

## Media Sector

3rd Quarter 2006

### China Media M&A Quarterly

#### Highlights

- Sun Media Investment, a privately owned media company in China, acquired a 100% stake in Entertainment Today for an undisclosed value and a 50% stake in XSTV for US\$30 million.

Entertainment Today, a US entertainment weekly newspaper established in 1967, is headquartered in Los Angeles and has a circulation of between 50,000 and 100,000, according to statistics from 2004. XSTV is the leading TV production company for extreme sports and exploration programs.

- Telstra Corp., Australia's largest telecommunications operator, acquired a 51% stake in SouFun Holdings Limited for US\$254 million.

SouFun, established in 1999, provides information, advertising and listing services to China's growing online real estate and home furnishings and improvement sectors. SouFun's network spans 30 cities across the country.

- Chinacars Inc, received series B funding of US\$25 million from an investor group led by Goldman Sachs.

Chinacars Inc, founded in 2001, provides a stream of products and services, including a purchase guide, ranking of repair shops, car accessory information and other services that help drivers with vehicle decorations, insurance, repair services and a real-time online map. The company currently claims 1.5 million registered users. Chinacars received series A funding of US\$8 million last October.

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## INTRODUCTION

We are pleased to present our quarterly review of cross-border Media M&A activity 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
- ◆ Music Production & Distribution
- ◆ Newspaper / Magazine / Book Publishing
- ◆ Radio Production & Broadcasting
- ◆ Television Production & Broadcasting

### NEW MEDIA

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

In the third quarter of 2006 there were no significant transactions in the Music Production & Distribution and Radio Production & Broadcasting sub-sectors.

## TRADITIONAL MEDIA

### Corporate Marketing / Public Relations

The Corporate Marketing/Public Relations market in China continues to attract strategic investors looking for longer-term growth potential. Following the aggressive expansion of advertising conglomerate WPP Group in the first half of 2006, Ogilvy & Mather Worldwide, a member of the WPP group, has agreed to acquire Black Arc Advertising, the country’s leading agency specializing in real estate-related advertising and promotions. This is believed to be the first time a multinational marketing group has made investments aimed at the country’s high-growth property market. According to Soufun research, property-related advertising spend in China reached an estimated US\$1 billion in 2005. Headquartered in the southern city of Shenzhen, Black Arc has built up an unmatched nationwide network with offices in Beijing, Hangzhou, Chengdu and Chongqing. Clients include China’s largest national property developers such as China Vanke Co., China OCT, Zhong Hai, Sunco China, and China Merchants. In the last decade, Black Arc has established a standardized management model and methodologies that form the company’s core competitive edge.

In addition, Ogilvy & Mather worldwide has renewed its joint venture agreement with Shanghai Advertising Ltd. in respect to Shanghai Ogilvy & Mather Advertising Ltd for 15 more years and increased its majority ownership in the joint venture from 51% to 75%.

#### Selected Corporate Marketing / Public Relations Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
September 18, 2006	AAV Ltd. [ASX: AVV]	Techmex Event Production Pte Ltd.	NA	NA	NA	Event management and marketing services provider in Southeast Asia
September 11, 2006	Ogilvy & Mather Worldwide <sup>(1)</sup>	Black Arc Advertising	NA	60.0	NA	China’s leading property advertising agency
September 11, 2006	Ogilvy & Mather Worldwide <sup>(1)</sup>	Shanghai Ogilvy & Mather Advertising Ltd	NA	24.0	NA	JV between Shanghai Advertising Agency and Ogilvy & Mather Worldwide; offers promotional and marketing services in China
August 7, 2006	GFK AG [DB: GFK]	Consumer Research Co., Ltd.	NA	66.0	NA	Corporate marketing and consumer behavior research company

(1) *Subsidiary of WPP [LSE: WPP]*

### Indoor / Outdoor Advertising

After its acquisitions of Shanghai Pinone Advertising Company and Target Media Holdings, the second largest out-of-home flat-panel display advertising network operator in China, NASDAQ-listed Focus Media, operator of the largest out-of-home multi-platform life-style media network in over 90 cities across China, entered the movie theater advertising sector by

acquiring a 70% interest in Appreciate Capital Ltd. (ACL) for a reported consideration of US\$2.8 million up-front and earnout payments. Through its affiliated PRC entity, ACL leases screen time from movie theatres, and then sells those time slots to advertisers. The company's movie theatre network currently covers over 120 movie theatres throughout China, which is estimated to represent approximately 85% of total theatre ticket revenue in China.

#### Selected Indoor / Outdoor Advertising Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
September 8, 2006	Softbank China Venture Capital	Yan Huang Health Care Network	5.0	NA	NA	Advertising agency by Liquid crystal display network in China's hospitals
August 31, 2006	Focus Media Holding Ltd. [NASDAQ: FMCN]	Appreciate Capital Ltd.	2.8	70.0	4.0	Movie theatre screen advertising operator in China

#### Newspaper / Magazine / Book Publishing

Sun Media Investment, a privately owned media company in China, enhanced its global media distribution channel by acquiring Entertainment Today, a US entertainment weekly newspaper established in 1967. Entertainment Today is headquartered in Los Angeles and has a circulation of between 50,000 and 100,000, according to statistics from 2004.

#### Selected Newspaper / Magazine / Book Publishing Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
July 12, 2006	Sun Media Investment	Entertainment Today	NA	100.0	NA	Leading entertainment newspaper in USA

#### Television Production & Broadcasting

Sun Media Investment also entered into the Television Production & Broadcasting sector with its acquisition of XSTV, the leading TV production company for extreme sports and exploration programs. Sun Media Investment, through its branch "Sun Global Sports", injected US\$30 million into U.S.-based XSTV for a 50% stake, making it XSTV's biggest shareholder. After the purchase, Sun Media Investment plans to launch extreme sports and exploration content for Internet TV and podcasts via XSTV next year.

Separately, Japan mega music studio Avex has moved into the China music market by purchasing a 25% stake in ChengTian Entertainment. The collaboration should open a broader market for both Japanese and Chinese artists.

#### Selected Television Production & Broadcasting Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
September 28, 2006	Sun Media Investment	XSTV	30.0	50.0	60.0	World's leading extreme sports and exploration programs producer and publisher
September 14, 2006	Avex [TSE: 7860]	Chengtian Entertainment	36.0	20.0	180.0	Music and film producer and publisher and living theatre operator
September 6, 2006	Nice Hill Investments Ltd.	Panorama International Holdings Ltd. [SEHK: 8173]	5.1	70.4	7.2	Distributor of video programs in video compact disc and digital video disc formats for the home entertainment sector
August 15, 2006	Yang Lan Studio Ltd.	Broadcast International Inc. [OTCBB: BCST]	1.0	NA	NA	Provider of video-powered business solutions

## NEW MEDIA

### Ecommerce, Search and Portals

New Media M&A activities remained robust in the third quarter. The most notable transaction in the sector was the US\$254 million acquisition by Telstra Corp. Ltd., Australia's largest telecommunications operator, of a 51% stake in SouFun Holdings Ltd., China's largest real estate and home improvement website. In the transaction, Trader Classified Media N.V. sold its entire 15% equity stake, which it acquired for a reported consideration of USD\$22.5 million in July, 2005. IDG Venture Capital and Goldman Sachs were early investors in the company. China currently has about 100 cities with a population of one million and demand for offices and housing has exploded, ideal for the powerful IT and real estate services company to boost its business profits. SouFun has expanded aggressively in recent years to keep pace with the growth of China's booming but fledgling property sector. The company bought the content management and business operations of NetEase's real estate channel last year. It also took over all or part of the online real-estate service operations of China.org.cn, QQ.com and TOM.com.

The growing automobile market raised interest from financial investors this quarter. Chinacars Inc. raised US\$25 million in its series B round of funding led by Goldman Sachs Group. Last October, the company received an US\$8 million cash injection from Granite Global Ventures. In addition to offering auto-buying guides, Chinacars provides a variety of services, including automobile insurance, repair shop rankings, traffic data, positioning systems, and an auto-trading market. In 2005, the website posted a revenue jump of 50% YoY to more than US\$12.5 million. Another online auto service provider, Bitauto.com, also received a US\$10 million funding from NVCC and DCM.

Following the high profile 51job deal last quarter, Irish online job recruitment company Keyland invested EUR8 million (US\$10 million) into Myjob.com.cn, a Beijing-based job recruitment company. Earlier this year, Keyland invested EUR10 million (US\$12.6 million) into Shjob.cn, a Shanghai local job recruitment website. As opposed to other international human resource recruitment giants, Keyland only focuses on regional websites.

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

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
September 18, 2006	Ceyuan Ventures, SIG	Lab.kooxoo.com	10.0	NA	NA	Categorized online searching service provider
September 12, 2006	Keyland Group	Myjob.com.cn	10.1	NA	NA	Chinese online and offline job recruitment and research company
September 11, 2006	iD Tech	100e.com	1.0	NA	NA	Online English language study and training services provider
September 8, 2006	NVCC, DCM	BitAuto	10.0	NA	NA	Automobile purchasing information portal and e-platform operator
September 5, 2006	Ninetowns Digital World Trade Holdings Ltd. [NASDAQ:NINE]	GlobalMarket Group Ltd.	5.0	16.3	30.8	International trade B2B e-platform operator and related marketing services provider, focuses on Lighting, Home Appliances and Audio & Video
August 31, 2006	Telstra [ASX: TLS]	Soufun.com	254.0	51.0	498.0	Largest real estate portal and relevant online & offline services provider in Greater China
August 31, 2006	DFJ <sup>(1)</sup> , Intel Capital, W.R. Hambrecht	YeePay	6.0	NA	NA	Leading provider of e-Payment solutions and services through internet, telephone and mobile
August 26, 2006	Goldman Sachs, GGV	Chinacars.com	25.0	NA	NA	Automobile information portal
August 15, 2006	China Finance Online [NASDAQ:JRJC]	Stockstar.com	8.0	100.0	8.0	Online finance and stock information provider
July 8, 2006	Walden, CDH	Emar Networks Incorporated <sup>(2)</sup>	NA	NA	NA	Online marketing solutions provider, focuses on performance-based affiliate programs and search marketing

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

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
July 3, 2006	China Finance Online [NASDAQ:JRJC]	Shenzhen Genius Information Technology	1.06	100.0	1.06	China's local financial information database provider mainly serving domestic securities and investment firms

(1) *Draper Fisher Jurvetson, a venture capital firm*

(2) *Subsidiary of www.eqifa.com*

**Online Entertainment**

In this quarter, 51.com, China's largest social networking platform, received US\$2 million of venture capital funding from Susquehanna International Group (SIG), after it obtained US\$4 million from Sequoia Capital three months earlier. 51.com has been the fastest growing website in China in 2006. Although 51.com launched its promotion for no more than one year, it has registered over 15 million members. Unlike other Web 2.0 properties, 51.com boasts an authentication system for human-based video, which enhances the legitimacy of individual profiles and increases member loyalty to the site.

**Selected Online Entertainment Transactions**

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
September 28, 2006	Sierra On-line Inc <sup>(1)</sup>	Studio Ch'in	NA	NA	NA	Developer of video games on the XBOX360 and Nintendo platform
August 15, 2006	Chia Tai Group	Oyoo.com	NA	NA	NA	Online video-based leisure-focused community in Shanghai
August 11, 2006	SIG	51.com	2.0	NA	NA	Online social network, distinguished by its video/image membership authentication

(1) *A division of Vivendi Games*

**WVAS**

Potential investors in the WVAS sector took pause during the quarter on concerns that China Mobile's new policies would continue to negatively effect service providers revenues in the near term. Of note this quarter was CDC Mobile's US\$25.4 million acquisition of Timeheart, a fellow Chinese mobile valued added service provider to China's four telecom operators. Separately, Wap.3g.net.cn has received over US\$10 million in funding from WI Harper Group, JAFCO Asia and returning investor IDG.

**Selected WVAS Transactions**

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
September 8, 2006	Universal Music Mobile	Beijing MobileFlyer Inc	NA	100.0	NA	WAP portal operator and solutions provider
August 10, 2006	China Mobility Solutions Inc. [OTCBB: CHMS]	Beijing Topbiz Technology Development Co., Ltd.	NA	60.0	NA	SMS-based banking services provider
August 7, 2006	Dragonvest, Kodiak Venture	Wireless China	1.2	NA	NA	Provide SMS-based Chinese WAP domain registration services
August 7, 2006	CDC Mobile <sup>(1)</sup>	Timeheart	25.4	100.0	25.4	China's leading WVAS SP
August 1, 2006	ALONG Mobile Technologies Inc. [OTCBB: AGMB]	Beijing Flashow Media Co., Ltd.	1.2	100.0	1.2	Developer of wireless multimedia technology solutions and platform system of WVAS

Selected WVAS Transactions						
Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
July 14, 2006	Mobile Streams Ltd.	Mobilemode Ltd	9.6	100.0	9.6	Wireless Application Service Aggregator provides services to the mobile phone operators based in Europe and Asia
July 7, 2006	JAFCO Asia, Wi Harper, IDG	Wap.3g.net.cn	10.0	NA	NA	China's leading independent free WAP portal

(1) A wholly owned subsidiary of CDC Corporation (NASDAQ:CHINA)

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