

## Media Sector

4th Quarter 2007

## China Media M&A Quarterly

### Highlights

- Focus Media acquired CGEN, China in-store digital advertising network operator

Focus Media acquired 100% of the equity of CGEN for US\$168.4 million in cash, and an additional payment of up to US\$181.6 million in cash and stock.

- Xinhua Finance Media acquired JCBN Company Limited, an advertising company with operations in Shanghai, Beijing and Hong Kong

XFMedia acquires 100% control of JCBN Group for a upfront payment of US\$43 million, and an earnout payment of \$69.9 million.

- Yanhuang Health Media, a Chinese operator of in-hospital advertising networks using audiovisual television displays, has obtained US\$35 million

Yanhuang Health Media, which has seized an about 88% market share in Beijing and an 82% market share in Shanghai, may launch an IPO overseas in 2008.

- Glu Mobile has completed its acquisition of Beijing Zhangzhong MIG Information Technology

MIG is a developer and publisher of mobile games in the Chinese market. The deal was worth US\$14.7 million in cash plus up to US\$25 million in earnout.

- Hurray! announced its merger with Enlight Media Ltd. in an all stock transaction

The combination of the two companies creates one of the largest domestically based entertainment content and distribution companies in China.

#### Beijing

Suite 11J Oriental Kenzo Plaza  
48 Dongzhimen Wai Avenue  
Beijing 100027, 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 and private placement activities 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

- ◆ Corporate Marketing / Public Relations
- ◆ Indoor / Outdoor Advertising
- ◆ Television Production and Broadcasting

### NEW MEDIA

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

However, during the fourth quarter of 2007, there were no notable transactions in the Newspaper / Magazine / Book Publishing sector.

## TRADITIONAL MEDIA

### Corporate Marketing / Public Relations

Investors in the Corporate Marketing/Public Relations sector were not active during this quarter. However, Skynet Asia Culture Communication, which is a brands licensing and marketing consultancy service provider, received funding from Hong Kong Merchants Group and AT Venture. Skynet plans to be listed in the overseas market in five years. The Skynet sales revenue has been increasing 100% year by year and it is expected to increase 200% to 300% in next one or two years.

#### Selected Corporate Marketing / Public Relations

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 19, 07	Hong Kong Merchants Group, AT Venture	Skynet Asia Culture Communication	NA	NA	NA	Brands licensing and marketing consultancy service provider

### Indoor / Outdoor Advertising

The Indoor/Outdoor Advertising market in China continues to attract strategic investors looking for longer-term growth potential. Focus Media, China’s largest out-of-home life-style media company continues its aggressive acquisition strategy in recent years and has expanded its advertising coverage in large scale Chinese supermarket chains by acquiring CGEN Digital Media Company Limited, China’s first in-store flat-screen advertising network, for a upfront payment of US\$168.4 million in cash and earnout payments of US\$181.6 million in cash and newly-issued ordinary Focus Media shares. Prior to the deal, CGEN was actively preparing for an IPO on NASDAQ. On November 14, CGEN filed to raise US\$100 million through a NASDAQ initial public offering.

Another notable transaction in the sector was the US\$112.9 million acquisition by Xinhua Finance Media, China’s leading diversified financial and entertainment media company, of JCBN Company Limited, an advertising company with operations in Shanghai, Beijing and Hong Kong. JCBN Group is the largest advertising agent for Sohu.com and Focus.cn real estate portals and is a key marketing service provider for Pernod Ricard, which manages the Chivas and Martell brands. After the acquisition, XFMedia will become the leading advertising agency in China’s online property and imported spirits sectors, key spending areas of China’s high net worth demographic, with over 50% share of revenues in each market.

Yanhuang Health Media, a Chinese operator of in-hospital advertising network using audiovisual television displays, has obtained Series B funding of US\$35 million from Orchid Asia, CRCI, Investor AB and HSBC. As the largest in-hospital TV network owner in China, the company gained a US\$5 million investment from SAIF Partners in 2006. The company, which has captured about 88% market share in Beijing and an 82% market share in Shanghai, may launch an initial public offering overseas at the year-end of 2008.

**Selected Indoor / Outdoor Advertising Transactions**

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 19, 07	IDGVC	Beijing Huatie Century Advertising Co., Ltd.	NA	NA	NA	Chinese railway media operator
Dec 13, 07	Posterscope Limited	Heartland Media Group	71.8	70.0	102.5	Independent out-of-home media agency in China
Dec 12, 07	NA	Towona Co.	50.0	NA	NA	Bus DTV media operator
Dec 10, 07	Focus Media Holding Ltd. (Nasdaq:FMCN)	CGEN Digital Media Co., Ltd.	350.0	100.0	350.0	Operator of in-store television advertising networks
Dec 06, 07	China Broadband Capital	7Media	8.0	NA	NA	Air media advertising service provider
Nov 27, 07	Xinhua Finance Media Limited (Nasdaq:XFML)	JCBN Company Limited	112.9	100.0	112.9	Advertising company with operations in Shanghai, Beijing and Hong Kong
Oct 20, 07	Orchid Asia, CRCI, Investor AB, HSBC Private Equity	China Health Media	35.0	NA	NA	In-hospital advertising operator through LCD networks

**Television Production and Broadcasting**

A notable transaction in the Television Production and Broadcasting sector this quarter was the purchase of Speedy Swift from the previous largest shareholder of Asian Union New Media, the operator of China travel channel. After the transaction, Speedy Swift became the largest shareholder of Asian Union New Media since its shareholding ratio was increased to 9.25% from 3.08%. Speedy Swift, registered in British BVI, is an offshore subsidiary of China Broadband Capital Partners, a private equity fund focusing on investing in mainland telecom, IT, media and technology sectors. Established in February 2006 by Edward Suning Tian, the Former CEO of China Netcom, CBC to date manages over US\$300 million capital.

Separately, Chengtian Entertainment Group has reached an agreement with Golden Harvest, a leading Hong Kong film and entertainment company, to buy approximately 25%, by which Chengtian will become the biggest shareholder of Golden Harvest. Chengtian Entertainment, partly backed by Japan's Avex, has been actively exploring the market since its founding in 2004 and has emerged as one of the top media companies in the mainland. Its business scope covers talent management, film production, TV production, music/musicals production, music and music dramas.

**Selected Television Production and Broadcasting Transactions**

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 13, 07	HighTech Venture Capital	Hangzhou Viewline Technology Co., Ltd.	10.0	NA	NA	Digital TV value-added service provider
Nov 29, 07	Hunan Greatdreams Cartoon Media Co., Ltd.	Sunchime Cartoon Group	NA	100.0	NA	Cartoon origination companies in Hunan Province, with the cartoon image 'Blue Cat'
Nov 14	CBC Partners, China Broadband Capital Partners	Asian Union New Media (Group) Limited (SEHK:419)	28.5	10.5	271.4	Television advertising company with films and television drama businesses in China
Oct 31, 07	Chengtian Entertainment Group (International) Holding Company Limited	Golden Harvest Entertainment Holdings Ltd. (SEHK:1132)	26.1	24.8	105.2	Chinese-language film entertainment company
Oct 9, 07	Staging Connections Group Limited (ASX:STG)	ETG Staging Connections	NA	49.0	NA	Event staging company, with its services including conferences, product launches, awards nights, gala events, exhibitions, sales meetings, business presentations, and national road shows

## NEW MEDIA

### Ecommerce, Search, and Portals

iKang Guobin Healthcare Group, established by the founder Mr. Ligang Zhang and two VC firms – Shanghai Venture Capital and WI Harper in February 2004, raised US\$25 million funds from Merrill Lynch, ePlanet, Walden International, WI Harper, Shanghai Venture Capital and Zero2IPO Group. iKang Guobin uses a unique integrated online and offline model to provide a comprehensive suite of healthcare services, including health benefit, patient care and physical check-up, disease management, and third-party administration services. One month earlier than this transaction, another healthcare site, Guokang.com raised approximately US\$10 million from Qiming Venture Partners.

In the search engine sector, Qunar.com, a tourism search site, raised US\$10 million investment from several VCs. In contrast with its competitors such as e-Long (Nasdaq:LONG), Ctrip (Nasdaq:CTRP) and Mangocity, Qunar.com adopts a ‘vertical search’ model and helps customers quickly search out ticket quotations on different sites instead of directly offering air ticket bookings. Launched in May 2005, the website has quickly become one of the top travel media in China.

#### Selected Ecommerce, Search, and Portals Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 19, 07	KEY	people258.com	14.4	NA	NA	Ningbo-based professional human resources site integrating online recruitment, on-site recruitment, headhunting services and talent assessment
Dec 10, 07	IDGVC	HC International Inc. (SEHK:8292)	12.4	12.7	97.6	Business information provider through online and offline channels
Dec 07, 07	Global Resources	Chinadeco.com	NA	100.0	NA	Web2.0 site providing high-end decoration advice
Dec 06, 07	WI Harper Group, Walden International, Merrill Lynch Corporate Principal Investments, ePlanet Ventures, Zero2IPO Capital	ShanghaiMed Healthcare Inc. (ikang.com)	25.0	NA	NA	Online auxiliary health-care services provider
Nov 20, 07	Lehman Brothers Private Equity, GSR Ventures, Mayfield Fund	Qunar.com, Inc.	10.0	NA	NA	Multi-language search engine providing real-time pricing information and other descriptive details from airlines and hotels servicing China
Nov 20, 07	NA	Aibang.com	5.0	NA	NA	Search engine focused on providing local life-related search
Dec 15, 07	Qiming Venture Partners	Guokang.com	10.0	NA	NA	Online healthcare platform providing health management and other related services
Nov 6, 07	West Digital (west263.com)	www.netinter.cn	NA	100.0	NA	Virtual host service provider
Nov 1, 07	ZOL.com.cn	www.3qit.com	NA	NA	NA	IT portal providing PC and digital related information in Northwest China
Oct 30, 07	Capital Today	8ins.com	10.0	NA	NA	Online insurance e-commerce agency
Oct 15, 07	39.net	Health.163.com	NA	NA	NA	Health channel of 163.com
Oct 10, 07	China Seed Ventures	China Business Exchange (cbe.com.cn)	NA	NA	NA	Online listing platform and offline brokerage services provider to offer entrepreneurs a complete solution of entering or exiting business

### Online Entertainment

Following the US\$20 million investment of 56.com in the third quarter, another video sharing website, Youku closed a Series C investment of US\$25 million led by US private equity firm Bain Capital subsidiary Brookside Capital Partners. There are now at least 120 Chinese online video-sharing sites and still more and more new video sites are emerging. The four major players – 6room, 56, Youku, and Tudou – are all privately held and venture capital backed. However, the Chinese government in December announced new regulations, which require all online video and audio service providers to be majority state-

owned and possess a comprehensive censoring program. The new rule will go into effect January 31 2008 and is still unclear what effect it could have on the ownership and operation of these companies.

**Selected Online Entertainment 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>
Dec 28, 07	Koolano Group	360quan.com	5.0	NA	NA	Social networking website targeting young people in China
Dec 13, 07	Hightech Venture Capital	viewlinecn.com	10.0	NA	NA	Digital TV casual game company
Nov 27, 07	Viadeo.com	Tianji.com	NA	NA	NA	Social networking website dedicated to business networking for professionals
Nov 21, 07	Brookside Capital Management, Chengwei Ventures, Farallon Capital Management, Sutter Hill Ventures	Youku.com	25.0	NA	NA	Internet video sharing and distribution website
Nov 19, 07	Beijing Jingshun Shengshi Investment Co., Ltd.	China Broadband Entertainment Net (Chinabb.tv)	13.5	NA	NA	Concert shows video website
Oct 08, 07	Charles River Ventures, Transcosmos Investments & Business Development, Inc., ADS Global Partners Ltd	Wangyou Media	6.1	NA	NA	Social networking site

**WVAS**

M&A activities remain robust in the fourth quarter. Glu Mobile (Nasdaq:GLUU), the second biggest mobile game developer has acquired Beijing Zhangzhong MIG Information Technology Co. Ltd., a Beijing-based leading developer and publisher of mobile games, for a upfront payment of US\$14.7 million in cash. An additional payment of US\$25 million in cash and stock are contingent upon the achievement by MIG of certain financial milestones during 2008.

The most notable deal in the sector is the merger between Hurray! Holding Co., Ltd. (Nasdaq: HRAY), a leader in artist development, music production, wireless music distribution, and other wireless value-added services in China, and Enlight Media Ltd. (“Enlight”), a leading private entertainment content production and distribution company in China, in an all stock transaction. Under the agreement, Enlight’s shareholders will receive a 42% stake in Hurray! on a pro-forma basis, in exchange for all the outstanding shares of Enlight. The combination of the two companies creates one of the largest domestically-based entertainment content and distribution companies in China, with a leading position in diversified areas, including entertainment content and music production, event organization, mobile gaming, artist agency, movie and television drama investment and distribution and wireless value-added services.

**Selected WVAS 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>
Dec 03, 07	Yangtze Telecom Corp. (TSXV: SMS)	Hunchun VAS Co. Ltd.	28.8	95.0	30.3	Provider of technologies in mobile value-added services
Nov 29, 07	Glu Mobile, Inc. (Nasdaq: GLUU)	Beijing Zhangzhong MIG Information Technology	39.7	100.0	39.7	Developer and publisher of mobile games
Nov 28, 07	PT Media Nusantara Citra	Linktone Ltd. (Nasdaq: LTON)	23.0	25.0	92.0	Provider of interactive media and entertainment products and services
Nov 19, 07	Hurray! Holding Co. Ltd. (Nasdaq: HRAY)	Enlight Media Co., Ltd.	164.7	100.0	164.7	Private entertainment content production and distribution company

\*\*\*\*\*

The information and statistical data herein has been obtained from sources we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to any change of our views. This is not a solicitation or any offer to buy or sell. Latitude Capital Group (“Latitude”) has produced this report for private circulation only. All information and advice is given in good faith but without any warranty. Latitude, our affiliates or companies or individuals connected with Latitude, may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell, or may be materially interested in any of the securities mentioned or related securities.

## Beijing

Suite 11J Oriental Kenzo Plaza  
48 Dongzhimen Wai Avenue  
Beijing 100027, 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](mailto:info@latitudecapital.com)

[www.latitudecapital.com](http://www.latitudecapital.com)

 **LATITUDE**  
CAPITAL GROUP