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**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)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF A COMPANY WHICH OWNS  
THE PUBLICATION AND ADAPTATION RIGHTS OF BOOKS AND  
SCRIPTS WRITTEN BY RENOWNED AUTHORS IN THE PRC AND  
MAY POTENTIALLY BECOME A CONSULTANCY SERVICE PROVIDER  
TO AN ONLINE BOOK PUBLISHER IN THE PRC**

Reference is made to the announcement of the Company dated 10 August 2010 in relation to the Sale and Purchase Agreement.

The Company publishes this further announcement incorporating information and documents required under Rule 14.60A of the Listing Rules and provide further information in relation to the Acquisition.

Reference is made to the announcement of Qin Jia Yuan Media Services Company Limited (the “**Company**”) dated 10 August 2010 in relation to the Sale and Purchase Agreement (the “**Announcement**”). Capitalized terms used in this announcement have the same meanings as defined in the Announcement unless otherwise defined.

**Listing Rules compliance**

As disclosed in the Announcement, as the income approach was adopted in the Valuation on the Publication Right and the Adaptation Right carried out by an independent professional valuer, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The Valuation was conducted by BMI Appraisals Limited (the “**Valuer**”) on the basis of market value which is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Valuer applied the relief-from-royalty method under the income approach and adopted the following major assumptions in the valuation on the Publication Right:

- (1) the future operations of the Publication Right will be in accordance with the projection provided by the Company;
- (2) the projected business according to the forecast of the Company can be achieved with the effort of the management of the Company;
- (3) there are no hidden or unexpected conditions associated with the Publication Right that might adversely affect the reported value;
- (4) there will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Publication Right exposed to or will be exposed to;
- (5) there will be no major changes in the current taxation law in the jurisdiction where the Publication Right is currently exposed to or will be exposed to, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (6) the operating plan in respect of the Publication Right has been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company;
- (7) exchange rates and interest rates will not differ materially from those presently prevailing;
- (8) there will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the current operations of the Publication Right;
- (9) the operation of the Publication Right is not subject to unusual or onerous restrictions or encumbrances;
- (10) the valuation was performed on the basis that the Publication Right will be able to generate profit for the Company up to 2021;
- (11) the expected royalty revenue generated from the Publication Right was estimated with reference to the contracts entered into between the Target Company and other publishers, which was assumed being arrived at as a result of arm's length negotiations; and
- (12) the selling prices of the publications was assumed to keep consistent with the agreed prices as stated in the contracts entered into between the Target Company and other publishers except for adjustment for expected inflation.

The Valuer applied the income approach (also known as the discounted cash flow method) and adopted the following major assumptions in the valuation on the Adaptation Right:

- (1) the future operations in relation to the Adaptation Right will be in accordance with the projection provided by the Company;
- (2) the projected business according to the forecast of the Company can be achieved with the effort of the management of the Company;

- (3) there are no hidden or unexpected conditions associated with the Adaptation Right that might adversely affect the reported value;
- (4) there will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Adaptation Right is exposed to;
- (5) there will be no major changes in the current taxation law in the jurisdiction where the Adaptation Right is exposed to, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (6) the financial information in respect of the Adaptation Right has been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company;
- (7) exchange rates and interest rates will not differ materially from those presently prevailing;
- (8) there will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the current operations in relation to the Adaptation Right;
- (9) the operations in relation to the Adaptation Right are not subject to unusual or onerous restrictions or encumbrances; and
- (10) the expected revenues generated from the Adaptation Right were estimated with reference to the contracts entered between the Target Company, the Company and other parties, which were assumed being arrived as a result of arm's length negotiations.

KPMG, acting as the reporting accountant of the Company, has reviewed the calculations of the discounted future estimated cash flows, which do not involve the adoption of accounting policies, for the Valuation.

Veda Capital Limited, the financial adviser of the Company, has reported that it is satisfied that the forecast under the Valuation has been made by the Directors after due and careful enquiry.

In compliance with Rule 14.60A of the Listing Rules, the text of each of the report from KPMG to the Directors confirming it has reviewed the calculations of the discounted future estimated cash flows for the Valuation and the letter from Veda Capital Limited to the Directors confirming it is satisfied that the forecast under the Valuation has been made by the Directors after due and careful enquiry both dated 10 August 2010 received by the Company for the purpose of, among other things, inclusion in this announcement are reproduced below:

#### **Letter from KPMG**



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10 Chater Road	Internet <a href="http://www.kpmg.com/cn">www.kpmg.com/cn</a>
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P O Box 50  
General Post Office  
Hong Kong

10 August 2010

#### **To the directors of Qin Jia Yuan Media Services Company Limited (the "Company")**

We have been engaged to report on the arithmetical calculations of the discounted future estimated cash flows on which the valuations of the publication and adaptation rights (the "**Valuations**") dated 10 August 2010, prepared by BMI Appraisals Limited ("**BMI**") in respect of the appraisal of the market value of the publication and adaptation rights of books and scripts of renowned authors in the People's Republic of China (the "**PRC**") in connection with the proposed acquisition of the entire issued share capital of Green Team Cultural Asset Limited by a subsidiary of the Company. The Valuations which is determined based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

#### **Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company and BMI are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and BMI and as set out in the Valuations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the discounted future estimated cash flows for the Valuations and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **Reporting Accountants' Responsibility**

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the arithmetical calculations of the discounted future estimated cash flows on which the Valuations is based.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the Valuations. We re-performed the arithmetical calculations and compared the compilation of the discounted future estimated cash flows with the bases and assumptions.

We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the relevant publication and adaptation rights or an expression of an audit or review opinion of the Valuations.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

### **Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company and BMI as set out in the Valuations.

Yours faithfully,

**KPMG**

*Certified Public Accountants*

Hong Kong

## Letter from Veda Capital Limited

**VEDA | CAPITAL**  
**智 略 資 本**

**Veda Capital Limited 智略資本有限公司**  
Suite 3214, 32/F., COSCO Tower  
183 Queen's Road Central, Hong Kong

10 August 2010

The Board of Directors  
Qin Jia Yuan Media Services Company Limited  
Room 203, 2nd Floor  
Aon China Building  
29 Queen's Road Central  
Hong Kong

Dear Sirs,

We refer to the discounted cash flow forecast (“**Forecast**”) underlying the valuations prepared by BMI Appraisals Limited (“**BMI**”) dated 10 August 2010 in relation to the appraisal of the valuation of the market value of the publication and adaptation rights of books and scripts (the “**Publication and Adaptation Rights**”) written by renowned authors in the People's Republic of China (the “**Valuation**”). The Valuation is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

We are engaged to assist the Directors to comply with Rule 14.62 of the Listing Rules. Our work does not constitute any valuation of the Publication and Adaptation Rights. We are not reporting on the arithmetical calculations of the Forecast and the adoption of accounting policies thereof. We have reviewed the forecasts upon which the Valuation has been made for which you as the Directors are solely responsible, and have discussed with you and BMI the information and documents provided by you which formed part of the basis and assumptions upon which the Forecast has been prepared. We have also considered the letter from KPMG dated 10 August 2010 addressed to yourselves regarding the calculations upon which the Forecast has been made. We have noted that the discounted future estimated cash flows do not involve the adoption of accounting policies.

Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

On the basis of the foregoing, we are of the opinion that the Forecast underlying the Valuation, for which you as the Directors are solely responsible, has been made after due and careful enquiry by you.

Yours faithfully  
For and on behalf of  
**Veda Capital Limited**

**Hans Wong**  
*Chairman*

**Julisa Fong**  
*Managing Director*

The following are the qualifications of the experts who have given their opinion or advice included in this announcement:

<b>Name</b>	<b>Qualification</b>
KPMG	certified public accountants
Veda Capital Limited	a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 6 (advising on corporate finance) regulated activity

As at the date of this announcement, neither KPMG nor Veda Capital Limited has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of any member of the Group.

Each of KPMG and Veda Capital Limited has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its report and all reference to its name in the form and context in which it is included.

#### **Further information**

Set out below is further information relating to the Acquisition:

1. To clarify the information included in the Announcement, the name of TXSM should be 北京天下書盟科技發展有限公司 (Beijing Tianxiashumeng Technology Development Company Limited).
2. Each of TXSM and its controlling shareholder is independent of the Company or its connected person. The Vendors have also confirmed to the Company that each of TXSM and its controlling shareholder is independent of the Vendors or their respective beneficial owners.
3. Based on the management accounts of the Target Company for the period commencing from 22 September 2009, the date of its incorporation, up to 30 April 2010, its net asset value is about HK\$688,841.

4. The Structure Contracts will include the contracts detailed below:

<b>Parties</b>	<b>Nature of contracts</b>	<b>Assets to be transferred</b>	<b>Carrying value of the subject assets</b>
1 (a) TXSM (b) The Service Provider	資產轉讓協議 pursuant to which TXSM will transfer the fixed assets for provision of the Business Consultancy Services to the Service Provider	Computers, printers, an air conditioner, office furniture, an IBM IU server	The carrying value of the assets other than the IBM IU server as at 30 June 2010 is RMB4,849.27. It is expected that the carrying value of approximately RMB5,518 will be reflected in the management accounts of TXSM for July 2010
2 (a) TXSM (b) The Service Provider	商標轉讓合同工 pursuant to which TXSM will transfer the ownership of the trademarks of “天下書盟” under classes 38 and 41 to the Service Provider upon completion of their respective registration	Ownership of the trademarks of “天下書盟” under classes 38 and 41	Nil
3 (a) TXSM (b) The Service Provider	技術及業務合作合同 pursuant to which TXSM shall exclusively engage the Service Provider to provide it with the Business Consultancy Services for a term of 30 years and TXSM shall in return pay a substantial portion of its profits to the Service Provider as service fee	N/A	N/A
4 (a) The Service Provider (b) The equity holders of TXSM	股權出質合同 pursuant to which the equity holders of TXSM will pledge their respective equity interest in TXSM to the Service Provider	N/A	N/A

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

Hong Kong, 18 August 2010

*As at the date of this announcement, the Board consists of: four executive directors: Dr. LEUNG Anita Fung Yee Maria (Chief Executive Officer), Mr. TSE Wai Kuen, Gary (Chief Operating Officer), Mr. YIU Yan Chi, Bernard and Mr. TSIANG Hoi Fong, eleven non-executive directors: Dr. WONG Yu Hong, Philip, GBS (Chairman), Mr. LIU Yuk Chi, David (Vice-Chairman), Dr. WONG Ying Ho, Kennedy, BBS, JP, Mr. FLYNN Douglas Ronald, Mr. LAM Haw Shun Dennis, JP, Ms. HO Chiu King, Pansy Catilina, Mr. OWYANG Loong Shui Ivan, Mr. Stanley Emmett THOMAS, Mr. Lincoln PAN Lin Feng, Mr. Peter Alphonse ZALDIVAR and Mr. SU Xiao Shan; three independent non-executive directors: Mr. LAU Hon Chuen, GBS, JP, Mr. HUI Koon Man, Michael, JP and Mr. Wayne CHOU.*