

Monstermob Group Plc announces major acquisition in China

- Monstermob has agreed to acquire ATOP Century Limited, a leading provider of value added mobile content services in China – the world’s largest mobile telecommunications market, forecast to grow by 225m additional users by 2008. China Mobile has increased users by 41% over the last 12 month period
- A strategic acquisition in a market that is growing rapidly, ATOP, has grown monthly (un-audited) EBITDA by approximately 100% in the last six months
- Total revenues generated by mobile value added content service providers are forecast to grow from approximately \$900 million in 2005 to approximately \$1.9 billion in 2008
- Market for advanced entertainment content services (such as polyphonic ringtones and colour pictures) is expected to be the largest growth segment, increasing from circa \$291m in 2005 to over \$450m and \$650m in 2006 and 2007 respectively
- As a leader in advanced mobile entertainment services, ATOP is ideally positioned to capitalise upon this growth
- Based on ATOP’s current growth rates, the Board of Monstermob expects the Total Consideration to be circa \$100 million

Monstermob, (“Monstermob” or “the Group”), the global mobile phone entertainment group, announces that it has agreed to acquire ATOP Century Limited (‘ATOP’, “the Company”), a leading Chinese mobile content provider. The transaction will enable Monstermob to expand substantially its international mobile content activities and to take advantage of the rapid growth in one of the world’s largest mobile phone markets. It will create a global mobile content business with more than 11 million subscribers. The transaction follows the recent £20m share placing by the Group, which was announced on 27 June 2005, to facilitate acquisition opportunities in new overseas markets, including China.

China is the world’s largest mobile telecommunications market with approximately 345 million mobile phone users as at June 2005. China’s mobile penetration rate of circa 25% is low compared with developed markets where penetration is often in excess of 90 per cent. The number of users is forecast to increase to some 570 million by 2008. The market is dominated by two mobile networks, China Mobile and China Unicom. China Mobile currently has some 224 million mobile users, having grown 41% over the previous 12 month period. The revenue generated by wireless value added content providers is forecast to increase from \$900m in 2005 to \$1.9 billion by 2008, representing a compound annual growth rate of circa 28%.

Within the mobile entertainment sector, the market for advanced mobile content services (such as polyphonic ringtones and colour pictures) is expected to be the largest growth segment, increasing from circa \$291m in 2005 to over \$450m and

\$650m in 2006 and 2007, respectively. As a leader in advanced mobile content services, ATOP is ideally positioned to capitalise upon this growth trend.

The Total Consideration for ATOP will be funded 50% in cash and 50% in new ordinary shares in Monsternob, of which \$30m in cash and \$12m in shares will be paid on completion, which is expected to occur within the next four weeks. The total valuation of ATOP will be based on a multiple of 10 times audited EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of ATOP for the 12 months to 31 December 2005. Based on ATOP's current growth rate, the Board of Monsternob anticipates that the purchase price will be approximately \$100m (ATOP generated \$0.8m of EBITDA (un-audited) in June 2005). Further details of the consideration are set out below. Completion of the transaction is conditional on the receipt of various regulatory approvals in the People's Republic of China ("PRC").

Information on ATOP

ATOP has expanded rapidly since it was founded in 2003 by Yongqiang Qian, Chief Executive Officer and largest shareholder. The Company provides highly complementary mobile entertainment products to Monsternob, including ringtones, wallpapers and music downloads, on a subscription basis. Many of the earlier content products and services developed by Monsternob can likely be monetised in China's less sophisticated handset market. All of these products have been expensed historically by Monsternob. ATOP is the third largest independent provider of mobile content on China Mobile's information and entertainment portal, Monternet.

Customer growth at ATOP has been exceptional since its launch, with subscribers almost doubling from 650,000 to 1,250,000 in the six months to 30 June 2005. Financial performance has also been strong, with un-audited EBITDA of \$4m recorded in the first half of 2005 on un-audited net revenues of \$6.5m. During the first half of 2005, monthly un-audited EBITDA grew substantially from \$0.4m in January to \$0.8m in June. ATOP employs 100 people and had un-audited net assets of \$4.4m at 30 June 2005.

As part of the transaction, Mr. Qian has agreed to remain as the Chief Executive Officer of ATOP for two years from completion. Mr. Qian, aged 34, was educated at Yale, where he gained an MBA. Mr. Qian has an economic interest of 45% in ATOP, with the remainder held by external investors.

Impact on Monsternob

The transaction will increase the market presence of Monsternob to 19 countries. The Group already has more than 10 million monthly subscribers and is particularly well positioned in Asia, through acquisitions of Unrealmind Interactive (with operations in Malaysia, Indonesia, Thailand and Vietnam) and Upper Mobile (with operations in the Philippines and Singapore). Monsternob's strategy is to establish a presence in emerging mobile markets and to then exploit the growth opportunities with its proven value added content services in such markets.

The Board of Monsternob believes the Chinese market offers the Group significant expansion potential. In addition to the size of the market, rapid growth is expected in

newer, WAP (Wireless Access Protocol) and mobile internet technologies. Recent estimates suggest that less than 25% of mobile handsets in China can access advanced mobile content downloads such as polyphonic ringtones. However, this is set to grow rapidly as such phones now account for the vast majority of handset sales in China. As part of the Monsternob Group, the Board believes that ATOP will be well placed to build upon its leading position in the market. In addition to focusing on new content development for the growing mobile internet sector, ATOP also intends to build upon its early steps into the 2G market, which currently represents circa 75% of existing mobile telephony in China.

Commenting on the acquisition of ATOP, Hans Snook, Chairman of Monsternob, said:

“The ATOP transaction marks our largest acquisition to date and is a great entry point into the rapidly growing Chinese mobile content market. ATOP has carved out a strong position in this market and is set for substantial growth. This acquisition increases our already strong position in Asia. Through continued growth in this rapidly developing market, and further selective acquisitions, our intention is to become the pre-eminent mobile phone entertainment company.”

Martin Higginson, Chief Executive of Monsternob, said:

“Yongqiang Qian and the ATOP team have demonstrated an outstanding ability to capitalise on the adoption of mobile content services in China over the past 12 months. We intend to work closely with the ATOP management team to develop its proposition in China through knowledge and content sharing from across the Monsternob Group.”

Yongqiang Qian, CEO, ATOP Century Limited said:

“Monsternob has demonstrated a clear ability to grow both globally and organically. I am impressed with the acquisitions the Company has made over the past 12 months and how it has grown these acquired businesses to create a leading position in the global mobile entertainment market. I look forward to working closely with the Monsternob team in establishing China as a key contributor in the Monsternob success story.”

Transaction consideration

The total consideration payable in respect of ATOP comprises an initial payment on completion, which is expected to occur in the next four weeks (the “Initial Consideration”) and a further payment on receipt of ATOP’s audited accounts to 31 December 2005 (the “Deferred Consideration”) (together the “Total Consideration”). The Total Consideration will comprise 50% cash and 50% new ordinary shares in Monsternob (all of which will be issued at £3.50 per share). The Total Consideration will be 10 times audited EBITDA of ATOP for the year to 31 December 2005. Based on the current growth rate, the Board of Monsternob anticipates that the Total Consideration will be approximately US\$100m.

The Initial Consideration comprises US\$30m in cash and US\$12m in new ordinary shares in Monsternob. The Total Consideration is capped at US\$180m, with any consideration in excess of US\$150m payable entirely in Monsternob shares. The cash element of the transaction will be paid out of existing cash resources following the recent £20m share placing, and cash flows of the enlarged group following Completion.

The shares to be issued to the vendors as part of the Initial Consideration will be subject to a six month lock-in from the date of issue and to an orderly market obligation for the subsequent three months. The shares to be issued to the vendors as part of the Deferred Consideration will be subject to a twelve month lock-in from the date of issue and to an orderly market obligation thereafter.

Monsternob is entitled to issue loan notes to the vendors in respect of up to half of the cash element of the Deferred Consideration. These loan notes, if issued, would be of 18 month maturity (from the date of issue) and would be repayable quarterly in arrears in six equal instalments, bearing interest on any outstanding balance at 7 per cent. per annum. Monsternob has agreed, in the event that ATOP reports audited EBITDA in excess of US\$20m for the year ending 31 December 2006, to redeem any outstanding loan notes within five business days of receipt of the audited accounts for this period.

Structure of the transaction

At present, foreign businesses can own no more than 50% of companies which hold a license to operate in the Chinese value added telecommunications industry. The transaction structure being employed is designed to provide substantially all of the benefits of full ownership whilst complying with this restriction. It is similar to the structures used by a number of other foreign companies in previous transactions.

ATOP is a new legal entity which has been formed for the purposes of the transaction. On completion Monsternob will own 100 per cent. of the issued share capital of ATOP. ATOP is incorporated in the British Virgin Islands. All of the trading activities which will comprise ATOP are currently owned by a Chinese legal entity, Beijing Liangdong Weiye Technology Company Limited (“LW”), which also holds the telecommunications licences. Under the transaction structure, a new Chinese legal entity, Beijing Donggan Tiantang Technology Company Limited (“BD”), has also been formed. On completion, BD will acquire all of the key assets of LW, with the exception of the licences. BD is a wholly owned subsidiary of ATOP and is an approved wholly foreign owned enterprise under Chinese corporate law. The Licences will remain with LW.

On Completion, a series of agreements will be entered into to ensure that BD effectively has substantially all of the benefits of owning LW, with all contracts renewable at the option of BD. The key agreements in this regard are as follows:

- A 10 year agreement under which BD is appointed as exclusive provider of all technical and operational services to LW. Under this agreement BD may charge LW for its operational and technical services, in monthly amounts with no limitation on maximum fees;

- Monsternob nominees have been given full power of attorney over the share capital of LW. The directors of LW following closing will be two Monsternob nominees and Mr Qian;
- BD has been given an exclusive option to purchase the shares of LW at any time in the next 10 years (subject to an automatic renewal in BD's favour at year ten) for nominal value;
- BD holds a legal pledge on the shares of LW;
- BD holds legal charges on the assets of LW including its receivables to secure payment for its provision of operational and technical services to LW; and
- LW has transferred its key assets, personnel as well as intellectual properties to BD.

The Board of Monsternob has been advised by its PRC legal counsel that this transaction structure has been employed on a number of occasions by foreign investors into the Chinese mobile content sector and are satisfied that this structure provides, in the circumstances and to the fullest extent achievable under PRC law, substantially all of the benefits of ownership of LW.

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