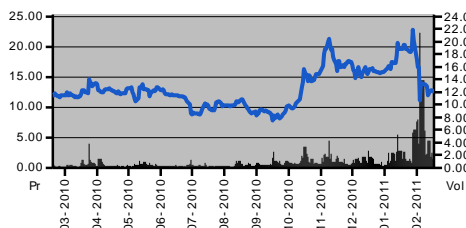




<b>Rating:</b>	<b>Buy</b>
<b>Price Target:</b>	<b>\$26.00</b>
<b>Price Target Metrics: 8.9x P/E (2011)</b>	
<b>Current Price:</b>	<b>\$12.65</b>
Float:	10.9MM
Diluted Shares:	38.4MM
Short Interest:	6.8MM
Average Daily Volume:	5,122k
52 Week Range:	\$7.58 - \$23.97
<b>Market Cap:</b>	<b>\$486MM</b>
Cash and Investments:	\$170MM
Debt:	\$0MM
Enterprise Value:	\$316MM
Net Cash/Sh:	\$4.42

**PRICE & VOLUME CHART**



**ESTIMATES \$ (MMs except multiples & EPS)**

	2009	2010	2011
<b>Revenue</b>			
Q1 (Mar)	\$18.8A	\$44.5A	\$63.5E
Q2 (Jun)	\$19.1A	\$53.5A	\$71.2E
Q3 (Sep)	\$26.1A	\$57.0A	\$79.0E
Q4 (Dec)	\$32.0A	\$59.0E	\$86.0E
FY	\$95.9A	\$214.0E	\$299.7E
EV/Sales	3.3x	1.5x	1.1x
<b>EPS (GAAP)</b>			
Q1 (Mar)	\$0.36A	\$0.54A	\$0.62E
Q2 (Jun)	\$0.40A	\$0.80A	\$0.70E
Q3 (Sep)	\$0.56A	\$0.81A	\$0.77E
Q4 (Dec)	\$0.49A	\$0.73E	\$0.84E
FY	\$1.81A	\$2.88E	\$2.93E
P/E	7.0x	4.4x	4.3x
<b>EBITDAS</b>			
Q1 (Mar)	\$11.3A	\$25.3A	\$41.1E
Q2 (Jun)	\$11.9A	\$39.9A	\$46.1E
Q3 (Sep)	\$16.3A	\$43.1A	\$50.9E
Q4 (Dec)	\$20.4A	\$40.3E	\$55.5E
FY	\$59.9A	\$148.6E	\$193.5E
EV/EBITDAS	5.3x	2.1x	1.6x

**China MediaExpress Holdings, Inc.**

(Nasdaq: CCME)

**Extensive due diligence reinforces our thesis. Maintain Buy.**

**Summary:**

We were in China last week to conduct additional due diligence on CCME. We visited CCME's headquarters again, and reviewed all of its contracts with advertising clients and bus operators, tax filings, and bank statements for the last three years. We called or met 16 top advertisers, who verified a total of approximately \$105MM of revenue or ~50% of our estimated 2010 revenue. We called China Telecom, and the exclusive advertising agents for Coca Cola and L'Oreal, who confirmed they have placed ads on CCME's platform. We also spoke to 17 bus operators, who confirmed that they have signed in aggregate 14,191 buses with CCME, or 52% of the total number of buses CCME reported. The amount of revenues and buses these advertising customers and bus operators confirmed with us matched the numbers in the contracts we reviewed at CCME. Shanghai Ba-shi Public Transportation and Eading Group also confirmed their partnerships with CCME. CCME until 2010 had been focused on expanding its intercity bus network in tier II and III cities, and has utilized regional advertising agencies which have extensive local relationships, rather than many of the national 4A agencies. We believe this niche market position and unique approach has made them less visible but kept them very profitable. Based on our due diligence to date, our thesis remains unchanged: CCME is a leader in the inter-city bus advertising market with a unique business model and large growth potential. We reiterate our Buy rating and \$26 price target.

**Highlights**

**Reviewed contracts, tax filings and bank statements.** The company presented to us all of its bus operator and advertiser contracts, tax filings and bank statements for the last three years. The taxes paid and cash balances appeared reasonable and matched GAAP reported numbers.

**Verified advertising revenue.** We called or met 16 of CCME's top advertising clients. The revenue they confirmed to us matched what we saw in the contracts provided by CCME. Revenues from these advertisers added up to roughly \$105MM, or ~50% of our estimated 2010 revenue. We believe the company currently has a total of 40 agencies and 20+ direct advertisers. The advertisers cited the large size of CCME's bus network, the enclosed environment and captive audience thus a high "reach" rate, and availability of third party (CTR) media monitor as the reasons why they are engaged with CCME. The company in the past has been choosing regional agencies due to the regional nature of its bus network. These regional agencies have deep relationships with local brands, regional 4A agencies and other advertising agencies from which they receive orders. (See additional details on page 2.)

**Confirmed number of buses.** We spoke to 17 bus operators which operate up to 14,191, or 52% of the total number of buses the company reported. We believe CCME currently has 65-68 bus operators. We visited Shanghai Ba-shi Public Transportation (Group) Co., which confirmed they have 1,892 buses engaged with CCME. We also verified other bus operators that some internet bloggers claimed did not engage as many buses with CCME as the company reported. The numbers these bus operators reported to us matched the contracts we reviewed at CCME. These bus operators confirmed their contracts were 5-8 years in length and cited the large and established network (no competitors with similar scale), good credibility (make payments on time), and quality services (repair equipment on time and change programs twice a month) as reasons for the engagements. (See page 3.)

**Met with management and Starr.** We felt management was eager to prove the legitimacy and validity of its business. The company has been open and cooperative with our due diligence work. We believe the company is currently assisting Deloitte in completing its annual audit, and has been actively collecting third-party verifications. In addition, we visited Starr's Shanghai office again. We believe Starr has done comprehensive DD and been closely monitoring the company. Our impression was that Starr continues to believe in CCME and is likely to remain as a long-term investor.

**Eading and Switow.** We called Eading Group, an authorized Apple reseller, who confirmed they have been selling Apple products through CCME's Switow platform. Besides receiving a small revenue share, CCME intends to convert Switow's consumer brands into advertising customers in CCME's platform.

**Reiterate Buy.** Our due diligence work further reinforced our thesis. We continue to believe CCME is a leader in the intercity bus advertising market with a unique business model and large growth potential. We reiterate our Buy rating and \$26 price target.

**Company Description:**

China MediaExpress provides TV advertising network on inter-city express buses and airport express buses in China.

## Reviewed contracts, tax filings and bank statements

We visited the company's headquarters in the past week. The company presented to us all the bus operator and advertiser contracts, tax filings and bank statements for the last three years. We reviewed each one of these documents. The tax paid and cash balances appeared reasonable and matched GAAP reported numbers.

## Verified advertising revenue

We called or met 16 advertising clients with revenue adding up to \$105MM, which accounted for ~50% of our estimated revenue in 2010. We believe the company has approximately 40 advertising agencies and 20+ direct advertisers currently.

We asked these advertisers how many minutes they bought in 2010 and total revenue for CCME. The numbers they gave to us matched CCME's contracts. The agencies each represent 3-10 brands. We asked why they have chosen CCME and its platform. They indicated that it is because CCME's platform provides the largest intercity bus network, enclosed environment and captive audience (therefore high "reach" rate), low CPM and third-party monitor (CTR). In addition to talking to CCME's direct customers, we called China Telecom Jiangsu Branch, as well as the exclusive advertising agencies for Coca Cola and L'Oreal in the Shanghai region, who are CCME's indirect customers but confirmed with us that they have placed ads on CCME's platform.

**Our impression.** CCME has been using regional advertising agencies as the bus network has been quite regional. The intercity buses usually travel within a province or among adjoining provinces, and until 2010, the company has been focusing on tier II and III cities. We believe these are the reasons why CCME has been less visible. From our conversation with these agencies, we learned that these local agencies, although typically small (20-100 employees), have deep local relationships and are able to receive orders from larger advertising agencies, local 4As, and/or brands directly. Each of these agencies represents 3-10 brands. Approximately 1/3 of these advertisers we talked to said they have represented Coca Cola, Pepsi, China Telecom or other large brands. They receive orders from these brands' regional/provincial offices which have authorization to allocate advertising budgets to local ad agencies. Although CCME has to offer higher discounts to these agencies, they bring large volume in addition to shorter DSOs. According to CCME, direct advertisers currently account for ~30% and ad agencies account for ~70% of its total revenue. Agencies usually sign a one-year contract (in some cases 3-6 months), buy time slots for each month, and pay at the end of the month. With a low profile, CCME has quickly expanded its network into 18 provinces/regions in the last three years and become a leading player in the intercity bus advertising market. We believe CCME probably has so far occupied the best regions and busiest intercity bus routes; it will be difficult for a new competitor to take its market share and compete with CCME. As the company expands into more geographic regions, they are just beginning to use national 4As, and recruit more direct advertisers as well.

**Advertisers we called or met:** (We use abbreviation of the companies in order not to disclose the CCME business partners. We have documented all the materials including full company names, contact persons and telephone numbers for any compliance check.)

Advertising clients	Ads type	2010 revenue
Beijing B	Airport regular and embedded ads	RMB100MM
Jiangsu B	Intercity and airport regular ads	RMB24MM
Shanghai Q	Intercity regular ads	RMB50MM
Guangzhou H	Intercity and airport regular ads	RMB72MM
Wuhan H	Intercity regular ads	RMB30MM
Beijing H	Intercity regular and embedded ads	RMB40MM
Jiangsu Y	Intercity embedded ads	RMB34MM
Quanzhou S	Intercity and airport regular ads	RMB20MM
Shanghai Q	Intercity regular and embedded ads	RMB64MM
Qingdao G	Intercity embedded ads, airport regular and embedded ads	RMB41MM
Shanghai A	Intercity regular ads	RMB55MM
Tianjin T	Intercity embedded ads	RMB20MM
Fujian J	Intercity and airport regular ads	RMB30MM
Nanjing G	Intercity and airport regular ads	RMB50MM
Guangdong Y	Intercity and airport regular ads	RMB37.8MM
Chengdu W	Intercity and airport regular ads	RMB36MM
<b>Total</b>	<b>16 advertisers</b>	<b>RMB704MM</b>

### Confirmed number of buses

We called or met the top nine of CCME's bus operators, and an additional eight bus operators referenced in some internet bloggers' reports. The number of buses and concession fees per bus per month they told us matched what we saw in the contracts provided by CCME. The number of buses from these operators adds up to 14,191 buses, or 52% of total 27,200 buses reported by the company. From the contracts we reviewed, we believe the company has currently signed contracts with 65-68 bus operators.

We asked when the relationships with CCME started and the terms of the contracts. The majority of these bus operators signed 5-year contracts, one signed a 7-year contract, and one signed an 8-year contract. We asked how many buses they have engaged with CCME and how much is the monthly rent (concession fee). The number of buses they told us matched what we saw in the contracts. The rents/concession fees ranged from RMB500 to RMB1000 per bus per month, which also matched the contracts. They told us the concession fees increased 10-15% every year. We asked how many screens they have and they indicated that normally a bus has one or two screens, but some longer-distance "sleeper" buses have more than four screens. We also asked whether the buses are using DVD or hard disk drives to play programs. They all said they use hard disk drives and screens installed by CCME, and that as soon as the bus starts, the screens and programs are automatically turned on, and will stay on until the bus is off (drivers cannot turn the screen off or change programs). We also asked whether they are aware of any of CCME's competitors. They told us they do not see other companies with CCME's scale. A couple of the bus operators used to work with other media companies before CCME, but switched to CCME for its much larger size, better credibility and services. Some of the bus operators used to have DVD devices installed and their own production teams before CCME, but it took time and resources to find, buy or produce programs, which was a headache for them as that was not their core business. We also asked them the likelihood of renewing their contracts with CCME once they expire. The bus operators told us it is very likely, because CCME is credible (pays on time), provides good services (the company has a local team on site in each region to repair equipment and change programs twice a month), and has copyrighted programs which make them feel comfortable. They can provide entertainment programs to passengers and get paid every month; most of them consider it a good deal. For some of the bus operators, they have worked with CCME for 4-5 years, and have established stable relationships. They indicated that they see no reason not to renew the contracts after expiration. We also asked them whether they have seen the document from a division of Ministry of Transport. They said yes. The majority of these bus operators are state owned companies under the Ministry of Transport and would prefer to use business partners recommended by the government authority.

### Checked the discrepancy mentioned by some internet bloggers

We contacted the top eight bus operators (by number of buses) mentioned in some bloggers' reports. Specifically, we visited Shanghai Ba-shi Public Transportation (Group) Co., Ltd, which a blogger said CCME does not have a relationship with. The manager we met there said they have 1,892 buses engaged with CCME (matched CCME's contract); the monthly concession fee is RMB1000 per bus and they started the 5-year contract in January 2008. Tianjin Long Distance confirmed they have 1,270 buses engaged with CCME, Beijing Yinjian confirmed they have 860 buses engaged with CCME, Beijing Xianglong A-er-sha confirmed they have 430 buses engaged with CCME, Changzhou Highway confirmed they have 500 buses engaged with CCME, Beijing A-er-sha confirmed they have 207 buses engaged with CCME, Tianjin Jinyu confirmed they have 117 buses engaged with CCME. We do not see any meaningful discrepancy between these numbers provided directly by the bus operators and those claimed by CCME. These state-owned bus companies do not sell tickets online and therefore are not motivated to update their website on time (some websites are as old as 2008). In the case of Beijing A-er-sha, the manager there told us it does only own 20+ buses, but they also manage a bus station and they have signed sub-agreements with other bus companies who stop at this bus station to have CCME's screens installed on their buses. Beijing A-er-sha monitors those buses and keeps a deposit to make sure that they have complied with the agreements to play CCME programs. In addition, staff from CCME's customer support goes onto those buses twice a month to change programs. Fujian Sanfu, which only has 33 buses, has also signed sub-agreements and in total has 120 buses in CCME's network. Changzhou Highway also has sub-agreements with other bus companies.

For all the 17 bus operators we talked to, the numbers of buses they told us did match the numbers that we saw on CCME's contracts. We verified 14,191 buses and believe the company currently has contracts with 65-68 bus operators. We rode the buses in Beijing, Fuzhou and Guangzhou. The experience is as what we expected.

**Bus operators we called or met:**

Name	# of Buses disclosed	Concession fees per bus per month	Contract terms
Qingdao J	1,673	RMB880	5 year
Chongqing B	1,230	RMB700	7 year
Fujian Y	1,400	MRB900	5 year
Shanxi C	958	RMB500	5 year
Inner Mongolia T	880	RMB500	8 year
Jiangsu N	700	RMB900	5 year
Hubei X	762	RMB850	5 year
Sichuang A	612	RMB620	5 year
Fujian P	580	RMB900	5 year
Shanghai Ba-shi Public Transportation (Group)	1,892	RMB1,000	5 year
Tianjin Long Distance Transportation	1,270	RMB880	5 year
Beijing Yinjian Transportation	860	RMB1,000	5 year
Beijing Xianglong A-er-sha Passenger Transportation	430	RMB1,000	5 year
Changzhou Highway	500	RMB900	5 year
Beijing A-er-sha Passenger Transportation	207	RMB1,100	5 year
Tianjin Jinyu Transportation	117	RMB1,000	5 year
Fujian San-fu Express Passenger Transportation	120	RMB1,000	5 year
<b>Total</b>	<b>14,191</b>		

**Eading and Switow**

We contacted Eading Group, an authorized reseller of Apple and other brands, based in Fujian. CCME management has previously referred Eading as an Apple distributor. To our knowledge, the Chinese translations of reseller and distributor are the same, they both called "Jing xiao shang". Even on Apple's Chinese website it has called Eading a "Jing xiao shang". <http://www.apple.com.cn/reseller/map.php?id=9>. General Manager of Eading's e-commerce division told us they started to negotiate a partnership with CCME five months ago and established the relationship over two months ago. Now CCME receives 2%-5% of the revenues generated from the sales of Apple products, and he believes that the main goal for CCME is to obtain Apple advertising contracts. Eading ships products directly from its own inventory to nation-wide consumers as they place orders through the internet or call centers. Eading has shipped over 100+ orders in the last two months from the Switow platform and he believes the business could soon grow much faster. He believes the consumer group CCME has is a quality group and that the Switow project is a very smart business idea for CCME. We picked up a Switow magazine in a food store in Fuzhou airport last week, called the 400 number, and consulted with the customer service in terms of how to buy an iPad. We noticed the brands on the magazine were mostly electronic products (TV, computer, camera, etc). Well-known international brands include Sony, Toshiba, Apple, Philips, Canon, Nike, Adidas, and domestic brands include Supor, Aigo, etc. Customer service said they had other products: home textile, shoes, kitchen ware, etc.

**Meeting with management**

We met with CCME's management team during the past week. We felt the management was very confident to prove the legitimacy and validity of its business. The company has been quite open and cooperative with our due diligence work. We believe the company is currently assisting Deloitte to complete its annual audit and has been actively collecting third-party verifications.

**Visit to Starr Shanghai office**

We believe Starr knows about the company far better than any other parties outside the company. Before investing \$30MM in the company in January 2010, Starr had conducted comprehensive financial due diligence (using a big four audit firm), commercial/business due diligence (using AC Nielsen), legal due diligence (checked documentations, licenses, etc), and key management background checks. Starr has also been closely monitoring the company since then. From our visit to the senior management at Starr's office in Shanghai, we believe Starr continues to believe in the company and remains a long-term investor of the business.

China MediaExpress Holdings, Inc. (Nasdaq:CCME) Financial Model																			
Global Hunter Securities, LLC																			
Research Department: 949-274-8052																			
Fiscal period	FY'06 (A)	FY'07(A)	FY '08(A)	Q1 '09(A)	Q2 '09(A)	Q3 '09(A)	Q4 '09(A)	FY '09(A)	Q1 '10(A)	Q2 '10(A)	Q3 '10(A)	Q4 '10(E)	FY '10(E)	Q1 '11(E)	Q2 '11(E)	Q3 '11(E)	Q4 '11(E)	FY '11(E)	FY '12(E)
Period ends	Dec '06	Dec '07	Dec '08	Mar '09	Jun '09	Sep '09	Dec '09	Dec '09	Mar '10	Jun '10	Sep '10	Dec '10	Dec '10	Mar '11	Jun '11	Sep '11	Dec '11	Dec '11	Dec '12
<b>Income Statement (U.S.\$000s)</b>																			
Revenue	4,035	25,837	62,999	18,769	19,092	26,122	31,951	95,934	44,525	53,511	56,956	59,005	213,997	63,500	71,200	79,020	86,020	299,740	350,400
Cost Of Goods Sold	1,446	12,427	23,002	7,133	7,229	8,630	6,736	29,728	17,931	11,398	13,198	16,108	58,635	19,939	22,286	24,812	27,010	94,047	113,803
<b>Gross Profit</b>	<b>2,589</b>	<b>13,410</b>	<b>39,997</b>	<b>11,636</b>	<b>11,863</b>	<b>17,492</b>	<b>25,215</b>	<b>66,206</b>	<b>26,594</b>	<b>42,113</b>	<b>43,758</b>	<b>42,897</b>	<b>155,362</b>	<b>43,561</b>	<b>48,914</b>	<b>54,208</b>	<b>59,010</b>	<b>205,693</b>	<b>236,597</b>
Selling General & Admin Exp.	916	1,657	2,813	1,101	778	1,959	2,516	6,354	2,353	3,815	2,509	4,450	13,127	4,400	4,842	5,300	5,600	20,142	22,100
Other Operating Expense/(Income)	87	737	2,063	-	-	-	3,209	3,209	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	1,003	2,394	4,876	1,101	778	1,959	5,725	9,563	2,353	3,815	2,509	4,450	13,127	4,400	4,842	5,300	5,600	20,142	22,100
<b>Operating Income</b>	<b>1,586</b>	<b>11,016</b>	<b>35,121</b>	<b>10,535</b>	<b>11,085</b>	<b>15,533</b>	<b>19,490</b>	<b>56,643</b>	<b>24,241</b>	<b>38,298</b>	<b>41,249</b>	<b>38,447</b>	<b>142,235</b>	<b>39,161</b>	<b>44,073</b>	<b>48,908</b>	<b>53,410</b>	<b>185,551</b>	<b>214,497</b>
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Invest. Income	8	24	100	22	21	27	43	113	61	84	106	110	361	120	125	130	140	515	500
Net Interest Income (Exp)	8	24	100	22	21	27	43	113	61	84	106	110	361	120	120	120	120	515	500
<b>EBT</b>	<b>1,594</b>	<b>11,040</b>	<b>35,221</b>	<b>10,557</b>	<b>11,106</b>	<b>15,560</b>	<b>19,533</b>	<b>56,756</b>	<b>24,302</b>	<b>38,382</b>	<b>41,355</b>	<b>38,557</b>	<b>142,596</b>	<b>39,281</b>	<b>44,193</b>	<b>49,028</b>	<b>53,530</b>	<b>186,031</b>	<b>214,977</b>
Income Tax Expense	689	4,073	8,854	3,102	2,825	3,896	5,222	15,045	6,160	9,878	10,224	9,832	36,094	9,820	11,048	12,257	13,382	46,508	53,744
<b>Net Income</b>	<b>905</b>	<b>6,967</b>	<b>26,367</b>	<b>7,455</b>	<b>8,281</b>	<b>11,664</b>	<b>14,311</b>	<b>41,711</b>	<b>18,142</b>	<b>28,504</b>	<b>31,131</b>	<b>28,725</b>	<b>106,502</b>	<b>29,461</b>	<b>33,145</b>	<b>36,771</b>	<b>40,147</b>	<b>139,523</b>	<b>161,233</b>
Tax rate	43.2%	36.9%	25.1%	29.4%	25.4%	25.0%	26.7%	26.5%	25.3%	25.7%	24.7%	25.5%	25.3%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Dividend to shareholders	-	-	-	-	-	-	-	-	-	-	-	4,489	4,489	-	4,695	-	5,769	10,464	12,092
Dividend per share	-	-	-	-	-	-	-	-	-	-	-	0.11	0.11	-	0.10	-	0.12	0.22	0.22
<b>Basic EPS</b>	<b>NA</b>	<b>0.33</b>	<b>1.26</b>	<b>0.36</b>	<b>0.40</b>	<b>0.56</b>	<b>0.61</b>	<b>1.93</b>	<b>0.58</b>	<b>0.86</b>	<b>0.92</b>	<b>0.83</b>	<b>3.20</b>	<b>0.62</b>	<b>0.70</b>	<b>0.77</b>	<b>0.84</b>	<b>2.93</b>	<b>2.96</b>
<b>Diluted EPS</b>	<b>NA</b>	<b>0.33</b>	<b>1.26</b>	<b>0.36</b>	<b>0.40</b>	<b>0.56</b>	<b>0.49</b>	<b>1.81</b>	<b>0.54</b>	<b>0.80</b>	<b>0.81</b>	<b>0.73</b>	<b>2.88</b>	<b>0.62</b>	<b>0.70</b>	<b>0.77</b>	<b>0.84</b>	<b>2.93</b>	<b>2.96</b>
Weighted Avg. Basic Shares Out.	NA	20,915	20,915	20,915	20,915	20,915	23,542	21,588	31,275	33,290	33,823	34,703	33,273	47,545	47,550	47,555	47,559	47,552	54,550
Weighted Avg. Diluted Shares Out.	NA	20,915	20,915	20,915	20,915	20,915	29,137	22,998	33,500	35,831	38,430	39,310	36,930	47,545	47,550	47,555	47,559	47,552	54,550
<b>Margins</b>																			
GAAP gross margin	64.2%	51.9%	63.5%	62.0%	62.1%	67.0%	78.9%	69.0%	59.7%	78.7%	76.8%	72.7%	72.6%	68.6%	68.7%	68.6%	68.6%	68.6%	67.5%
Sales, General and Administrative	22.7%	6.4%	4.5%	5.9%	4.1%	7.5%	7.9%	6.6%	5.3%	7.1%	4.4%	7.5%	6.1%	6.9%	6.8%	6.7%	6.5%	6.7%	6.3%
GAAP operating margin	39.3%	42.6%	55.7%	56.1%	58.1%	59.5%	61.0%	59.0%	54.4%	71.6%	72.4%	65.2%	66.5%	61.7%	61.9%	61.9%	62.1%	61.9%	61.2%
Net income margin	22.4%	27.0%	41.9%	39.7%	43.4%	44.7%	44.8%	43.5%	40.7%	53.3%	54.7%	48.7%	49.8%	46.4%	46.6%	46.5%	46.7%	46.5%	46.0%
Adjusted EBITDA margin	42.6%	46.9%	60.3%	60.2%	62.2%	62.6%	63.7%	62.4%	56.9%	74.6%	75.7%	68.4%	69.4%	64.7%	64.7%	64.4%	64.5%	64.6%	63.6%
<b>Growth Y/Y</b>																			
Revenue	N/A	540.3%	143.8%	24.3%	24.3%	65.5%	90.6%	52.3%	137.2%	180.3%	118.0%	84.7%	123.1%	42.6%	33.1%	38.7%	45.8%	40.1%	16.9%
Gross profit	N/A	418.0%	198.3%	25.8%	27.6%	87.6%	108.0%	65.5%	128.5%	255.0%	150.2%	70.1%	134.7%	63.8%	16.2%	23.9%	37.6%	32.4%	15.0%
Operating income	N/A	594.6%	218.8%	23.3%	29.4%	83.0%	104.7%	61.3%	130.1%	245.5%	165.6%	97.3%	151.1%	61.5%	15.1%	18.6%	38.9%	30.5%	15.6%
Net income	N/A	669.8%	278.5%	15.9%	29.4%	83.3%	99.6%	58.2%	143.4%	244.2%	166.9%	100.7%	155.3%	62.4%	16.3%	18.1%	39.8%	31.0%	15.6%
Adjusted EBITDA	N/A	547.7%	200.7%	N/A	N/A	76.7%	102.2%	57.6%	124.1%	236.2%	163.7%	98.1%	148.2%	62.4%	15.4%	18.1%	37.5%	30.2%	15.1%
EPS	N/A	N/A	278.5%	N/A	N/A	N/A	43.3%	43.9%	51.9%	100.9%	45.3%	48.8%	59.0%	14.4%	-12.4%	-4.5%	15.6%	1.8%	0.7%
<b>Growth Q/Q (sequential)</b>																			
Revenue				11.9%	1.7%	36.8%	22.3%		39.4%	20.2%	6.4%	3.6%		7.6%	12.1%	11.0%	8.9%		
Gross profit				-4.0%	2.0%	47.5%	44.2%		5.5%	58.4%	3.9%	-2.0%		1.5%	12.3%	10.8%	8.9%		
Operating income				10.6%	5.2%	40.1%	25.5%		24.4%	58.0%	7.7%	-6.8%		1.9%	12.5%	11.0%	9.2%		
Net income				4.0%	11.1%	40.9%	22.7%		26.8%	57.1%	9.2%	-7.7%		2.6%	12.5%	10.9%	9.2%		
Adjusted EBITDA				12.1%	5.1%	37.7%	24.6%		24.3%	57.6%	8.0%	-6.4%		1.9%	12.0%	10.5%	8.9%		
EPS				4.0%	N/A	N/A	N/A		10.3%	46.9%	1.8%	-9.8%		-15.2%	12.5%	10.9%	9.2%		

China MediaExpress Holdings, Inc. (Nasdaq:CCME) Financial Model																			
Global Hunter Securities, LLC																			
Research Department: 949-274-8052																			
Fiscal period	FY'06 (A)	FY'07(A)	FY '08(A)	Q1 '09(A)	Q2 '09(A)	Q3 '09(A)	Q4 '09(A)	FY '09(A)	Q1 '10(A)	Q2 '10(A)	Q3 '10(A)	Q4 '10(E)	FY '10(E)	Q1 '11(E)	Q2 '11(E)	Q3 '11(E)	Q4 '11(E)	FY '11(E)	FY '12(E)
Period ends	Dec '06	Dec '07	Dec '08	Mar '09	Jun '09	Sep '09	Dec '09	Dec '09	Mar '10	Jun '10	Sep '10	Dec '10	Dec '10	Mar '11	Jun '11	Sep '11	Dec '11	Dec '11	Dec '11
<b>Selected Cash Flow Items</b>																			
EBIT (GAAP)	1,586	11,016	35,121	10,535	11,085	15,533	19,490	56,643	24,241	38,298	41,249	38,447	142,235	39,161	44,073	48,908	53,410	185,551	214,497
Depreciation and amortization	365	1,621	2,875	760	783	808	875	3,226	1,072	1,599	1,846	1,900	6,367	1,950	1,980	2,000	2,050	7,980	8,280
Adjusted EBITDA	1,951	12,637	37,996	11,295	11,868	16,341	20,365	59,869	25,313	39,897	43,095	40,347	148,602	41,111	46,053	50,908	55,460	193,531	222,777
Cash flow from operation (CFFO)	1,717	12,105	27,396	8,495	9,197	12,172	16,380	46,244	12,946	25,264	30,753	25,575	94,538	26,361	30,045	33,671	37,047	127,123	148,163
Capital expenditures	(800)	(6,600)	(4,200)	(500)	(200)	(800)	(500)	(1,900)	(1,875)	(645)	(2,000)	(2,000)	(5,610)	(3,000)	(3,000)	(3,000)	(3,000)	(12,000)	(15,000)
FCF (CFFO - capital expenditure)	917	5,505	23,196	7,995	8,997	11,372	15,880	44,344	11,071	24,619	29,663	23,575	88,928	23,361	27,045	30,671	34,047	115,123	133,163
Dividend payout	-	-	-	-	-	-	-	-	-	-	-	4,489	4,489	-	4,695	-	5,769	10,464	12,092
<b>Selected Balance Sheet Items</b>																			
Cash and equivalent	1,485	6,364	29,997	20,416	29,437	40,855	57,151	57,151	114,396	139,321	169,947	190,140	190,140	215,226	237,238	267,521	294,484	294,484	414,796
Accounts receivable	186	2,716	6,065	7,288	7,412	11,293	12,569	12,569	18,805	20,664	20,337	25,936	25,936	27,912	31,297	34,734	37,811	37,811	48,918
Restricted cash	3	13	59	35	36	26	251	251	1,929	3,372	3,766	3,954	3,954	4,152	4,360	4,578	4,806	4,806	6,125
Total current assets	1,674	9,093	36,121	27,739	36,885	52,174	69,971	69,971	135,130	163,357	194,050	220,031	220,031	247,291	272,895	306,832	337,101	337,101	469,839
Property plant and equipment (Net)	3,269	8,848	11,417	10,910	10,137	10,864	11,065	11,065	11,525	12,018	11,734	9,868	9,868	12,116	14,642	17,154	20,642	20,642	33,425
Total assets	4,943	18,707	49,116	40,309	48,775	64,948	82,979	82,979	157,311	188,655	220,927	245,799	245,799	276,101	305,066	342,393	377,254	377,254	527,524
Accounts payables	87	769	1,565	1,782	1,800	2,030	2,179	2,179	2,571	2,839	2,904	3,540	3,540	4,382	4,898	5,453	5,936	5,936	7,066
Accrued expenses	248	714	1,230	1,380	1,378	2,672	4,573	4,573	6,801	6,505	6,671	6,671	6,671	6,671	6,671	6,671	6,671	6,671	6,671
Short term borrowings	-	-	-	-	-	-	10,000	10,000	-	-	-	-	-	-	-	-	-	-	-
Tax payables	341	1,854	3,072	3,700	3,426	4,567	5,765	5,765	8,333	9,980	10,529	10,529	10,529	10,529	10,529	10,529	10,529	10,529	10,529
Other current liabilities	2,654	4,690	1,941	1,974	2,043	3,336	6,091	6,091	4,943	7,989	8,221	8,221	8,221	8,221	8,221	8,221	8,221	8,221	8,221
Total current liabilities	3,330	8,027	7,808	8,836	8,647	12,605	28,608	28,608	22,648	27,313	28,325	28,961	28,961	29,803	30,319	30,874	31,357	31,357	32,487
Convertible preferred stock	-	-	-	-	-	-	-	-	22,095	22,095	22,095	22,095	22,095	22,095	22,095	22,095	22,095	22,095	22,095
Total common equity	1,613	7,617	34,996	24,831	33,115	44,805	47,732	47,732	99,958	128,855	161,221	185,457	185,457	214,917	243,366	280,137	314,516	314,516	463,656
Total Equity	1,613	7,617	34,996	24,831	33,115	44,805	47,732	47,732	122,053	150,950	183,316	207,552	207,552	237,012	265,461	302,232	336,611	336,611	485,751
Total Liabilities And Equity	4,943	18,707	49,116	40,309	48,775	64,948	82,979	82,979	157,311	188,655	220,927	245,799	245,799	276,101	305,066	342,393	377,254	377,254	527,524
<b>Valuation &amp; Other Financial Information</b>																			
DSOs	17	38	35	35	35	39	36	48	38	35	32	40	40	40	40	40	40	40	45
Days payables outstanding	22	23	25	23	23	21	29	27	13	23	20	20	20	20	20	20	20	20	20
Net cash per share	N/A	N/A	N/A	N/A	N/A	N/A	1.6	2.1	3.4	3.9	4.4	4.8	5.1	4.5	5.0	5.6	6.2	6.2	7.6
Tangible book value per share	N/A	0.3	1.6	1.1	N/A	N/A	1.6	2.1	3.6	4.2	4.8	5.3	5.6	5.0	5.6	6.4	7.1	7.1	8.9
Price/Tangible book	N/A	38.6	7.9	11.4	N/A	N/A	7.7	6.1	3.5	3.0	2.7	2.4	2.3	2.5	2.3	2.0	1.8	1.8	1.4
EV/sales (LTM)	N/A	N/A	N/A	N/A	N/A	N/A	3.4	2.5	2.5	2.0	1.7	1.4	1.3	1.7	1.5	1.2	1.0	1.0	0.8
EV/EBITDA (LTM adjusted)	N/A	N/A	N/A	N/A	N/A	N/A	5.4	4.1	4.2	3.1	2.5	2.1	1.9	2.3	2.1	1.9	1.6	1.6	1.2
EV/unlevered earnings (LTM)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.9	N/A	N/A	3.1	2.7	2.6	2.8	3	2.5	2.2	2.2	1.7
Price/earnings (LTM)	N/A	N/A	10.0	N/A	0.0	7.7	7.0	7.0	6.4	5.3	4.8	4.4	4.4	4.3	4.4	4.5	4.3	4.3	4.3
Dividend yield	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.0%	N/A	N/A	N/A	N/A	1.7%	1.8%

## China MediaExpress Holdings, Inc. (CCME) Disclosures

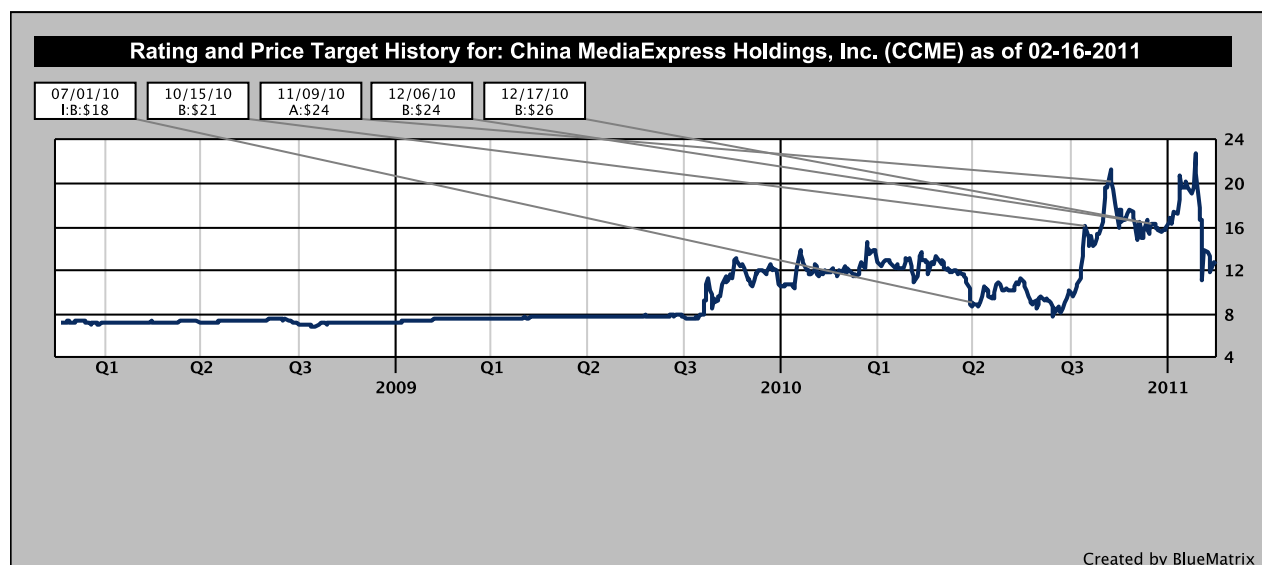
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- 1) Increase in concession fees. 2) Increase in entertainment content fees. 3) Increased competition. 4) Technology obsolete. 5) Execution risks. 6) Regulatory risks. 7) A VIE structure.



### Explanation of Ratings

**Buy** - The stock should be purchased aggressively at current prices. The stock is expected to trade higher on an absolute basis and be a top performer relative to peer stocks over the next 12 months.

**Accumulate** - The stock should be purchased at current prices. The stock has an attractive risk/reward and is expected to outperform peer stocks over the next 12 months.

**Neutral** - The stock has average risk/reward and is expected to perform in line with peer stocks over the next 12 months.

**Reduce** - The stock should be sold at current prices. The risk/reward has become less attractive and is expected to underperform peer stocks over the next 12 months.

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### Ratings Distribution

Rating	Research Coverage		Investment Banking Clients*		
	Count	% of Total	Count	% of Total	% of Rating Category
<b>Buy</b>	71	59.2%	10	55.6%	14.1%
<b>Accumulate</b>	21	17.5%	1	5.6%	4.8%
<b>Neutral</b>	28	23.3%	7	38.9%	25.0%
<b>Reduce</b>	0	0.0%	0	0.0%	0.0%
<b>Sell</b>	0	0%	0	0.0%	0.0%
<b>Total</b>	120	100%	18	100%	15.0%

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