

## China Media M&A Quarterly

4th Quarter 2008

### Quarter in Review

- ◆ China Media M&A and investment activity continued in the 4<sup>th</sup> Quarter despite a heavy overhang of public market inactivity and the global economic downturn. Overall 30 deals were reported compared to 36 in the 3<sup>rd</sup> Quarter 2008 and 35 in 4<sup>th</sup> Quarter 2007.
- ◆ The largest deal by far is the pending Sina purchase of substantially all of Focus Media's Out-of-Home advertising assets. This sale is one of many merger/sale deals that we believe will surface in 2009 as a result of the significant drop in advertising budgets and over-commitment to ongoing media expenses by many Out-of-Home players during the last 18 months.
- ◆ Although the number of deals closed have slowed as investors become more and more conservative with valuations, Online Gaming and eCommerce continued to attract VC/PE investment with 8 and 5 deals reported respectively. In addition, we saw major strategic moves by Shanda and Perfect World both closing acquisitions in the quarter and Monster acquiring their remaining stake in ChinaHR.

### Deal Highlights

- SINA Corporation (NASDAQ: SINA) announced its intention to acquire substantially all of the assets of Focus Media (NASDAQ: FMCN)'s digital Out-of-Home advertising networks, including LCD display network, poster frame network and in-store network. Focus Media will retain its Internet advertising division, the movie theater advertising network portion of its commercial location network and certain traditional billboards. The related business of the acquired assets combined accounted for approximately 52% of revenues and approximately 73% of gross profits for Focus Media for the nine months ended September 30, 2008.
- US-based online recruitment service provider Monster has secured complete control of ChinaHR.com, paying US\$174 million for the remaining 55% stake in the Chinese recruitment site. Monster said in 2005 that it would take the remainder if ChinaHR.com was unable to get listed within three years.
- Perfect World (NASDAQ: PWRD) has agreed to buy a 100% stake in Global InterServ (Caymans) Inc. from Taiwanese game developer InterServ International Inc. (GTSM: 6169) for approximately US\$23 million. InterServ Caymans an independent gaming company offering full game development and art outsourcing services, has subsidiaries in Shanghai and Chengdu.
- YETI Group (EaSou) raised US\$12 million from AXA and IDTech Ventures in the WVAS sector, which has been a relatively quiet area for investors. YETI Group is a mobile location-based search provider founded by serial entrepreneur Frank Wang (SkyInfo). According to iResearch, Easou is the number one ranked mobile search provider in China, with over 300 employees, and US\$14.6 million in annual revenues.

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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 directly, or through its affiliates, 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 fourth quarter of 2008, 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")

## Traditional Media

### Out-of-Home Advertising

Focus Media (NASDAQ: FMCN), China's leading multi-platform digital media company, announced it has entered into a definitive agreement with SINA Corporation (NASDAQ: SINA), China's largest portal website, that will allow SINA to acquire substantially all of the assets of Focus Media's digital Out-of-Home advertising networks, including LCD display network, poster frame network and in-store network, which contributed 52% of Focus Media's total revenue and 73% of its gross profits in the first nine months of this year. Focus Media will retain its Internet advertising division, the movie theater advertising network portion of its commercial location network and certain traditional billboards. SINA will issue 47 million new shares to Focus Media to fund the deal. The acquisition enables Sina to expand its business beyond the Internet, giving it a better position to weather the current global financial crisis and a slowdown in advertisement spending.

Xinhua Finance Media (NASDAQ: XFML), a China-based diversified financial and entertainment media company, announced that it has sold its Hong Kong-based outdoor advertising business Convey Advertising Company Ltd. to Pariya Holdings Limited for US\$85 million. Pariya was the original owner and management team of Convey before being purchased by XFMedia and will regain control through this transaction.

One notable private placement was Out-of-Home display operator Digital Advertising Channels' US\$45 million fund raising from investors led by IDGVC. Previously, the company had received funding from AsiaVest Partners and Intel, including a third round of funding worth US\$35 million. The company currently has media terminal coverage in 24 first-tier city airports, nearly 350 colleges and universities, approximately 200 golf courses and in a portion of first-tier movie theaters.

### Selected Out-of-Home Advertising Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 30	Pariya Holdings Limited	Convey Advertising Company	85.0	100.0	85.0	HK-based outdoor advertising business unit of XFMedia (NASDAQ: XFML)
Dec 22	Sina Corp. (NASDAQ:SINA)	Out-of-Home Business of Focus Media Holding Ltd. (NASDAQ:FMCN)	1,374.3 <sup>1</sup>	100.0	1,374.3	All of the assets of Focus Media's digital Out-of-Home advertising networks
Dec 11	IDGVC	SunBand Media	10.0	NA	NA	Focuses on domestic airport media services

<sup>1</sup> The company will issue 47 million new shares to Focus Media to fund the deal, which, calculated by its closing price of \$29.24 on Dec 19, would be worth \$1.37 billion.

**Selected Out-of-Home Advertising Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 18	IDGVC	Digital Advertising Channels	45.0	NA	NA	Operates a television advertising network that covers airports, schools, and universities in China

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

**Newspaper / Magazine / Book Publishing**

Xinhua Finance Media (NASDAQ: XFML) has entered into a secured convertible loan facility for up to US\$80 million with affiliates of Patriarch Partners LLC, a global investment firm based in New York and currently the second largest shareholder of XFMedia. Ms. Fredy Bush, CEO and Chairman of XFMedia, said the funds will be used to finance XFMedia's expansion in its broadcast business, with a focus on sports.

**Selected Newspaper / Magazine / Book Publishing**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Oct 22	Patriarch Partners	Xinhua Finance Media Limited (NASDAQ: XFML)	80.0	NA	NA	Operates as a media group in China with five segments: Broadcast, Print, Production, Advertising, and Research

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

**Production and Broadcasting**

Poly Bona, a Chinese film distributor, has received US\$30 million in venture capital funding from Goldman Sachs, Morgan Stanley and Bain Capital. Poly Bona, backed by state-owned conglomerate Poly Group, has already attracted investment of US\$5 million from two U.S. venture capital firms Sequoia Capital China and SIG Asia Investments, which is affiliated with Susquehanna International Group in 2007. Founded in 1999, Poly Bona has become the largest film distributor in mainland China and has earned a 20% market share for five consecutive years.

**Selected Production and Broadcasting Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 3	Goldman Sachs, Morgan Stanley, Bain Capital	Poly Bona Film Distribution Co., Ltd.	30.0	NA	NA	Distributes and invests in films
Nov 28	Hunan TV & Broadcast Intermediary Co., Ltd. (SZSE:000917)	Hunan Cable TV Network (Group) Co. Ltd.	34.6	3.4	1,007.1	Provides TV broadcasting services to Hunan Province and nationwide
Oct 9	Xinhua Finance Media Limited (NASDAQ: XFML)	China Media Network Ltd.	NA	100.0	NA	Operates 4 Chinese digital pay TV channels
Oct 7	Beijing Zhengrun Investment	Shenbi Group	7.1	NA	NA	Produces advertisements and animated cartoons

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

**New Media**

**Ecommerce, Search, and Portals**

In Ecommerce sector, Beijing-based online 3C (communication, computer and consumer electronics) products retailer 360buy.com gained a combined investment of US\$21 million from three venture capital investors. The Company previously received US\$10 million from Capital Today in August 2007. 360buy.com recorded sales revenues of over RMB400 million from July to September in 2008, dominating 47.6% share in the Chinese online

3C market, according to a recent report by Analysys International. Another notable deal in the sector is online diamond seller zbird.com's (formerly 51diamond.com) second round funding of US\$14.3 million from Capital Today and Ceyuan Ventures. Zbird's monthly sales revenue is nearly RMB20 million according to Zbird's co-president Xu Lei. The Company plans to spend the funds to open more offline stores to cover all first-tier cities within two years.

US-based online recruitment service provider Monster has secured complete control of ChinaHR.com, paying US\$174 million for the remaining 55% stake in the Chinese recruitment site. Monster said in 2005 that it would take the remainder if ChinaHR.com was unable to obtain a listing within three years. Analysts said the failure of the IPO was due to problems with ChinaHR.com's profitability. The company suffered a loss of RMB150 million in 2007, according to Monster's financial statements for the year. "The acquisition will give Monster a stronger presence in the Chinese online recruitment market," said Edward Lo, executive vice-president of Monster China, who takes over as the interim CEO of ChinaHR.com while maintaining his current Monster post.

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

<b>Announcement Date</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 19	NA	360buy.com	21.0	NA	NA	Operates as an online shopping mall that markets and distributes communication, computer and consumer electronics
Dec 2	RedHot Media International Ltd (AIM: RHM)	AllChina Group	5.2	60.0	8.7	Operates www.AllChina.cn, an e-trade Web portal for advertisers, media and advertising agencies
Nov 17	PR Newswire Association LLC	Xinhua PR Newswire	NA	100.0	NA	Corporate announcement distribution service in China
Nov 17	PR Newswire Association LLC	Xinhua Finance's corporate announcement businesses in Hong Kong, Singapore and Taiwan	NA	100.0	NA	Provides corporate and financial information online
Nov 7	IDG, Google	CNZZ	NA	NA	NA	Third party data analyzing agency for internet websites
Nov 9	Matrix Partners	Anjuke.com	10.0	NA	NA	Information sharing for second hand house or house for rent markets
Oct 27	Capital Today, Ceyuan Ventures	zbird.com	14.3	NA	NA	Online diamond retailer
Oct 8	Monster Worldwide Inc. (NASDAQ:MNST)	ChinaHR.com Corporation	174.0	55.0	316.4	Recruitment website for job seekers and corporate hirers in China and internationally

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

**Online Entertainment**

In the gaming sector, Perfect World (NASDAQ: PWRD) has agreed to buy a 100% stake in Global InterServ (Caymans) Inc. from Taiwanese game developer InterServ International Inc. (GTSM: 6169) for about US\$23 million. "We are very pleased to sign this agreement with InterServ," commented Mr. Michael Chi, Chairman and Chief Executive Officer of Perfect World. "The acquisition will allow us to further strengthen our game development capabilities through two subsidiaries of InterServ located in Shanghai and Chengdu, and generate synergies with our strong existing game development platform. Pursuing strategic acquisitions and strengthening leading-edge technology through continuous R&D have always been two of our core strategies. We're deeply committed to executing our strategies to maximize shareholder value over time."

Shanda Games ("SDG"), Shanda's Business Unit that develops, sources, operates and publishes online game content, announced its latest investments in two leading webpage community operators, Shanghai Wei Lai Information Technology and Shanghai Cai Qu Network Technology. Shanghai Wei Lai was established in November 2006. After successfully introducing "Travian" and "OGAME" webgames to the China market, Shanghai Wei Lai now

boasts a leading webgame platform in China. Shanghai Cai Qu, founded in August 2006, is a fast growing webgame development company. Cai Qu enriches player experiences by awarding actual prizes to game players based on their online activities. The investments in the two companies are the latest in a series of steps taken by Shanda Games to further consolidate its position as the leading online game publisher in China.

On the private placement side, Beijing Kylin Technologies Ltd. has raised US\$15 million from three investors successfully against the backdrop of a downturn in domestic and foreign capital markets. Established in July, 2007 and headquartered in Beijing, Kylin Games is a relatively new online game developer and operator with its MMORPG game, Ghengis Khan, to be tested in May 2009.

### Selected Online Entertainment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Dec 20	Ray Flame Entertainment, Inc.	Peak Virtual Entertainment, Inc.	NA	100.0	NA	MMO browser game developer and publisher in China
Dec 12	Well Well Group	Shanghai Xiao Lin Information Technology Company	NA	NA	NA	Develops 3D MMORPG games
Dec 8	Perfect World Co., Ltd. (NASDAQ:PWRD)	Global InterServ (Caymans) Inc.	23.0	100.0	23.0	Taiwan-based game developer
Dec 8	Hupo.tv	Mofile	NA	100.0	NA	Operates a file storage website
Dec 1	Shanda Interactive Entertainment Limited (NASDAQ: SNDA)	Shanghai Wei Lai Information Technology Co. Ltd.	NA	NA	NA	Specializes in webgame operations
Dec 1	Shanda Interactive Entertainment Limited (NASDAQ: SNDA)	Shanghai Cai Qu Network Technology Co. Ltd.	NA	NA	NA	Webgame developer with its casual game "Ge Zi Ke"
Nov 17	Celestial Asia Securities Holdings Ltd. (SEHK: 1049)	Moli Group Ltd.	4.9	3.4	144.1	Develops online games and digital entertainment content
Nov 12	Legend Capital, SIG	udooo.com	2.9	NA	NA	Online workshop and marketplace for customized products based on personal creative designs
Nov 6	Shenzhen Capital Group, SBI & TH (Beijing) Venture Capital, Shenzhen LEV Ventures	Kylin Game	15.0	NA	NA	Online game developer and operator
Oct 21	RMD Entertainment Group Inc.	PP365.com	NA	100.0	NA	Provides online games distribution and other internet content delivery services
Oct 16	NetMovie Holdings Limited	www.jeboo.com	NA	100.0	NA	Online movie content platform

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

### WVAS

YETI Group, a developer of mobile search technology, has raised US\$12 million in its third round of venture capital financing. AXA Private Equity and iD TechVentures led the investment round, which will be used to further research and development, marketing and geographic expansion.

**Selected WVAS Transactions**

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Nov 19	AXA Private Equity, iD TechVentures	YETI Group (Easou)	12.0	NA	NA	Provides mobile search services
Oct 21	Nokia Growth Partners	Madhouse, Inc.	NA	NA	NA	Provides mobile media and advertising solutions in China
Oct 8	Broadcaster Inc. (OTCBB:BCAS)	Eyecandy Media, Inc.	3.8	100.0	3.8	Provides cell phone applications to China Mobile

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

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