media Corporation	10.0	NA	NA	Outdoor advertisement company in China using ship, airship and automobile with display
Feb 13	MediaCorp Pte Ltd.	Dahe Media (SEHK:8243)	NA	27.7	NA	Producer of outdoor advertising products and outdoor advertisement by renting outdoor advertising spaces in China
Feb 5	Noble Quests, Inc (OTCBB:NBLQ)	Well Chance Investments Limited	NA	100.0	NA	Consumer advertising network through multiple advertising mediums with a specific near-term focus on radio
Feb 5	Goldman Sachs, New Horizon Capital, Sequoia, Farallon Capital	Sky Flying Media Co., Ltd.	83.0	NA	NA	Outdoor advertising company focusing on transportation areas

Selected Indoor / Outdoor Advertising Transactions

Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 5	Jingwei International Limited (OTCBB:JNGW)	Henan Red Flag	12.5	100.0	12.5	Outdoor advertising company specializing in digital outdoor media
Jan 23	Credit Suisse Private Equity, AIF Capital, OSK Ventures International Bhd (KLSE:OSKVI), Alcazar Capital	Aladdin Media Holdings Limited	30.0	NA	NA	Owner, developer, consolidator and operator of Chinese outdoor media assets
Jan 22	IDG-Accel II	Take-one Media	13.0	NA	NA	Frame post advertising company specializing in high-end apartments and buildings
Jan 21	China Health Media	KING'S Media (China) Group	NA	100.0	NA	Hospital LCD advertising company
Jan 10	Redgate Media Inc.	Frog Golf Media	10.0	NA	NA	Golf course media operator
Jan 10	Focus Media Holding Ltd. (Nasdaq:FMCN)	China Health Media	NA	20.0	NA	In-hospital advertising operator through LCD networks
Jan 5	BBDO Worldwide Inc. (a Omnicom company)	Shunya Communications Group	NA	NA	NA	Integrated marketing communications services provider
Jan 4	Brainheart Capital, Alpha Capital	GoodMedia	5.0	NA	NA	Advertising company specializing in placing luxury goods advertisements in gyms, coffee shops and nightclubs

Newspaper / Magazine / Book Publishing

Xinhua Finance Media Limited, a leading media group in China, has reached an agreement to issue \$30 million in convertible preferred shares to The Yucaipa Companies, an investment firm with holdings in Asia, Europe and the Americas. Upon this issuance, Yucaipa's aggregate ownership in XFMedia's common shares will amount to 12% of total shares outstanding, assuming full conversion of the preferred shares and including Yucaipa's earlier purchase of \$25.7 million in common shares from existing shareholders in September 2007.

Selected Newspaper / Magazine / Book Publishing

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 19	The Yucaipa Companies, LLC	Xinhua Finance Media Limited (Nasdaq:XFML)	30.0	NA	NA	Diversified financial and entertainment media company

Television Production and Broadcasting

Taihe Rye Music received strategic investment from SK Telecom on Mar 5. SK Telecom controlled a number of top-tier Korean entertainment agencies by means of capital injection or acquisitions. SK Telecom's investment into Taihe Rye Music indicates that SK Telecom has turned its focus to the Chinese entertainment market.

Selected Television Production and Broadcasting Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 5	SK Telecom Co. Ltd. (KOSE:A017670)	Taihe Rye Music Co.	NA	42.2	NA	Music record company

NEW MEDIA

Ecommerce, Search, and Portals

The Ecommerce sector in China continues to attract financial investors looking for B2C growth potential. Sequoia China has bought the majority stake in mail order company MecoxLane for US\$80 million. This acquisition will reportedly be Sequoia's largest investment and first buyout transaction to date. Founded in 1996, MecoxLane was one of the first government certified direct marketing firms in China. In 2000, the company launched online shopping site m18.com, through which the company

sells apparel and home cosmetics and other consumer products. According to president Guichun Gu, the company has been growing at greater than 50% each year since 2002. The company plans to open 70 additional stores in China to increasing its total store count to 100 and expects to serve 5 million customers in 2008.

Another notable deal is PPG's fund raising of US\$30 million from San Shan Capital Partners, which is headquartered in Hong Kong with mainland China as its focused investment region. PPG is the first portfolio company of San Shan in the consumer sector. As the leading multi-channel clothing retailer, the company has received US\$80 million in investment from TDF, JAFCO Asia, KPCB and San Shan Capital Partners since it launched in October 2005 and is planning to be listed on NASDAQ toward the end of this year or in early 2009.

In the online recruiting sector, American online recruitment service provider Monster.com announced the acquisition of the remaining 55% stake in ChinaHR.com for US\$200 million to US\$225 million in cash, a move that will make it the complete owner of ChinaHR.com. In February 2005, Monster acquired 40% stake in ChinaHR.com for US\$50 million and promised that it would purchase more than 51% of the company's stake if it could not get listed within three years. In January 2006, Monster acquired another 5% stake in ChinaHR.com.

Selected Ecommerce, Search, and Portals Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 20	Chengwei Ventures, Foundation Capital, Sutter Hill Ventures	Yaolan Ltd.	17.1	NA	NA	Operator of Chinese parenting website, yaolan.com
Mar 18	Reuters Group Plc (LSE:RTR)	ChinaWeb Ltd.	NA	NA	NA	Online provider of bilingual financial news and services
Feb 28	Sequoia Capital	MecoxLane Inc. (www.m18.com)	80.0	NA	NA	Ecommerce website for selling apparel and home cosmetics and other consumer products
Feb 28	San Shan Capital Partners	PPG	30.0	NA	NA	Distributor of apparels and household appliances via telephone and Internet
Feb 26	KPCB, Qiming Venture, Zero2IPO, Rapaport USA, Inc.	9Diamond.com	10.0	NA	NA	Online diamond retailer based in Shanghai
Feb 11	Medicexchange Plc	Maydeal.com	NA	100.0	NA	Online healthcare portal providing information of medical products, news and services to Chinese medical professionals, hospitals and manufacturers
Feb 5	CNET Networks (Nasdaq:CNET)	Cheshi.com.cn	NA	100.0	NA	Online automotive portal engaging in online car sales and tracking of nationwide car prices
Feb 4	Monster Worldwide (Nasdaq:MNST)	ChinaHR.com	225.0	55.0	409.1	Operator of a recruitment website for job seekers and corporate hirers
Jan 22	CDH Investments, Softbank	Randv.com	20.0	NA	NA	Online advertising and e-commerce website
Jan 21	PubliGroupe SA (SWX:PUBN)	Internet Division of Huashang Interactive Media	NA	17.0	NA	Local internet portals in four major Chinese cities
Jan 16	NA	haoei.com	3.0	NA	NA	Customized directory website
Jan 9	39.net	Xunlei health channel	0.4	100.0	0.4	Xunlei's desktop news "Health Channel"

Online Entertainment

The largest video sharing website, Tudou.com announced its US\$57 million Series D financing from return backers IDG, Granite Global Ventures and General Catalyst Partners. Tudou has raised over US\$85 million over the past three years. Tudou has over 100 million clip views & page views, and over 60 million unique users every month.

Separately in the gaming sector, 9You.com has raised US\$100 million from Singapore's sovereign wealth fund, Temasek Holdings and another investor for a combined 10% to 20% stake. 9You says the investment will help the company to continue transforming its business into an entertainment virtual community. Founded in 2003, 9You is currently operating one of China's most popular online casual games - Audition. By February 2008, the company's games combined have more than 1 million peak concurrent users. The company is planning an IPO later this year.

Selected Online Entertainment Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 25	Sequoia Capital	Bihu IGA (www.bihu.com)	10.0	NA	NA	Game instant messaging, game advertising and in game value-added services provider
Mar 24	IDG, Granite Global Ventures, General Catalyst Partners	Tudou.com	57.0	NA	NA	Personal video uploading and sharing platform
Mar 21	Temasek Holdings (Pte) Ltd.	NineYou Limited (www.9you.com)	100.0	NA	NA	Music online game developer
Mar 20	DT Capital, Shenzhen Fortune Venture Capital	Winkee Network Co., Ltd.	9.0	NA	NA	Targeted advertising solutions provider
Mar 19	DT Capital, Chinese Founders Fund, David Ho	BabySpace Corp. (www.0-6.com)	2.0	NA	NA	Social network for Chinese moms with 0-6 year of age children
Mar 10	ChinaEdu Corporation (NasdaqNM:CEDU)	101 Online School	0.7	20.0	3.6	An online tutoring and test preparation program
Mar 9	Matrix Partners	babytree.com	10.0	NA	NA	Paternity community where parents can get advice on child-rearing and other family matters, as well as share experience
Feb 20	NA	eMar.com.cn	10.0	NA	NA	Platform for trading online advertising and provides online marketing services
Jan 8	Beijing Globallink Computer Technology Co. Ltd.	TOM Online Inc., Gaming Division	NA	100.0	NA	Gaming division of Tom Online
Jan 4	Tianji Media Group	52pk.com	NA	100.0	NA	Online gaming website
Jan 4	Mitsui Ventures	100du.tv	3.0	NA	NA	Provider of video information on city-life

WVAS
Selected WVAS Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 27	Macro Kiosk Sdn Bhd	IGM Mobile (Guangzhou) Limited	NA	100.0	NA	Provider of premium mobile community-based communications, entertainment and multimedia services
Feb 26	BlueRun Ventures	www.159.com	4.5	NA	NA	Integration and interaction services provider for mobile users
Feb 20	Galleon Holdings plc (AIM:GON)	Yunbo Information Technology Co., Ltd.	4.0	100.0	4.0	Wireless interactive platform service provider
Feb 8	NA	HeySpace International Limited	10.8	NA	NA	Social network services provider and mobile entertainment media platform based on Web2.0 technology
Jan 6	BlueRun Ventures, CrossLink Capital, IDG Technology Venture Investment	MMIM Technologies Ltd.	10.0	NA	NA	Mobile multimedia instant messaging and information services provider

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Beijing

Room 705, East Tower, Twin Towers,
B12 Jianguomenwai Avenue,
Chaoyang District, Beijing 100022, China.

Tel +86 (10) 8447 7398
Fax +86 (10) 8447 7396

Hong Kong

Suite 3518, Jardine House,
One Connaught Place,
Central, Hong Kong.

Tel +852 2973 5311
Fax +852 2295 3979

Shanghai

5F Crystal Century Tower,
567 Weihai Road, Jingan District
Shanghai 200040, China.

Tel +86 (21) 6288 6555
Fax +86 (21) 6288 6585

info@latitudecapital.com

www.latitudecapital.com

 **LATITUDE**
CAPITAL GROUP