

Media Sector

1st Quarter 2007

China Media M&A Quarterly

Highlights

- **Tulip Media Corporation Ltd. raised US\$30 million in Series C financing**
After this round of financing, Tulip's total accumulated funds raised reached approximately US\$70 million for the out-of-home advertising company.
- **eSun Holdings increased its share in Media Asia by 62.7%**
The US\$26 million investment will give eSun Holdings 100% ownership in Media Asia.
- **CITIC Group and GE Capital announced the purchase of a 68% stake in Asia Satellite Telecommunications ("AsiaSat")**
On completion of the acquisition and the privatization, AsiaSat will be jointly indirectly owned by CITIC Group and GE Capital Corporation.
- **Focus Media Holding Ltd. acquired 100% of Allyes Information Technology Co., Ltd. for US\$225 million**
The strategic acquisition gives Focus Media access to the fast growing Internet advertising market in China.
- **UUSee.com raised US\$23.5 million in Series B financing**
Investment round into the P2P-based online media website was led by DFJ Growth Fund and Highland Capital Partners.
- **Tom Group Ltd. acquired the remaining 24.3% of Tom Online Inc. that it did not own for US\$201.4 million**

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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

- ◆ Indoor / Outdoor Advertising
- ◆ Music Production and Distribution
- ◆ Newspaper / Magazine / Book Publishing
- ◆ Television Production and Broadcasting

NEW MEDIA

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

TRADITIONAL MEDIA

Indoor / Outdoor Advertising

In the Indoor / Outdoor Advertising sector, Tulip Media, the outdoor LED advertiser, completed a Series C financing round of US\$30 million from Credit Suisse. Since 2005, Tulip Media has expanded into 12 major cities across China, including Beijing, Shanghai, Guangzhou, Chongqing, Shenzhen, Nanjing, Hangzhou, and Shenyang. The aggregate of LED screens that Tulip operates is equal to about 10,000 square meters, ranking Tulip the largest outdoor LED advertiser in Asia. The investment from Credit Suisse will be used to increase Tulip Media’s presence in major cities across China before the 2008 Olympic Games and to facilitate the formation of alliances between Tulip Media and other media and advertising organizations, as well as real estate businesses.

Selected Indoor / Outdoor Advertising Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 29, 2007	Credit Suisse	Tulip Media Corporation Ltd.	30.0	NA	NA	Provider of outdoor LED screen advertising services

Music Production and Distribution

In the Music Production & Distribution sector, China’s leading WVAS provider Hurray! acquired a majority stake in Secular Bird, a music producer and offline distributor. By purchasing 65% of Secular Bird, Hurray! will be allowed to distribute Secular Bird’s music via wireless and Internet platforms. The transaction reflects a trend that more and more WVAS SPs are attempting to integrate with content producers in the China wireless communications market.

Selected Music Production and Distribution Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 12, 2007	Hurray! [NASDAQ: HRAY]	Secular Bird	1.5	65.0%	2.3	Music production and offline distribution of recorded music in China

Newspaper / Magazine / Book Publishing

In the Newspaper / Magazine / Book Publishing sector, Recruit received a strategic investment from Malaysian company Jobstreet. The investment will give JobStreet access to the recruitment publishing market in Hong Kong.

Selected Newspaper / Magazine / Book Publishing Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 7, 2007	JobStreet Corp. Bhd. [KLSE: JOBS]	Recruit Group Limited ⁽¹⁾	1.9	20.0%	9.5	Publisher of a leading recruitment advertising magazine in Hong Kong

(1) Subsidiary of Recruit Holdings Ltd. [HKSE: 8073]

Television Production and Broadcasting

In the Television Production and Broadcasting sector, Asia Satellite announced that it will privatize by selling 68% to CITIC Group and GE Equity. The privatization decision results from the persistent over-supply of transponder capacity and the slow introduction of new applications in the competitive Asia-Pacific satellite market.

In another notable transaction during the quarter, eSun Holdings increased its share in Singapore-listed Media Asia Entertainment Group Ltd. from 37.3% to 100% for US\$26 million. The acquisition will take Media Asia's shares off of the Singapore Stock Exchange (where it has not performed well).

Selected Television Production and Broadcasting Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 26, 2007	eSun Holdings Ltd. [HKSE: 571]	Media Asia Entertainment Group Ltd. [SGX: 5FE]	26.0	62.7%	41.5	Investment holding company, engages in film production, and film and video format products distribution
Feb 13, 2007	CITIC Group, GE Equity	Asia Satellite Telecommunications Holdings Ltd. [HKSE: 1135]	290.3	68.0%	919.9	Provides satellite transponder capacity to the television broadcasting, telecommunications, and Internet and multimedia markets
Jan 29, 2007	IDG	Beijing Zhongbo Century Film	8.0	NA	NA	Film and television content producer

NEW MEDIA

Ecommerce, Search, and Portals

In the Ecommerce, Search, and Portals sector, Focus Media purchased Allyes Information, the largest third party Internet advertising company in China. According to iResearch, the China Internet advertising market will reach RMB9 billion (US\$1.2 billion) in 2007 and maintain over 30% annual growth for the next eight years. Allyes' advertising network, SmartTrade™, allows advertisers to pay by CPA (cost per action), directly linking advertising cost with performance. SmartTrade™ has integrated advertising resources from over 5,000 popular websites, making it the largest pay-for-performance online advertising network in China. The acquisition enables Focus Media to establish immediately itself as one of the market leaders in the Internet advertising market.

Another notable transaction involved 139shop.com, which raised US\$40 million from IDG and Highland Capital. 139shop.com currently has over 1 million registered users and leads the mobile phone ecommerce market in China. The investment will be used to diversify 139shop.com's business into the online retailing of digital products and flower distributions services.

Selected Ecommerce, Search, and Portals Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 29, 2007	Trans Cosmos, Inc. [TSE: 9715]	114.com.cn	6.0	NA	NA	Provider of ecommerce, online advertising and search services
Mar 27, 2007	SIG	Chinaedu.com	NA	NA	NA	Online education website focused on junior and middle school classes
Mar 15, 2007	Cobb & Associates ⁽¹⁾	Sooboo.com.cn	2.0	NA	NA	Online automobile insurance agent
Mar 8, 2007	Pixel Interactive Media Ltd. [AIM: PIXL]	Easy Growth Ltd.	10.0	NA	NA	Chinese online affiliate marketing business
Feb 28, 2007	Focus Media Holding Ltd. [NASDAQ:FMCN]	Allyes Information Technology Co., Ltd.	225.0	100.0%	225.0	Largest Internet advertising service company in China
Feb 25, 2007	Cross Country Automotive Services	Uaa.cn	2.0	NA	NA	Car-related information and community portal
Feb 13, 2007	Hua Chuang Investment	Beareyes.com.cn	2.0	NA	NA	IT vertical portal, including information about categorized IT hardware and software, and an e-commerce platform

Selected Ecommerce, Search, and Portals Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 12, 2007	IDG, Highland Capital Partners	139shop.com	40.0	NA	NA	China mobile phone B2B & B2C website
Feb 9, 2007	Pope Asset Management	PacificNet Games	5.0	NA	NA	Subsidiary of PacificNet [NASDAQ: PACT], leading provider of Asian multi-player electronic gaming machines, IT solutions and distribution services for the leading hotel, casino and slot hall operators based in Macao and other Asian gaming markets
Feb 8, 2007	CNET Networks [NASDAQ:CNET]	Stor-Age.com	NA	NA	NA	Digital storage portal
Feb 7, 2007	Hua Shang Media ⁽¹⁾	House365	NA	NA	NA	Real estate portal mainly focused on Nanjing City
Jan 26, 2007	FIGVC	Wedcn.cn	1.3	NA	NA	Wedding information portal
Jan 17, 2007	CNET Networks [NASDAQ:CNET]	Ea3w.com	NA	NA	NA	Home consumer electronics buying guide website

(1) Subsidiary of Huawen Media Investment Corporation. [SZSE: 000793]

Online Entertainment

In the Online Entertainment sector, UUsee.com completed a Series B financing round of US\$23.5 million. UUsee.com currently has about 40 million registers, and has broad business partnerships with over 100 large media entities in China, like CCTV, BTV and SMG.

Another notable transaction was GigaMedia's purchase of 40.3% of T2CN, China's Leading online sports and casual game operator. The acquisition establishes GigaMedia as a leader in one of the world's largest and fastest growing online game markets, and follows GigaMedia's recent strategic investment in Infocomm Asia Holdings, a Southeast Asian online game leader based in Singapore.

Also in the first quarter, Shenzhen Thunder, China's downloading solutions provider, received US\$20 million investment led by Ceyuan Ventures.

Selected Online Entertainment Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 28, 2007	Ceyuan Ventures, Qiming Venture Partners	PPStream, Inc.	10.0	NA	NA	Shanghai-based p2p-powered video broadcasting service provider
Mar 20, 2007	DFJ ePlanet Ventures, IDG, Intel Capital, JAFCO, Zero2IPO Capital	Incesoft Co., Ltd.	NA	NA	NA	Online intelligent chatting solutions and services provider
Mar 15, 2007	AsiaVest	9Sky	10.0	30%	33.0	China leading online music retailer
Mar 7, 2007	DFJ, Highland Capital Partners, Sequoia Capital China, Steamboat Ventures, SIG	UUsee.com	23.5	NA	NA	Online video and audio sharing website
Mar 5, 2007	CDC Games	Auran	3.0	NA	NA	Leading developer of online games in Australia
Mar 2, 2007	Co-founders of leading Internet dating service Lavalife.com	Meta4 Group	2.5	NA	NA	Online matching & dating website through its subsidiary, Worldfriends
Feb 27, 2007	Match.com	eDodo.net	NA	100.0%	NA	Online matching & dating website
Feb 8, 2007	CDC Corp. [NASDAQ: CHINA]	Menllo.com	NA	5%	NA	Social networking website

Selected Online Entertainment Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Feb 8, 2007	SIG	56.com	NA	NA	NA	Video sharing website
Feb 1, 2007	Northern Light	Mysee.com	4.0	NA	NA	Online P2P video software & solutions provider and a P2P website operator
Jan 27, 2007	CUBC	Chtopnet.com	2.0	NA	NA	Online video website
Jan 23, 2007	Timeless Software Limited [HKSE: 8028]	Moease	NA	NA	NA	Search engine focusing on job search and video search
Jan 19, 2007	Ignition Partners, Qiming Venture Partners	Yeelion Inc.	5.5	NA	NA	Entertainment information sites which is currently focused on providing aggregated information on celebrities, such as movie and drama stars
Jan 18, 2007	GigaMedia Ltd. [NASDAQ:GIGM]	T2CN Holding Ltd.	22.9	40.3%	56.8	Leading online sports and casual game operator in China.
Jan 10, 2007	Founder of Videotron	TVix.cn	NA	NA	NA	Video blog and sharing website
Jan 9, 2007	Celestial Asia Securities Holdings Ltd.	Moli Group Ltd	15.6	NA	NA	MMORPG online game developer based in Shanghai
Jan 5, 2007	Ceyuan Ventures, Google, Fidelity, IDG, Morningside	Shenzhen Thunder Network Technology Co., Ltd.	20.0	NA	NA	China's leading online downloading software and solutions provider

(1) Subsidiary of CDC Corporation [Nasdaq: CHINA]

WVAS

In the WVAS sector, Tom Group acquired the remaining 24.3% of Tom Online for US\$201.4 million. WVAS has been a highly significant part of Tom Online's revenues, however, following the policy initiatives announced by mobile operators in China over the past two years, Tom Online's net revenues and net income have dropped significantly. As a result, Tom Group began broadening the products of Tom Online into other areas, like ecommerce where Tom Online and eBay have set up a Joint Venture in late 2006. This transaction is a part of the ongoing restructuring of Tom Online.

Selected WVAS Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Mar 12, 2007	Tom Group Ltd. [HKSE: 2383]	Tom Online Inc. [HKSE: 8282]	201.4	24.3%	829.8	China's leading WVAS provider and portal operator
Jan 24, 2007	Sony BMG Music Entertainment, Warner Music Group Corp. [NYSE: WMG]	Access China Media Solutions	NA	NA	NA	JV between Access Co. and Melodeo Inc. in China, focused on WVAS software, such as downloading solutions
Jan 16, 2007	Korea and China Trade Center	Chengdu Siying Technology Co., Ltd.	0.7	NA	NA	3G mobile game software and solutions developer, focused on JAVA, BREW, and SYMBIAN platforms

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