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Asia Media & Internet Weekly, Monday 12 November 2007

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****Please see attached for the operating stats and valuation comp across our Asia Media & Internet coverage universe.****

Rating change

Upgrade

- **NC Soft** (036570.KS, W53,000, NEUTRAL [V], TP W62,000) Underperform to NEUTRAL

Material estimate changes

Upgrade

- **Perfect World** (PWRD.OQ, US\$30.90, OUTPERFORM [V], TP US\$36.00) CY07E +4%, CY08E +5%, CY09E +8%
- **NetEase** (NTES.OQ, US\$19.41, NEUTRAL, TP US\$18.50) CY08 +4%

Downgrade

- **NetEase** (NTES.OQ) CY09E -1%

Target price changes

Upgrade

- **Perfect World** (PWRD.OQ) new TP US\$36.00 (old: US\$28.00)
- **NetEase** (NTES.OQ) new TP US\$18.50 (old: US\$17.80)
- **Daum Communications** (035720.KQ, W74,600, OUTPERFORM [V], TP W100,000) new TP W100,000 (old: W85,000)

Ticker Tape and Editorial

- Two themes took centre stage in our media & Internet universe last week: 1) IPO activities, and 2) the carnage on Nasdaq. On the positive side, two Chinese stocks, **Alibaba.com** (1688.HK, HK\$29.00, not rated) and **AirMedia** (AMCN.OQ, US\$19.40, not rated), both staged very strong stock market debuts mid-week. Alibaba.com finished its first trading day at HK\$39.5, up a staggering 193% from its IPO price of HK\$13.5. Even with the profit taking into the week, the stock continued to stay fairly robust, ending the week at HK\$29.00 and still more than doubled from its IPO price. This was a hard act to follow admittedly, and no one would have expected AirMedia, the latest China out-of-home TV advertising company to list, to repeat Alibaba.com's showing. AirMedia nonetheless rose 39.3% on its trading debut from its IPO price of US\$15.00, and ended the week at US\$19.40, still up 29%, despite the dismal performance of the broader Nasdaq performance last week.
- Elsewhere, **Hong Kong Economic Times** (0423.HK, HK\$4.05, not rated) was +17.4%, **Wire & Wireless** (WNW IN, Rs45, not rated) +12.9%, **SEEC Media** (0205.HK, HK\$0.36, not rated) +9.2%, **Qin Jia Yuan Media** (2366.HK, HK\$5.30, not rated) +9.1%, **One Media Group** (0426.HK, HK\$0.51, not rated) +8.3%, and **Cheil Communications** (030000.KS, W265,000, NEUTRAL, TP W255,000) +8.2%: media industry experts estimate Korea's 3 FTA TV stations could earn a combined W530 bn (US\$584 mn) in additional ad revenue if mid-programme ads – pretty well banned since 1974 – become allowed and this could be positive to the entire advertising industry even as cable TV and other media see some of their advertising revenues competed away by FTA TV.
- On the downside, the newly listed China games company **Giant Interactive** (GA US, US\$15.68, not rated) saw significant selling pressure and was our worst performer last week, -18.3% and barely above its IPO price by now. Nasdaq had a terrible week and hence the carnage too and by definition hurting most of the China names listed in the US: **Sohu** (SOHU.OQ, US\$53.23, OUTPERFORM, TP US\$61.70) -17.7%, **Sina** (SINA.OQ, US\$49.88, OUTPERFORM, TP US\$61.20) -16.5%, **NetEase** (NTES.OQ, US\$19.41, NEUTRAL, TP US\$18.50) -16.2%, **Baidu** (BIDU.OQ, US\$358.12, UNDERPERFORM [V], TP US\$196.00) -16.1%, **Global Sources** (GSOL.O, US\$29.24, not rated) -15.0%, **Kongzhong** (KONG.OQ, US\$4.84, NEUTRAL [V], TP US\$6.40) -13.4%, **Perfect World** (PWRD.OQ, US\$30.90, OUTPERFORM [V], TP US\$36.00) -9.7%, **Shanda** (SNDA.OQ, US\$37.19, NEUTRAL, TP US\$26.50) -9.5%, and **The9** (NCTY.OQ, US\$32.00, OUTPERFORM [V], TP US\$42.00) -6.4%.
- Outside of Nasdaq, **Tencent** (0700.HK, HK\$53.75, OUTPERFORM [V], TP HK\$43.70) was -16.1%, **APT Satellite** (1045.HK, HK\$2.00, not rated) -13.0%, **Dish TV** (DITV IN, Rs52, not rated) -9.5%, **Adlabs** (ADLF IN Rs897, not rated) -8.3%, another newly listed China games company **Net Dragon** (8288.HK, HK\$15.20, not rated) -8.0%, **EMPAS** (066270.KQ, W35,050, OUTPERFORM [V], TP W32,000) -7.4%, **Daum Communications** (035720.KQ, W74,600, OUTPERFORM [V], TP W100,000) -7.1%, **TVB** (0511.HK, HK\$45.70, NEUTRAL, TP HK\$47.00) -6.9%, **G2R** (035000.KS, W12,000, NEUTRAL) -6.6%, **Dahe Media** (8243.HK, HK\$0.71, not rated) -6.6%, **NC Soft** (036570.KS, W53,000, NEUTRAL [V], TP W62,000) -6.4%, and **TV Today** (TVTN IN, Rs153, not rated) -5.9%. (12-Nov-07, contact Marisa Ho at 852 2101 7466 or marisa.ho@credit-suisse.com)

Top stories of the week

1) Perfect World – TP upgrade: strong Zhuxian to drive 3Q growth; entering Indonesian market

- According to Credit Suisse's China Online Game league table, **Zhuxian** is the best performing game of **Perfect World** (PWRD.OQ, US\$30.90, OUTPERFORM [V], TP US\$36.00) in 3Q07, due to: 1) heavy promotion, 2) launch of new expansion

- Despite our concerns for weakness in domestic revenue as well as potential disappointment on sale of TR, we believe downside risk is relatively limited for NCsoft, with stock down 33.3% from its six-month peak. In fact, we believe favorable China publishing deal with Shanda could finally unlock its growth in China. Hence, with target upside of 5.1%, we are upgrading our rating to NEUTRAL from Underperform. (8-Nov-07, contact Jeff Kahng at 852 2101 7480 or jeff.kahng@credit-suisse.com)

Last week in brief

Corporate actions

CHINA

- Alibaba.com**'s (1688.HK, HK\$29.00, not rated) share price opened strongly on its debut on 6 Nov at HK\$30, already more than double its offer price of HK\$13.5, and continued to climb to finish its first trading day at HK\$39.5, +193%, and which values Alibaba.com at about 306x projected 2007 P/E. Meanwhile, fellow B2B play **Global Sources** (GSOL, US\$27.90, not rated) finished that trading day overnight up only 0.57%, having significantly come off a 16.3% intra-day gain at one point off the strength of Alibaba.com. (7-Nov-07, contact Wallace Cheung at 852 2101 7090 or wallace.cheung@credit-suisse.com)
- AirMedia** (AMCN.OQ, US\$19.40, not rated), the latest China out-of-home TV advertising company to list, rose 39.3% on its trading debut on 7 Nov, from its IPO price of US\$15.00. (8-Nov-07, contact Marisa Ho at 852 2101 7466 or marisa.ho@credit-suisse.com)
- Guangdong China Sunshine Media** (pending listing) – which is controlled by Guangzhou Dayang Culture and Communication, a subsidiary of the Guangzhou Daily Group – will float 70 mn A shares to raise RMB400 mn (US\$53.6 mn) to revamp its printing house and expand distribution. The IPO allows the Guangzhou Daily Group to go public on the A-share market via a backdoor listing. (5-Nov-07, China Daily)
- Redgate Media** (not listed) announced an investment into Breeze Media, an interactive radio content company in China, currently producing 4 programmes each day syndicated to over 70 markets nationwide as well as across the mobile and fixed-line Internet. Breeze Media helps build Web 2.0 communities around sticky content like the Olympics, and personal relationships. The content uses traditional radio programmes to attract and encourage users to participate through the web or through their mobile phones. (7-Nov-07, Company)

KOREA

- Korea's telecommunications policy review committee approved a plan by Macquarie Bank and private equity firm MBK Partners to buy a 30.5% stake in **C&M** (not listed), the largest cable TV operator in the Seoul metropolitan area. The Macquarie-led group acquired the stake from Goldman Sachs (GS, US\$211.33, OUTPERFORM, TP US\$275.00) in Aug for an unspecified amount. Local media suggested the price tag is US\$665 mn. (8-Nov-07, WSJ)

INDIA

- DTH major **Tata Sky** (News Corp, News Corporation Limited (The) (NWS.AX, \$22.10, OUTPERFORM, TP \$29.00, OVERWEIGHT) is reportedly considering a second round of funding of US\$150-200 mn, and is believed to be in talks with private equity firms such as Providence, Carlyle, Blackstone (BX, US\$24.28, OUTPERFORM [V], TP US\$30.00), GS, and Apax Partners. (8-Nov-07, The Economic Times)

The reporting season

CHINA

- NetEase** (NTES.OQ reported 3Q diluted EPS down 14% QoQ and 8% below consensus, due to weaker-than-expected game business and higher-than-expected marketing expenses. Game revenue was down 1% QoQ on the decline of WJ2. WJ2 user migration to WJ3 was insignificant. NetEase will operate and develop WJ2, WJ3 through two teams. Fantasy achieved PCU at 1.44 mn in Jul 07 and 3Q revenue was up 4% QoQ. The new expansion pack launched in Sept 07 is a near-term driver. Brand ad revenue was up 36% QoQ, above forecast, as NetEase created new ad space in free email services. Management is improving the Olympics content to attract higher ad revenue. We forecast NetEase brand ad revenue will grow 68% YoY in 2008. We raised our 2008E by 4% on higher WJ2 revenue and higher ad revenue forecast. We raised our target price from US\$17.8 to US\$18.5. We maintain our NEUTRAL rating, as NetEase failed to launch major titles to drive growth. (9-Nov-07, contact Wallace Cheung at 852 2101 7090 or wallace.cheung@credit-suisse.com)
- Phoenix Satellite Television** (8002.HK, HK\$1.90, not rated) reported 9M07 net profit grew 53.2%, on turnover +12.0% YoY. During the quarter, it recognized a gain on an investment in a subsidiary of HK\$17.5 mn. Excluding this, underlying profit was up 39.8% YoY. The appreciation of the RMB during 9M07 boosted the profit attributable to equity holders by ~HK\$16 mn or 12.2ppt of YoY earnings growth. Its flagship *Phoenix Chinese Channel* (69% of sales) recorded turnover growth of 11.0%. However, *Phoenix InfoNews Channel* (17% of sales) saw sales fall 9.1%. (9-Nov-07, Company)

KOREA

- Daum** (035720.KQ, W74,600, OUTPERFORM [V], TP W100,000) reported strong 3Q07 results above our expectations. Based on consolidated statement, the company's OP and EBITDA were +121% and +48% QoQ whilst NP was +504% QoQ. Although no specific guidance was provided, the management seems bullish over future earnings outlook. In particular, the company remains super positive over search ad outlook as well as its new video service potential. Given strong 3Q07 results and the company's higher expectation for earnings outlook, it seems clear that our current 2008-09 estimates as well as consensus estimates look conservative. We raised our new TP for Daum to W100,000, from previous W85,000. Our new TP is based on: 1) our change in DCF assumption for perpetual growth from previous 1.0% to 1.5% on the back of its stronger earnings outlook for mid-to-longer perspective, and 2) 50.1% holdings in estimated transaction value of W150 bn for Daum Direct. (7-Nov-07, contact Jeff Kahng at 852 2101 7480 or jeff.kahng@credit-suisse.com)
- NHN** (035420.KQ, W263,000, OUTPERFORM, TP W305,000) reported solid 3Q07 results with OP and NP +11.7% and +12.4% QoQ, respectively. Revenue grew 11.9% QoQ, led by 30% growth of game business and 8.4% and 6.3% growth of display and search ads, respectively. On the back of higher 3Q07 games revenue, the company again moved up its 07 revenue guidance to +W900 bn from previous guidance of W890 bn while maintaining same +40% OP margin guidance. Despite reporting strong earnings, the company will face scrutiny over the longer-term growth momentum of search ad revenue. In particular, with slower