



China Media M&A Quarterly

2nd Quarter 2009

Quarter in Review

- ◆ China's Media industry deal activity continued at a significantly reduced level in the second quarter of 2009 with a total of only 18 deals through the period (compared to 40 deals done in the same period a year earlier).
- ◆ In the traditional media sector, M&A and investment deals were closed in the film production and distribution subsector, reflecting the significant growth prospects for domestic Chinese film companies.
- ◆ Online and mobile gaming continued to attract attention from investors while social networking sites also raised money during the period.
- ◆ Advertising dependent business models continued to face difficult times through the second quarter. One bright spot was Touchmedia's series C round of nearly \$15 million.

Deal Highlights

- ◆ Shanda Interactive Entertainment Ltd. (Nasdaq: SNDA), through its subsidiary Shanda Music acquired a 51% stake in Hurray! Holding Co. Ltd. (Nasdaq: HRAY).
- ◆ Touchmedia, an interactive touchscreen advertiser obtained US\$14.7 million from China Development Financial Holding Corp. (TSEC:2883), Mustang Ventures, Qiming Venture Partners and TLC Capital Co., Ltd.
- ◆ kaixin001.com, an online social networking company, obtained \$20 million from Northern Light Venture Capital, Ceyuan Ventures and Qiming Venture Partners.
- ◆ PolyBona Film Distribution Co. Ltd., China's largest non-state-owned film distributor obtained \$14.6 million from ICBC, SIG Asia Investments, LLLP, Sequoia Capital China and Matrix Partners China.
- ◆ One Net Entertainment, a subsidiary of China Techfaith Wireless Communication Technology Ltd. (Nasdaq: CNTF) and developer of mobile gaming solutions, obtained \$20 million from IDGVC and Infiniti Capital.

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Introduction

Cowen Latitude Asia, the wholly-owned Asia subsidiary of Cowen Group, Inc. (NASDAQ: COWN), is one of Asia's leading growth sector focused investment banks providing a full range of capital markets, M&A advisory and private placement services. The Firm specializes in the growth sectors of Alternative Energy, Consumer, Health Care, Industrial, Media, Technology, Telecom and Aerospace & Defense.

We are pleased to present our quarterly review of cross-border China M&A activity in Media-related industries, focusing on both financial and strategic buyers/investors acquiring China assets and Chinese corporations acquiring overseas targets.

The purpose of this report is to provide a summary of China cross-border Media-related M&A and private placement activities in the second quarter of 2009, highlighting selected notable transactions that are relevant to venture capital firms, private equity firms, and strategic buyers/investors. Our review is broken down into two broad categories, (i) Traditional Media and (ii) New Media, with specific focus on the following six major sectors:

TRADITIONAL MEDIA

- ◆ Out-of-Home Advertising
- ◆ Newspaper / Magazine / Book Publishing
- ◆ Production and Broadcasting

NEW MEDIA

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

There were no notable transactions in the Newspaper, Magazine and Book Publishing during the second quarter of 2009.

Traditional Media

Out-of-Home Advertising

In Out-of-Home Advertising sector, Touchmedia obtained US\$14.7 million from China Development Financial Holding Corp. (TSEC:2883), Mustang Ventures, Qiming Venture Partners and TLC Capital Co., Ltd. in a Series C round of funding. Touchmedia specializes in interactive touch-screen advertising and marketing, planning, and data services. It provides in-taxi media with touch-screens, paper posters, and magazines in Shanghai and Beijing. The company also develops proprietary interactive hardware and software. Touchmedia sells advertising space on its proprietary touch-screen systems and paper posters.

Selected Out-of-Home Advertising Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|---|-------------------------|-----------------------------|------|-----------------------------|--|
| May 13 | Tom Group Ltd. (SEHK:2383) | TOM Outdoor Media Group | 7.7 | 35.0 | 22.1 | Operates billboards and unipole networks |
| May 25 | China Development Financial Holding Corp. (TSEC:2883); Mustang Ventures; Qiming Venture Partners; TLC Capital Co., Ltd. | Touchmedia | 14.7 | NA | NA | Provides in-taxi media with touch-screens, paper posters, and magazines in various taxis in Shanghai and Beijing |

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Production and Broadcasting

PolyBona Film Distribution Co. Ltd., China's largest non-state-owned film distributor obtained \$14.6 million from ICBC, SIG Asia Investments, LLLP, Sequoia Capital China and Matrix Partners China in a Series B round of funding. Polybona distributes domestic and Hong Kong co-produced films. According to the comments made to the media by the company's advisor, they are pursuing an IPO in 2010 and may acquire the theater chain business of its related company, Beijing Polybona International Theater Investment and Management Ltd., to strength its film distribution

capability prior to the IPO. Also, in June 2009, PolyBona obtained a RMB55 million loan from ICBC for the production and distribution of three films currently in its pipeline.

Selected Production and Broadcasting Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|---|--|-----------------------------|-------|-----------------------------|---|
| Apr 30 | China Merchants China Direct Investments Ltd. (SEHK:133); China Merchants China Investment Management Limited | Guangzhou Digital Media Group | 36.6 | 21.0 | 174.5 | A network TV operator in Guangzhou. It provides cable television transmission, internet broadband access, content integration, and digital terrestrial mobile television services |
| Jun 12 | Och-Ziff Capital Management Group | VODone LIMITED (SEHK:82) | 10.2 | 7.4 | 138.7 | Provides news production, internet video broadcasting, advertising, mobile lottery, and on-line gaming services |
| Jun 15 | SIG Asia Investments, LLLP; Sequoia Capital China; Matrix Partners China | PolyBona Film Distribution Co. Ltd. | 14.6 | NA | NA | Film distribution company within China |
| Jun 15 | Zhejiang Zheshang Venture Capital Co., Ltd. | Zhejiang Huace Film & TV Co., Ltd. | 4.4 | NA | NA | Operates as a film and television production company |
| Jun 15 | Golden Harvest Motion Pictures Company Limited | Orange Sky Zhihong Film & TV Production Co., Ltd | 11.7 | 100.0 | 11.7 | Engages in production, distribution, and marketing of Chinese-language films and television programmes |

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

New Media

Ecommerce, Search, and Portals

315.com.cn, an online shopping site, obtained \$14.6 million from Shenzhen Fortune Venture Capital in a Series A round of funding. 315.com.cn will use the proceeds to acquire and integrate segmented websites and recruit high-end talent. 315.com.cn operates as a commodity goods e-commerce platform provider in China.

Selected Ecommerce, Search, and Portals Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|----------------------------------|------------|-----------------------------|----|-----------------------------|---|
| May 6 | Anfeng Venture Capital | Danqoo.com | 0.6 | NA | NA | Operates as a Chinese mobile media community platform |
| Jun 30 | Shenzhen Fortune Venture Capital | 315.com.cn | 14.6 | NA | NA | Operates as an online B2B site |

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

Online Entertainment

One Net Entertainment, a subsidiary of China Techfaith Wireless Communication Technology Ltd. (NasdaqNM: CNTF) obtained \$20 million from IDGVC and Infiniti Capital. The company develops and operates wireless gaming application software. The company was founded in 2008 and is based in Beijing, China.

Kaixin001.com, an SNS company, obtained \$20 million from Northern Light Venture Capital, Ceyuan Ventures and Qiming Venture Partners in a Series B round of funding. Kaixin001.com provides online social networking services including communication services, games and other community-related applications. The company was founded in 2008 and is based in Beijing, China.

Selected Online Entertainment Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|--|-----------------------------|-----------------------------|-------|-----------------------------|--|
| Apr 1 | Chengdu B-ray Media Co. Ltd. (SHSE: 600880) | Dreamwork net co. ltd. | 64.5 | 100.0 | 64.5 | Designs and develops Web based video games |
| Apr 21 | VODone LIMITED (SEHK:82) | Domouse | 2.1 | 100.0 | 2.1 | Operates as a social networking Website |
| Apr 14 | Northern Light Venture Capital; Qiming Venture Partners; Ceyuan Ventures | Kaixin001.com | 20.0 | NA | NA | Operates as a social networking Website |
| May 19 | IDGVC, Infiniti Capital | One Net Entertainment | 20.0 | NA | NA | Offers wireless mobile phone games and PC online games |
| May 15 | NA | SOE Entertainment | 1.4 | NA | NA | Offers webgames |
| Jun 3 | Green Pine Capital Partners Co., Ltd. | Handseeing Information | 7.3 | NA | NA | Develops 2D web games |
| Jun 16 | Qiming Venture Partners | Taomee | 5.0 | NA | NA | Operates as an SNS community for children (ages 4 to 12) |
| Jun 22 | Kongzhong Corp. (Nasdaq: KONG) | Simlife International, Inc. | 5.7 | 100.0 | 5.7 | Operates as a mobile game developer |

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

WVAS

Shanda Interactive Entertainment Ltd. (NasdaqGS: SNDA), through its subsidiary Shanda Music acquired a 51% stake in Hurray! Holding Co. Ltd. (NasdaqGM: HRAY). During the period, Shanda also announced the proposed spin-off of Shanda Gaming. If this plan goes through, Shanda will operate its online gaming, online entertainment content platform, and interactive music businesses through three separate publicly traded subsidiaries.

Selected WVAS Transactions

| Announcement Date | Lead Investor(s) / Buyer | Target | Transaction Value (US\$ mm) | % | Implied Valuation (US\$ mm) | Description of Target |
|-------------------|--|---|-----------------------------|------|-----------------------------|---|
| Jun 8 | Shanda Interactive Entertainment Ltd. (Nasdaq: SNDA) | Hurray! Holding Co. Ltd. (Nasdaq: HRAY) | 46.2 | 51.0 | 90.6 | Provides wireless value-added services (WVAS) to mobile phone users |

Source: Company announcements, Capital IQ, Zero2IPO.com.cn, Quamnet.com, ChinaVenture.com.cn, Yahoo! Finance News and PRNewswire.

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