

Media Sector

3rd Quarter 2007

China Media M&A Quarterly

Highlights

- Zhengtu Networks received US\$100 million in pre-IPO funding

Zhengtu Networks, founded by Shi Yuzhu, is the operator of the extremely successful Zhengtu MMORPG.

- Digital Advertising Channels received US\$35 million funding from AsiaVest, Seven Network, and IDG

Digital Advertising Channel runs Channel Campus (TV advertising on university campuses covering 330 schools) and Channel Airport (airport advertising in 14 cities across China).

- 56.com received approximately US\$20 million from Sequoia Capital and Steamboat Ventures

56.com is a network video clip entertainment website with 9 million registered users and 2 million video clips uploaded, 80% of which are user-generated-content (UGC).

- Tongfang Youyou received Series A funding of US\$16 million from TPG Capital, Softbank China, and Tsinghua Tongfang

Tongfang Youyou is a Shanghai-based TV shopping company founded in January 2007 by an ex-Shanghai Media Group executive.

- PPLive received US\$15 million from DFJ DragonFund in its third round of funding

PPLive provides P2P video broadcasting services in China.

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INTRODUCTION

We are pleased to present our quarterly review of 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
- ◆ Newspaper / Magazine / Book Publishing
- ◆ Television Production and Broadcasting

NEW MEDIA

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

TRADITIONAL MEDIA

Indoor / Outdoor Advertising

In the Indoor / Outdoor Advertising sector, China’s out of home advertising agency Digital Advertising Channels (DAC) has received US\$35 million funding from AsiaVest, Seven Network, and IDG. Founded in 2004, DAC runs Channel Campus (TV advertising on university campuses) where it has a footprint in 330 schools and Channel Airport (airport advertising) where it is in 14 cities.

In another notable transaction during the quarter, Xinhua Finance Media (Nasdaq:XFML) has made another purchase in the outdoor advertising space, acquiring a 100% interest in Convey Advertising Company, a major outdoor advertising operator in Hong Kong and across southern China. Founded in 1986 in Hong Kong, Convey has advertising rights to over 3,000 outdoor media assets, 2,000 of which are exclusive. These outdoor media assets include traditional outdoor billboards, LED and LCD boards in Dongguan, Shenzhen, Guangzhou and Foshan in Guangdong province, Hong Kong and Macau in the south, and Tianjin in the north.

Selected Indoor / Outdoor Advertising Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 27, 07	IDG	Intermedia	NA	NA	NA	Railway advertising company focusing on advertisements on trains
Sep 4, 07	Diversified Agency Services	Consultech Co. Ltd.	NA	NA	NA	Healthcare market consulting and marketing communications company
Jul 31, 07	Publicis Groupe S.A. [NYSE: PUB]	Communication Central Group	NA	100.0	NA	Largest independent full-service interactive marketing agency in China
Jul 16, 07	Time Share Advertising & Communication	Chinese Media	10.0	NA	NA	Elevator advertising company
Jul 11, 07	AsiaVest, Seven Network, IDG	Digital Advertising Channels	35.0	NA	NA	LED screen operator on university campuses and airports
Jul 2, 07	Xinhua Finance Media [NASDAQ: XFML]	Convey Advertising Company	NA	100.0	NA	Outdoor advertising operator in Hong Kong and southern China

Newspaper / Magazine / Book Publishing

Xinhua Finance Media, China’s leading diversified financial and entertainment media company, announced that The Yucaipa Companies, an investment firm with holdings in Asia, Europe and the Americas, has signed an agreement to purchase a block of existing shares from certain shareholders who have come out of the IPO lockup. The move is expected to ease downward pressure on XFM’s shares.

Selected Newspaper / Magazine / Book Publishing

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 27, 07	The Yucaipa Companies, LLC	Xinhua Finance Media Limited [NASDAQ: XFML]	NA	NA	NA	China’s leading diversified financial and entertainment media company

Television Production and Broadcasting

In the television production sector, TPG Capital, Softbank China, Tsinghua Tongfang have made a US\$16 million investment into Tongfang Youyou, a Shanghai-based TV shopping company with five TV shopping channels in Suzhou, Ji'nan, Qingdao, Kunming and Xiamen. Youyou was founded in January 2007 by a former Shanghai Media Group executive. The revenue generated in Kunming is said to have reached RMB100,000 per day.

China Chief Cable TV Group Limited (SEHK:8153), through its wholly owned subsidiary Sparkle View Enterprises Limited, has acquired an 80% stake in Precision (Nanjing) Commodity Inspection & Consulting Co. Ltd. (PNCIC). PNCIC has entered into a legally binding agreement with Jiangsu Digital to form a TV sales and related TV programs production joint venture.

Selected Television Production and Broadcasting Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 6, 07	TPG Capital, Softbank China, Tsinghua Tongfang	Shanghai Tongfang Youyou	16.0	NA	NA	TV shopping company
Aug 8, 07	Ban Joo & Co. Ltd. [SGX: B07]	China Civil Media Corporation	NA	100.0	NA	Program producer and operator of the China Central Television, Internet Protocol Television legal system channel
Aug 6, 07	China Chief Cable TV Group Limited [SEHK: 8153]	PNCIC	NA	80.0	NA	TV production and sales

NEW MEDIA

Ecommerce, Search, and Portals

Investment in the Ecommerce, Search, and Portals sub-sector remained strong in the third quarter.

As the biggest deal in this sub-sector, 56.com, a network video clip entertainment website in China, received the second round of approximate US\$20 million investment from venture capital firms Sequoia Capital and Steamboat Ventures just three months after its first round of venture capital financing. In June 2007, 56.com completed its first round of financing where it received US\$10 million from Sequoia Capital, SIG and Steamboat Ventures. 56.com was founded in April 2005. By the end of August 2007, 56.com quotes a total of 9 million registered users, with 2 million video clips, 80% of which are UGC.

The Ecommerce sector continued to receive attention from investors. Leyou received a US\$11 million Series B investment from AsiaVest Partners. With its main business in Beijing, Leyou provides multi-channel retail products and services for pregnant mothers, babies, infants and toddlers. Also in the sector, 360buy.com received US\$10 million from Capital Today. 360buy is a B2C business which sells mobile phones, consumer electronics, computer and accessories, as well as home appliances.

In the online education area, Saybot received a US\$8.2 million investment via its Series B financing led by CID Group. Saybot is devoted to helping Chinese English language learners improve their spoken English through its Internet enabled speech-technology software platform. Through its speech-based platform, English teachers, publishers, and schools can create and sell spoken-English curricula to 180 million English learners in China.

The online information portal sector also saw active investments in the third quarter. As a portal with focus on China's home furnishings, building materials, and ornaments, 51hejia received a Series B investment from Morningside Ventures and JAFCO Asia. Since its establishment in June 2006, 51hejia has ranked the first in terms of unique visitors visit among the industry. In addition, its publications are available in seven major cities including Beijing, Shanghai, Guangzhou and Shenzhen. Another notable deal is Luxury (Asia)'s acquisition of luxury goods information portal, Wha-Asia.com for US\$9.6 million. Wha-Asia has 19 channels for life and luxury products, and 6 channels covering industry news and updates. In addition, it has opened an online shopping centre for property purchase. Softbank's Bodhi Investment LLC invested US\$10 million in 51credit.com, the first credit card information portal in China. The platform helps consumers understand credit card knowledge, establish, manage and protect their individual credit history.

Selected Ecommerce, Search, and Portals Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 19, 07	Oriens Travel and Hotel Management Corp. [OTCPK: OTHM]	128Trip	NA	100.0	NA	Flight and accommodation booking site
Sep 18, 07	Luxury (Asia) Co., Ltd	Wha-Asia.com	9.6	100.0	9.6	Online portal providing information on luxury goods
Sep 17, 07	CID Group, China Merchants Hidden Jade Partners, Hutong and Vickers Venture Partners	Saybot LLC	8.2	NA	NA	Internet platform helping Chinese English language learners improve their spoken English through Internet enabled speech-technology software
Sep 16, 07	Dragon Venture, ePlanet Ventures	SinoCast LLC	NA	NA	NA	Business information provider with a focus on China business news
Sep 4, 07	Ninetowns Internet Technology Group Company Limited [NASDAQ: NINE]	Hangzhou Tophere Info-Tech Inc.	0.7	22.0	3.0	Chinese B2B food and beverage trade facilitator
Aug 29, 07	Zhejiang Netsun [SZSE: 002095]	Mechnet.com.cn	NA	20.0	NA	Online mechanical knowledge and information sharing platform
Aug 27, 07	Sequoia Capital, Steamboat Ventures, LLC	56.com	~20.0	NA	NA	Platform for downloading and sharing videos on a pay per download basis
Aug 20, 07	Global Sources Ltd. [NASDAQ: GSOL]	Blue Bamboo	NA	100.0	NA	Operator of four sites providing home renovation, overseas study, weddings and parenting information to urban Chinese consumers
Aug 10, 07	Capital Today	360buy.com	10.0	NA	NA	B2C e-commerce site
Aug 7, 07	CNET Network [NASDAQ: CNET]	Onlylady.com	NA	100.0	NA	Female fashion information website
Aug 1, 07	Hong Kong Jie-Biao Capital	Veryad.com.cn	2.6	NA	NA	Online advertising company focusing on golf-related advertisements
Jul 25, 07	Morningside, JAFCO	51hejia.com	10.0	NA	NA	Household furniture and decoration classified website
Jul 25, 07	Bodhi Investment LLC, SIG, eGarden	51credit.com	10.0	NA	NA	Credit card information portal site
Jul 4, 07	AsiaVest Partners	Leyou.com	11.0	NA	NA	Multi-channel retailer of products and services for pregnant women, babies, infants and toddlers
Jul 2, 07	Born Technology Corp.	Zhubajie.com.cn	1.3	NA	NA	A popular witkey platform for solving scientific, technical, work or household problems via Internet, for exchanging knowledge, wit, skill and experience

Online Entertainment

Online Entertainment, especially the online game sector, continued to be one of the most active sectors for M&A and private placement activities in the third quarter of 2007. On the private placement side, Shanghai-based Zhengtu Networks has raised US\$100 million in a pre-IPO financing. The online game developer and operator was rumored to go public on Nasdaq in the fourth quarter. CDC Games, a unit of Chinese Internet portal operator and software provider CDC Corp., has invested in Xiakexing Network Technologies, which provides online game and game technology in China. Dynasty Gaming has purchased an initial 10% stake in 3Q1 Technologies (Shanghai) Ltd, a leading mahjong game portal based in Shanghai. Leeuu.com, the developer and operator of virtual community game Romantic Chateau Online, has received an undisclosed amount in the company's first reported round of funding from Redpoint Ventures. On the M&A side, Shanda Interactive Entertainment Ltd. (Nasdaq:SNDA) has bought Chengdu Aurora Technology Development Co. Ltd, a Chinese developer and operator of massively multiplayer online role-playing games. Aurora runs two of its own MMORPGs – 'Feng Yun Online' and 'Legend Online', the first of which has more than 6 million registered users.

In the e-magazine sector, BBSpace has received US\$11 million in venture funding from an investment group led by IDG. BBSpace provides online magazines targeting the business communities and has also extended its services to provide an integrated information portal to various businesses in China. BBSpace benefits from the 500,000 strong client base of SuperData and helps companies to promote their businesses through its 41 channels.

In the video sharing space, BroadWebAsia acquired stakes in two of the fastest growing online video sites in China - Mofile.com and Hubotv.com. Mofile.com has achieved the rank within the Top 50 websites in China and offers users the ability to share and store video/digital content. Mofile is generating 26 million unique visitors per month and generates over 250 million page views. Meanwhile, Hubotv.com is known for its original and contagious/viral content, and is also a media platform that stimulates the creation of new, innovative UGC and provides users with all of the essential tools to produce, edit, and share videos. Hubotv receives 22 million unique visitors per month and generates over 170 million page views. Finally, P2P video broadcasting service provider PPLive received approximately US\$15 million from DFJ Dragon.

It was reported that The9 (Nasdaq:NCTY) has signed an agreement with Shanghai Alliance Investment to take over a 50% stake in MSN China for approximately US\$100 million. Local media predicts this transaction may involve a deeper cooperation between Microsoft and The9 in the future.

Selected Online Entertainment Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 27, 07	The9 Limited [NASDAQ: NCTY]	Shanghai MSN Network Communications Technology	100.0	50.0	200.0	Subsidiary of Microsoft Corporation and Shanghai Alliance Investment Ltd
Sep 21, 07	NA	Zhengtu Network	100.0	NA	NA	MMORPG developer and operator
Sep 19, 07	IDG, SuperData	BBSpace	11.0	NA	NA	Online business magazines provider and integrated information portal
Sep 14, 07	DFJ Dragon	PPLive	15.0	NA	NA	P2P video broadcasting service provider
Aug 29, 07	Carlyle	ZCOM	NA	NA	NA	E-magazine developer and distributor
Aug 20, 07	Google Inc. [NASDAQ: GOOG]	Tianya.cn	NA	NA	NA	Chinese community site
Aug 20, 07	NGI Group	Hipihi.com	3.0	NA	NA	3D virtual world site
Aug 14, 07	CDC Games	Xiakexing Network Technologies Co, Ltd	NA	NA	NA	Online games developer
Aug 6, 07	Redpoint Ventures	Leeuu.com	NA	NA	NA	Online games developer and operator
Jul 30, 07	Zhanzuo.com	Yoolin.com	NA	100.0	NA	Chinese overseas students site
Jul 24, 07	HSBC, Intel Capital, NIF SMBC Ventures	Winking Entertainment Corporation	8.0	NA	NA	Developer of computer/console/online game software
Jul 12, 07	Co-founder of Advertising.com, Stein Kretsinger, infoUSA, Datran Media, and Mustang Ventures	Wanmo Performance Advertising	4.0	NA	NA	Online advertising solutions and digital direct marketing provider
Jul 5, 07	Shanda Interactive Entertainment Ltd. [NASDAQ: SNDA]	Chengdu Aurora Technology Development Co. Ltd	NA	100.0	NA	MMORPG developer and operator
Jul 2, 07	BroadWebAsia	Mofile.com, Hubotv.com	>10.0	NA	NA	Two Chinese video sharing websites
Jul 3, 07	Dynasty Gaming [OTCBB: DNYFF]	3Q1 Technologies (Shanghai) Ltd	NA	10.0	NA	Leading mahjong game portal in China

WVAS

FoneNet (100TV.com), a Beijing-based provider of video content for mobile phones, has finished its Series B fund-raising for approximately US\$10 million led by NIF SMBC Ventures. So far, this new round of financing has been the largest-scale venture capital investment in the Chinese mobile phone video content sector.

Previously a subsidiary of Faith, a Japanese ringtone developer, Anymusic Limited has been acquired for US\$6.1 million by Rojam Entertainment Holdings Ltd. (SEHK:8075). AnyMusic has been providing its distribution service of mobile content such as ringtones and mobile phone wallpaper to the Chinese market. At present, it is ranked as a leading SP on China Unicom's ringtone distribution service.

Selected WVAS Transactions

Date Announced	Lead Investor(s) / Buyer	Target	Transaction Value (US\$ mm)	%	Implied Valuation (US\$ mm)	Description of Target
Sep 12, 07	NIF SMBC Ventures, Cisco Systems [NASDAQ: CSCO], ID Tech Ventures, Grand Asia	Beijing FoneNet Information Technology Co., Ltd	>10.0	NA	NA	Web 2.0 mobile phone video portal
Sep 6, 07	Rojam Entertainment Holdings Ltd. [SEHK: 8075]	Anymusic Limited	6.0	100.0	6.0	Chinese mobile SP

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