

Technology, Media & Telecom Sectors

4th Quarter 2005

China TMT M&A Quarterly

Highlights

- Egypt-based Orascom Telecom, a leading provider of wireless telecommunication services in the Middle East, Africa, and South Asia, made an US\$1.3 billion investment in Hutchison Telecom

Hutchison Telecom, headquartered in Hong Kong, is an international mobile and fixed-line telecommunications service provider with operations in nine countries and territories. It is also the first provider of 3G mobile services in Hong Kong.

- NASDAQ-listed Focus Media, which sells elevator-lobby advertising in China, acquired Shanghai Framedia Advertising for up to US\$183 million in cash and stock

Shanghai Framedia owns more than 90,000 frames (advertising slots) in residential buildings in the major first tier cities in China.

In January 2006, Focus Media announced that it will acquire its main rival Target Media for US\$325 million in cash and stock.

- The world's second largest outdoor advertising specialist JC Decaux purchased a 73% stake in Media Partners International for US\$92 million

Media Partners is a Hong Kong-listed company that manages and operates a network of outdoor advertising media in Hong Kong and in China, including billboards, street furniture, and transport advertising.

- NASDAQ-listed NVIDIA, a market leader in graphics and digital media processors, acquired Taiwan-based Uli Electronics for US\$52 million

Uli Electronics is a leading fabless IC design company specializing in core logic technology and IPC controllers.

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INTRODUCTION

We are pleased to present our quarterly review of cross-border technology, media, and telecommunications M&A activity in Greater China. We have also initiated coverage on the “Traditional Media” sector, which includes advertising, film production, publishing, newspapers, magazines, television, and radio.

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 five broad sectors, which are further separated into individual sub-sectors:

<u>HARDWARE</u>	<u>SOFTWARE</u>	<u>WIRELESS AND INTERNET MEDIA</u>	<u>TRADITIONAL MEDIA</u>	<u>TELECOMMUNICATIONS</u>
<ul style="list-style-type: none"> ▪ Electronics ▪ PC and Peripherals ▪ Semiconductor ▪ Telecom Hardware 	<ul style="list-style-type: none"> ▪ Enterprise ▪ Outsourcing/Offshoring ▪ Solutions/Services 	<ul style="list-style-type: none"> ▪ Ecommerce/Portal ▪ MVAS ▪ Online Gaming 	<ul style="list-style-type: none"> ▪ Advertising ▪ Broadcasting ▪ Indoor/Outdoor ▪ PR/Corporate Marketing 	<ul style="list-style-type: none"> ▪ Telecom

HARDWARE

Electronics

The race to become the next generation optical disc format standard intensified as London-based New Medium Enterprises, developer of the Versatile Multilayer Disc (VMD) format, and Beijing E-World Technologies, developer of the Enhanced Versatile Disc (EVD) standard, merged. Beijing E-World is owned by 14 OEM device manufacturers in China and its EVD format is supported by the Chinese government via a scientific research grant of US\$1.2 million. On 18 February 2005, the Ministry of Information Industries officially announced the EVD standard as China’s National Standard for High Definition Versatile Disc. In a separate deal, Guangdong-based TCL has continued to expand its cooperation with foreign companies when its largest shareholder announced a 5% sale of the company to a Chinese business unit of Royal Philips Electronics NV for US\$25.1 million. Prior to Philips Electronics China’s investment in the Company, TCL was already a partner with France’s Thomson SA in the world’s biggest television set production venture. Its other tie-ups with MNCs include Alcatel SA of France (handsets) and Japan’s Toshiba Corp (home appliances).

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 28, 2005	Philips Electronics China B.V.	TCL Corporation (China)	25.1	5%	474.0	Manufacturer of multimedia consumer electronic products
December 5, 2005	LG Phillips	Jiin Hui (Punch International Subsidiary)	8.2*	100%	8.2	Jiangsu-based manufacturer of metal components for CRT displays, tube holding frames, and magnetic shielding
November 8, 2005	New Medium Enterprises Corp	Beijing E-World Technology (China)	8.5 & 40% of NME stock	69%	12.3	Manufacturer of consumer electronics with HD encoding and decoding technologies for EVD digital video format
October 18, 2005	Sharp Corp	Nanjing Panda Electronics and Sharp Corp JV (China)	10.2	8.7%	117.2	Manufacturer of LCDs, projectors, large screen TVs, and sound equipment**

*Figure based on Euro to USD rate of 1.17 on 5th December 2005

**Existing JV

PC and Peripherals

An interesting development in the PC and Peripheral sector this quarter was 3Com gaining majority control over its Huawei-3Com joint venture. The Massachusetts-based company and China’s Huawei Technologies formed the joint venture in 2003, in which 3Com put up US\$160 million in cash and Huawei supplied the technology and engineers to build Ethernet switches and Internet Protocol routers designed for the enterprise market. 3Com acquired majority control by raising its stake in the JV from 49% to 51%. The 2% stake was worth US\$28 million, valuing the JV at US\$1.4 billion.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 29, 2005	Pegasus Wireless Corporation	CNet Technology (China)	2.0	51%	3.9	Designer and manufacturer of computer network equipment, including wireless devices
December 26, 2005	Harcourt Companies Inc.	GW Digital (China)	1.5	51%	2.9	Samsung printer distributor covering six eastern provinces and Shanghai
November 16, 2005	Harcourt Companies Inc.	Jump Technology (China)	2.0	25%	8.0	Provider of network security solutions
November 1, 2005	3Com	Huawei-3Com Technology (China)	28.0	2%	1,400.0	Manufacturer of IP switches and routers*

*Existing JV

Semiconductors

The fourth quarter of 2005 saw a high level of transaction volume in this sector, with two of the largest deals involving Taiwan-based targets. Notable transactions include the US\$52 million acquisition of the fabless IC design company Uli Electronics by NVIDIA and the acquisition of Anachip Corp of Taiwan by California-based Diodes Inc. In addition, Hangzhou-based Sicomm Technology acquired a majority stake in Hangzhou Shikang Microelectronics the same day it announced a US\$10 million private placement from the Softbank Asia Investment Fund II.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 20, 2005	Diodes Inc.	Anachip Corp (Taiwan)	30.0	100%	30.0	A Taiwanese fabless analog IC designer
December 20, 2005	Softbank Asia Investment Fund II	Sicomm Technology Ltd. (China)	10.0	NA	NA	RF system, RFIC and mixed signal IC designer for cellular, WLAN and high-end analog applications
December 20, 2005	Sicomm Technology Ltd.	Hangzhou Shikang Microelectronics (China)	5.7	61.8%	9.2	Integrated Circuit products designer, developer, and manufacturer
December 14, 2005	NVIDIA Corporation	Uli Electronics Inc. (Taiwan)	52.0	100%	52.0	Fabless IC designer and developer of core logic for consumer electronics and computing products
October 4, 2005	GSR Ventures, Mayfield Fund	Shenzhen State Microelectronics (China)	NA	NA	NA	Designer of semiconductors used in modules for digital televisions
October 4, 2005	GSR Ventures, Mayfield Fund	Mobert Semiconductor (China)	NA	NA	NA	Semiconductor designer for mobile applications with operations in Silicon Valley and Shanghai

Telecom Hardware

Overall M&A activity in the telecom sector slowed after three strong quarters in 2005. Of note was Sony Ericsson's vertical integration when it acquired 64.5% of Beijing Suohong Electronics Co. Ltd., a manufacturing facility which primarily assembles printed circuit boards for the company, for US\$14 million. Since launching its China manufacturing operations three years ago, Sony Ericsson has invested US\$60 million in China. Its manufacturing facilities in China supply approximately one third of Sony Ericsson's mobile phone shipments.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 23, 2005	Lenovo Group	Lenovo Mobile Communications Technology Limited (China)	8.9	19.2%	46.4	Existing handset JV between Lenovo and Xiamen Overseas Chinese Electronic Co. Ltd.
December 14, 2005	Sony Ericsson Mobile Communications	Beijing Suohong Electronics Co. (China)	14.0	64.5%	21.7	Printed circuit boards manufacturer
December 8, 2005	TVG Capital Partners (Series D)	Cellon International Holdings (China)	NA	NA	NA	China's largest independent handset designer by volume based in Shenzhen
December 5, 2005	SAIF, Softbank Asia Infrastructure Fund (Series B)	Channelsoft Technology Co. Ltd. (China)	NA	NA	NA	Beijing-based provider of a telecom service platform and call-center middleware products
October 26, 2005	Shanghai Fortune Communication Develop Investment Inc.	Cortelco Shanghai Telecom Equipment Company (China)	1.8*	54%	3.3	Telecom and data communications equipment designer, developer, and marketer

*Sold for less than NAV as JV partner eOn Communications Corporation was concerned about meeting Sarbanes-Oxley internal controls and documentation requirements

SOFTWARE

Enterprise

None.

Outsourcing/Offshoring

U.S. based Achievo Group, a software and IT outsourcing firm, made key investments in the region – acquisition of Advanced Network Services, a China software outsourcing provider focusing on the Japanese offshore outsourcing market, and Jeyo Computer Technology, a Guangzhou based software outsourcing provider specializing in the mobile and telecommunications industries.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 1, 2005	Achievo Group	Jeyo Computer Technology (China)	NA	100%	NA	Software and IT outsourcing service provider offering certified processes in wireless applications and business intelligence solutions
November 7, 2005	Achievo Group	Advanced Network Services Group (China)	NA	100%	NA	Software development and IT outsourcing entity consisting of several companies in Japan and China

Solutions & Services

China Unistone Acquisition Corp, a special purpose acquisition vehicle traded on the OTC market, announced the completion of transactions involving two Beijing-based companies, both of which focus on offering IT solutions and services to top tier banks. The two companies plan to expand their core offerings beyond Internet banking, call centers and customer data platforms to smaller regional banks, insurance companies, investment banks, and securities firms. The companies will be combined to form a new company called Yucheng Technologies, into which China Unistone will merge. The combined transaction price was US\$43.4 million.

In addition, Sun New Media Inc, a media investment company based in Shanghai, has made two acquisitions within a two-week timeframe. The first acquisition was the purchase of Focus Channel Development of Hong Kong, which provides distribution channel management software. The second acquisition was made in the MVAS sector where Sun New Media acquired a provider of mobile media services.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 29, 2005	AsiaInfo Holdings	Telecommunication & Operation BU of Shanghai Chang Jiang Technology (China)	NA	100%	NA	Provider of telecom software solutions
December 20, 2005	China Unistone Acquisition Corp	Beijing Sihitech Co. Ltd. (China)	43.4*	100%	NA	Provider of IT services and systems integration for the banking industry in China
December 20, 2005	China Unistone Acquisition Corp	Beijing e-Channels Century Technology (China)	43.4*	100%	NA	Provider of web banking and electronic multi-channel software and solutions for the banking industry in China
December 1, 2005	Ingersoll-Rand Company Limited	Shenzhen Bocom System Engineering (China)	NA	NA	NA	Provider of security-systems integration technologies and services
November 23, 2005	Sun New Media Inc.	Focus Channel Development (HK) Ltd.	69.0	100%	69.0	Provider of internet-based software solutions for distribution channel management
November 16, 2005	Digital China Software Co. Ltd.	Beijing Si-Tech Information Technology (China)	6.9	71%	9.7	R&D, application and maintenance service provider of telecom software products
November 9, 2005	Pansky Technology Group	e-Government business unit of AsiaInfo Holdings (China)	NA	NA	NA	Software and network solutions provider

*Combined purchase price for Beijing Sihitech Co. Ltd. and Beijing e-Channels Century Technology

WIRELESS and INTERNET MEDIA

Ecommerce/Portal

Private equity firms were active in snapping up Chinese ecommerce companies this quarter. Granite Global and IDG Ventures invested in two Internet companies while The Carlyle Group's Asian fund, Carlyle Asia Venture Partners II, committed US\$10 million in a digital content delivery platform provider. This investment is one of five recent investments made by Carlyle in high-growth industries in China and Korea, with the investments amount totaling US\$46 million. GSR, a China-based venture capital firm focused on early-stage Chinese technology companies, also made two investments this quarter. The first is in HeiYou Inc., an online match making company, and the other transaction took place in the semiconductor sector.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 30, 2005	Mop.com	Donews (China)	NA	100%	NA	One of China's largest IT forums providing community, email, blogs, forums and industry news
November 15, 2005	iD SoftCapital, Investment, NewMargin Ventures	R2G (China)	5.0	NA	NA	Music distribution platform provider. The platform offers a piracy monitoring system and also a billing system

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
October 27, 2005	IDG Ventures	Chinabbs.com (China)	NA	NA	NA	Chinese search portal based in Beijing, founded in 2004
October 20, 2005	Granite Global (Series A)	Chinacars.com (China)	8.0	NA	NA	Internet auto platform based in Beijing providing traffic data, positioning systems, and an auto trading market
October 18, 2005	Linktone Ltd.	9Sky International Ltd. (China)	NA	NA	NA	Digital music download provider in China
October 10, 2005	Carlyle Asia Venture Partners II	ZCom Co. Ltd. (China)	10.0	NA	NA	Digital content delivery platforms designer based on P2P technology
October 4, 2005	GSR Ventures, Mayfield Fund	HeiYou Inc. (China)	2.0	NA	NA	Beijing-based online matchmaking company

Mobile Value-Added Services

The MVAS sector was also very active in the fourth quarter. Notably, Chinese mobile music publisher Rock Mobile received a US\$30 million investment from an investor group including Walden International, Nippon Venture Capital, Goldman Sachs, Legend Capital, iD TechVentures, and Siemens VC.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 30, 2005	Hurray! Holdings	Magma Digital Technology (China)	4.1	100%	4.1	Mobile games software developer based in Shanghai
December 30, 2005	Ceyuan Ventures	Joyes.com (China)	NA	NA	NA	Chinese mobile gaming portal
December 29, 2005	China Finance Online	Moloon International (China)	NA	NA	NA	Provider of mobile streaming media technology and services in Beijing
December 29, 2005	Nippon Venture Capital, Walden International	Rock Mobile Corporation (Taiwan)	30.0	NA	NA	Mobile music entertainment content service provider
December 14, 2005	BlueRun Ventures & IDG Venture Capital	MMIM Technologies Ltd. (China)	NA	NA	NA	Multimedia instant messaging service provider, operating the PICA platform
December 8, 2005	Sun New Media Inc.	Shengji Information Technology Ltd. (China)	2.6	100%	2.6	Provider of mobile media services
December 7, 2005	TDF Capital, Intel, Walden, Jafco, IDGVC	A8 Ltd. (China)	20.0	NA	NA	Chinese online music company and mobile content provider
December 5, 2005	Morningside Ventures	Byread (China)	NA	NA	NA	Chinese mobile multimedia publisher
November 22, 2005	Ceyuan VC, Walden Intl	3GPP (China)	3.7	NA	NA	Chinese WAP Portal

Online Gaming

The online gaming market in the Asia/Pacific region is expected to grow at a 45% compound annual rate through the year 2009, increasing from US\$1.1 billion in 2004 to US\$7 billion in 2009. Online game subscribers are also expected to grow

from 10 million in 2004 to 75 million in 2009¹. The largest transaction this quarter was the acquisition of FunTown Ltd. by NASDAQ-listed Gigamedia. Gigamedia plans to leverage FunTown's number one Mahjong position by licensing its software to operators around the world and in particular, to the international markets currently served by Giga's subsidiary Cambridge Entertainment Software.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 19, 2005	Gigamedia Limited	FunTown Limited (Taiwan)	Up to 50.0	100%	50.0	Asian online casual game portal and operator of the world's largest online Mahjong site by revenue
December 8, 2005	Shanda Interactive	Gametea (China)	NA	100%	NA	Online casual games portal operator with 11.5 million registered users and more than 90 online casual games
November 1, 2005	China Communication Co. Ltd.	China Cyber Port Co. Ltd. (China)	NA	100%	NA	Online gaming company with copy and distribution rights to "Counter Strike", "Starcraft", "Diablo", and "Warcraft"

TRADITIONAL MEDIA

Advertising

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
November 24, 2005	Xinhua Finance Limited	Ming Shing International Ltd. (China)	31.0	100%	31.0	Marketing and advertising group specializing in TV, radio, and print media

Broadcasting/Production

Xinhua Finance Ltd., China's financial services and media company listed in Tokyo, made multiple acquisitions this quarter. Beginning with the purchase of EconWorld Media, a financial publishing media company, in the second quarter, the Company wrapped up an M&A intensive year with the purchases of Beijing Century Media Culture Co. and Ming Shing International. The acquisition of Beijing Century Media, a TV program producer and consulting company, opened up television as a new distribution channel for Xinhua Finance's financial information. The distribution of the Company's core products was further enhanced through the acquisition of Ming Shing International Ltd., a marketing and advertising group specializing in TV, radio, and print media.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
October 21, 2005	Xinhua Finance Limited	Beijing Century Media Culture Co. Ltd. (China)	NA*	100%	NA	Television consulting company based in Beijing
October 3, 2005	Pacificnet Inc.	Hitching International (China)	10.2	51%	20.0	Operator of Direct Response Television infomercial marketing companies for financial advisory services

*Total consideration was 3,480 Xinhua Finance shares and future considerations will be payable upon reaching financial targets

¹ Source: PricewaterhouseCoopers report "Global Entertainment and Media Outlook: 2005-2009"

Indoor/Outdoor Advertising

M&A activities in the advertising sub-sector were robust towards the end of the year. Leading the way was NASDAQ-listed Focus Media's acquisition of Shanghai-based Framedia Advertising for US\$95 million, with earn-out payments that could boost total consideration up to US\$183 million in cash and stock. The acquisition combined the commercial elevator-lobby advertising assets of Focus Media with the residential, in-elevator poster-frame advertising assets of Framedia. The acquisition momentum would carry forward all the way to the beginning of 2006, when Focus Media made another high profile acquisition of Target Media for US\$325 million. Another major transaction in the sector was Paris-based JC Decaux's HK\$715 million (US\$92 million) acquisition of Hong Kong-based Media Partners International Holdings. The acquisition was made by the buyer's wholly owned subsidiary JCDecaux Pearl & Dean Ltd. in order to strengthen its network in the fast growing Asian outdoor advertising market.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
November 11, 2005	Enjoy Media Holdings Limited	Guangzhou LangHui I.T. Ltd. (China)	0.6	51%	1.2	Internet ranking and advertising service provider with keywords linking to its 20,000 corporate customers
November 9, 2005	Heritage International Holding	Shanghai New Line Advertising Inc. (China)	2.7*	20%	12.9	Provider of advertising space in outdoor booths, shops, and stalls
November 1, 2005	Enjoy Media Holdings Limited	Guangzhou ZhiRui Advertising Ltd. (China)	1.4	60%	2.3	Outdoor advertiser with displays around the city of Guangzhou
October 27, 2005	JCDecaux SA	Media Partners International (Hong Kong)	91.9**	73%	125.2	Metro advertising operator in Shanghai, Guangzhou, Nanjing, Beijing, and the HK airport express line
October 16, 2005	Focus Media Holding Ltd.	Shanghai Framedia Advertising (China)	Up to 183.0	100%	183.0	Manager of the largest community advertising network in China

*Figure based on HKD to USD rate of 0.13 on 9th November 2005

**Figure based on HKD to USD rate of 0.13 on 27th October 2005

Public Relations/Corporate Marketing

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 14, 2005	AAV Ltd. (Australia)	ETG China (China)	3.0*	51%	5.9	Event production company and organizer of trade shows and exhibitions
December 14, 2005	Enjoy Media Holdings Limited	IP Relations Limited (Hong Kong)	NA	51%	N/A	Provider of corporate marketing services

*Figure based on AUD to USD rate of 0.75 on 14th December 2005

TELECOMMUNICATIONS

Two of the biggest M&A transactions this quarter took place in the telecommunications sector. Egypt-based Orascom Telecom acquired a 19.3% stake in Hong Kong-based Hutchison Telecommunications International Ltd. for US\$1.3 billion. The deal will allow the companies to leverage greater bargaining power when procuring telecoms gear and it will also help the firms expand into emerging markets in Asia. In particular, Orascom is keen to target India, Indonesia and Vietnam. Between them they control mobile operators in 15 countries including Pakistan, Bangladesh, India and Sri Lanka and have around 40 million subscribers.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 21, 2005	Orascom Telecom Holding S.A.E	Hutchison Telecom. Intl (Hong Kong)	1,300.0	19.3%	6,735.8	Provider of international mobile and fixed-line telecommunications services with operations in nine countries and territories
October 20, 2005	China Mobile (Hong Kong)	China Resources Peoples Telephone (Hong Kong)	438.8	100%	438.8	Hong Kong's fifth-largest mobile operator with 1.2 million users as of 1H 2005

OTHER

Hurray Holdings' purchase of the music business unit of Guangzhou-based Freeland Group, a traditional music producer and distributor, marks the first time in China that a music production company has joined hands with a digital music distribution company. It also marks the transformation of Hurray! into a digital music production and distribution company. Freeland Music specializes in music production and distribution for its portfolio of artists which includes some of the most popular singers and songs in China that are also top hits in ringtones, ring-back tones and digital downloads on mobile phones and the Internet.

Selected Transactions						
Date Announced	Lead Investor(s) / Buyer	Target (Country)	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
December 28, 2005	DCS Technologies (Australia)	OnCard International (Hong Kong)	5.7*	75%	7.6	Designer and marketer of dining cards
November 14, 2005	Hurray! Holdings	Music BU of the Freeland Group (China)	7.6	100%	7.6	Manufacturer and distributor of audio and video media products
October 11, 2005	Techedge Inc.	MobiChannel Technology (Hong Kong)	NA	NA	NA	Online sales and event promotion company for online entertainment business

*Figure based on AUD to USD rate of 0.73 on 28th December 2005

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