Disney, Google eye stake in China bus media firm

HONG KONG/SHANGHAI (Reuters) - A consortium led by Walt Disney Co is in advanced talks to buy into China's largest in-bus digital media and advertising company, a deal that could offer the U.S. entertainment giant a new platform to promote Mickey Mouse in China, three sources told Reuters.

Google Inc, the world's No.1 Internet search company, which threatened to quit China last month over censorship and hacking concerns, was among investors in the Disney-led consortium, the sources said on Monday.

The consortium planned to buy a stake of between 30 and 40 percent in Bus Online for more than $100 million via a purchase of old and new shares to be issued by the company in private placements, said the sources.

"Disney wants to be a strategic partner not just a financial investor in Bus Online as Disney is going to do many things in China -- for example, the theme park to be opened in Shanghai," said one of the sources. "To Disney, the deal is not just about sharing in the growth of China's advertising market but more about the promotion of Disney, the brand itself, and this is strategically important to Disney in China."

In November, Disney's made a breakthrough deal to build one of its signature theme parks in Shanghai, marking a major advance for Western media and entertainment companies seeking to crack the tough Chinese market.

Senior executives of Disney are expected to fly to Beijing to meet Chinese media regulators to discuss Disney's long-term development plan in China including the Bus Online deal, said another of the sources.

GOOGLE IN FOCUS

In the wake of its recent problems in China, Google is finalizing a deal that will let the U.S. National Security Agency (NSA) help it investigate a corporate espionage attack that may have originated in China.

Beijing has already warned Washington not to make the Google incident political, in addition to other growing sources of friction between the two nations, including Tibet, Taiwan, yuan appreciation and Sino-U.S. trade.

Google was expected to take only a small stake in the Bus Online deal, while Disney aimed to take the greater part, said the sources, adding that no agreement had been signed yet.

The sources briefed on the possible deal declined to be identified as the negotiation process is confidential. Bus Online, headquartered in Shanghai, declined to

comment.

A Google spokeswoman said the company could not immediately comment. Disney could not be immediately reached for comment.

Bus Online is China's No.1 in-bus digital media and advertising company, with revenue of about 314.5 million yuan ($46.07 million) in 2009.

Since 2004, the company has received a total of $80 million from venture capital funds and banks including IDG, Yangtze Fund, China Renaissance Capital Investment and CCB International.

Bus Online is the exclusive partner of state broadcaster CCTV and the official Xinhua news agency for in-bus media content and advertising.

Yum! Brands' fried chicken restaurant chain KFC would sign a deal with Bus Online to allow the Chinese company to set up screens in KFC's more than 2,000 outlets across China, said the sources.

Disney expected to provide media content to Bus Online for its partnership with KFC in China on the condition that Disney and Bus Online agreed on the equity stake investment first, they said.

($1=6.826 Yuan)

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