
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Qin Jia Yuan Media Services Company Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.



QIN JIA YUAN MEDIA SERVICES COMPANY LIMITED

勤 + 緣 媒 體 服 務 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2366)

**PROPOSED ISSUE OF
UP TO HK\$120,892,924 UNLISTED CONVERTIBLE BONDS
UNLISTED WARRANTS
AND NEW SHARES
AND APPOINTMENT OF DIRECTORS**

A notice convening the extraordinary general meeting of the Company to be held at Shanghai Fraternity Association Hong Kong Limited at Room 201, South China Building, 1 Wyndham Street, Hong Kong on Wednesday, 30 June 2010 at 5:00 p.m. or any adjournment thereof is set out on pages 32 to 34 of this circular. Whether or not you are able to attend the extraordinary general meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the extraordinary general meeting should you so wish.

* For identification purposes only

11 June 2010

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Appendix — Information of the directors proposed to be appointed at the EGM	30
Notice of Extraordinary General Meeting	32

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Advantage Partners”	Advantage Partners L.L.P.;
“Alternate Series B CB”	unlisted registered convertible bonds of the Company in the principal amount of HK\$70,520,872 to be issued to the Subscriber pursuant to the Subscription Agreement if the Specific Mandate not approved;
“Announcement”	the announcement of the Company dated 27 May 2010 in relation to the Subscription Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bondholder(s)”	Holder(s) of the Convertible Bonds;
“Cash Settlement Option”	in respect of the Alternate Series B CB, an obligation of the Company to make cash payment to a holder of the Alternate Series B CB exercising its conversion rights in lieu of the issue of Conversion Shares in respect of the additional shares of the Company issuable upon the exercise of the conversion rights arising from reset and/or adjustment of the Conversion Price following which the total number of Conversion Shares issuable under the Alternate Series B CB shall exceed 69,836,288 Shares that the Company may issue pursuant to the Existing General Mandate;
“Condition(s)”	the conditions precedent for the Subscription;
“Conversion Period”	the period commencing from the Issue Date up to (and including) the Maturity Date during which the Bondholders may exercise their respective conversion rights attaching to the Convertible Bonds;
“Conversion Price”	the price at which the outstanding principal amount of the Convertible Bonds may be converted into Conversion Shares, initially at HK\$1.3278 per Share, subject to reset and adjustments;
“Conversion Shares”	the new shares of the Company to be issued and allotted upon the exercise of the conversion rights attaching to the Convertible Bonds;
“Convertible Bonds”	the Series A CB and the Series B CB or the Alternate Series B CB (as the case may be);

DEFINITIONS

“Company”	Qin Jia Yuan Media Services Company Limited, a company with limited liability incorporated in the Cayman Islands whose shares are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Dynamic Master Group”	group of Shareholders comprising Dynamic Master Development Limited, Goodhold Limited, Hunterland City Limited, Up & Rise Limited, Dr. LEUNG Fung Yee Maria and Dr. WONG Yu Hong Philip;
“EBITDA”	in relation to any financial year, the total profit after tax of the Company for that period stated in the audited financial statements (1) after adding back interest, tax and all amounts provided for depreciation and amortization required in the ordinary course of business and (2) after excluding (to the extent included) any income on any disposal of scripts and distribution rights of television programs (other than those television programs to which the Group provides production related services in the two financial years immediately preceding the relevant financial year);
“EGM”	the extraordinary general meeting of the Company to be held to approve the Specific Mandate and the appointment of the Subscriber’s Nominees as non-executive Directors;
“Existing General Mandate”	the general mandate to issue or otherwise deal with 20% of the issued share capital of the Company as at 15 January 2010, namely 143,694,763 Shares, granted to the Directors by the Shareholders pursuant to a resolution passed at the annual general meeting of the Company held on 15 January 2010;
“Expiration Date”	in respect of the Warrants, the date which is 5 years from the Issue Date;
“Group”	the Company and its subsidiaries;
“HIBOR”	Hong Kong Interbank Offer Rate quoted by the Hong Kong Banks Association at 11:00 a.m. of the relevant day;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Issue Date”	the day on which the closing of Subscription shall take place on which the Placement Shares, the Convertible Bonds and/or the Warrants will be issued;

DEFINITIONS

“Issue Documents”	the Subscription Agreement, the instruments constituting the Convertible Bonds and the Warrants, respectively;
“Latest Practicable Date”	9 June 2010, being the latest practicable date for ascertaining certain information in this circular prior to its printing;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“Maturity Date”	in respect of each of each of the Series A CB, the Series B CB and the Alternate Series B CB, the date which is 5 years from the Issue Date;
“Placement Price”	HK\$1.3278 per Placement Share;
“Placement Shares”	37,936,475 new Shares;
“PRC”	the People’s Republic of China, and solely for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Reference Date”	the date being 25 months after the Issue Date;
“Series A CB”	unlisted registered convertible bonds of the Company in the principal amount of HK\$30,223,231 to be issued to the Subscriber pursuant to the Subscription Agreement if the Specific Mandate is approved;
“Series B CB”	unlisted registered convertible bonds of the Company in the principal amount of HK\$90,669,693 to be issued to the Subscriber pursuant to the Subscription Agreement if the Specific Mandate is approved;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of Shares;
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Smart Peace Bonds”	the outstanding convertible bonds in the aggregate principal amount of HK\$100 million issued to Smart Peace Development Limited, details of which are set out in the announcement of the Company dated 28 April 2009;

DEFINITIONS

“Specific Mandate”	the specific mandate to issue the Series A CB, the Series B CB, the Warrants, the Conversion Shares issuable under the Series A CB and the Series B CB and the Subscription Shares to be sought from the Shareholders at the EGM;
“Star Group Bonds”	the outstanding convertible bonds in the aggregate principal amount of HK\$50 million issued to Star Group International Investments Limited, details of which are set out in the announcements of the Company dated 28 April 2009 and 18 November 2009, respectively;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	First Media Holdings, Ltd., a limited company incorporated under the laws of Cayman Islands;
“Subscriber’s Nominees”	the two individuals nominated by the Subscriber for appointment as non-executive Directors with effect from the date of closing of the Subscription and whose respective biographical details and information required under the Listing Rules are set out in the Appendix;
“Subscription”	the subscription for (i) the Series A CB, the Series B CB, the Warrants and the Placement Shares if the Specific Mandate is approved; or (ii) the Alternate Series B CB and the Placement Shares if the Specific Mandate is not approved, subject to and in accordance with the terms of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement in relation to the Subscription entered into between the Company and the Subscriber on 27 May 2010;
“Subscription Price”	the price at which the Warrant Holders may subscribe for the Subscription Shares, initially at HK\$1.3278 per Share (subject to adjustments);
“Subscription Shares”	the new shares of the Company to be issued and allotted upon the exercise of the subscription rights attaching to the Warrants;
“Takeover Code”	The Code on Takeovers and Mergers in Hong Kong;
“VWAP”	the volume weighted average price;
“Warrant Holder(s)”	Holder(s) of the Warrants;

DEFINITIONS

“Warrants”	the unlisted registered warrants entitling their holders to subscribe for shares of the Company up to 11,380,942 Shares at HK\$1.3278 per Share to be issued to the Subscriber pursuant to the Subscription Agreement;
“Xinhua Zhaoxun”	北京新華兆訊文化傳媒有限公司, a wholly foreign owned enterprise established in the PRC. The Group has entered into an advertisement underwriting agreement in respect of 7 LED boards located in major cities in the PRC and managed by it and the Group also has 8% interest in the issued share capital of its holding company;
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong;
“USD”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.



QIN JIA YUAN MEDIA SERVICES COMPANY LIMITED

勤 + 緣 媒體 服務 有限 公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2366)

Executive Directors:

Dr. Leung Anita Fung Yee Maria
(Chief Executive Officer)
Mr. Yiu Yan Chi, Bernard
Mr. Tsiang Hoi Fong

Non-executive Directors:

Dr. Wong Yu Hong, Philip, *GBS (Chairman)*
Mr. Liu Yuk Chi, David *(Vice Chairman)*
Mr. Pfitzner Kym Richard
Mr. Zinger Simon
Ms. Lee Kwei-Fen
Dr. Wong Ying Ho, Kennedy, *BBS, JP*
Mr. Flynn Douglas Ronald
Ms. Ho Chiu King, Pansy Catilina
Mr. Owyang Loong Shui, Ivan

Independent Non-executive Directors:

Mr. Lau Hon Chuen, *GBS, JP*
Mr. Lam Haw Shun, Dennis, *JP*
Mr. Hui Koon Man, Michael, *JP*

Registered office:

Scotia Centre, 4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Room 203, 2nd Floor
Aon China Building
29 Queen's Road Central
Hong Kong

11 June 2010

To the Shareholders

Dear Sir or Madam,

**PROPOSED ISSUE OF
UP TO HK\$120,892,924 UNLISTED CONVERTIBLE BONDS
UNLISTED WARRANTS
AND NEW SHARES
AND APPOINTMENT OF DIRECTORS**

INTRODUCTION

As stated in the Announcement, the Company and the Subscriber entered into the Subscription Agreement for the proposed issue of the Convertible Bonds, the Warrants and the Placement Shares to the Subscriber on 27 May 2010 (after trading hours).

* *For identification purposes only*

LETTER FROM THE BOARD

It is proposed that the issue of the Series A CB, the Series B CB, the Conversion Shares issuable under the Series A CB and the Series B CB, the Warrants and the Subscription Shares will be issued pursuant to the Specific Mandate and the Placement Shares will be issued pursuant to the Existing General Mandate. If the Specific Mandate is not approved, the Company shall issue the Alternate Series B CB, the Conversion Shares issuable under the Alternate Series B CB and the Placement Shares pursuant to the Existing General Mandate.

It is one of the Conditions that the Shareholders shall have passed the ordinary resolutions at the EGM to approve the appointment of the Subscriber's Nominees as non-executive Directors for a term of three years from the date of closing of the Subscription.

The purpose of this circular is to provide you with, among others, details of the Subscription Agreement, the terms of each of the Convertible Bonds, Warrants, the information of the Subscriber's Nominees and a notice of EGM.

SUBSCRIPTION AGREEMENT

Date

27 May 2010

Parties

- (i) Issuer : the Company
- (ii) Subscriber : First Media Holdings, Ltd.

The Subscriber is a company incorporated under the laws of the Cayman Islands with limited liability, which is affiliated to funds directly or indirectly advised from time to time by Advantage Partners or its subsidiaries.

Based on the information provided by the Subscriber, Advantage Partners, founded in 1992, is a service provider to private equity funds. The firm services several funds of an aggregated amount exceeding USD3.4 billion, with a focus on investing in acquisitions, buy-outs, buy-ins, public investments and other private equity opportunities in Japan and around the globe. Advantage Partners places great importance on supporting operational improvement and strategic planning based upon extensive business consulting expertise and operational experience.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are independent of and not connected with the Company or its connected persons.

LETTER FROM THE BOARD

Issue and subscription of the Convertible Bonds

Under the Subscription Agreement, it is agreed that, subject to and in accordance with the provisions of the Subscription Agreement, the Company shall issue the Series A CB and the Series B CB to the Subscriber on the Issue Date at their respective face value if the Specific Mandate is approved at the EGM; or issue the Alternate Series B CB to the Subscriber on the Issue Date at its face value if the Specific Mandate is not approved at the EGM.

Subject to the Cash Settlement Option which is applicable to the Alternate Series B CB only and only in respect of such number of Conversion Shares that exceed the limit under the unutilized portion of the Existing General Mandate, the whole or part of the principal amount of each of the Series A CB, the Series B CB and the Alternate Series B CB may be converted into Conversion Shares at the option of the Bondholders at the initial Conversion Price of HK\$1.3278 per Share (subject to reset and adjustments) at any time during its Conversion Period, and automatically converted into the Conversion Shares at the initial Conversion Price of HK\$1.3278 per Share (subject to reset and adjustments) upon fulfillment of its automatic conversion conditions under the terms of the Convertible Bonds. The principal terms of the Convertible Bonds are set out in the paragraph headed “Principal terms of the Convertible Bonds” below.

Assuming the Series A CB and the Series B CB will be issued and the conversion rights attaching to the Series A CB and the Series B CB (with all interest capitalized) are exercised in full at the initial Conversion Price of HK\$1.3278 per Share, the Company will issue approximately 119,370,942 Shares, representing (i) approximately 15.31% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.28% of the issued share capital of the Company as enlarged by the issue and allotment of such Conversion Shares (on the assumption that no other new Shares are issued by the Company).

Assuming only the Alternate Series B CB will be issued and the conversion rights attaching to the Series B CB (with all interest capitalized) are exercised in full at the initial Conversion Price of HK\$1.3278 per Share (subject to reset and adjustments), the Company will issue approximately 75,140,377 Conversion Shares, representing approximately 9.64% of the issued share capital of the Company as at the Latest Practicable Date and approximately 8.79% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares (on the assumption that no other new Shares are issued by the Company).

Principal terms of the Convertible Bonds are set out below.

Principal terms of the Convertible Bonds

Principal amount:

Series A CB — HK\$30,223,231

Series B CB — HK\$90,669,693

Alternate Series B CB — HK\$70,520,872

LETTER FROM THE BOARD

Maturity date:

The date which is 5 years from Issue Date

Negative pledge:

Save for any security interests which have been created in favour of others and remain outstanding as at the Issue Date and which the Company has agreed to create as at the Issue Date pursuant to the Star Group Bonds, the Group will not create or have outstanding any mortgage, charge, pledge or other security interest upon its property or assets without the prior consent of the Bondholders.

Notwithstanding the foregoing, the Company is only required to notify the Bondholders in writing in advance in respect of any renewal or extension of any security interests existing as at the Issue Date and no prior consent of any of the Bondholders is required in such cases.

Interest:

Series A CB	—	Non interest-bearing.
Series B CB and the Alternate Series B CB	—	Bear interest at an interest rate of 7 per cent. per annum on the basis of a 365-day year.

Interest is capitalised (by way of adding to the outstanding principal amount of the Series B CB or the Alternate Series B CB) on the last day of each quarter from the Issue Date up to (and including) the Maturity Date. Interest, once capitalised, will itself accrue interest. All accrued interest, capitalised or uncapitalised, will be converted into Conversion Shares in the event of an exercise of the conversion rights attaching to the Series B CB or the Alternate Series B CB, or be paid in the event of redemption.

Conversion period:

The period commencing from (and including) the Issue Date up to and including the date which is five years from the Issue Date.

Conversion rights:

Subject to the Cash Settlement Option applicable to the Alternate Series B CB only (but not the Series A CB or the Series B CB) as described below, Bondholders are entitled to convert the outstanding principal amount of the Convertible Bonds in whole or in part into fully paid shares of the Company, at their option, at any time during the Conversion Period at the prevailing Conversion Price.

LETTER FROM THE BOARD

Cash settlement option:

The Company shall make cash payment to a Bondholder of the Alternate Series B CB exercising its conversion rights thereunder in lieu of the issue of Conversion Shares. The Cash Settlement Option may only be exercised in respect of the additional Conversion Shares issuable under the Alternate Series B CB which exceed 69,836,288 Shares that the Company may further issue under the Existing General Mandate.

Automatic conversion:

- | | | |
|--|---|---|
| Series A CB | — | The Bondholders shall be deemed to have exercised their rights to convert all outstanding Series A CB and such Series A CB will be automatically converted into Conversion Shares at the prevailing Conversion Price if the average closing price per share of the Company (being a share carrying full entitlement to dividend) for immediately preceding 30 consecutive trading days exceeds the prevailing Conversion Price on each of such trading days for 30 consecutive trading days. |
| Series B CB and
Alternate Series B CB | — | The Bondholders shall be deemed to have exercised their rights to convert all outstanding Series B CB or the Alternate Series B CB and such Series B CB or Alternate Series B CB will be automatically converted into Conversion Shares at the prevailing Conversion Price on the date which is the later of the Reference Date or the Company's announcement of its annual results for the year ending on 30 September 2012, if the following conditions are met:

<ol style="list-style-type: none">(1) the Company shall achieve an EBITDA of at least HK\$150,000,000 for the financial year ending 30 September 2011;(2) the Company shall achieve an EBITDA of at least HK\$210,000,000 for the financial year ending 30 September 2012; and(3) the average closing price per Share (carrying full entitlement to dividend) quoted on the Stock Exchange for the 60 consecutive trading days ending on the Reference Date exceeds HK\$2.00. |

LETTER FROM THE BOARD

Conversion price:

Initially at HK\$1.3278 per Share, subject to reset and adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.

Reset of the conversion price:

If the VWAP per share of the Company for the 30 consecutive trading days (on which trading of shares of the Company on the Stock Exchange is not suspended) immediately prior to (and excluding) the date which is 12 months from the date of the Subscription Agreement (the “First Reset Date”) or (ii) the date which is 24 months from the date of the Subscription Agreement (the “Second Reset Date”), as the case may be, is below the prevailing Conversion Price as at the First Reset Date or the Second Reset Date (as the case may be), the Conversion Price shall be reset to such VWAP per Share with effect from the First Reset Date or the Second Reset Date (as the case may be).

Adjustments to the conversion price:

The Conversion Price will be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, amongst other things, the following events:

- (1) there shall be a stock split, consolidation or reclassification of shares of the Company;
- (2) the Company shall issue, grant or offer to its shareholders options, warrants or other rights entitling them to subscribe for or purchase shares of the Company at a consideration per share receivable by the Company which is less than the current market price per share of the Company;
- (3) the Company shall grant, issue or offer to its shareholders any securities (other than rights, options, warrants or other rights entitling them to subscribe for, purchase or otherwise acquire any shares of the Company) convertible into or exchangeable for shares of the Company at a consideration per share receivable by the Company which is less than the current market price per share of the Company;
- (4) the Company shall distribute evidences of its indebtedness, shares of the Company assets or rights or warrants to holders of shares of the Company entitling them to subscribe for or purchase any securities;
- (5) the Company shall issue any securities convertible into or exchangeable for shares of the Company or where such securities are issued to vendors of assets being acquired by the Company and the consideration per share receivable by the Company shall be less than the current market price per share of the Company;

LETTER FROM THE BOARD

- (6) the Company shall issue any shares of the Company (other than pursuant to merger or a scrip dividend) and the consideration per share receivable by the Company shall be less than the current market price per share of the Company; and
- (7) the Company shall make a distribution of assets in specie of any kind charged or provided for in the accounts of the Company for any financial period.

The term “consideration per share receivable by the Company” and “current market price per share of the Company” referred to above shall be determined in accordance with the terms and conditions of the Convertible Bonds.

Redemption at maturity:

The Company shall redeem all the outstanding Convertible Bonds at 100 per cent. of its outstanding principal amount plus uncapitalized interest accrued on the Maturity Date.

Early redemption:

- (i) At the option of the Bondholders

At any time after the first anniversary of the Issue Date, the Bondholders are entitled to require the Company to redeem the Convertible Bonds (in whole or in part) at an amount equal to the principal amount of the Convertible Bonds subject to redemption plus uncapitalized interest accrued.

- (ii) Upon a change of control of the Company

At any time before the Maturity Date upon a change of control of the Company, the Bondholders are entitled to require the Company to redeem the Convertible Bonds (in whole but not in part) at an amount equal to the outstanding principal amount of the Convertible Bonds plus uncapitalized interest accrued.

Under the terms and conditions of the Convertible Bonds, a change of control of the Company means, either:

- (1) Dr. LEUNG Anita Fung Yee Maria and her associates together shall cease to hold at least 159,000,000 Shares at any time or such other equivalent number of shares of the Company following a stock split; or
- (2) Dr. LEUNG Anita Fung Yee Maria or Mr. LIU Yuk Chi, David ceases to be a Director at any time from the Issue Date to the date which is three years from the Issue Date.

LETTER FROM THE BOARD

(iii) Upon occurrence of other specified events

Upon occurrence of the certain specified relevant events (detailed below), the Bondholders are entitled to require the Company to redeem all but not part of the Convertible Bonds at an amount equal to aggregate of the outstanding principal amount of the Convertible Bonds held by the relevant Bondholders, uncapitalized interest accrued and a premium on the principal amount of such Convertible Bonds determined in accordance with the following schedule:

Period during which redemption for a specified relevant event takes place	Premium
Before the first anniversary of the Issue Date	8 per cent.
From (and including) the first anniversary of the Issue Date up to (and including) the day immediately preceding the second anniversary of the Issue Date	6 per cent.
From (and including) the second anniversary of the Issue Date up to (and including) the day immediately preceding the third anniversary of the Issue Date	2.5 per cent.
From (and including) the third anniversary of the Issue Date up to (and including) the Maturity Date	2 per cent.

A “specified relevant event” referred to above means any of the following:

- (1) the occurrence of any material adverse event (detailed below) as set out in the terms and conditions of the Convertible Bonds; or
- (2) the occurrence of any event of default (detailed below) as set out in the terms and conditions of the Convertible Bonds; and
- (3) the Company incurs a net loss (as shown in the audited financial statements for the relevant financial year of the Group) in any of the financial years ending 30 September 2010, 2011, 2012, 2013 and 2014.

The Company does not have the right to call for early redemption of the Convertible Bonds.

Ranking of shares issuable upon exercise of conversion rights:

Shares of the Company issued upon conversion shall rank *pari passu* in all respects with all other existing shares of the Company outstanding as at the conversion date and the Bondholders shall be entitled in respect of its Conversion Shares to all dividends and other distributions declared by the Company after the conversion date.

LETTER FROM THE BOARD

Material adverse events:

Major material adverse events referred to in the terms and conditions of the Convertible Bonds are summarized below:

- (1) any state of facts, change, event, effect, or occurrence that is materially adverse to the business, financial condition, results of operations, properties, assets, liabilities or prospects of the Group taken as a whole from time to time, as the case may be, or which may either, affect negatively any contractual arrangements of the Group, or result in the termination of any such contractual arrangements, in either case which are in existence at the date of the Subscription Agreement and which are material to the operation or business of the Group, or the ability of the Company to perform or comply with its obligations under any of the Issue Documents; or
- (2) any event, development or change, including an event of change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory, legal or other nature, resulting in a material and adverse change in political, economic, fiscal, financial, regulatory or stock market conditions in the PRC, Hong Kong and/or the United States of America.

Events of default:

Major events of default referred to in the terms and conditions of the Convertible Bonds are summarized below:

- (1) there is a default of the Company in the payment of the principal or any other amounts payable by the Company in respect of the Convertible Bonds and compensation or underwriting fee payable to the Subscriber under the Subscription Agreement and such default is not remedied by the Company within seven business days;
- (2) there is a failure of the Company to procure registration of the person or persons designated in a conversion notice as holder(s) of the relevant number of shares in the Company's share register or deliver the Conversion Shares in accordance with and within the period specified in the terms and conditions of the Convertible Bonds and such failure continues for more than three business days;
- (3) there is a default of the Company in the performance or observance of any condition or provision contained in the Convertible Bonds or the Warrants and such default continues for the period of thirty days next following the service by any Bondholder on the Company of notice requiring the same to be remedied;
- (4) if any Company's warranties under the Subscription Agreement is or proves to have been incorrect, untrue or misleading when or if at any time any Company's undertaking or covenant in the Subscription Agreement is not observed or not complied with in all material respects by the Company;

LETTER FROM THE BOARD

- (5) any financial indebtedness of any member of the Group is not paid when due or is declared to be become due and payable prior to its specified maturity as a result of an event of default; any commitment for any financial indebtedness of the Group is cancelled or suspended as a result of an event of default; or any creditor of the Group becomes entitled to declare any financial indebtedness of the Group due and payable prior to its specified maturity as a result of an event of default;
- (6) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved (otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation the terms of which have previously been approved by Bondholders);
- (7) a resolution is passed or an order of a court of competent jurisdiction is made that any subsidiary of the Company be wound up or dissolved otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganization, the terms of which have previously been approved by Bondholders or for other purposes as stated in the terms and conditions of the Convertible Bonds;
- (8) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Group;
- (9) the Group without any lawful cause stops payment or is unable to pay its debts as and when they fall due or the Group ceases, threatens to cease to carry on its business;
- (10) proceedings shall have been initiated against the Group under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of thirty days;
- (11) the Group shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or a decree of commencement of composition or reorganisation or other similar procedures or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganisation or insolvency law or make a general assignment for the benefit of; or enter into any composition with, its creditors;
- (12) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of the Group, which is material with respect to the operations of the Group, and is not discharged within 30 days thereof;
- (13) any action at any time required to be taken in order to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Subscription Agreement, the Convertible Bonds or the Warrants; to ensure that those obligations are legal, valid, binding and enforceable; and to make the Subscription Agreement, the Convertible Bonds or the Warrants admissible in evidence in the courts is not taken;

LETTER FROM THE BOARD

- (14) it is or will become unlawful for the Company to perform or comply with any of its obligations under the Subscription Agreement, the Convertible Bonds or the Warrants;
- (15) all or any substantial part of the undertaking, assets and revenues of the Group is condemned, seized or otherwise appropriated by any person acting under the authority of any government or the Group is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues;
- (16) the shares of the Company shall cease to be listed on the Stock Exchange or trading in the shares of the Company on the Stock Exchange has been suspended for 20 consecutive trading days;
- (17) the arrangements pursuant to which exclusive advertising rights are granted to the Group by Xinhua Zhaoxun or the commercial arrangements between the Group and Xinhua Zhaoxun are terminated or if such arrangements become non-exclusive or materially adversely different from the arrangements existing as at the Issue Date; or
- (18) any write-off of inventories or intangible assets involving an amount which is more than 50% of their respective amounts as stated in the audited financial statements of the Group for the preceding financial year.

Form of the bonds:

The Convertible Bonds will be in registered form only.

Transferability:

During a period of 25 months from the Issue Date, a Bondholder may not assign or transfer any of the Convertible Bonds registered in its name to any person other than its affiliates, except with prior written consent from the Company. This lock-up restriction shall not apply in the event that any of the following events occur:

- (1) the Company's shareholders having passed a resolution at a duly convened meeting of the Company for the winding up or dissolution of the Company or a court order for the Company's winding up or dissolution having been made;
- (2) an administration order in relation to the Company or the appointment of a receiver over, or an encumbrancer for taking possession or selling all or substantially all of the assets of the Group and any assets used by or in connection with the business of the Group currently conducted having been made;
- (3) the Company making an arrangement or composition with its creditors generally or making an application to a court pursuant to and followed by a consolidation, amalgamation, merger, reconstruction or reorganisation of the Company approved by the shareholders of the Company;

LETTER FROM THE BOARD

- (4) the Company's shareholders having passed a resolution at a duly convened meeting of the Company for the delisting of its shares from the Stock Exchange;
- (5) the making of a bona fide general offer under the Takeovers Code for the entire issued and to be issued share capital of the Company by a third party;
- (6) the Company being in breach of any applicable laws or regulations where such breach has a material and adverse effect on the business of the Group and operations of the Group, taken as a whole; and
- (7) a material breach of any of the Company's warranties under the Subscription Agreement or if any undertakings or covenants set out in the terms and conditions of the Convertible Bonds or the Subscription Agreement are not observed or not complied with in all material respects by the Company.

The Convertible Bonds, subject to the lock-up restriction described above, are freely transferable.

Initial Conversion Price

The initial Conversion Price (subject to reset and adjustments) represents:

- (a) a premium of approximately 10.65% over the closing price of HK\$1.20 per Share on the date of the Subscription Agreement;
- (b) a premium of approximately 12.72% over the average closing price per Share of HK\$1.178 for a period of 5 consecutive trading days up to and including the trading day immediately preceding the date of the Subscription Agreement; and
- (c) a discount of approximately 5.16% to the closing price per Share of HK\$1.40 on the Latest Practicable Date.

The initial Conversion Price was negotiated between the Company and the Subscriber on an arm's length basis and is acceptable to both the Company and the Subscriber based on a discount of 5% to the average closing price per Share for the 30 trading days ending on the trading day preceding the date of the Subscription Agreement.

The Directors consider that the terms of the proposed issue of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole having considered the current market conditions.

Issue and subscription of the Warrants

Subject to and in accordance with the provisions of the Subscription Agreement, the Subscriber agreed to subscribe for the Warrants at no issue price. Upon exercise the subscription rights attaching to the Warrants in full at the initial Subscription Price, the Company will issue 11,380,942 Subscription Shares, representing approximately 1.46% of

LETTER FROM THE BOARD

the issued share capital of the Company as at the Latest Practicable Date and approximately 1.44% of the issued share capital of the Company as enlarged by the issue and allotment of such Subscription Shares.

Principal terms of the Warrants are set out below.

Principal terms of the Warrants

Issue date:

The Issue Date

Expiration date:

The date which is five years from the Issue Date

Subscription rights:

Warrant Holders are entitled to subscribe for 11,380,942 Shares at the initial Subscription Price of HK\$1.3278 per Share (subject to adjustments) during the Subscription Period.

Subscription period:

The period commencing from the Issue Date up to and including the date which is five years from the Issue Date.

Subscription price:

Initially at HK\$1.3278 per Share, subject to adjustments as set out and in accordance with the terms and conditions of the Warrants.

Adjustments to the subscription price:

The Subscription Price will be adjusted in accordance with the relevant provisions under the terms and conditions of the Warrants upon occurrence of, amongst other things, the events as described under the paragraph headed “Adjustments to the conversion price” in the section headed “Principal terms of the Convertible Bonds” above.

Status of the subscription shares:

The Subscription Shares will rank pari passu with the fully paid Shares in issue on the relevant subscription date and will accordingly entitle the holders to participate in all dividends or other distributions declared, paid or made after the relevant subscription date.

Form of the Warrants:

The Warrants will be in registered forms.

LETTER FROM THE BOARD

Transferability:

During a period of 25 months from the Issue Date, a Warrant Holder may not assign or transfer any of the Warrants registered in its name to any person other than its affiliates except with prior written consent from the Company. This lock-up restriction under the Warrants shall not apply in the event that any of the following events occur:

- (1) any event described in items (1) to (6) under the paragraph headed “Transferability” in the section headed “Principal terms of the Convertible Bonds” above; or
- (2) a material breach of any warranties of the Company set out in the Subscription Agreement or if any undertakings or covenants set out in the conditions of the Warrants or the Subscription Agreement are not observed or not complied with in all material respects by the Company.

The Warrants, subject to the lock-up restriction described above, are freely transferable.

Initial Subscription Price

The initial Subscription Price (subject to adjustments) represents:

- (a) a premium of approximately 10.65% over the closing price of HK\$1.20 per Share on the date of the Subscription Agreement;
- (b) a premium of approximately 12.72% over the average closing price per Share of HK\$1.178 for a period of 5 consecutive trading days up to and including the trading day immediately preceding the date of the Subscription Agreement; and
- (c) a discount of approximately 5.16% to the closing price per Share of HK\$1.40 on the Latest Practicable Date.

The initial Subscription Price was negotiated between the Company and the Subscriber on an arm’s length basis and acceptable to both the Company and the Subscriber based on a discount of 5% to the average closing price per Share for the 30 trading days ending on the trading day preceding the date of the Subscription Agreement. The Directors consider that the terms of the issue of the Warrants are fair and reasonable and in the interests of the Company and the Shareholders as a whole having considered the current market conditions.

Issue and subscription of the Placement Shares

Subject to and in accordance with the provisions of the Subscription Agreement, the Subscriber agreed to subscribe for the Placement Shares at the issue price of HK\$1.3278 per Share. The Placement Shares will be issued free of any third party rights and will be entitled to all dividends and distributions declared, made or paid after the Issue Date.

LETTER FROM THE BOARD

The Placement Shares represents approximately 5.00% of the existing issued share capital of the Company and approximately 4.76% of the issued share capital of the Company as enlarged by the issue and allotment of the Placement Shares.

Placement Price

HK\$1.3278 per Placement Share, which is determined on an arm's length basis.

The Placement Price represents:

- (a) a premium of approximately 15.46% to the closing price of HK\$1.15 per Share quoted on the Stock Exchange on 26 May 2010, the last trading day before the signing of the Subscription Agreement; and
- (b) a premium of approximately 6.22% to average closing price of HK\$1.25 per Share as quoted on the Stock Exchange of the ten trading days up to and including 26 May 2010, the last trading day before the signing of the Subscription Agreement; and
- (c) a discount of approximately 5.16% over/to the closing price per Share of HK\$1.40 on the Latest Practicable Date.

Taking into account the estimated expenses for the Subscription in the amount of approximately HK\$6.85 million, the net issue price of the Placement Shares (calculated based on the apportionment of 30% of such estimated expenses to the issue of the Placement Shares with reference to the gross proceeds raised through the issue of the Series A CB, the Series B CB, the Warrants and the Placement Shares) shall be approximately HK\$1.2735 per Share.

The Placement Price was determined based on the prevailing market price of the Shares after arm's length negotiation between the Company and the Subscriber. The Directors consider that the terms of the issue of the Placement Shares are fair and reasonable based and in the interests of the Company and the Shareholders as a whole having considered the current market conditions.

Conditions

The Subscription is conditional upon fulfillment or waiver by the Subscriber (as the case may be) of the following Conditions:

- (a) the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the Placement Shares, the Conversion Shares and the Subscription Shares;

LETTER FROM THE BOARD

- (b) the passing by the Shareholders ordinary resolutions to approve the issue of the Series A CB, Series B CB, the Warrants, the Conversion Shares issuable under the Series A CB and the Series B CB, the Subscription Shares and the appointment of the Subscriber's Nominees as non-executive Directors for a term of three years pursuant to the Subscription Agreement;
- (c) all necessary regulatory filings, notifications and approvals to the relevant authorities to enter into the Subscription Agreement and the agreements and documents contemplated therein and perform the Company's obligations thereunder have been made and obtained, and such filings, notifications and approvals remain valid and effective;
- (d) since the date of the Subscription Agreement, there shall not have been a material adverse event as described under the paragraph headed "Material adverse events" in the section headed "Principal terms of the Convertible Bonds" above;
- (e) the Company's warranties under the Subscription Agreement remaining true, accurate and not misleading in each case in all respects; and
- (f) the Subscriber's warranties under the Subscription Agreement remaining true, accurate and not misleading in each case in all respects.

If the resolutions for appointment of one or both of the Subscriber's Nominee as non-executive Directors are not approved at the EGM, the Company shall procure the Board to appoint the Subscriber's Nominees as non-executive Directors to fill causal vacancies or as additions to the Board with effect from the Issue Date until the earlier of (i) such time that such individual(s) are elected at a subsequent annual general meeting of the Company or (ii) the date of the third annual general meeting of the Company held subsequent to the Issue Date, and subject to the passing of the other ordinary resolutions referred to in the Condition set out under item (b) above, the Subscriber shall treat such Condition as fulfilled.

The Conditions set out under items (c) to (e) above may be waived by the Subscriber at its sole discretion and the Condition set out under item (f) above may be waived by the Company at its sole discretion. If any of the Conditions is not fulfilled or waived at or before 5:00 p.m. on the date which is 10 business days prior to 27 August 2010 (or such other time and/or date as the Company and the Subscriber shall mutually agree), the Subscription Agreement shall forthwith terminate and neither party shall have any claims against the other for costs, damages, compensations or otherwise save for liabilities for any antecedent breaches.

If the Specific Mandate is not approved, subject to the fulfillment (or deemed fulfillment) or waiver (or deemed waiver) of the Conditions in accordance with the Subscription Agreement, the Company shall issue and the Subscriber shall subscribe for the Alternate Series B CB and the Placement Shares on the Issue Date.

LETTER FROM THE BOARD

Compensation

In the event that the Company fails to proceed to closing for whatever reason due to the default of the Company, the Company shall pay to the Subscriber an amount equivalent to the 6-month HIBOR on the closing date for the Subscription plus 1.5 per cent. per annum (on the basis of a 365 day year) on the amount of the amount of (a) HK\$171,264,976, being the aggregate Placement Price for the Placement Shares plus the aggregate issue price of the Series A CB and the Series B CB; or (b) HK\$120,892,924, being the aggregate Placement Price for the Placement Shares and the issue price of the Alternate Series B CB (as the case may be), from the date of the Subscription Agreement to the closing date of the Subscription (both days inclusive).

Closing

Closing of the Subscription shall take place on the date being the later of (i) 10 business days after the fulfillment or waiver of the last Condition and (ii) 45 days after the date of the Subscription Agreement.

Underwriting fee

The Company shall pay to the Subscriber or to such person as the Subscriber an underwriting fee equal to 1% of the aggregate of (i) the aggregate Placement Price for the Placement Shares plus (ii) the aggregate issue price of the Series A CB and the Series B CB or the issue price of the Alternate Series B CB (as the case may be).

Board representation

The Subscriber shall be entitled to nominate two candidates to be appointed as (a) non-executive Directors of the Company; (b) members of the strategy committee; and (c) upon request of the Subscriber, members of the audit committee, remuneration committee and such other committees of the Board as the Board may form or authorise from time to time, at any time on and after the Issue Date and for so long as any of the Convertible Bonds remains outstanding.

Lock-up undertaking of the Subscriber

The Subscriber has undertaken to the Company that it shall not dispose in whole or in part of any of the Placement Shares, Conversion Shares or the Subscription Shares to any person other than its affiliates without the prior written consent of the Company during a period of 25 months from the Issue Date. This lock-up restriction shall not apply in the event that any of the following events occur:

- (1) any event described in items (1) to (6) under the paragraph headed “Transferability” in the section headed “Principal terms of the Convertible Bonds; or

LETTER FROM THE BOARD

- (2) a material breach of any warranties of the Company set out in the Subscription Agreement or if any undertakings or covenants set out in the Subscription Agreement.

Collaboration plan

The Company and the Subscriber have agreed to discuss and agree on a business plan setting out the key areas in which the Subscriber can support and add value to the business of the Group, particularly with respect to business development in Japan, as soon as practicable.

Use of proceeds

The Company has undertaken to the Subscriber that the net proceeds from the Subscription will be used by the Group for the following purposes:

- (1) 50% of such proceeds for corporate acquisitions;
- (2) 30% of such proceeds on organization building, hiring and corporate purposes; and
- (3) 20% of such proceeds for production acquisitions.

With regard to corporate acquisitions, the Group is actively exploring investment opportunities in line with its corporate strategy to build up a full fledged and comprehensive integrated-media platform. The Company has not yet identified any proposed acquisition for which the net proceeds available from the Subscription are intended to be applied for the time being.

EFFECT ON SHAREHOLDING STRUCTURE

- (I) In case the Specific Mandate is approved such that the Series A CB, the Series B CB, the Warrants and the Placement Shares will be issued under the Subscription:

The following table summarizes the shareholding structure of the Company (i) as at Latest Practicable Date, (ii) immediately upon the closing of the Subscription; (iii) immediately upon exercise of the conversion rights attaching to the Series A CB and the Series B CB (with all interest capitalized) in full at the initial Conversion Price (assuming no Subscription Shares have been issued); (iv) immediately upon exercise of the subscription rights attaching to the Warrants in full at the initial Subscription Price (assuming all the Conversion Shares issuable under the Series A CB and the Series B CB (with all interest capitalized) have been issued at the initial Conversion Price); and (v) immediately upon exercise of the conversion rights attaching to the Smart Peace Bonds and the Star Group Bonds in full at their existing conversion price and all outstanding options granted pursuant to the existing share option scheme of the Company have been exercised in full (assuming all the Conversion Shares issuable under the Series A CB and the Series B CB (with all interest capitalized) and the

LETTER FROM THE BOARD

Subscription Shares have been issued), on the basis that no other new Shares are issued and all the Conversion Shares and all the Subscription Shares are issued to the Subscriber).

Shareholders	As at the Latest Practicable Date		Immediately upon the closing of the Subscription		Immediately upon exercise of the conversion rights attaching to the Series A CB and the Series B CB (with all interest capitalized) in full at the initial Conversion Price (assuming no Subscription Shares have been issued)		Immediately upon exercise of the subscription rights attaching to the Warrants in full at the initial Subscription Price (assuming all the Conversion Shares issuable under the Series A CB and the Series B CB (with all interest capitalized) have been issued at the initial Conversion Price)		Immediately upon exercise of the conversion rights attaching to the Smart Peace Bonds and the Star Group Bonds in full at their existing conversion price and all outstanding options granted pursuant to the existing share option scheme of the Company have been exercised in full (assuming all the Conversion Shares issuable under the Series A CB and the Series B CB (with all interest capitalized) and the Subscription Shares have been issued)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Dynamic Master Group										
Dynamic Master Development Limited (Note 1)	186,119,596	23.87	186,119,596	22.76	186,119,596	19.86	186,119,596	19.62	186,119,596	17.68
Goodhold Limited (Note 1)	1,891,697	0.24	1,891,697	0.23	1,891,697	0.20	1,891,697	0.20	1,891,697	0.18
Hunterland City Limited (Note 1)	1,111,963	0.14	1,111,963	0.14	1,111,963	0.12	1,111,963	0.12	1,111,963	0.11
Up & Rise Limited (Note 1)	9,865,465	1.27	9,865,465	1.21	9,865,465	1.05	9,865,465	1.04	9,865,465	0.94
Dr. LEUNG Anita Fung										
Yee Maria	285,494	0.04	285,494	0.03	285,494	0.03	285,494	0.03	285,494	0.03
Dr. WONG Yu Hong, Philip	287,064	0.04	287,064	0.04	287,064	0.03	287,064	0.03	787,064	0.07
Sub-total for the Dynamic Master Group	199,561,279	25.60	199,561,279	24.41	199,561,279	21.29	199,561,279	21.04	200,061,279	19.01
Other Directors:										
Mr. LIU Yuk Chi, David	3,141,403	0.40	3,141,403	0.38	3,141,403	0.34	3,141,403	0.33	4,641,403	0.44
Mr. YIU Yan Chi, Bernard	550,000	0.07	550,000	0.07	550,000	0.06	550,000	0.06	2,415,861	0.23
Mr. PFITZNER Kym Richard	110,974	0.01	110,974	0.01	110,974	0.01	110,974	0.01	110,974	0.01
Mr. OWYANG Loong Shui, Ivan	110,000	0.01	110,000	0.01	110,000	0.01	110,000	0.01	610,000	0.06
Mr. HUI Koon Man, Michael	456,534	0.06	456,534	0.06	456,534	0.05	456,534	0.05	956,534	0.09
Mr. TSIANG Hoi Fong	—	—	—	—	—	—	—	—	6,108,453	0.58
Dr. WONG Ying Ho, Kennedy	—	—	—	—	—	—	—	—	500,000	0.05
Mr. FLYNN Douglas Ronald	—	—	—	—	—	—	—	—	1,182,930	0.11
Ms. HO Chiu King, Pansy Catilina	—	—	—	—	—	—	—	—	1,182,930	0.11
Mr. LAU Hon Chuen	—	—	—	—	—	—	—	—	1,060,844	0.10
Mr. LAM Haw Shun, Dennis	—	—	—	—	—	—	—	—	1,060,844	0.10
Other substantial Shareholders										
Aegis Media Asia Pacific Pte. Ltd. (Note 2)	108,094,706	13.86	108,094,706	13.22	108,094,706	11.54	108,094,706	11.40	108,094,706	10.27
Kabouter Management LLC	39,688,276	5.09	39,688,276	4.85	39,688,276	4.24	39,688,276	4.18	39,688,276	3.77
The Subscriber	—	—	37,936,475	4.64	157,307,417	16.79	168,688,359	17.79	168,688,359	16.03
Public shareholders other than the Subscriber	427,989,489	54.90	427,989,489	52.35	427,989,489	45.67	427,989,489	45.13	516,152,178	49.04
Total	779,702,661	100%	817,639,136	100%	937,010,078	100%	948,391,020	100%	1,052,515,571	100%

LETTER FROM THE BOARD

(II) In case the Specific Mandate is not approved such that the Alternate Series B CB and the Placement Shares will be issued under the Subscription:

The following table summarizes the shareholding structure of the Company (i) as at Latest Practicable Date, (ii) immediately upon the closing of the Subscription; (iii) immediately upon exercise of the conversion rights attaching to the Alternate Series B CB (with all interest capitalized) in full at the initial Conversion Price; and (iv) immediately upon exercise of the conversion rights attaching to the Smart Peace Bonds and the Star Group Bonds in full at their existing conversion price and all outstanding options granted pursuant to the existing share option scheme of the Company have been exercised in full (assuming all the Conversion Shares issuable under the Alternate Series B CB (with all interest capitalized) have been issued), on the basis that no other new Shares are issued and all the Conversion Shares and all the Subscription Shares are issued to the Subscriber).

Shareholders	As at the Latest Practicable Date		Immediately upon the closing of the Subscription		Immediately upon exercise of the conversion rights attaching to the Alternate Series B CB (with all interest capitalized) in full at the initial Conversion Price		Immediately upon exercise of the conversion rights attaching to the Smart Peace Bonds and the Star Group Bonds in full at their existing conversion price and all outstanding options granted pursuant to the existing share option scheme of the Company have been exercised in full (assuming all the Conversion Shares issuable under the Alternate Series B CB (with all interest capitalized) have been issued)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Dynamic Master Group								
Dynamic Master Development Limited (<i>Note 1</i>)	186,119,596	23.87	186,119,596	22.76	186,119,596	20.85	186,119,596	18.67
Goodhold Limited (<i>Note 1</i>)	1,891,697	0.24	1,891,697	0.23	1,891,697	0.21	1,891,697	0.19
Hunterland City Limited (<i>Note 1</i>)	1,111,963	0.14	1,111,963	0.14	1,111,963	0.12	1,111,963	0.11
Up & Rise Limited (<i>Note 1</i>)	9,865,465	1.27	9,865,465	1.21	9,865,465	1.11	9,865,465	0.99
Dr. LEUNG Anita Fung Yee Maria	285,494	0.04	285,494	0.03	285,494	0.03	285,494	0.03
Dr. WONG Yu Hong, Philip	287,064	0.04	287,064	0.04	287,064	0.03	787,064	0.08
Sub-total for the Dynamic Master Group	199,561,279	25.60	199,561,279	24.41	199,561,279	22.35	200,061,279	20.07
Other Directors:								
Mr. LIU Yuk Chi, David	3,141,403	0.40	3,141,403	0.38	3,141,403	0.35	4,641,403	0.47
Mr. YIU Yan Chi, Bernard	550,000	0.07	550,000	0.07	550,000	0.06	2,415,861	0.24
Mr. PFITZNER Kym Richard	110,974	0.01	110,974	0.01	110,974	0.01	110,974	0.01
Mr. OWYANG Loong Shui, Ivan	110,000	0.01	110,000	0.01	110,000	0.01	610,000	0.06
Mr. HUI Koon Man, Michael	456,534	0.06	456,534	0.06	456,534	0.05	956,534	0.10
Mr. TSIANG Hoi Fong	—	—	—	—	—	—	6,108,453	0.61
Dr. WONG Ying Ho, Kennedy	—	—	—	—	—	—	500,000	0.05
Mr. FLYNN Douglas Ronald	—	—	—	—	—	—	1,182,930	0.12
Ms. HO Chiu King, Pansy Catilina	—	—	—	—	—	—	1,182,930	0.12
Mr. LAU Hon Chuen	—	—	—	—	—	—	1,060,844	0.11
Mr. LAM Haw Shun, Dennis	—	—	—	—	—	—	1,060,844	0.11
Other substantial Shareholders								
Aegis Media Asia Pacific Pte. Ltd. (<i>Note 2</i>)	108,094,706	13.86	108,094,706	13.22	108,094,706	12.11	108,094,706	10.84
Kabouter Management LLC	39,688,276	5.09	39,688,276	4.85	39,688,276	4.45	39,688,276	3.98
The Subscriber	—	—	37,936,475	4.64	113,076,852	12.67	113,076,852	11.34
Public shareholders other than the Subscriber	427,989,489	54.90	427,989,489	52.35	427,989,489	47.94	516,152,178	51.77
Total	779,702,661	100%	817,639,136	100%	892,779,513	100%	996,904,064	100%

LETTER FROM THE BOARD

Notes:

1. Dynamic Master Development Limited (“Dynamic Master”) is owned as to 58.37% by Goodhold Limited, as to 32.76% by Hunterland City Limited and as to 1.77% by Up & Rise Limited respectively. The remaining balance of the issued share capital is owned as to 3.55% by each of Madam Au Tak Yee and Y.Y. Yao & Co. Limited. Dr. LEUNG Anita Fung Yee Maria (“Dr. Leung”), an executive Director and the Chief Executive Officer of the Company is interested in 99.99% in Hunterland City Limited, 50% of Goodhold Limited and 100% of Up & Rise Limited and therefore is deemed to have interest in the Shares held by Dynamic Master, Goodhold Limited, Hunterland City Limited and Up & Rise Limited under the SFO. Dr. WONG Yu Hong, Philip is interested in 50% of Goodhold Limited and is the spouse of Dr. Leung. Accordingly, he is deemed to have interest in the Shares held by Dynamic Master, Goodhold Limited, Hunterland City Limited, Up & Rise Limited and Dr. Leung under the SFO.
2. Aegis Media Asia Pacific Pte. Ltd. is the registered owner of the 108,094,706 Shares. It is a directly wholly owned subsidiary of Aegis International Ltd., a company incorporated in the United Kingdom. Aegis Media Asia Pacific Pte. Ltd. is also an indirectly wholly owned subsidiary of Aegis Group plc which is a company listed on the London Stock Exchange. Both Aegis International Ltd. and Aegis Group plc are deemed to be interested in the 108,094,706 Shares held by Aegis Media Asia Pacific Pte. Ltd. under the SFO.

LISTING APPLICATION

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placement Shares, the Conversion Shares and the Subscription Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds or the Warrants on the Stock Exchange or any other stock exchange.

USE OF PROCEEDS AND REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS, THE WARRANTS AND THE PLACEMENT SHARES

The principal activities of the Group include provision of cross-media services including television program and production related services, marketing and promotion, cross-media (including outdoor media) advertising, art and performance, home TV shopping, etc, and related services in the PRC.

It is expected that, after deduction of the estimated expenses of about HK\$6.85 million, net proceeds of about HK\$164.4 million will be raised in case the Series A CB and the Series B CB will be issued under the Subscription and net proceeds of about HK\$114.0 million will be raised in case the Alternate Series B CB and the Placement Shares will be issued under the Subscription. The Group will use the net proceeds available from the Subscription in accordance with the Company’s undertaking to the Subscriber in respect of use of proceeds as set out in the paragraph headed “Use of proceeds” above.

If the subscription rights under the Warrants are exercised in full, assuming at the initial Subscription Price of HK\$1.3278 per Share, additional net proceeds of about HK\$15.1 million will be raised. It is expected that such proceeds will be used as the Group’s general working capital.

LETTER FROM THE BOARD

The Directors consider the Subscription offer the Company opportunities to raise extra funds for its business development. The Subscription will also improve the liquidity position of the Group as well as broaden the shareholder base and reduce the financing costs of the Group.

In light of the above, the Directors consider the Subscription will be in the interests of the Company and the Shareholders as a whole and the Directors are of the view that the terms of the Convertible Bonds and the Warrants and the Placement Price to be fair and reasonable and are in the interests of the Company and Shareholders as a whole.

GENERAL

The Company has not undertaken any equity fund raising exercise in the twelve-month period immediately before the Latest Practicable Date except for those set out below:

Date of announcement	Transaction	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
28 April 2009 and 7 August 2009	Issue of tranche 2 Smart Peace Bonds with the principal amount of HK\$50,000,000	HK\$48 million	Acquisition of adaptation rights in novels and scripts, license rights of television programs for the Group's film library and real properties for self use.	Used as intended
28 April 2009 and 18 November 2009	Issue of the tranche 1 Star Group Bonds with the principal amount of HK\$25,000,000	HK\$24 million	Acquisition of adaptation rights in novels and scripts, license rights of television programs for the Group's film library and real properties for self use.	Used as intended
3 March 2010	Top-up placing of 35,922,000 Shares	HK\$52 million	Repayment of part of the outstanding bank borrowings of the Group and to finance the expansion of the Group's media advertising and retailing-TV home shopping businesses.	Used as intended
28 April 2009 and 19 March 2010	Issue of the tranche 2 Star Group Bonds with the principal amount of HK\$25,000,000	HK\$24 million	Acquisition of adaptation rights in novels and scripts, license rights of television programs for the Group's film library and real properties for self use.	Used as intended

It is proposed that the Series A CB, the Series B CB, the Conversion Shares issuable under the Series A CB and the Series B CB, the Warrants and the Subscription Shares will be issued pursuant to the Specific Mandate and the Placement Shares will be issued pursuant to the Existing General Mandate. If the Specific Mandate is not approved, the Company shall issue the Alternate Series B CB, Conversion Shares issuable under the Alternate Series B CB and the Placement Shares pursuant to the Existing General Mandate. Members of the Dynamic Master Group have undertaken to the Subscriber to vote for the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

Under the Existing General Mandate, the Company may issue 143,694,763 Shares. As at the Latest Practicable Date, the Company has utilized part of the Existing General Mandate to issue and allot 35,922,000 Shares on 15 March 2010.

APPOINTMENT OF THE SUBSCRIBER'S NOMINEES AS DIRECTORS

Pursuant to the Subscription Agreement, the Subscriber nominated Mr. Stanley Emmett Thomas and Mr. Lincoln Pan Lin Feng for appointment as non-executive Directors at the EGM. Pursuant to the Subscription Agreement, it is proposed that each of Mr. Stanley Emmett Thomas and Mr. Lincoln Pan Lin Feng will be appointed as (i) a non-executive Director for a term of 3 years from the date of closing of the Subscription; (ii) a member of the strategy committee; and (iii) upon request of the Subscriber, a member of each of the audit committee and the remuneration committee of the Company. Biographical details and information required under the Listing Rules of Mr. Stanley Emmett Thomas and Mr. Lincoln Pan Lin Feng are set out in the Appendix.

EGM

A notice convening the EGM to be held at Shanghai Fraternity Association Hong Kong Limited at Room 201, South China Building, 1 Wyndham Street, Hong Kong on Wednesday, 30 June 2010 at 5:00 p.m. or any adjournment thereof is set out on pages 32 to 34 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

As far as the Directors are aware of, no Director or Shareholder has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and no Shareholder is required to abstain from voting at the EGM.

The resolutions to be considered at the EGM will be taken by way of poll and an announcement on the results of the EGM will be made by the Company after the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

The Board considers that the terms of the issue of the Series A CB, the Series B CB and the Warrants pursuant to the Subscription Agreement are fair and reasonable, and the issue of the Series A CB, the Series B CB and the Warrants and the appointment of the Subscriber's Nominees as non-executive Directors are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all of the ordinary resolutions as set out in the notice of EGM.

By order of the Board

QIN JIA YUAN MEDIA SERVICES COMPANY LIMITED

LEUNG Anita Fung Yee Maria

Chief Executive Officer and Executive Director

The followings are the biographical details and information required under the Listing Rules of the Subscriber's Nominees proposed to be appointed as non-executive Directors at the EGM:

(1) MR. STANLEY EMMETT THOMAS

Mr. Stanley Emmett Thomas, aged 50, is a partner and the head of Asia for Advantage Partners, an investment company headquartered in Tokyo. Prior to joining Advantage Partners in 2007, Mr Thomas was the President of Asia for Monitor Group, a global consulting firm, where he worked for 18 years. Mr. Thomas graduated in Economics from Duke University and received a Master in Business Administration from Harvard Business School in 1988.

Mr. Thomas has not held directorships in any other listed public companies in the last three years.

Mr. Thomas's appointment is subject to the provisions in the articles of association of the Company relating to retirement by rotation. It is proposed that Mr. Thomas will receive an annual director's fee of HK\$100,000 which is determined based on his duties and responsibilities within the Group, the Group's remuneration policy and the prevailing market conditions.

Mr. Thomas does not have any interests in the Shares within the meaning of Part XV of SFO. Mr. Thomas is not connected with any directors, senior management, substantial or controlling shareholders of the Company.

Save as mentioned above, Mr. Thomas confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his appointment and there is no other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

(2) MR. LINCOLN PAN LIN FENG

Mr. Lincoln Pan Lin Feng, aged 34, a director of Advantage Partners and joined the firm in 2007 to help support the firm's expansion outside Japan. He is currently a director and one of the responsible investment professionals for GST Autoleather, Inc.. Prior to joining Advantage Partners, he was an executive director of GE Capital Asia, responsible for Asia M&A and the strategy leader for the private equity, structured finance (including project financing and industrial equipment financing businesses) and special situations businesses in Asia. Mr. Pan also had been a management consultant with McKinsey & Company where he spent 6 years with the New York, Hong Kong and Beijing offices. He has qualified to practice law in the state of New York and has worked with the international law firm Simpson Thacher & Bartlett. Mr. Pan holds a *Juris Doctorate* from Harvard Law School and a *Bachelor of Arts, magna cum laude* from Williams College.

Mr. Pan has not held directorships in any other listed public companies in the last three years.

Mr. Pan's appointment is subject to the provisions in the articles of association of the Company relating to retirement by rotation. It is proposed that Mr. Pan will receive an annual director's fee of HK\$100,000 which is determined based on his duties and responsibilities within the Group, the Group's remuneration policy and the prevailing market conditions.

Mr. Pan does not have any interests in the Shares within the meaning of Part XV of SFO. Mr. Pan is a relative of Pansy Catilina Ho Chiu King, an independent non-executive Director. Other than that, he is not connected with any directors, senior management, substantial or controlling shareholders of the Company.

Save as mentioned above, Mr. Pan confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his appointment and there is no other information that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.



QIN JIA YUAN MEDIA SERVICES COMPANY LIMITED

勤 + 緣 媒 體 服 務 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2366)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Qin Jia Yuan Media Services Company Limited (the “**Company**”) will be held at Shanghai Fraternity Association Hong Kong Limited at Room 201, South China Building, 1 Wyndham Street, Hong Kong on Wednesday, 30 June 2010 at 5:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the issue of each of (i) the unlisted registered convertible bonds of the Company in the principal amount of HK\$30,223,231 (the “**Series A CB**”); (ii) the unlisted registered convertible bonds of the Company in the principal amount of HK\$90,669,693 (the “**Series B CB**”); and (iii) the unlisted registered warrants entitling holders to subscribe for shares of the Company up to 11,380,942 Shares at HK\$1.3278 per share with par value of US\$0.01 of the Company (the “**Warrants**”) to First Media Holdings, Ltd. (the “**Subscriber**”) pursuant to and on the terms and conditions of the subscription agreement entered into between the Company and the Subscriber on 27 May 2010 (the “**Subscription Agreement**”), a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification, be and is hereby approved;
- (b) the issue and allotment of the shares of the Company pursuant to exercise of the conversion rights under each of the Series A CB and the Series B CB (the “**Conversion Shares**”); and the issue and allotment of the shares of the Company pursuant to exercise of the subscription rights under the Warrants (the “**Subscription Shares**”) be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, in their discretion consider necessary desirable or expedient

* *For identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

to implement the issue of the Series A CB, the Series B CB and the Warrants and the issue and allotment of the Conversion Shares and the Subscription Shares.”

2. Subject to completion of the subscription of (i) the Series A CB, the Series B CB, the Warrants and 37,936,475 new shares with par value of US\$0.01 of the Company (the “**Placement Shares**”), or (ii) unlisted registered convertible bonds of the Company in the principal amount of HK\$70,520,872 and the Placement Shares pursuant to the Subscription Agreement (the “**Completion**”) taking place, the appointment of Mr. Stanley Emmett Thomas as a non-executive director of the Company with effect from the date of Completion be and is hereby approved.
3. Subject to Completion taking place, the appointment of Mr. Lincoln Pan Lin Feng as a non-executive director of the Company with effect from the date of Completion be and is hereby approved.

By order of the Board
QIN JIA YUAN MEDIA SERVICES COMPANY LIMITED
LEUNG Anita Fung Yee Maria
Chief Executive Officer and Executive Director

Hong Kong, 11 June 2010

*Head office and principal place
of business in Hong Kong*
Room 203, 2nd Floor
Aon China Building
29 Queen’s Road Central
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if the member is a holder of two or more shares) to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders is present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be duly lodged at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
4. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.