

China Media M&A Quarterly

3rd Quarter 2008

Quarter in Review

- The third quarter saw a slight slow-down in the number of transactions for Media Sectors in China; most notably in WVAS and traditional media sectors of publishing and broadcasting.
 - The one exception in the traditional media space was in the Out-of-Home Advertising sector, where the momentum of more than \$600 million invested into companies in the sector over the past two years is now driving follow-on investments and consolidation.
 - ECommerce and Online Entertainment related categories saw the most action in the period with 13 and 12 deals in each category.
 - The battered WVAS sector continued to be all but irrelevant with only one new investment made in the quarter.
- There were a significant number of “Pre-IPO” rounds raised during the quarter with filing targets set for Q408 and Q109 announced by many. Given the recent developments in the global financial industry, it may be likely that only a few of these IPO’s come to market in the near term while many of these firms may come back to market for further private fund raising in 2009.
- It is interesting to observe how the trends and investment approaches in venture capital are shifting. As exits decline, VCs may become less inclined to invest in longer-to-maturity start-ups and switch their focus back to earlier/development stage companies.

Deal Highlights

- Universe Media, an outdoor advertising company raised US\$57 million from Goldman Sachs Group and Legend Capital. Universe Media, formed in May as the result of a merger of two Chinese firms, Epin Media and Guangyuan Media, operates more than 75,000 LCD screens on about 500 domestic trains.
- PPG, a men's apparel online retailer raised US\$100 million in a fourth-round financing from an unnamed American department store operator. PPG announced in March that it had a Nasdaq IPO in the pipeline.
- Zhaopin.com, owner of China's third-largest recruitment website raised US\$105 million from Macquarie Group and Seek Ltd. Zhaopin had about 100,000 corporate clients that post job openings on its website.
- Giant Interactive Group Inc. (NYSE: GA) has acquired 25% of 51.com for US\$51 million. Founded in 2005, 51.com is the largest independent social network service provider in China in terms of its total number of registered users.

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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 assets.

The purpose of this report is to provide a summary of China cross-border Media-related M&A and private placement activities in the third 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")

During the third quarter of 2008, however, there is no notable deal in the WVAS sector in the third quarter of 2008.

Traditional Media

Out-of-Home Advertising

Out-of-Home advertising continued to be a favorite for PE firms in the third quarter. Universe Media Holdings received US\$58 million from Goldman Sachs and Legend Capital ahead of a planned NASDAQ listing. The company was formed in May by the merger of two Chinese firms, Epin Media and Guangyuan Media. It operates more than 75,000 LCD screens on about 500 domestic trains that show programs with advertising. Traditional media industries such as televisions and newspapers are highly regulated by the Chinese government; however, new media firms, which enjoy less restrictive regulatory policies, have been growing rapidly and gaining popularity with investors. Last November, AirMedia Group, China's leading provider of advertising in airports and on planes, raised US\$225 million from a NASDAQ listing. One month later, VisionChina Media debuted on NASDAQ and raised US\$108 million.

Also of note, Shenzhen-based Magn Media received US\$15 million from Centurion Investment Management. Magn Media was founded in August 2007 to roll-out mobile blackboards installed on the front and back compartments of buses. Based in Singapore, Centurion is an Asia-focused private equity fund mainly investing in small-to-medium-sized enterprises.

Selected Out-of-Home Advertising Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 4	Northern Light Venture Capital, Tokio Marine Investment	EscaADs Media Group Co., Ltd	8.0	NA	NA	Provides advertisements on escalators, lockers, and light boxes in hypermarkets
Aug 15	Goldman Sachs Group (Merchant Banking Division), Legend Capital	Universe Media Holdings	57.1	NA	NA	Provides advertisements on trains and in railway stations
Jul 15	Centurion Investment	Magn Media	15.0	NA	NA	Operates with its flagship product of mobile blackboards on the buses
Jul 7	AirMedia Group Inc. (Nasdaq:AMCN)	Excel Lead International Limited	NA	100.0	NA	Operates the advertising business on gate bridges in 10 airports in mainland China
Jul 7	AirMedia Advertising Co., Ltd.	Flying Dragon Media Advertising Co. Ltd.	1.4	80.0	1.8	Provides advertising raft of pontoons on gate bridges on airports in mainland

Selected Out-of-Home Advertising Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
						China

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

Newspaper / Magazine / Book Publishing

There was relatively little action in the Newspaper / Magazine / Book Publishing sector. The notable exception was Popularworld (Beijing) Ltd. which announced that it has raised US\$4.2 million in its round of funding on August 29. Existing investor, Popular Holdings Limited invested in the round and the company's paid up capital increased by 20%.

Selected Newspaper / Magazine / Book Publishing

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Aug 29	Popular Holdings Ltd. (SGX:P29)	Popularworld (Beijing) Ltd.	4.2	NA	NA	Engages in the publication of textual books in China
Jul 1	Liaoning Publishing & Media Company Limited (SHSE:601999)	Liaoning Publishing Group, Three Publishing Houses	4.0	100.0	4.0	Publishes periodicals, newspapers and children's books

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

Production and Broadcasting

In the Production and Broadcasting sector, the most notable deal was Polybona's US\$30 million fund-raising from Sequoia Capital China and SIG Asia Investments. In 2007, these two investors each invested \$5 million in its first round of private fund-raising. PolyBona holds about a 20 percent domestic market share in movie distribution.

Beijing-based film producer Huayi Brothers has entered into an agreement to acquire Beijing-based celebrity agent Zhongqian Longde for an undisclosed amount. General Manager of Zhongqian Longde, Liu Tao said his company contacted several companies including Chengtian Entertainment and Polybona before going forward with the Huayi Brothers deal.

Selected Production and Broadcasting Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 26	Huayi Brothers	Zhongqian Longde	NA	100.0	NA	Engages in celebrity agency business
Sep 24	Hurray! Holding Co. Ltd. (Nasdaq:HRAY)	Seed Music Group Limited	3.0	61.1	4.9	Engages in the artist development, music production, and offline distribution of music in Asia Pacific
Aug 19	Sequoia Capital China, SIG Asia Investments	PolyBona Film Distribution Co. Ltd.	30.0	NA	NA	Engages in the production and distribution of films

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 the third quarter, online men's apparel B2C retailer PPG obtained US\$100 million in fourth-round financing from an unnamed American department store operator. In March PPG had announced a Nasdaq IPO in the pipeline, which the company stated will now be delayed for four to five years. The company's existing investors are TDF Capital, JAFCO Asia, KPCB and San Shan Capital Partners. PPG was selling 10,000 shirts a day toward the end of last year and its 2007 turnover was 50 times more than the previous year. By comparison, China's largest 15-year old brick-and-mortar brand, Youngor Group, sold an estimated 13,000 shirts a day during the same period.

Currently, rising star VANCL may be poised to be the next serious contender for the position of B2C men's wear market leader. VANCL also raised "tens of millions" from Qiming Ventures, IDG, Ceyuan Venture and SAIF in July.

In another deal, Macquarie Group and Seek Ltd. agreed to invest a combined US\$105 million in Zhaopin Ltd., owner of China's third-biggest recruitment website. Macquarie, Australia's biggest investment bank would buy 29 percent of Zhaopin for US\$60 million and Seek, the owner of Australia's largest jobs website, would pay US\$45 million to raise its stake to 43 percent. An undisclosed investor put another US\$5 million into the company. Zhaopin had about 100,000 corporate clients and doubled sales in each of the past two years. According to Analysys International, 51job was the largest player in the sector with 29 percent of the online recruitment market in the first quarter. ChinaHR was second with 24 percent, followed by Zhaopin's 15 percent share.

Selected Ecommerce, Search, and Portals Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 23	NA	PPG	100.0	NA	NA	Distributes apparels and household appliances via telephone and Internet
Aug 27	IDGVC	Shenzhoufu	5.0	NA	NA	Operates online payment website for China Mobile's Easyown
Aug 19	Oculus Ltd. (SGX:5AL)	Zhong Fang Hao Hua (Beijing) Technology Co. Ltd.	3.4	18.0	18.8	Owns and operates web portals providing information about manufacturers and producers of food products
Aug 18	Pink Sheet company	1800BuyPiao.Com	15.0	100.0	15.0	Provides online payment services
Aug 6	Google	top100.cn	NA	NA	NA	Operates a legal music search site
Jul 31	JAIC, Itochu Corp. CyberAgent-JAIC	fantong.com	4.0	NA	NA	Operates a restaurant online search engine and booking system
Jul 30	Qiming Ventures, IDG, Ceyuan Venture, SAIF	VANCL	undisclosed	NA	NA	Distributes men's apparel online
Jul 12	Reed Elsevier	Haoyisheng.com	25.0	NA	NA	Provides medical integrated services for physicians in China
Jul 11	NA	kela.cn	3.0	NA	NA	Provides e-commerce service for online purchase of diamonds
Jul 9	Macquarie Capital Alliance Group (ASX:MCO), SEEK Limited (ASX:SEK)	Zhaopin Ltd.	110.0	NA	NA	Online recruitment company providing human resource services for personals and enterprises
Jul 7	Investor AB (OM: INVE A), Walden International	Shanghai Liba Information Technology Co., Ltd.	15.0	NA	NA	Operates an e-commerce website for home decoration consumption
Jul 3	Deutsche Bank, Asiavest	Leyou.com	37.0	NA	NA	Baby products retailer through both B2B site and retail chain stores
Jul 1	KPCB, Zero2IPO Capital	Intohotel.com	30.0	NA	NA	Travel management B2B site

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

Online Entertainment

In the Online Entertainment sector, Ku6, the online video sharing website based in Beijing, has received a second round of funding from UMC Capital, SBI, and Itochu Corp. DFJ and DT Capital, two first-round investors, also increased their investments. Some earlier rumors had pegged the second round at about \$35 million. Ku6 was founded by former Sohu SVP and chief-editor Kevin Li in Beijing in June 2006.

The largest deal in the sector for the quarter was Giant Interactive Group's investment in 51.com, a leading Chinese online social networking service provider. Giant, one of China's largest online game developers and operators, has entered into a definitive agreement to acquire redeemable preferred shares, representing a 25% interest in 51.com for approximately US\$51 million. Founded in 2005, the total number of registered users on 51.com was approximately 120 million as of June 15, 2008. Monthly unique visitors¹ were approximately 31.5 million and average daily page views were approximately 350 million. Giant will leverage 51.com's large community base to broaden its player base, expand its community-building opportunities, reinforce user stickiness, and extend the lifecycles of its games.

Selected Online Entertainment Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 28	Baidu.com, Inc. (NasdaqGS: BIDU)	UiTV International Inc.	15.0	8.3	180.7	Provides broadband TV services via an Internet portal, including TV series, movies, sports, and music videos
Sep 27	LB Investment, Ceyuan Ventures, Qiming Ventures	PPStream, Inc.	20.0	NA	NA	P2P VOD website
Sep 19	Fidelity	Mine Loader	Tens of millions	NA	NA	Developer of videogames and net games
Sep 18	Northern Light Venture Capital	kaixin001.com	NA	NA	NA	Social networking website
Aug 27	WPP Group plc (LSE: WPP)	InGame Ad Interactive Technology Limited	NA	12.8	NA	Offers online advertising services
Aug 5	Giza Venture Capital	360quan	25.0	NA	NA	Offers online social networking services.
Aug 5	Shenzhen Capital Group, Beijing Huijin Lifang	nextsee.com	7.4	NA	NA	P2P online video website
Aug 4	Pac-Link Management Corp., CyberAgent Investment, Inc., Japan Asia Investment Co. Ltd. (TSE: 8518)	Ultizen Games Ltd.	6.0	NA	NA	Operates as a game development and offshore game outsourcing company
Jul 17	DFJ, DT Capital, UMC Capital, SBI, Itochu Corp.	ku6.com	Tens of million	NA	NA	Online video sharing website
Jul 14	Coslight Network Company Limited	Beijing Guangyu Huaxia Sci-Tech Co., Ltd.	1.1	7.0	15.7	Develops online games
Jul 3	NA	Myshow	30.0	NA	NA	Provides digital personalized virtual image expression (Avatar)
Jul 1	Giant Interactive Group Inc. (NYSE: GA)	51.com	51.0	20.0	204.0	Social network service provider

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

WVAS

The WVAS sector continued to be inactive in the third quarter of 2008. In the only deal announced, Shenzhen-based Fortune VC invested an undisclosed amount into iModia Network, a cross-media mobile marketing platform. iModia Network was established in January 2006 and is headquartered in Guangzhou. It has branches in Beijing, Shanghai, and Shenzhen and claims to be dedicated to integrating the advantages of Internet, wireless Internet and other multi-media touch screen outdoor terminal network media.

¹ Monthly unique visitors logged in 18 times per month on average

Selected WVAS Transactions

Announcement Date	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 2	Fortune VC	iModia	NA	NA	NA	Provides mobile advertising solutions

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

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