

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** as to any aspect of this circular, you should consult your licensed securities dealer, 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(s) or transferee(s) or to the licensed securities dealer, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The 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.

---



**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)**

**CONNECTED TRANSACTIONS — ISSUE OF SHARES TO  
DIRECTORS UNDER SPECIFIC MANDATE**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



**INCU Corporate Finance Limited**

---

A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 17 and 18 of this circular.

A letter from INCU Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice on the Issue of Shares to Directors is set out on pages 19 to 48 of this circular.

A notice convening an extraordinary general meeting to be held at Tian & Di Rooms, 7th Floor, The Landmark Mandarin Oriental, 15 Queen's Road Central, Hong Kong on Monday, 21 March 2011 at 4:45 p.m. (or as soon thereafter as the annual general meeting of the Company to be held on the same day and place shall have been concluded or adjourned) is set out on pages 56 to 58 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of Union Registrars Limited, the branch registrar of Qin Jia Yuan Media Services Company Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

28 February 2011

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	5
Introduction .....	6
Issue of the Lam Remuneration Shares .....	7
Issue of the Tse Remuneration Shares .....	9
Issue of the Leung Bonus Shares .....	12
Issue of Shares to Directors .....	15
Extraordinary General Meeting .....	15
Recommendations .....	16
<b>Letter from the Independent Board Committee</b> .....	17
<b>Letter from INCU</b> .....	19
<b>Appendix — General information</b> .....	49
Responsibility statement .....	49
Directors' interests in securities .....	49
Substantial shareholders .....	53
Directors' interest in assets and/or arrangement .....	53
Service contracts .....	54
Expert's consent and qualification .....	54
Competing interests .....	55
Material adverse change .....	55
Documents available for inspection .....	55
<b>Notice of Extraordinary General Meeting</b> .....	56

---

## DEFINITIONS

---

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

“Actual Profit”	the unaudited consolidated profit before tax of the Company after deduction of that for the TV program production division of the Group for a financial year as recorded in the management accounts of the Group for that financial year;
“Appointment Agreements”	the Lam’s Letter of Appointment, the Tse’s Service Agreement and the Leung’s Service Agreement collectively;
“associates”	has the meaning ascribed in the Listing Rules;
“Benchmark Price”	as at the Latest Practicable Date, HK\$1.5 per Share (subject to the corresponding adjustment for sub-division or consolidation of Shares);
“Board”	the board of Directors;
“Budgeted Profit”	the budgeted consolidated profit before tax of the Company after deduction of that for the TV program production division of the Group in the Group’s annual budget for a financial year;
“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;
“Dr. Leung”	Dr. LEUNG Anita Fung Yee Maria, the Chief Executive Officer of the Group and an executive Director;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at Tian & Di Rooms, 7th Floor, The Landmark Mandarin Oriental, 15 Queen’s Road Central, Hong Kong on Monday, 21 March 2011 at 4:45 p.m. (or as soon thereafter as the annual general meeting of the Company to be held on the same day and place shall have been concluded or adjourned) for the purpose of considering and if thought fit, the passing of the ordinary resolutions for approving the Issue of Shares to Directors;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;

---

## DEFINITIONS

---

“INCU”	INCU Corporate Finance Limited, a licensed corporation licensed to carry on business in type 6 regulated activity under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders to advise on the Issue of Shares to Directors;
“Independent Board Committee”	the committee of the Board comprising Mr. LAU Hon Chuen, <i>GBS, JP</i> , Mr. HUI Koon Man, Michael <i>JP</i> and Mr. CHOU Wayne, all of whom are independent non-executive Directors and are also members of the Audit Committee and the Remuneration Committee of the Board;
“Independent Shareholders”	in respect of the issue of the Lam Remuneration Shares to Mr. Lam, Shareholders other than Mr. Lam and his associates; in respect of the issue of the Tse Remuneration Shares to Mr. Tse, Shareholders other than Mr. Tse and his associates; and in respect of the issue of the Leung Bonus Shares to Dr. Leung, Shareholders other than Dr. Leung and her associates;
“Issue of Shares to Directors”	the issue of the Lam Remuneration Shares, the Tse Remuneration Shares and the Leung Bonus Shares by the Company collectively;
“Lam Remuneration Shares”	3,500,000 Shares to be issued and allotted to Mr. Lam pursuant to the Lam’s Letter of Appointment;
“Lam’s Issue Conditions”	the conditions for the issue of the Lam Remuneration Shares set out in the paragraph headed “Conditions for the issue of the Lam Remuneration Shares” under the section headed “Issue of the Lam Remuneration Shares” in the Letter from the Board of this circular;
“Lam’s Letter of Appointment”	the letter of appointment dated 8 July 2010 and entered into between the Company and Mr. Lam in relation to the appointment of Mr. Lam as a non-executive Director;
“Latest Practicable Date”	25 February 2011, being the latest practicable date for ascertaining certain information for inclusion in this circular before its bulk printing;
“Leung Bonus Shares”	20,000,000 Shares (subject to the corresponding adjustment for sub-division or consolidation of Shares) which may be issued and allotted to Dr. Leung pursuant to the Leung’s Service Agreement;

---

## DEFINITIONS

---

“Leung’s Issue Conditions”	the conditions set out in the paragraph headed “Issue Conditions” under the section headed “Issue of the Leung Bonus Shares — Conditions for the issue of the Leung Bonus Shares” in the Letter from the Board of this circular;
“Leung’s Performance Conditions”	the conditions set out in the paragraph headed “Performance Conditions” under the section headed “Issue of the Leung Bonus — Conditions for the issue of the Leung Bonus Shares” in the Letter from the Board of this circular;
“Leung’s Service Agreement”	the service agreement dated 6 January 2011 and entered into between the Company and Dr. Leung relating to the renewal of Dr. Leung’s appointment as the Chief Executive Officer of the Group and an executive Director;
“Leung’s Service Term”	the term of service of Dr. Leung for the three years under the Leung’s Service Agreement;
“Listing Committee”	the Listing Committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lam”	Mr. LAM Haw Shun Dennis, an independent non-executive Director from 3 May 2004 to 7 July 2010 and a non-executive Director thereafter;
“Mr. Tse”	Mr. TSE Wai Kuen Gary, the Chief Operating Officer of the Group and an executive Director since 8 July 2010;
“PRC”	People’s Republic of China, and for the sole purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 6 January 2011 entered into between the Company and Mr. Tse in relation to the revision of the terms of the Tse’s Service Agreement;

---

## DEFINITIONS

---

“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong;
“Tse’s Issue Conditions”	the conditions for the issue of the Tse Remuneration Shares set out in the paragraph headed “Conditions for the issue of the Tse Remuneration Shares” under the section headed “Issue of the Tse Remuneration Shares” in the Letter from the Board of this circular;
“Tse Remuneration Shares”	6,000,000 Shares to be issued and allotted to Mr. Tse pursuant to the Tse’s Service Agreement;
“Tse’s Service Agreement”	the service agreement dated 30 June 2010 entered into between the Company and Mr. Tse as amended by the Supplemental Agreement;
“year”	12 months;
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong;
“US\$”	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. TSE Wai Kuen, Gary *(Chief Operating Officer)*

Mr. YIU Yan Chi, Bernard

Mr. TSIANG Hoi Fong

Mr. YEUNG Ching Wan *(Chief Financial Officer)*

*Registered office:*

Scotia Centre, 4th Floor

P.O. Box 2804

George Town

Grand Cayman

Cayman Islands

*Non-executive Directors:*

Dr. Honourable WONG Yu Hong, Philip, *GBS*

*(Chairman)*

Mr. LIU Yuk Chi, David *(Vice-Chairman)*

Mr. LAM Haw Shun, Dennis, *JP*

Ms. HO Chiu King, Pansy Catilina

Mr. FLYNN Douglas Ronald

Mr. OWYANG Loong Shui, Ivan

Mr. Stanley Emmett THOMAS

Mr. Lincoln PAN Lin Feng

Mr. Peter Alphonse ZALDIVAR

Mr. SU Xiao Shan

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

Room 203, 2nd Floor

Aon China Building

29 Queen's Road Central

Hong Kong

*Independent non-executive Directors:*

Mr. LAU Hon Chuen, *GBS, JP*

Mr. HUI Koon Man, Michael, *JP*

Mr. Wayne CHOU

28 February 2011

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS — ISSUE OF SHARES TO  
DIRECTORS UNDER SPECIFIC MANDATE**

---

## LETTER FROM THE BOARD

---

### INTRODUCTION

On 8 July 2010, the Company announced, among other things, that the Company and Mr. Lam entered into a letter of appointment in relation to the appointment of Mr. Lam as a non-executive Director for a term of two years commencing from 8 July 2010; and that the Company and Mr. Tse entered into a service agreement in relation to the appointment of Mr. Tse as the Chief Operating Officer of the Group and an executive Director for a term of two years commencing from 8 July 2010.

On 6 January 2011, the Company announced, among other things, that the Company and Mr. Tse entered into a supplemental agreement to revise the terms of appointment of Mr. Tse with an extension of the term of appointment to three years from 8 July 2010; and that the Company and Dr. Leung entered into a service agreement in relation to the renewal of the appointment of Dr. Leung as the Chief Executive Officer of the Group and an executive Director for a term of three years commencing from 1 January 2011.

Subject to fulfillment of the respective conditions set out in the Lam's Letter of Appointment, the Tse's Service Agreement and the Leung's Service Agreement (which are stated below), the Lam Remuneration Shares, the Tse Remuneration Shares and the Leung Bonus Shares will be issued to Mr. Lam, Mr. Tse and Dr. Leung respectively. As each of Mr. Lam, Mr. Tse and Dr. Leung is a Director, therefore a connected person of the Company within the meaning of the Listing Rules, each of the issue of the Lam Remuneration Shares to Mr. Lam, the issue of the Tse Remuneration Shares to Mr. Tse and the issue of the Leung Bonus Shares to Dr. Leung constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to approval of the Independent Shareholders at the Extraordinary General Meeting.

INCU has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Issue of Shares to Directors pursuant to the Appointment Agreements.

The purpose of this circular is to set out the details of the Appointment Agreements, the views of the Independent Board Committee on the Issue of Shares to Directors, the advice and recommendation of INCU and to give notice of the Extraordinary General Meeting to the Shareholders.



---

## LETTER FROM THE BOARD

---

### ISSUE OF THE LAM REMUNERATION SHARES

#### Principal terms

On 8 July 2010, the Company and Mr. Lam entered into the Lam's Letter of Appointment, the principal terms of which are set out below:

- Term : Two years commencing from 8 July 2010 terminable by either party giving six months written notice to the other party.
- Remuneration : Mr. Lam will be paid an amount of HK\$1,000,000 annually payable in four installments of HK\$250,000 each.

Subject to fulfillment of the Lam's Issue Conditions, the Company shall issue and allot to Mr. Lam a total of 3,500,000 Shares (upon Mr. Lam's completion of his term of service under the Lam's Letter of Appointment in full), to be issued and allotted as to 1,750,000 Shares credited as fully paid, upon completion of every 12-month of service. The Lam Remuneration Shares are not subject to any disposal restriction.

In the event the Lam's Issue Conditions are not fulfilled, Mr. Lam will be paid in cash of the amount ("Lam's Cash Equivalent") equivalent to the lower of (a) HK\$3,500,000, being the product of 1,750,000 Lam Remuneration Shares multiplied by HK\$2.00 per Lam Remuneration Share; or (b) the closing price of a Share as quoted on the Stock Exchange on each of 7 July 2011 and 7 July 2012 (as the case may be), if either date is not a trading date, the trading day immediately preceding.

In the event the appointment is terminated by the Company prior to the completion of Mr. Lam's service for a 12-month period, Mr. Lam shall be entitled to 1,750,000 Lam Remuneration Shares or Lam's Cash Equivalent (as the case may be) for that 12-month period on a pro rata basis by reference to the following formula:

$M/12 \times 1,750,000$  Lam Remuneration Shares or Lam's Cash Remuneration Equivalent,

where M is equal to the number of full months lapsed since 8 July 2010 or 8 July 2011 (as the case may be) up to the date of termination of the appointment.

---

## LETTER FROM THE BOARD

---

In the event that the appointment of Mr. Lam is terminated by Mr. Lam (i) prior to the completion of a full year of service in the first year of service, Mr. Lam is not entitled to any Lam Remuneration Shares or Lam's Cash Remuneration Equivalent; (ii) in the second year of service prior to the completion of a full year of service for the second year, Mr. Lam is only entitled to Lam Remuneration Shares or Lam's Cash Remuneration Equivalent payable to him for the first year only, and there will not be any pro rata entitlement for the Lam Remuneration Shares or Lam's Cash Remuneration Equivalent for the second year of service.

The terms of the Lam's Service Agreement were arrived at with reference to the duties of Mr. Lam with the Company and his experience.

The Lam Remuneration Shares represented approximately 0.416% and 0.414% of the issued share capital of the Company and the issued share capital of the Company as enlarged by the Lam Remuneration Shares, respectively, as at the Latest Practicable Date (assuming all the Lam Remuneration Shares are fully issued and allotted).

### **Conditions for the issue of the Lam Remuneration Shares**

Under the Lam's Letter of Appointment, the issue and allotment of the Lam Remuneration Shares to Mr. Lam are subject to the fulfillment of the following conditions:

- (a) the approval of the issue and allotment of the Lam Remuneration Shares of the Shareholders other than Mr. Lam and his associates at an extraordinary general meeting to be convened for the purpose; and
- (b) the granting of the listing of and permission to deal in the Lam Remuneration Shares by the Listing Committee.

The Lam Remuneration Shares will be issued and allotted under a specific mandate to be obtained from the Shareholders other than Mr. Lam and his associates at the Extraordinary General Meeting to be convened for the purpose.

Application will be made to the Stock Exchange for approval for the listing of and permission to deal in the Lam Remuneration Shares.

The issue of the Lam Remuneration Shares to Mr. Lam, a non-executive Director therefore a connected person of the Company within the meaning of the Listing Rules, constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to approval of the Shareholders other than Mr. Lam and his associates at the Extraordinary General Meeting. They are required to abstain from voting for any Shares held by them in respect of the resolutions to be proposed at the Extraordinary General Meeting to approve the issue of the Lam Remuneration Shares. As at the Latest Practicable Date, none of Mr. Lam nor Mr. Lam's associate held any Shares.

---

## LETTER FROM THE BOARD

---

### ISSUE OF THE TSE REMUNERATION SHARES

#### Principal terms

On 30 June 2010, the Company and Mr. Tse entered into a service agreement in relation to Mr. Tse's appointment, which is subsequently amended by the Supplemental Agreement. The principal terms of the Tse Service Agreement are set out below:

- Term : Three years commencing from 8 July 2010 unless and until terminated:
- (1) in accordance with the termination provision under the Tse's Service Agreement;
  - (2) by the Company giving not less than six months' written notice (or payment of six months fixed salary in lieu) to Mr. Tse at any time after the first eleven-month period; or
  - (3) by Mr. Tse giving six months' written notice (or payment of six months fixed salary in lieu) to the Company at any time.
- Remuneration : Mr. Tse will be paid a fixed salary of HK\$2,760,000 per annum payable in 12 monthly payments of HK\$230,000 each for each of the first two years and HK\$3,600,000 per annum payable in 12 months payments of HK\$300,000 each for the third year.

Subject to fulfillment of the Tse's Issue Conditions, the Company shall issue and allot to Mr. Tse a total of 6,000,000 Shares (upon Mr. Tse's completion of his term of service under the Tse's Service Agreement in full), to be issued and allotted as to 2,000,000 Shares, credited as fully paid, upon completion of every 12-month of service. The Tse Remuneration Shares are not subject to any disposal restriction.

In the event the Tse's Issue Conditions are not fulfilled, Mr. Tse will be paid cash of the amount ("Tse's Cash Equivalent") equivalent to the lower of (a) HK\$4,000,000, being the product of 2,000,000 Tse Remuneration Shares multiplied by HK\$2.00 per Remuneration Share; or (b) the closing price of a Share as quoted on the Stock Exchange on each of 7 July 2011, 7 July 2012 and 7 July 2013 (as the case may be), if either date is not a trading date, the trading day immediately preceding.

---

## LETTER FROM THE BOARD

---

In the event the appointment is terminated by either party prior to the completion of 12-month of service, Mr. Tse shall be entitled to the 2,000,000 Tse Remuneration Shares or Tse's Cash Equivalent (as the case may be) for that 12-month period on a pro rata basis by reference to the following formula:

$M/12 \times 2,000,000$  Tse Remuneration Shares or Tse's Cash Equivalent,

where M is equal to the number of full months lapsed since 8 July 2010, 8 July 2011 or 8 July 2012 (as the case may be) up to the date of termination of the appointment.

**Bonus** : Mr. Tse will be entitled to incentive bonus in respect of each of the two financial years ending 30 September 2012 and incentive bonus on a pro-rata basis in respect of the financial year ending 30 September 2013 (which will end on a date after the expiry of Mr. Tse's term of service) to be determined with reference to the unaudited consolidated profit before tax of the Group for each of such financial years as set out below:

### **Entitlement**

### **Conditions**

Cash bonus in the total sum equivalent to Mr. Tse's fixed salary for two months

The Actual Profit for the financial year represents 90% or more but less than the Budgeted Profit for that financial year.

Cash bonus in the total sum equivalent to Mr. Tse's fixed salary of three months and the amount equivalent to 1% of the amount of the Actual Profit exceeding the amount of the Budgeted Profit of the financial year

The Actual Profit for the financial year is equivalent to or exceeds the Budgeted Profit for that financial year.

At the sole discretion of the Chief Executive Officer of the Group, an additional cash bonus equivalent to 1.5% of the amount of the Actual Profit exceeding the amount of the Budgeted Profit of the financial year

The Actual Profit for the financial year exceeds the Budgeted Profit for that financial year.

---

## LETTER FROM THE BOARD

---

In respect of each of the two financial years ending 30 September 2013, the Company and Mr. Tse may agree that both of the Group's unaudited profit before tax and the Group's budgeted consolidated profit before tax of the TV program production division of the Group be taken into account in the determination of the incentive bonus of Mr. Tse. In considering whether or not to include the profit before tax for TV program production division for determining the bonus of Mr. Tse, the Company will consider if Mr. Tse has significant involvement in the negotiation of the contract(s) for the TV program production and related businesses during the relevant financial year.

The terms of the Tse's Service Agreement were determined based on his duties and responsibilities within the Group, the Group's remuneration policy to align the individual performance of senior management with the performance of the Group and the prevailing market conditions.

The Tse Remuneration Shares represented approximately 0.713% and 0.708% of the issued share capital of the Company and the issued share capital of the Company as enlarged by the Tse Remuneration Shares, respectively, as at the Latest Practicable Date (assuming all the Tse Remuneration Shares are fully issued and allotted).

### **Conditions for the issue of the Tse Remuneration Shares**

Under the Tse's Service Agreement, the issue and allotment of the Tse Remuneration Shares to Mr. Tse are subject to the fulfillment of the following conditions:

- (a) the approval of the issue and allotment of the Tse Remuneration Shares of the Shareholders other than Mr. Tse and his associates at an extraordinary general meeting to be convened for the purpose; and
- (b) the granting of the listing of and permission to deal in the Tse Remuneration Shares by the Listing Committee.

### **General**

The Tse Remuneration Shares will be issued and allotted under a specific mandate to be obtained from the Shareholders other than Mr. Tse and his associates at the Extraordinary General Meeting to be convened for the purpose.

Application will be made to the Stock Exchange for approval for the listing of and permission to deal in the Tse Remuneration Shares.

The issue of the Tse Remuneration Shares to Mr. Tse, a non-executive Director therefore a connected person of the Company within the meaning of the Listing Rules, constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to approval of the Shareholders other than Mr. Tse and his associates at the Extraordinary General Meeting. They are required to abstain from voting for any Shares held by them in respect of the resolutions to be proposed at the Extraordinary General Meeting to approve the issue of the Tse Remuneration Shares. As at the Latest Practicable Date, none of Mr. Tse nor Mr. Tse's associate held any Shares.

---

## LETTER FROM THE BOARD

---

### ISSUE OF THE LEUNG BONUS SHARES

#### Principal terms

On 6 January 2011, the Company and Dr. Leung entered into the Leung's Service Agreement, the principal terms of which are set out below:

Term : Three years commencing from 1 January 2011 terminable by:

- (a) the Company by giving not less than 11 months' prior written notice to Dr. Leung or payment of 11 months' fixed salary in lieu thereof at any time during the Leung's Service Term; or
- (b) Dr. Leung by giving not less than 11 months' prior written notice to the Company or payment of 11 months' fixed salary in lieu thereof, or Dr. Leung by giving not less than one month's prior written notice to the Company provided Dr. Leung can provide a medical certificate satisfactory to the Board to the effect that she is suffered from illness and is unfit for work, at any time during the Leung's Service Term.

Remuneration : *Director's fee and salary*

In addition to a director's fee as may be determined by the Board from time to time, Dr. Leung will be paid fixed salary of HK\$6,000,000 per annum, payable in 12 payments of HK\$500,000 per month.

#### *Bonus*

Subject to Dr. Leung's completion of her service for the Leung's Service Term in full and the fulfillment of the Leung's Performance Conditions and the Leung's Issue Conditions, the Company shall issue and allot to Dr. Leung a total of 20,000,000 Shares (subject to adjustment due to consolidation and sub-division of Shares), credited as fully paid, to Dr. Leung as bonus. The Leung Bonus Shares are not subject to any disposal restriction.

#### *Benefits*

The Company shall provide Dr. Leung with an annual housing allowance of HK\$2,000,000, a car and the service of a driver both for the exclusive use of Dr. Leung in Hong Kong.

---

## LETTER FROM THE BOARD

---

The Company shall maintain medical insurance for the benefit of Dr. Leung and her spouse together with personal accident insurance and disability insurance for Dr. Leung.

The Company shall pay the salary tax for Dr. Leung in respect of all income and allowance that she will receive from the Group pursuant to the Leung's Service Agreement in respect of the Leung's Service Term.

Subject to and after completion of service for the Leung's Service Term in full, Dr. Leung will be entitled to pension, the amount of which is equivalent to 20% of the total fixed salary of Dr. Leung paid by the Group in respect of the period commencing from 1 January 2005 up to the expiry of the Leung's Service Term in cash.

The terms of the Leung's Service Agreement were arrived at with reference to the duties of Dr. Leung with the Company and with a view to aligning the performance of Dr. Leung with the performance of the Group and providing Dr. Leung with more incentive to strive for better performance of the Group.

The Leung Bonus Shares represented 2.378% and 2.323% of the issued share capital of the Company and the issued share capital of the Company as enlarged by such Bonus Shares, respectively, as at the Latest Practicable Date. In the event of any alteration in the capital structure of the Company by way of consolidation and sub-division of Shares during the Leung's Service Term, corresponding adjustment (if any) will be made in respect of the Benchmark Price and the number of the Leung Bonus Shares.

In the event the appointment of Dr. Leung is terminated by either the Company or Dr. Leung herself prior to the expiry of the Leung's Service Term, no Leung Bonus Shares or cash in lieu of the Leung Bonus Shares will be issued/paid to Dr. Leung.

### **Conditions for the issue of the Leung Bonus Shares**

Under the Leung's Service Agreement, the issue and allotment of the Leung Bonus Shares to Dr. Leung are subject to the fulfillment of the following conditions:

#### *Performance Conditions*

- (a) The Company having achieved an average audited consolidated annual net profit attributable to the Shareholders of HK\$60 million or more for the three financial years ending 30 September 2013; and
- (b) the average closing price per Share quoted on the Stock Exchange for the Leung's Service Term shall not be lower than the Benchmark Price.

---

## LETTER FROM THE BOARD

---

### *Issue Conditions*

- (a) The approval of the issue and allotment of the Leung Bonus Shares of the Shareholders other than Dr. Leung and her associates at an extraordinary general meeting to be convened for such purpose;
- (b) the granting of the listing of and permission to deal in the Leung Bonus Shares by the Listing Committee of the Stock Exchange; and
- (c) the issue and allotment of the Leung Bonus Shares to Dr. Leung will not trigger the obligation of Dr. Leung and the parties acting in concert with her to make a general offer under the Takeovers Code.

None of the Leung's Performance Conditions or the Leung's Issue Conditions can be waived. In the event any of the Leung's Issue Conditions is not fulfilled but the Leung's Performance Conditions are fulfilled and Dr. Leung has completed her service for the Leung's Service Term in full, the Company will pay to Dr. Leung the amount equivalent to the product of the weighted average price per Share for the Leung's Service Term multiplied by the number of the Leung Bonus Shares in lieu of the Leung Bonus Shares as soon as practicable after the expiry of the Leung's Service Term.

### **General**

The Leung Bonus Shares will be issued and allotted under a specific mandate to be obtained from the Shareholders other than Dr. Leung and her associates at the Extraordinary General Meeting.

Application will be made to the Stock Exchange for approval for the listing of and permission to deal in the Leung Bonus Shares.

As Dr. Leung is an executive Director therefore a connected person of the Company within the meaning of the Listing Rules, the issue and allotment of the Leung Bonus Shares to Dr. Leung constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to approval of the Shareholders other than Dr. Leung and her associates at an extraordinary general meeting of the Company. Dr. Leung, together with her associates, namely her spouse (Dr. Honourable Wong Yu Hong, Philip who is the Chairman of the Group and a non-executive Director), Dynamic Master Developments Limited, Hunterland City Limited, Goodhold Limited and Up & Rise Limited, collectively hold 223,477,676 Shares, representing 26.57% of the issued share capital of the Company, as at the Latest Practicable Date, are required to abstain from voting for all such Shares held by them in respect of the resolution to be proposed at the Extraordinary General Meeting to approve the issue and allotment of the Leung Bonus Shares to Dr. Leung.



---

## LETTER FROM THE BOARD

---

### ISSUE OF SHARES TO DIRECTORS

The issue of new Shares to Mr. Lam, Mr. Tse and Dr. Leung as part of their respective remuneration packages will place a less onerous burden on the cash outflow of the Group while enable the Group to retain the service of personnel with the necessary experience and calibre. The relevant Directors' acceptance of remuneration packages comprising shares of the Company also demonstrates the confidence and commitment of the management of the Company in the future performance of the Group. The Directors believe that the terms and conditions of the Issue of Shares to Directors under the Appointment Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Lam, Mr. Tse and Dr. Leung did not attend or vote at the meeting of the Board approving their respective terms of appointment, including the issue of new Shares to them under their respective remuneration packages, as set out in the Appointment Agreements.

### EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting of the Company to be held at Tian & Di Rooms, 7th Floor, The Landmark Mandarin Oriental, 15 Queen's Road Central, Hong Kong on Monday, 21 March 2011 at 4:45 p.m. (or as soon thereafter as the annual general meeting of the Company to be held on the same day and place shall have been concluded or adjourned) for the purpose of considering, and if thought fit, the passing of the ordinary resolutions approving the Issue of Shares to Directors is set out on pages 56 to 58 of this circular. The ordinary resolution approving the issue and allotment of each of the Lam Remuneration Shares, the Tse Remuneration Shares and the Leung Bonus Shares will be put forward to the Independent Shareholders at the Extraordinary General Meeting to vote by poll.

There is enclosed a form of proxy for use at the Extraordinary General Meeting. Whether or not the Shareholders intend to be present at the Extraordinary General Meeting, they are requested to complete the form of proxy and return it to the branch registrar office of the Company in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding of the Extraordinary General Meeting or any adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not prevent the Shareholders from attending and voting at the Extraordinary General Meeting or adjourned meeting (as the case may be) if they so wish.

---

## LETTER FROM THE BOARD

---

### RECOMMENDATIONS

Having considered the reasons set out herein, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Issue of Shares to Directors, are fair and reasonable so far as the Shareholders are concerned and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the ordinary resolutions to be proposed at the Extraordinary General Meeting.

Your attention is drawn to the letter from Independent Board Committee set out on pages 17 and 18 of this circular and the letter from INCU set out on pages 19 to 48 to this circular.

Your attention is also drawn to the information set out in the appendix to this circular.

Yours faithfully,  
**Qin Jia Yuan Media Services Company Limited**  
**Dr. LEUNG Anita Fung Yee Maria**  
*Executive Director and Chief Executive Officer*



**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)**

28 February 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS — ISSUE OF SHARES TO  
DIRECTORS UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 28 February 2011 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We are members of the Independent Board Committee and have been appointed to advise the Independent Shareholders on the Issue of Shares to Directors.

INCU Corporate Finance Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Issue of Shares to Directors are fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 19 to 48 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 16 of the Circular.

---

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

---

Having considered the issue and allotment of the Lam Remuneration Shares pursuant to the terms of the Lam's Letter of Appointment; the issue and allotment of the Tse Remuneration Shares pursuant to the terms of the Tse's Service Agreement; the issue and allotment of the Leung Bonus Shares pursuant to the terms of the Leung's Service Agreement and the advice of INCU Corporate Finance Limited, we are of the opinion that the terms of the Issue of Shares to Directors are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of each of the ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the Issue of Shares to Directors.

Yours faithfully,  
Independent Board Committee of  
**Qin Jia Yuan Media Services Company Limited**

**Mr. LAU Hon Chuen,**  
*GBS, JP*  
*Member of the Independent*  
*Board Committee*

**Mr. HUI Koon Man,**  
**Michael, JP**  
*Member of the Independent*  
*Board Committee*

**Mr. CHOU Wayne**  
*Member of the Independent*  
*Board Committee*

---

## LETTER FROM INCU

---

*The following is the full text of a letter of advice from INCU to the Independent Board Committee and the Independent Shareholders in respect of the Issue of Shares to Directors, which has been prepared for inclusion in this circular.*



**INCU Corporate Finance Limited**

Unit 1602, Ruttonjee House  
Ruttonjee Centre, 11 Duddell Street  
Central, Hong Kong

28 February 2011

To: *The Independent Board Committee and  
The Independent Shareholders of*

**Qin Jia Yuan Media Services Company Limited**

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

Dear Sirs,

### **CONNECTED TRANSACTIONS — ISSUE OF SHARES TO DIRECTORS UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the connected transactions in which Shares will be issued to Dr. Leung, Mr. Tse and Mr. Lam pursuant to the Appointment Agreements, details of which have been set out in the Letter from the Board as contained in the circular of the Company to the Shareholders dated 28 February 2011 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

On 8 July 2010, the Company announced, among other things, that the Company and Mr. Lam entered into a letter of appointment in relation to the appointment of Mr. Lam as a non-executive Director for a term of two years commencing from 8 July 2010; and that the Company and Mr. Tse entered into a service agreement in relation to the appointment of Mr. Tse as the Chief Operating Officer of the Group and an executive Director for a term of two years commencing from 8 July 2010.

---

## LETTER FROM INCU

---

On 6 January 2011, the Company announced, among other things, that the Company and Mr. Tse entered into the Supplemental Agreement to revise the terms of appointment of Mr. Tse with an extension of the term of appointment to three years from 8 July 2010; and that the Company and Dr. Leung entered into a service agreement in relation to the renewal of the appointment of Dr. Leung as the Chief Executive Officer of the Group and an executive Director for a term of three years commencing from 1 January 2011.

Subject to fulfillment of the respective conditions set out in the Lam's Letter of Appointment, the Tse's Service Agreement and the Leung's Service Agreement (which are stated below), the Lam Remuneration Shares, the Tse Remuneration Shares and the Leung Bonus Shares will be issued to Mr. Lam, Mr. Tse and Dr. Leung respectively. As each of Mr. Lam, Mr. Tse and Dr. Leung is a Director, therefore a connected person of the Company within the meanings of the Listing Rules, each of the issue of the Lam Remuneration Shares to Mr. Lam, the issue of the Tse Remuneration Shares to Mr. Tse and the issue of the Leung Bonus Shares to Dr. Leung constitutes a connected transaction under Chapter 14A of the Listing Rules and is subject to approval of the Independent Shareholders at the Extraordinary General Meeting.

As at the Latest Practicable Date, none of Mr. Lam, Mr. Tse or their respective associates held any Shares who are required to be abstain from voting in respect of the resolutions, approving the issue and allotment of the Lam Remuneration Shares and Tse Remuneration Shares respectively.

As at the Latest Practicable Date, Dr. Leung, together with her associates, namely her spouse (Dr. Honourable Wong Yu Hong, Philip who is the Chairman of the Group and a non-executive Director), Dynamic Master Developments Limited, Hunterland City Limited, Goodhold Limited and Up & Rise Limited, collectively hold 223,477,676 Shares, representing 26.57% of the issued share capital of the Company, they are required to abstain from voting for all such Shares held by them in respect of the resolution to be proposed at the Extraordinary General Meeting to approve the issue and allotment of the Leung Bonus Shares to Dr. Leung.

The Independent Board Committee comprising Mr. Lau Hon Chuen, GBS, JP, Mr. Hui Koon Man, Michael, JP and Mr. Wayne Chou, has been formed to advise the Independent Shareholders in relation to Lam's Letter of Appointment, Tse's Service Agreement and Leung's Service Agreement, and whether the Independent Shareholders should vote in favour of the resolutions approving the Issue of Shares to Directors pursuant to the Appointment Agreements.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether each of the Appointment Agreements is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolutions to be proposed at the Extraordinary General Meeting approving the Issue of Shares to Directors pursuant to the Appointment Agreements.

---

## LETTER FROM INCU

---

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be so at the date of the Extraordinary General Meeting.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business, affairs and prospects of the Group or its respective subsidiaries or associated companies.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any benefits from the Group.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

In formulating our opinion regarding the Appointment Agreements, we have taken into consideration of the following principal factors:

#### **I. Issue of the Lam Remuneration Shares under a specific mandate**

##### ***(a) Reasons and background for entering into of the Lam's Letter of Appointment***

Mr. Lam, aged 64, joined the Group in May 2004 as an independent non-executive Director. The Company entered into the Lam's Letter of Appointment for a term of two years commencing from 8 July 2010 in relation to the re-designation of Mr. Lam from independent non-executive Director to non-

---

## LETTER FROM INCU

---

executive Director. As disclosed in the annual report 2010 of the Company (“**Annual Report**”), Mr. Lam is also a member of the audit committee and remuneration committee of the Company.

As disclosed in the Annual Report, Mr. Lam has a Bachelor’s degree in Electrical Engineering from the University of Washington and a Master of Business Administration degree from the University of California, Los Angeles. Mr. Lam has over 30 years’ experience in the finance industry. He was a senior adviser of Mizuho Securities Asia Limited. Prior to his current appointment, Mr. Lam has held senior positions in various financial institutions. Mr. Lam was also the first Vice Chairman of the Stock Exchange of Hong Kong, first Deputy Chairman of Hong Kong Securities Clearing Corporation and member of the Securities & Futures Appeals Panel.

With his previous experience in the finance industry in Hong Kong and China, and in order to cope with the expansion of the Company, Mr. Lam is re-designated as a non-executive Director in July 2010. As a non-executive Director, Mr. Lam is responsible for the strategic planning and development of the Group, and giving advice on business model and financing methods for potential acquisitions and all other important projects of the Company, especially for projects in the PRC.

***(b) Principal terms of and reasons for the Lam’s Letter of Appointment***

The term under the Lam’s Letter of Appointment is for two years commencing from 8 July 2010 terminable by either the Company or Mr. Lam by giving six months written notice to the other party (or payment of six months fixed salary in lieu).

Mr. Lam will be paid a fixed salary of HK\$1,000,000 annually payable in four installments of HK\$250,000 each. Subject to fulfillment of the Lam’s Issue Conditions, upon Mr. Lam’s completion of his term of service under the Lam’s Letter of Appointment, the Company shall issue and allot to Mr. Lam a total of 3,500,000 Shares, to be issued and allotted as to 1,750,000 Shares credited as fully paid, upon completion of every 12-month of service. The Lam Remuneration Shares are not subject to any disposal restrictions.

We noted that if the Lam’s Issue Conditions is approved, the remuneration package of Mr. Lam includes both the fixed portion in terms of annual salary of HK\$1 million and variable portion in terms of the Lam Remuneration Shares.

As at the Latest Practicable Date, there are a total of 841,053,750 issued Shares and the shareholding interest of the public Shareholders is approximately 49.80%. As at the Latest Practicable Date, the 3,500,000 Lam Remuneration Shares represent approximately 0.416% and 0.414% of the existing issued share capital of the Company and the issued share capital of the Company as enlarged by the Lam Remuneration Shares (assuming all the Lam Remuneration Shares are



---

## LETTER FROM INCU

---

fully issued and allotted) respectively. The existing issued Shares will be diluted as to 0.414% to 0.416% respectively by the issue of the Lam Remuneration Shares, we are of the view that such dilution effect is acceptable.

To illustrate the value of the Lam Remuneration Shares, we make reference to the price performance of the Shares during the year of 2010 from the chart below.

**Chart 1: Closing price of the Shares for the year 2010**



As noted from the above share price chart, the historical closing stock price of the Shares for the full year of 2010 ranged from HK\$1.15 to HK\$1.69 with an average of HK\$1.38 (“**2010 Historical Stock Prices**”).

We note that the annual remuneration of Mr. Lam under the Lam’s Letter of Appointment is HK\$2 million in aggregate for two years of service. In the event if the Lam’s Issue Conditions are fulfilled (for illustrative purpose), if we use the 2010 Historical Stock Prices to calculate the value of the 3,500,000 Lam Remuneration Shares, the value of the Lam Remuneration Shares will range from HK\$4.025 million to HK\$5.915 million, representing approximately 66.80% and 74.73% of the total remuneration package of Mr. Lam of HK\$6.025 million and HK\$7.915 million in terms of dollar value respectively. We note that substantial part of his remuneration package comes from a variable portion in terms of the Lam Remuneration Shares without cash outlay (except for the annual remuneration of HK\$1 million for each year of service). We concur with the Directors’ view that the acceptance of a remuneration package comprising Shares demonstrated the confidence and commitment of the management of the Company in the future performance of the Group.

---

## LETTER FROM INCU

---

In the event the Lam's Issue Conditions are not fulfilled, Mr. Lam will be paid a cash amount equivalent ("**Lam's Cash Remuneration Equivalent**") to the lower of (i) HK\$3,500,000, being the product of 1,750,000 Lam Remuneration Shares at HK\$2.00 each Lam Remuneration Share; or (ii) the closing price of a Share as quoted on the Stock Exchange on each of 7 July 2011 and 7 July 2012 (as the case may be) if either date is not a trading date, the trading day immediately preceding.

In the event if the Lam's Issue Conditions are not fulfilled, there will be an obligation for the Company to pay the Lam's Cash Remuneration Equivalent in cash. For illustrative purpose, if we use the maximum price of the 2010 Historical Stock Prices to calculate the value of the Lam's Cash Remuneration Equivalent, it will be valued HK\$5.915 million. In case if the Share price rises above HK\$2 per Share, on top of the HK\$2 million fixed remuneration, the total amount of remuneration will be capped at a maximum of HK\$9 million (with the cap of HK\$7 million of the Lam's Cash Remuneration Equivalent). The payment of the Lam's Cash Remuneration Equivalent in cash will incur a cash outlay to the Company and will reduce the cash resources of the Company. We agree with the view of the Directors that the issue and allotment of the Lam Remuneration Shares as part of the remuneration package will place a less onerous burden on the cashflow of the Group while enable the Group to retain the service of a person with the necessary experience and caliber. Moreover, we note that the Lam Remuneration Shares provide a better way to compensate and give incentive to selected employees of the Company for their continuing contributions and efforts to the Company in form of Shares.

In the event the appointment of Mr. Lam is terminated by the Company prior to the completion of 12-month of service, Mr. Lam shall be entitled to the 1,750,000 Lam Remuneration Shares or cash equivalent (as the case may be) for that 12-month period on a pro rata basis by reference to the following formula:

$M/12 \times 1,750,000$  Lam Remuneration Shares or Lam's Cash Remuneration Equivalent,

where, M is equal to the number of full months lapsed since 8 July 2010 or 8 July 2011 (as the case may be) up to the date of termination of the appointment.

In the event that the appointment of Mr. Lam is terminated by Mr. Lam (i) prior to the completion of a full year of service in the first year of service, Mr. Lam is not entitled to any Lam Remuneration Shares or Lam's Cash Remuneration Equivalent; (ii) in the second year of service prior to the completion of a full year of service for the second year, Mr. Lam is only entitled to Lam Remuneration Shares or Lam's Cash Remuneration Equivalent payable to him for the first year only, and there will not be any pro rata entitlement for the Lam Remuneration Shares or Lam's Cash Remuneration Equivalent for the second year of service.

---

## LETTER FROM INCU

---

The remuneration package of Mr. Lam comprises an annual fixed salary of HK\$1 million each for the 2 years of service and the Lam Remuneration Shares. As the Lam Remuneration Shares are part of the remuneration of Mr. Lam as set out in the Lam's Letter of Appointment, we are of the view that in case if the Lam's Letter of Appointment is terminated in accordance with the Lam's Letter of Appointment, the issue of the Lam Remuneration Shares on a pro-rata basis pursuant to the Lam's Letter of Appointment is fair and reasonable and are on commercial terms.

Under the Lam's Letter of Appointment, the issue and allotment of the Lam Remuneration Shares to Mr. Lam are subject to the fulfillment of the following conditions ("**Lam's Issue Conditions**"):

- (1) the approval of the issue and allotment of the Lam Remuneration Shares by the Shareholders other than Mr. Lam and his associates at an extraordinary general meeting to be convened for the purpose; and
- (2) the granting of the listing of and permission to deal in the Lam Remuneration Shares by the Listing Committee.

The terms of the Lam's Letter of Appointment are arrived at with reference to the duties of Mr. Lam with the Company and his experience that Mr. Lam is an expert in financial sector in Hong Kong and China will directly contribute to the development of the Company.

The Lam Remuneration Shares will be issued and allotted under a specific mandate to be obtained from the Shareholders other than Mr. Lam and his associates at the Extraordinary General Meeting to be convened for the purpose.

Given the above conditions are for compliance of the relevant provisions of the Listing Rules, we concur with the Directors that the conditions of the issue and allotment of the Lam Remuneration Shares under the Lam's Letter of Appointment are on normal commercial terms and fair and reasonable to the Company and the Independent Shareholders.

Given that (1) Mr. Lam's experience and his duties will make contributions to the Company during his terms of service which are the key factors in determining the remuneration package of Mr. Lam; (2) if the Lam's Issue Conditions are fulfilled, the Lam Remuneration Shares form a substantial part of the remuneration package of Mr. Lam (which includes the Lam Remuneration Shares and an annual cash remuneration of HK\$1 million for 2 years of service term); (3) the Lam Remuneration Shares provide a better way to compensate and give incentive to selected employees of the Company for their continuing contributions and efforts to the Company in form of Shares; (4) the issue of the Lam Remuneration Shares will not incur any cash outlay to the Company thereby reserving more cash resources for the Company's business; (5) only the annual remuneration of HK\$1 million for each year of service will incur a cash outlay to the Company; and (6) the maximum number of the Lam Remuneration Shares

(including issue and allotment of the Lam Remuneration Shares on a pro-rata basis in the case of early termination of the Lam's Letter of Appointment) has been fixed and the estimated dilution impact on the shareholding interest of the public Shareholders upon the issue of the Lam Remuneration Shares is acceptable, we are of the view that after taken into account the above factors and the annual remuneration of HK\$1 million in cash, the issue of the Lam Remuneration Shares as part of the total remuneration package of Mr. Lam is acceptable to the Independent Shareholders and is fair and reasonable and thus the basis for the issue and allotment of the Lam Remuneration Shares are fair and reasonable to the Company and Independent Shareholders.

## **II. Issue of Tse Remuneration Shares under a specific mandate**

### ***(a) Reasons and background for entering into of the Tse's Service Agreement***

On 30 June 2010, the Company entered into a service agreement with Mr. Tse, pursuant to which Mr. Tse was appointed as an executive Director and Chief Operating Officer of the Group for a term of two years commencing from 8 July 2010. On 6 January 2011, the Company entered into the Supplemental Agreement with Mr. Tse for revision of the service agreement executed on 30 June 2010, pursuant to which his terms of service will be extended for one year to a total of three years.

On 27 May 2010, the Company entered into a subscription agreement with First Media Holdings, Ltd in relation to the subscription of convertible bonds, warrants and new shares which was completed on 8 July 2010 and First Media Holdings, Ltd became a substantial Shareholder. With the full support from First Media Holdings, Ltd the Company aims to become a cross-media platform in China covering TV production and advertising, outdoor advertising, entertainment and artist management, film production and new media advertising such as internet and e-book. Therefore, a Chief Operating Officer is required to be appointed to deal with all aforesaid business units and to control their expenses and profit so as to achieve a reasonable rate of return to the Shareholders. The Company found Mr. Tse a suitable person and appointed him as an executive Director and Chief Operating Officer of the Company on 8 July 2010 and entered into a service agreement with Mr. Tse for an initial term of 2 years.

At the end of December 2010, the Company found the performance of Mr. Tse satisfactory and that under the leadership of Mr. Tse, the business units in relation to the cross-media platform in China has been successfully established. Since these business units are still at the development stage, the Company considers that the continuous leadership from Mr. Tse could be crucial and as such intends to extend his service term from 2 years to 3 years by entering into the Supplemental Agreement on 6 January 2011.

---

## LETTER FROM INCU

---

Mr. Tse, aged 56, graduated from Hong Kong Baptist University's Communications Faculty majoring in advertising and public relations. Mr. Tse is a marketing, branding and media veteran with over 30 years' experience across Hong Kong and China, working for global marketing agencies. Prior to joining the Company, Mr. Tse was Chairman and Chief Executive Officer of Draftfcb Greater China, responsible for creating a new agency model by merging Draft (world's number two direct and digital agency) and FCB (a 100 years+ global agency). Under his leadership, Draftfcb established a leading digital advertising agency in Mainland China. Mr. Tse has advised numerous global and leading China brands. He also has extensive experience in working with blue chip clients across all industries in Hong Kong.

As an executive Director and Chief Operating Officer of the Group, Mr. Tse is responsible for monitoring all business units in China (including Beijing, Shanghai, Shenzhen, etc.), implementing policies to different business units, monitoring and controlling monthly turnover and net profit, and dealing with investors relations and all projects of the Group.

As Mr. Tse has more than 30 years' of experience in the media sector, with his extensive experience in Hong Kong and the PRC region, we consider that his experience will contribute to the Company.

***(b) Principal terms of and the reasons for the Tse's Service Agreement***

Pursuant to the Tse's Service Agreement, the term of services is for three years commencing from 8 July 2010 unless and until terminated:

- (1) in accordance with the termination provision under the Tse's Service Agreement (a summary of which has been stated below); or
- (2) by the Company giving not less than six months' written notice (or payment of six months fixed salary in lieu) to Mr. Tse at any time after the first eleven-month period from 8 July 2010; or
- (3) by Mr. Tse giving six months' written notice (or payment of six months fixed salary in lieu) to the Company at any time during his term of service.

---

## LETTER FROM INCU

---

### *(c) Summary of termination provision under the Tse's Service Agreement*

As provided under the Tse's Service Agreement, the Company will be entitled, but not obligated to terminate the Tse's Service Agreement without compensation to Mr. Tse (i) by not giving less than 3 months' notice in writing at any time while Mr. Tse shall have been incapacitated or prevented by reason of ill health injury or accident from performing his duties for a period of 120 days in the preceding 12 months (however provided that during the subsistence of the notice, Mr. Tse can provide a medical certificate satisfactory to the Board that Mr. Tse have been recovered, the Company shall withdraw such notice); and (ii) by summary notice in writing with immediate effect if, among others, Mr. Tse commits any serious or willful breach of the terms under the Tse's Service Agreement, becomes of unsound mind, becomes bankrupt, misconduct or willful negligence in performing his duties, being prohibited by law from performing his duties, being convicted of any criminal offence.

We note that the termination provision under the Tse's Service Agreement constitutes commercial terms of the Tse's Service Agreement.

Pursuant to the Tse's Service Agreement, Mr. Tse will be paid a fix salary of HK\$2,760,000 per annum payable in 12 monthly payments of HK\$230,000 each for the first two years of service, and a fixed salary of HK\$3,600,000 per annum payable in 12 monthly installments of HK\$300,000 each for his appointment in the third year of his service. Subject to fulfillment of the Tse's Issue Conditions and upon Mr. Tse's completion of his term of service under the Tse's Service Agreement, the Company shall issue and allot to Mr. Tse a total of 6,000,000 Shares, to be issued and allotted as to 2,000,000 Shares, credited as fully paid, upon completion of every 12-month of service. The Tse Remuneration Shares are not subject to any disposal restrictions.

We noted that if the Tse's Issue Conditions is approved, the remuneration package of Mr. Tse includes both the fixed portion in terms of annual salary of HK\$2.76 million for his first and second year of service and HK\$3.6 million for his third year of service, and the variable portion in terms of Tse Remuneration Shares.

As at the Latest Practicable Date, there are a total of 841,053,750 issued Shares and the shareholding interest of the public Shareholders is approximately 49.80%. As at the Latest Practicable Date, the Tse Remuneration Shares represent approximately 0.713% and 0.708% of the existing issued share capital of the Company and the issued share capital of the Company as enlarged by the Tse Remuneration Shares (assuming all the Tse Remuneration Shares are fully issued and allotted) respectively. The existing issued Shares will be diluted as to 0.708% to 0.713% respectively by the issue of the Tse Remuneration Shares, we are of the view that such dilution effect is acceptable.

---

## LETTER FROM INCU

---

To illustrate the value of the Tse Remuneration Shares, if we use the 2010 Historical Stock Prices to calculate the value of the 6,000,000 Tse Remuneration Shares, the value of the Tse Remuneration Shares will range from HK\$6.90 million to HK\$10.14 million, representing approximately 43.07% and 52.65% of the total remuneration package of Mr. Tse in terms of dollar value of HK\$16.02 million and HK\$19.26 million respectively (without accounting for the cash bonus as stated below). We note that a substantial part of his remuneration package come from a variable portion in terms of the Tse Remuneration Shares. We concur with the Directors' view that the acceptance of a remuneration package comprising Shares demonstrated the confidence and commitment of the management of the Company in the future performance of the Group.

In the event the Tse's Issue Conditions are not fulfilled, Mr. Tse will be paid a cash ("**Tse's Cash Remuneration Equivalent**") equivalent to the lower of (a) HK\$4,000,000, being the product of 2,000,000 Tse Remuneration Shares at HK\$2.00 each Tse Remuneration Share; or (b) the closing price of a Share as quoted on the Stock Exchange on each of 7 July 2011, 7 July 2012 and 7 July 2013 (as the case may be) if either date is not a trading date, the trading day immediately preceding.

In the event if the Tse's Issue Conditions are not fulfilled, there will be an obligation for the Company to pay the Tse's Cash Remuneration Equivalent in cash. For illustrative purpose, if we use the maximum price of the 2010 Historical Stock Prices to calculate the value of the Tse's Cash Remuneration Equivalent, it will be valued HK\$10.14 million. In case if the Share price rises above HK\$2 per Share, on top of the HK\$9.12 million fixed remuneration, the total amount of remuneration will be capped at a maximum of HK\$21.12 million (with the cap of HK\$12 million of the Tse's Cash Remuneration Equivalent). The payment of the Tse's Cash Remuneration Equivalent in cash will reduce the cash resources of the Company. We agree with the view of the Directors that the issue and allotment of the Tse Remuneration Shares as part of the remuneration package will place a less onerous burden on the cashflow of the Group while enable the Group to retain the service of a person with the necessary experience and caliber. We note that the Tse Remuneration Shares provide a better way to compensate and give incentive to selected employees of the Company for their continuing contributions and efforts to the Company in form of Shares.

---

## LETTER FROM INCU

---

In the event the appointment of Mr. Tse is terminated by either party prior to the completion of 12-month of service, Mr. Tse shall be the amount of entitlement for the 2,000,000 Tse Remuneration Shares or Tse's Cash Remuneration Equivalent (as the case may be) will be counted on a pro rata basis by reference to the following formula:

$M/12 \times 2,000,000$  Tse Remuneration Shares or Tse's Cash Remuneration Equivalent,

where, M is equal to the number of full months lapsed since 8 July 2010, 8 July 2011 or 8 July 2012 (as the case may be) up to the date of termination of the appointment.

The remuneration package of Mr. Tse comprises an annual fixed salary of HK\$2.76 million for the first and second years and HK\$3.60 million for the third year and the Tse Remuneration Shares. As the Tse Remuneration Shares are part of the remuneration of Mr. Tse as set out in the Tse's Service Agreement, we are of the view that in case if the Tse's Service Agreement is terminated in accordance with the Tse's Service Agreement, the issue of the Tse Remuneration Shares on a pro-rata basis pursuant to the Tse's Service Agreement is fair and reasonable and are on commercial terms.

Mr. Tse will be entitled to incentive bonus in respect of each of the two financial years ending 30 September 2012 and incentive bonus on a pro-rata basis in respect of the financial year ending 30 September 2013 (which will end on a date after the expiry of Mr. Tse's term of service) to be determined with reference to the unaudited consolidated profit before tax of the Group for each of such financial years.

Mr. Tse will also be entitled (i) a cash bonus in the total sum equivalent to Mr. Tse's fixed salary for two months if the Actual Profit for the financial year represents 90% or more but less than the Budgeted Profit for that financial year; (ii) cash bonus in the total sum equivalent to Mr. Tse's fixed salary of three months and the amount equivalent to 1% of the amount of the Actual Profit exceeding the amount of the Budgeted Profit of the financial year if the Actual Profit for the financial year is equivalent to or exceeds the Budgeted Profit for that financial year; and (iii) at the sole discretion of the Chief Executive Officer of the Group, an additional cash bonus equivalent to 1.5% of the amount of the Actual Profit exceeding the amount of the Budgeted Profit of the financial year if the Actual Profit for the financial year exceeds the Budgeted Profit for that financial year.

In respect of each of the two financial years ending 30 September 2013, the Company and Mr. Tse may agree that both of the Group's unaudited profit before tax and the Group's budgeted consolidated profit before tax of the TV program production division of the Group be taken into account in the determination of the incentive bonus of Mr. Tse. In considering whether or not to include the profit before tax for TV program production division for determining the bonus of Mr.



---

## LETTER FROM INCU

---

Tse, the Company will consider if Mr. Tse has significant involvement in the negotiation of the contract(s) for the TV program production and related businesses during the relevant financial year.

Under the Tse's Service Agreement, the issue and allotment of the Tse Remuneration Shares to Mr. Tse are subject to the fulfillment of the following conditions:

- (1) the approval of the issue and allotment of the Tse Remuneration Shares by Shareholders other than Mr. Tse and his associates at an extraordinary general meeting to be convened for the purpose; and
- (2) the granting of the listing of and permission to deal in the Tse Remuneration Shares by the Listing Committee.

As advised by the Company, the terms of the Tse's Service Agreement is arrived at with reference to the duties of Mr. Tse with the Group and his experience.

The Tse Remuneration Shares will be issued and allotted under a specific mandate to be obtained from the Shareholders other than Mr. Tse and his associates at the Extraordinary General Meeting to be convened for the purpose.

Given the above conditions are for compliance of the relevant provisions of the Listing Rules, we concur with the Directors that the conditions of the issue and allotment of the Tse Remuneration Shares under the Tse's Service Agreement are on normal commercial terms and fair and reasonable to the Company and the Independent Shareholders.

Given that (1) Mr. Tse's experience and his duties will make contributions to the Company during his terms of service which are the key factors in determining the remuneration package of Mr. Tse; (2) if the Tse's Issue Conditions are fulfilled, the Tse Remuneration Shares form a substantial part of the remuneration package of Mr. Tse (an annual cash remuneration of HK\$2.76 million for his first year and the second year of service and HK\$3.60 million for his third year of Service); (3) the Tse Remuneration Shares provide a better way to compensate and give incentive to selected employees of the Company for their continuing contributions and efforts to the Company in form of Shares; (4) the issue of the Tse Remuneration Shares will not incur any cash outlay to the Company thereby reserving more cash resources for the Company's business; (5) only the annual remuneration of HK\$2.76 million for the first and second year of service and HK\$3.60 million for the third year will incur a cash outlay to the Company; and (6) the maximum number of the Tse Remuneration Shares (including issue and allotment of the Tse Remuneration Shares on a pro-rata basis in case of early termination of Tse's Service Agreement) has been fixed and the estimated dilution impact on the shareholding interest of the public Shareholders upon the issue of the Tse Remuneration Shares is acceptable, we are of the view that after taken into account the above factors and the annual remuneration of

HK\$2.76 million for the first and second year of service and HK\$3.60 million for the third year of service, we consider the issue and the allotment of the Tse Remuneration Shares to be fair and reasonable to the Company and the Independent Shareholders.

### **III. Issue of Leung Bonus Shares under a specific mandate**

#### ***(a) Reasons and background for entering into of the Leung's Service Agreement***

Dr. Leung has been appointed as the Chief Executive Officer of the Group and an executive Director since 2002. As the term of service under the previous service agreement of Dr. Leung expired on 31 December 2010 already, the Company and Dr. Leung entered into the Leung's Service Agreement to renew Dr. Leung's appointment and to fix the new terms under which Dr. Leung will be appointed for a term of three years commencing from 1 January 2011. As at the Latest Practicable Date, Dr. Leung is also a substantial Shareholder of the Company.

#### *Experiences*

As disclosed in the Annual Report, Dr. Leung aged 62, is the co-founder and the Chief Executive Officer of the Group since October 2002. Dr. Leung is responsible for business development strategies and overall direction of the Group. She also participates in the provision of concepts and ideas for television ("TV") program production and the contribution of original novels and play scripts of TV dramas.

Dr. Leung holds a Doctorate degree (major in Chinese History) from The Chinese University of Hong Kong. She has more than 39 years' experience in media industry, having brought her talent into full play in the areas of TV program production, public relations, advertising and marketing for more than 32 years.

Dr. Leung worked for a number of renowned companies in Hong Kong in senior management position, including Sun Hung Kai Securities Limited, Ogilvy & Mather Advertising and the Stock Exchange. Dr. Leung had established a recruitment agency in Hong Kong from late 70's to mid 80's, which was the first agency to introduce Filipino domestic helpers for families in Hong Kong.

Dr. Leung is a member of the Chinese People's Political Consultative Conference ("CPPCC") of Beijing in the People's Republic of China (the "PRC") and was elected as a member of the Eleventh National Committee of the CPPCC in the PRC in 2010. Dr. Leung is also a renowned novelist in Hong Kong and mainland China, as well as in the Chinese communities over the world.

---

## LETTER FROM INCU

---

Dr. Leung is also a director of various subsidiaries of the Group. Dr. Leung is a director of Dynamic Master Developments Limited, Goodhold Limited and Hunterland City Limited.

For more information of Dr. Leung's biography, please refer to the Annual Report.

***(b) Principal terms of and reasons for the Leung's Service Agreement***

On 6 January 2011, the Company and Dr. Leung entered into the Leung's Service Agreement, the principal terms of which are set out below:

Term : Three years commencing from 1 January 2011 terminable by:

- (a) the Company by giving not less than 11 months' prior written notice to Dr. Leung or payment of 11 months' fixed salary in lieu thereof at any time during the Leung's Service Term; or
- (b) by Dr. Leung by giving not less than 11 months' prior written notice to the Company or payment of 11 months' fixed salary in lieu thereof, or by Dr. Leung by giving not less than one month's prior written notice to the Company provided Dr. Leung can provide a medical certificate satisfactory to the Board to the effect that she is suffered from illness and is unfit for work, at any time during the Leung's Service Term.

---

## LETTER FROM INCU

---

Remuneration : *Director's fee and salary*

In addition to a director's fee as may be determined by the Board from time to time, Dr. Leung will be paid fixed salary of HK\$6,000,000 per annum, payable in 12 payments of HK\$500,000 per month.

### *Bonus*

Subject to Dr. Leung's completion of her service for the Leung's Service Term in full and the fulfillment of the Leung's Performance Conditions and the Leung's Issue Conditions, the Company shall issue and allot to Dr. Leung a total of 20,000,000 Shares (subject to adjustment due to consolidation and subdivision of Shares), credited as fully paid, to Dr. Leung as bonus. The Leung Bonus Shares are not subject to any disposal restrictions.

### *Benefits*

The Company shall provide Dr. Leung with an annual housing allowance of HK\$2,000,000, a car and the service of a driver both for the exclusive use of Dr. Leung in Hong Kong.

The Company shall maintain medical insurance for the benefit of Dr. Leung and her spouse together with personal accident insurance and disability insurance for Dr. Leung.

The Company shall pay the salary tax for Dr. Leung in respect of all income and allowance that she will receive from the Group pursuant to the Leung's Service Agreement in respect of the Leung's Service Term.

Subject to and after completion of service for the Leung's Service Term in full, Dr. Leung will be entitled to pension, the amount of which is equivalent to 20% of the total fixed salary of Dr. Leung paid by the Company (or its subsidiaries) in respect of the period commencing from 1 January 2005 up to the expiry of the Leung's Service Term in cash.

---

## LETTER FROM INCU

---

In the event the appointment of Dr. Leung is terminated by either the Company or Dr. Leung herself prior to the expiry of the Leung's Service Term, no Leung Bonus Shares or cash in lieu of the Leung Bonus Shares will be issued/paid to Dr. Leung.

As advised by the Company, the terms of the Leung's Service Agreement are arrived at with reference to the duties of Dr. Leung with the Company and with a view to aligning the performance of Dr. Leung with the performance of the Group and providing Dr. Leung with more incentive to strive for better performance of the Group.

Under the Leung's Service Agreement, the issue and allotment of the Leung Bonus Shares to Dr. Leung are subject to the fulfillment of the Leung's Performance Conditions and Leung's Issue Conditions which are discussed as below:

*Leung's Performance Conditions:*

- (i) The Company having achieved an average audited consolidated annual net profit attributable to the Shareholders of HK\$60 million or more for the three financial years ending 30 September 2013 (the "**Benchmark Profit**"); and
- (ii) the average closing price per Share quoted on the Stock Exchange for the Leung's Service Term shall not be lower than the Benchmark Price.

---

**LETTER FROM INCU**

---

For the purpose of giving an opinion on the Leung's Performance Conditions, we have reviewed the historical financial performance of the Group for the past three years and the basis of the Benchmark Price (i.e. HK\$1.5 per Share, subject to the corresponding adjustment for sub-division or consolidation of Shares) as below:

**Table 1: Financial performance of the Group  
for the past three years ended 30 September 2010**

	<b>For the year ended 30 September 2008 <i>HK\$'000</i></b>	<b>For the year ended 30 September 2009 <i>HK'000</i></b>	<b>For the year ended 30 September 2010 <i>HK\$'000</i></b>
Turnover	322,258	226,129	424,610
Gross profit	232,435	122,488	166,798
Net profit/(loss) after tax attributable to the Shareholders	217,463	(390,374)	80,472
Gross profit margin	72.13%	54.17%	39.28%
Net profit margin	67.48%	N/A	18.95%
 <b>Percentage growth as compared with previous years in terms of:</b>			
— Turnover	63.63%	(29.83%)	87.77%
— Gross profit	54.54%	(47.30%)	36.17%
— Net profit/(loss) after tax	56.00%	N/A	N/A

As shown from the above table, the Company recognized (i) net profit after tax attributable to the Shareholders of HK\$217.463 million for the year ended 30 September 2008; (ii) net loss after tax attributable to the Shareholders of HK\$390.374 million for the year ended 30 September 2009; and (iii) net profit after tax attributable to the Shareholders of HK\$80.472 million for the year ended 30 September 2010. We further study the historical performance of the Group since its listing, as noted from the annual reports from 2004 to 2010, except for the financial year ended 30 September 2009, in which the Group has recognized a one-off write-off and impairment loss that did not involve any cash outflow, the Group recorded profit attributable to Shareholders since its listing in 2003, ranging from HK\$36.04 million to HK\$217.46 million with an average of HK\$96.2 million for those profitable financial years (i.e. 2003–2008, 2010). This shown Dr. Leung and her team's unflagging effort in making contributions to the Company. As noted from the above table, net profit after taxation of the Group for the two profitable years ended 30 September 2008 and 2010 are above HK\$60 million. As advised by the Company, the Benchmark Profit has been determined with reference to historical track record of the Group and is a fair and reasonable

---

## LETTER FROM INCU

---

basis to ensure the interest of the Company and Shareholders to coincide with the interests of Dr. Leung in terms of the Leung Bonus Shares as part of her remuneration package.

Having considered that (i) the Benchmark Profit is an average figure of HK\$60 million or above for the three financial years ending 30 September 2013 and represents a minimum performance target of the Group to Dr. Leung; (ii) the Benchmark Profit was determined with reference to the historical track record of the Group which falls within the range of the net profit attributable to the Shareholders since its listing of HK\$36.04 million to HK\$217.46 million; and (iii) the Benchmark Profit as one of the pre-conditions for the issue of the Leung Bonus Shares provides a way to align the interest of the Company with that of Dr. Leung, we considered that the Leung's Performance Conditions of HK\$60 million as a benchmark profit is fair and reasonable as a whole.

As advised by the Company, Dr. Leung as the Chief Executive Officer of the Group is responsible for overall strategic planning and development of the Group. In particular, Dr. Leung devotes much effort and contribution in the business of TV production, the core business of the Company which accounts for approximately 40% of turnover of the Company. In view of her contribution in strategic planning and development of the Group as well as turnover of the Group, we concur with the Company that Dr. Leung is the key management of the Group and her continuous servicing of the Group is vital for the continuous growth of the Group's business in the media services sector.

Set out below is the total remuneration of Dr. Leung for the past three financial years as disclosed in the Annual Report and the annual report for the year ended 30 September 2008.

**Table 2: Total remuneration of Dr. Leung for the past three financial years**

	<b>For the year ended 30 September 2008 <i>HK\$'000</i></b>	<b>For the year ended 30 September 2009 <i>HK'000</i></b>	<b>For the year ended 30 September 2010 <i>HK\$'000</i></b>
Basic salaries	3,687	421	6,360
Discretionary bonuses	21,746	4	—
Retirement scheme contributions	<u>10</u>	<u>10</u>	<u>10</u>
Total	<u><u>25,443</u></u>	<u><u>435</u></u>	<u><u>6,370</u></u>

Average: HK\$10,749,333

---

**LETTER FROM INCU**

---

For quantifying the remuneration package of Dr. Leung under the Leung’s Service Agreement which includes basic salary, Leung Bonus Shares and other fringe benefits, we based on the following assumptions:

**Table 3: Calculation of Dr. Leung’s remuneration**

<b>Items</b>	<b>Notes</b>	<b>Scenario 1: Leung’s Performance Conditions are met and the Leung Bonus Shares is issued HK\$</b>	<b>Scenario 2: Leung’s Performance Conditions are not met and no Leung Bonus Shares is issued HK\$</b>
Salary		18,000,000	18,000,000
Housing allowance		6,000,000	6,000,000
20,000,000 Leung Bonus Shares at \$1.44	(1)	28,800,000	
Salary tax (17%) payable by the Company on behalf of Dr. Leung	(2)	<u>4,080,000</u>	<u>4,080,000</u>
<b>Total (for three years)</b>		<b><u>56,880,000</u></b>	<b><u>28,080,000</u></b>
<b>Annual remuneration</b>		<b>18,960,000  (“Leung’s Annual Remuneration With Shares”)</b>	<b>9,360,000  (“Leung’s Annual Remuneration Without Shares”)</b>

*Notes:*

1. The HK\$1.44 per Share, being the closing price of the Shares on 31 December 2010, is used for the purpose of calculating the amount of Dr. Leung’s remuneration as it is the last date before the commencement of the current term of service of Dr. Leung.
2. Since the Company shall pay the salary tax for Dr. Leung in respect of all income and allowance that she will receive from the Group pursuant to the Leung’s Service Agreement in respect of the Leung’s Service Term, we therefore calculate the amount of tax at a tax rate of 17% based on the amount of the salary and the housing allowance.

As shown from the Table 2 above, during the past three financial years ended 30 September 2010, the total remuneration of Dr. Leung ranges from HK\$435,000 to HK\$25,443,000 (“**Historical Remuneration Range**”), with an average of approximately HK\$10.75 million. The Leung’s Remuneration With Shares of HK\$18.96 million falls within the Historical Remuneration Range. The Leung’s Remuneration Without Shares of HK\$9.36 million falls within the Historical Remuneration Range and is slightly below the mean of the Historical Remuneration Range of approximately HK\$10.75 million.



---

## LETTER FROM INCU

---

Discretionary bonus was paid to Dr. Leung in 2008 in view of her contribution to the Company and the outstanding financial performance of the Group for the year at the sole discretion of the Board. It has been the Company's practice to reward such a key person of the Company in terms of discretionary bonus with reference to the performance of the Group. Therefore, we concur with the view of the Directors that the Benchmark Profit could align the performance of Dr. Leung with the performance of the Group in the future and provide better incentive to strive for better performance of the Group and was determined on a fair and reasonable basis.

For the purpose of giving an opinion on the Leung's Performance Conditions, we have also compared the Benchmark Price with the prevailing Share prices of the Company. The Benchmark Price represents (i) a premium of 9.35% over the 30 days average (including 6 January 2011, the date of the Leung's Service Agreement) of the Share price of HK\$1.3717 per Share; (ii) a premium of 10.03% over the 60 days average (including 6 January 2011, the date of the Leung's Service Agreement) of the Share price of HK\$1.3633 per Share; (iii) a premium of 11.61% over the 90 days average (including 6 January 2011, the date of the Leung's Service Agreement) of the Share price of HK\$1.3440 per Share; and (iv) a premium of 8.39% over the 2010 Historical Stock Prices of HK\$1.3839 per Share. Since the Benchmark Price represents a premium to the prevailing Share prices, the Benchmark Price under the Leung's Service Agreement has demonstrated the confidence and commitment of the management of the Company in the future performance of the Group, we are of the opinion that the level of the Benchmark Price is fair and reasonable.

*Leung's Issue Conditions:*

- (i) The approval of the issue and allotment of the Leung Bonus Shares by the Shareholders other than Dr. Leung and her associates at an extraordinary general meeting to be convened for such purpose;
- (ii) the granting of the listing of and permission to deal in the Leung Bonus Shares by the Listing Committee of the Stock Exchange; and
- (iii) the issue and allotment of the Leung Bonus Shares to Dr. Leung will not trigger the obligation of Dr. Leung and the parties acting in concert with her to make a general offer under the Takeovers Code.

In the event the appointment of Dr. Leung is terminated by either the Company or Dr. Leung herself prior to the expiry of the Leung's Service Term, no Leung Bonus Shares or cash in lieu of the Leung Bonus Shares will be issued/paid to Dr. Leung. As no Leung Bonus Shares will be issued to Dr. Leung in case if Dr. Leung terminates her service before the expiry of her service, this together with the issue requirements to meet the Leung's Performance Conditions will be one of the drivers for the continuous contribution of Dr. Leung to the Company. This arrangement is fair and reasonable and is in the interest to the Company and the Shareholders as a whole.

---

## LETTER FROM INCU

---

Furthermore, given the above conditions are for compliance of the relevant provisions of the Listing Rules, we concur with the Directors that the conditions of the issue and allotment of the Leung Bonus Shares under the Leung's Service Agreement are on normal commercial terms and fair and reasonable to the Company and the Independent Shareholders.

Subject to the fulfillment of the Leung's Performance Conditions and Leung's Issue Conditions, the Company will issue a maximum of 20,000,000 new Shares to Dr. Leung upon completion of service for the term of Leung's Service Agreement at the average closing price per Share quoted on the Stock Exchange for the Leung's Service Term and shall not be lower than the Benchmark Price of HK\$1.5 (subject to the corresponding adjustment for sub-division or consolidation of Shares). If the average price is the Benchmark Price of HK\$1.5 per Share, the value of the Leung Bonus Shares will be not less than HK\$30 million. The value of the Leung Bonus Shares represent approximately 52% of the total remuneration package of Dr. Leung in terms of dollar value. As calculate under Table 3, the Leung's Annual Remuneration With Shares of HK\$18.96 million and Leung's Annual Remuneration Without Shares of HK\$9.36 million are within the range of historic remuneration package of Dr. Leung for 2008 to 2010. We are of the view that the 20,000,000 Leung Bonus Shares with a value of not less than HK\$30 million (at the Benchmark Price of HK\$1.5 per Share) to be issued if the Leung's Performance Conditions and Leung's Issue Conditions are fulfilled is fair and reasonable.

For illustrative purpose, if we use the highest price of 2010 Historical Stock Prices, i.e. HK\$1.69 per Share, to calculate the value of the 20,000,000 Leung Bonus Shares, the value of the Leung Bonus Shares will be HK\$33.8 million, representing approximately 54.62% of the total remuneration package of Dr. Leung in terms of dollar value.

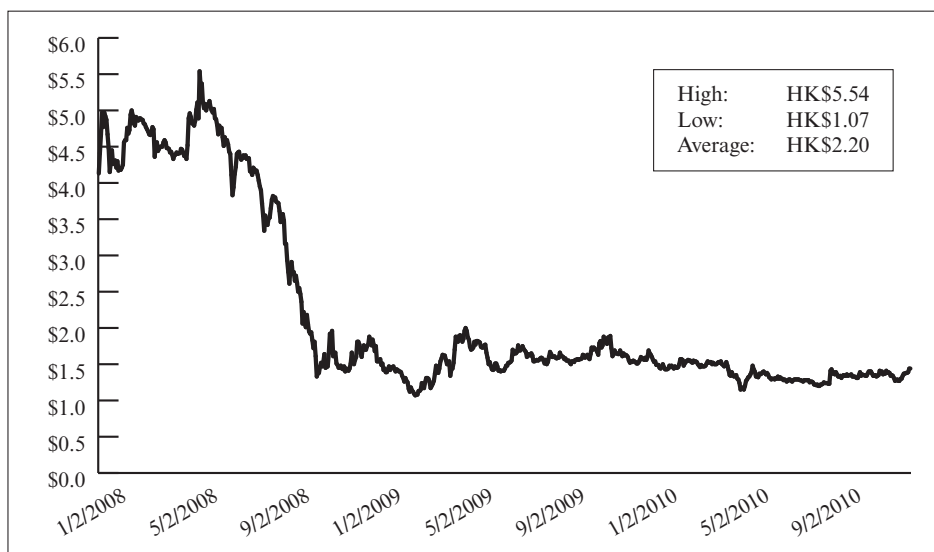
---

## LETTER FROM INCU

---

We also make reference to the price performance of the Shares for the three years from 2008 to 2010 as below.

**Chart 2: Closing price of the Shares for the years 2008–2010**



If we use the average closing price per Share quoted on the Stock Exchange for the past three calendar years from 2008 to 2010, i.e. HK\$2.2, to calculate the value of the 20,000,000 Leung Bonus Shares, the value of the Leung Bonus Shares will be HK\$44 million, representing approximately 61.04% of the total remuneration package of Dr. Leung in terms of dollar value.

Based on the above assumption, we note that the Leung Bonus Shares represent a substantial part of the remuneration of not less than 52% if the Leung's Performance Conditions are met. We concur with the Directors' view that the acceptance of a remuneration package comprising Shares demonstrated the confidence and commitment of Dr. Leung in the future performance of the Group.

As provided under the Leung's Service Agreement, none of the Leung's Performance Conditions or the Leung's Issue Conditions can be waived. In the event any of the Leung's Issue Conditions is not fulfilled but the Leung's Performance Conditions are fulfilled and Dr. Leung has completed her service for the Leung's Service Term in full, the Company will pay to Dr. Leung the amount equivalent to the product of the weighted average price per Share for the period of her term of service multiplied by the number of the Leung Bonus Shares ("**Leung's Cash Bonus Equivalent**") in lieu of the Leung Bonus Shares as soon as practicable after the expiry of the Leung's Service Term.

---

## LETTER FROM INCU

---

Shareholders should note that in the event any of the Leung's Issue Conditions is not fulfilled but the Leung's Performance Conditions are fulfilled and Dr. Leung has completed her service for the Leung's Service Term in full, the Company will pay to Dr. Leung the Leung's Cash Bonus Equivalent in lieu of the Leung Bonus Shares as soon as practicable after the expiry of the Leung's Service Term.

In the event the Leung's Performance Conditions is met but not the Leung's Issue Conditions, Leung's Cash Bonus Equivalent will be incurred and payable in cash, it places undue cash burden to the Group. We agree with the view of the Directors that the issue and allotment of the Leung Bonus Shares as part of the remuneration package will place a less onerous burden on the cashflow of the Group while enable the Group to retain the service of a person with the necessary experience and caliber.

As at the Latest Practicable Date, there are a total of 841,053,750 issued Shares and the shareholding interest of the public Shareholders is approximately 49.80%, the Leung Bonus Shares represent approximately 2.378% and 2.323% of the existing issued share capital of the Company at the Latest Practicable Date and the issued share capital of the Company as enlarged by the Leung Bonus Shares (assuming all the Leung Bonus Shares are fully issued and allotted). Subject to the issue of the 20,000,000 Leung Bonus Shares, the shareholding interest of the Shareholders will be diluted as to approximately 2.323% and 2.378%. We considered that given that (i) the issue of the Leung Bonus Shares is subject to satisfaction of Leung's Performance Conditions, which if materialized will be in the benefit of the Company and the Shareholders as a whole; (ii) in the event such Leung's Performance Conditions are fulfilled but not the Leung's Issue Conditions, there will be a cash outlay of the Leung's Cash Bonus Equivalent; and (iii) the bonus paid in Leung Bonus Shares can reserve more cash resources for the Company's business and will be in the benefits of the Company, we are of the opinion that such dilution effect to the Shareholders are fair and reasonable as a whole.

---

**LETTER FROM INCU**

---

*(c) Comparisons with other industry comparables*

We have made reference with the highest paid executive of other listed companies engaging in similar business in the media sector (the “**Comparables**”) for comparing with the remuneration package of Dr. Leung to see if the basis of determining the remuneration package under the Leung’s Service Agreement is fair and reasonable.

Set out below is the list of the Comparables we have made reference to:

**Table 4: Comparable companies**

Company (Stock code)	Principal Business	Profit/(loss) for the latest financial year attributable to owners of the company (HK\$ million)	Annual remuneration of the highest paid executive (HK\$)	Percentage of the remuneration of the highest paid executive to the profit
Media China Corporation Limited (419)	Television advertising business, films and TV drama business and provision of IP telephone and related services	\$1.38	\$3,118,000	225.94%
Beijing Media Corporation Limited (1000)	Sale of advertising space, production of newspapers and trading of print-related materials, and event organising in the PRC	\$171.70	\$656,000	0.38%
Clear Media Limited (100)	Outdoor media sales, and comprises the display of advertisements on bus shelters, unipoles, advertising light boxes in airport, bus bodies and point-of-sale	\$31.26	\$6,428,000	20.56%
China Mandarin Holdings Limited (0009)	Film distribution and licensing, film processing and advertising and promotional services	\$6.81	\$728,000	10.69%
RoadShow Holdings Limited (888)	Provision of media sales and management services for the Multi-media on-board business, operation of media advertising management services through marketing advertising spaces on transit vehicle exteriors, shelters and outdoor signages	\$14.02	\$2,001,000	14.27%
SEEC Media Group Limited (205)	Provision of advertising services and distribution of book and magazines in the PRC	\$(45.75)	\$905,000	N/A
SinoMedia Holding Limited (623)	Providing nationwide TV advertising coverage and campaign planning, and TV advertisement production services for advertisers and advertising agents	\$110.27	\$1,607,000	1.46%

---

**LETTER FROM INCU**

---

Company (Stock code)	Principal Business	Profit/(loss) for the latest financial year attributable to owners of the company (HK\$ million)	Annual remuneration of the highest paid executive (HK\$)	Percentage of the remuneration of the highest paid executive to the profit
Tidetime Sun (Group) Limited (307)	Production of broadcasting programmes and trade of multimedia products	\$7.57	\$360,000	4.76%
International Entertainment Corporation (1009)	Operation of hotel business; leasing of properties; production and licensing of theatrical motion pictures in a variety of genres and investments in production of television series, music concerts and sales of music records	\$275.66	\$500,000	0.18%
TOM Group Limited (2383)	Provision of internet, publishing, outdoor media, television and entertainment services	\$(60.51)	\$5,512,000	N/A
		(include all samples)	Highest	225.94%
			Lowest	0.18%
			Average	34.78%
		(after exclusion* of Media China Corporation Limited (419))	Highest	20.56%
			Lowest	0.18%
			Average	7.47%

\* We considered that Media China Corporation Limited shall be excluded as the percentage is an outlier.

Note:

- None of these Comparables has issued bonus shares like the Leung Bonus Shares for the historical financial year.

---

**LETTER FROM INCU**

---

**Table 5: Dr. Leung’s remuneration compared with the level of profit**

	Average profit <i>HK\$ million</i>	Dr. Leung’s annual remuneration <i>HK\$</i>	Percentage of Dr. Leung’s annual remuneration to average profit
<i>Using 3 years average profit attributable to the Shareholders for the 3 years ended 30 September 2008, 2009 and 2010 (for profitable years)</i>			
— Leung’s Annual Remuneration Without Shares	\$148.96	\$9,360,000	6.28%
— Leung’s Annual Remuneration With Shares	\$148.96	\$18,960,000	12.73%
<i>Using the Benchmark Profit</i>			
— Leung’s Annual Remuneration Without Shares	\$60.00	\$9,360,000	15.60%
— Leung’s Annual Remuneration With Shares	\$60.00	\$18,960,000	31.60%

As referred in the Table 4, the annual remuneration of the highest paid executive of the Comparables represents approximately 0.18% to 20.56% (the “**Comparables’ Range**”) of the profit attributable to the owners of the companies of these Comparables with an average of 7.47% (the “**Comparables’ Average**”)

As calculated in the Table 5, the Leung’s Annual Remuneration With Shares of HK\$18,960,000 represents 12.73% of the average profit attributable to the owners of the Shareholders for the three years ended 30 September 2010, which (i) falls within the Comparable Range of approximately 0.18% to approximately 20.56%; and (ii) falls above the Comparables’ Average of approximately 7.47%.

As calculated in the Table 5, the Leung’s Annual Remuneration Without Shares of HK\$9,360,000, represents 6.28% of the average profit attributable to the owners of the company for the three years ended 30 September 2010, which (i) falls within the Comparable Range of approximately 0.18% to approximately 20.56%; and (ii) falls below the Comparables’ Average of approximately 7.47%.

In addition, we had also made comparison of the Leung’s Annual Remuneration Without Shares and the Leung’s Annual Remuneration With Shares with the Benchmark Profit of HK\$60 million respectively. As shown in Table 5, the Leung’s Annual Remuneration Without Shares represents 15.60% of the Benchmark Profit which fall within the Comparables’ Range and the Leung’s Annual Remuneration With Shares represents 31.60% of the Benchmark Profit which falls outside the Comparables’ Range.

---

## LETTER FROM INCU

---

Notwithstanding the fact that the Leung's Annual Remuneration With Shares as compared to the Benchmark Profit falls outside the Comparables' Range, after further considering that:

- i. Dr. Leung is one of the founders of the Group and the Chief Executive Officer since the Group's listing in 2003, she is the key management for her unique position, extensive experience in the media sector, board business network and relationship established over the years, and therefore her continuous servicing of the Company is curial to the continuous growth of the Group's principal business in the media services sector;
- ii. Dr. Leung is responsible for the production and advertising of the Group, which amounts to approximately 40% of turnover of the Group and forms a substantial part of the revenue sources of the Group;
- iii. under Dr. Leung's leadership, except for the financial year ended 30 September 2009, the Group recorded profit attributable to Shareholders since it listing in 2003, with an average of HK\$96.2 million for those profitable financial years (i.e. 2003–2008, 2010), this shown Dr. Leung's unflagging effort in making contributions to the Company;
- iv. as advised by the Company, the recently renewed remuneration package of Dr. Leung has taken into account the general rising trend of salary in Hong Kong, in order to maintain a competitive level of remuneration for retaining experienced executives such as Dr. Leung;
- v. the restrictive conditions imposed by the Leung's Performance Conditions for the issue and allotment of the Leung Bonus Shares;
- vi. Leung Bonus Shares as part of her remuneration package will be influenced by market conditions, business and individual performances which has been reflected in the Leung's Performance Conditions to a great extent;
- vii. the Comparables may not be reliable because the level of remuneration of those senior executives usually commensurate with respect to their job duties, performance and contribution to the Company, which may not be quantified in terms of the level of profit; and
- viii. the Comparables do not have similar arrangements under Leung's Service Agreement in which bonus shares (which represent a greater portion of her total remuneration package) will be issued as an additional incentive to retain Dr. Leung;

we considered that the total remuneration of Dr. Leung is reasonable as compared with other Comparables and has been made with reference to the market after considering Dr. Leung's unique contributions to the Group.



---

## LETTER FROM INCU

---

Furthermore, having considered that:

- (i) Dr. Leung's experience and her duties will make contributions to the Company during her terms of service which are the key factors to determine the remuneration package of Dr. Leung;
- (ii) if the Leung's Performance Conditions and the Leung's Issue Conditions are fulfilled, the Leung Bonus Shares form a substantial part of the remuneration package of Dr. Leung and on top of the fixed annual salary of HK\$6 million and other fringe benefits, no extra cash outlay will be incurred by the Company if the Leung's Issue Conditions is approved;
- (iii) the Leung Bonus Shares provide a better way to compensate and give incentive to selected employees of the Company for their continuing contributions and efforts and to align the performance of Dr. Leung with the performance of the Group in form of Shares;
- (iv) in the event that the Leung's Issue Conditions is approved and the Leung's Performance Conditions are fulfilled, the maximum amount of Leung Bonus Shares has been fixed and the estimated dilution impact on the shareholding interest of the public Shareholders upon the issue of the Leung Bonus Shares is acceptable;
- (v) in the event that the Leung's Issue Conditions is approved and the Leung's Performance Conditions are fulfilled, the issue of Leung Bonus Shares will not incur any cash outlay to the Company thereby reserving more cash resources for the Company's business and remove the undue cash burden of the Company in the future;

we are of the view that after taken into account the above factors, the issue of the Leung Bonus Shares as part of the remuneration package of Dr. Leung in case if the Leung's Performance Conditions are fulfilled is acceptable to the Independent Shareholders and is fair and reasonable and thus the basis for the issue and allotment of the Leung Bonus Shares are fair and reasonable to the Company and Independent Shareholders.

---

## LETTER FROM INCU

---

### OTHER FACTORS AND REASONS CONSIDERED

#### **Financial effect of the issue of the Lam Remuneration Shares, the Tse Remuneration Shares and the Leung Bonus Shares**

As compared with cash remuneration or benefits in kind incentives, such as fixed salary and fringe benefits, the Lam Remuneration Shares, Tse Remuneration Shares and the Leung Bonus Shares will not involve outlay of cash and onerous burden on the cash outflow of the Group while they will enable the Group to retain directors and other senior management and retain more cash resources for the Company's business development. Moreover, as confirmed by the Company, there will not be any material impact on the consolidated profit and loss account of the Company by the issue of the Lam Remuneration Shares, the Tse Remuneration Shares and the Leung Bonus Shares on the Group for each of the terms of the Appointment Agreements.

Therefore, we concur with the Directors' view that issue of the Lam Remuneration Shares, the Tse Remuneration Shares and the Leung Bonus Shares will not have any material adverse effect on the Group and is fair and reasonable so far as the interest of the Independent Shareholders are concerned.

### RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the opinion that the Issue of Shares to Directors are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. The terms of the Issue of Shares to the Directors are on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Extraordinary General Meeting and seek specific mandate to issue and allot Shares in respect of the Lam's Letter of Appointment, the Tse's Service Agreement and Leung's Service Agreement.

Yours faithfully,  
For and on behalf of  
**INCU Corporate Finance Limited**

**Gina Leung**  
*Managing Director*

**Peggy Wong**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of each Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which is taken or deemed to have under such provisions of SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange are as follows:

### (i) Interests in the Company as at the Latest Practicable Date:

Name of the Director	Number of Shares			Total	Approx. % of total issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Dr. LEUNG Anita Fung Yee Maria ("Dr. Leung")	20,285,494 (Note 1)	287,064 (Note 2)	202,905,118 (Note 2)	223,477,676	26.57%
Dr. Honourable WONG Yu Hong, Philip, GBS ("Dr. Wong")	287,064	34,438,922 (Note 3)	188,515,690 (Note 4)	223,477,676	26.57%
Mr. TSE Wai Kuen, Gary	6,000,000 (Note 5)	—	—	6,000,000	0.71%
Mr. LAM Haw Shun, Dennis, JP	3,500,000 (Note 6)	—	—	3,500,000	0.42%
Mr. YIU Yan Chi, Bernard	550,000	Nil	Nil	550,000	0.06%
Mr. LIU Yuk Chi, David	8,808,334 (Note 7)	Nil	Nil	8,808,334	1.04%
Mr. OWYANG Loong Shui, Ivan	110,000	Nil	Nil	110,000	0.01%
Mr. HUI Koon Man, Michael, JP	456,534	Nil	Nil	456,534	0.05%

*Notes:*

1. These Shares include Dr. Leung's interest in the Leung Bonus Shares.
2. The 202,905,118 Shares are held as to 186,623,993 Shares by Dynamic Master Developments Limited, 1,111,963 shares by Hunterland City Limited, 1,891,697 Shares by Goodhold Limited and 13,277,465 Shares by Up & Rise Limited. Dynamic Master Developments Limited is owned as to 58.37% and 32.76% by Goodhold Limited and Hunterland City Limited, respectively. Dr. Leung is entitled to exercise control of 99.99% in Hunterland City Limited, 50% in Goodhold Limited and 100% in Up & Rise Limited and therefore is deemed to have interest in 202,905,118 Shares under the SFO. The family interest refer to 287,064 Shares beneficially owned by Dr. Wong, the spouse of Dr. Leung.
3. The family interests of 34,674,922 Shares refer to 285,494 Shares beneficially owned by Dr. Leung, spouse of Dr. Wong, the Leung Bonus Shares, 1,111,963 Shares held by Hunterland City Limited and 13,277,465 Shares held by Up & Rise Limited which are included in corporate interests of 202,905,118 Shares held by Dr. Leung.
4. The 188,515,690 Shares are held as to 186,623,993 Shares by Dynamic Master Developments Limited and 1,891,697 Shares by Goodhold Limited. Dynamic Master Developments Limited is owned as to 58.37% by Goodhold Limited. Dr. Wong is entitled to exercise control of 50% in Goodhold Limited and therefore is deemed to be interested in the 188,515,690 shares under the SFO.
5. These are the Tse Remuneration Shares.
6. These are the Lam Remuneration Shares.
7. These Shares include 7,000,000 Shares which may be issued and allotted to Mr. Liu Yuk Chi, David as remuneration shares, credited as fully paid, upon completion of his 12-month service term on 31 January 2011 and 31 January 2012 and 1,808,334 Shares beneficially owned by him.

**(ii) Interest in share options as at the Latest Practicable Date:**

Name of the Director	Date of grant	Number of Shares subject to the outstanding option	Exercise period	Exercise price HK\$
Mr. YIU Yan Chi, Bernard	16 April 2008	1,365,861	16 April 2008 to 13 June 2014	4.12
	21 December 2009	500,000	11 January 2010 to 13 June 2014	1.63
Mr. TSIANG Hoi Fong	15 March 2007	5,608,453	15 March 2007 to 13 June 2014	2.05
	21 December 2009	500,000	21 January 2010 to 13 June 2014	1.63

Name of the Director	Date of grant	Number of Shares subject to the outstanding option	Exercise period	Exercise price HK\$
Dr. Honourable WONG Yu Hong, Philip, <i>GBS</i>	21 December 2009	500,000	7 January 2010 to 13 June 2014	1.63
Mr. LIU Yuk Chi, David	21 December 2009	1,500,000	27 January 2010 to 13 June 2014	1.63
Mr. FLYNN Douglas Ronald	22 May 2008	682,930	22 May 2008 to 13 June 2014	5.14
	21 December 2009	500,000	19 January 2010 to 13 June 2014	1.63
Ms. HO Chiu King, Pansy Catilina	10 June 2008	682,930	10 June 2008 to 13 June 2014	5.14
	21 December 2009	500,000	29 January 2010 to 13 June 2014	1.63
Mr. OWYANG Loong Shui, Ivan	21 December 2009	500,000	30 January 2010 to 13 June 2014	1.63
Mr. LAU Hon Chuen, <i>GBS, JP</i>	21 March 2007	560,844	21 March 2007 to 13 June 2014	2.05
	21 December 2009	500,000	8 January 2010 to 13 June 2014	1.63
Mr. LAM Haw Shun, Dennis, <i>JP</i>	6 March 2007	560,844	6 March 2007 to 13 June 2014	2.05
	21 December 2009	500,000	7 January 2010 to 13 June 2014	1.63
Mr. HUI Koon Man, Michael, <i>JP</i>	21 December 2009	500,000	15 January 2010 to 13 June 2014	1.63

**(iii) Interest in associated corporations (as defined in the SFO) as at the Latest Practicable Date:**

Name of the associated corporation	Name of the Director	Class of shares	Number of shares of the associated corporation			Total	Approx. % of the issued share capital of relevant class of the associated corporation
			Personal interests	Family interests	Corporate interests		
Qin Jia Yuan Cultural Assets (Hong Kong) Company Limited (“QJY Cultural”)	Dr. LEUNG Anita	Class A	1	1	Nil	2	100%
	Fung Yee Maria	(non-voting)				(Note 1)	
Qin Jia Yuan Publishing Company Limited (“QJY Publishing”)	Dr. LEUNG Anita	Class A	1	Nil	1	2	100%
	Fung Yee Maria	(non-voting)			(Note 2)		
Qin Jia Yuan Publishing Company Limited (“QJY Publishing”)	Dr. Honourable WONG Yu	Class A	Nil	1	1	2	100%
	Hong, Philip, GBS	(non-voting)		(Note 3)	(Note 2)		

*Notes:*

1. The 2 shares in QJY Cultural are held as to 1 share by Dr. Leung and 1 share by Dr. Wong. As Dr. Leung and Dr. Wong are married couple, they are deemed to be interested in the 2 shares.
2. The 1 share in QJY Publishing is held by Triglory Corporation. Triglory Corporation is owned as to 60% by Dr. Leung and 40% by Dr. Wong. Dr. Leung and Dr. Wong are entitled to exercise control over Triglory Corporation, and therefore, Dr. Leung and Dr. Wong are deemed to be interested in the 1 share in QJY Publishing.
3. The family interest of 1 share in QJY Publishing is the personal interest held by Dr. Leung, the spouse of Dr. Wong.

Save as disclosed above, none of the Directors and chief executive of the Company has any interests and short position in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which is taken or deemed to have under such provisions of SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, as at the Latest Practicable Date.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors and chief executive of the Company and based on the register maintained by the Company under Section 336 of the SFO, the following Directors were the directors or employees of Shareholders whose interest in the Shares and underlying shares of the Company would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Directors	Capacity	Name of Shareholders
Dr. Leung	director	Dynamic Master Developments Limited
	director	Hunterland City Limited
	director	Goodhold Limited
Dr. Wong	director	Dynamic Master Developments Limited
	director	Hunterland City Limited
	director	Goodhold Limited
Mr. Lincoln PAN Lin Feng	director	First Media Holdings, Ltd.
Mr. Peter Alphonse ZALDIVAR	manager	Kabouter Management LLC

### 4. DIRECTORS' INTEREST IN ASSETS AND/OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 30 September 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group save as disclosed below:

- (a) On 26 September 2008, Qin Jia Yuan Marketing (Shenzhen) Limited entered into a lease agreement with 碧利永富投資諮詢(深圳)有限公司 (Beli Yongfu Investment Consulting (Shenzhen) Co. Ltd.), a company wholly owned by Dr. Leung in relation to the property located at Flat 1110, Chuang Zhan Da Sha, No. 928, Xikang Road, Jiang'an District, Shanghai, the PRC, for a term of three years commencing from 1 October 2008 and ending 30 September 2011 for a rental of RMB19,500 per month.
- (b) On 31 December 2009, 勤加緣製作服務(深圳)有限公司 (Qin Jia Yuan Production Services (Shenzhen) Limited) ("QJY (SZ) Production Services") entered into three lease agreements with Winco (Dongguan) Paper Products Co., Ltd.. ("Winco Dongguan") in relation to the lease of certain properties for a term of three years for a rental from 1 January 2010 to 31 December 2012 of RMB42,500, RMB21,500 and RMB20,500 per month. Winco Dongguan is controlled by Dr. Wong and Dr. Leung.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contracts or arrangements which are significant in relation to the business of the Group as a whole.

## 5. SERVICE CONTRACTS

Mr. TSIANG Hoi Fong (“Mr. Tsiang”), an executive Director, has entered into a service agreement with Qin Jia Yuan Marketing (Shenzhen) Limited, a wholly owned subsidiary of the Company, on 1 December 2003 for a term of five years commencing on 1 October 2003 as supplemented by a supplemental service agreement dated 1 January 2007, pursuant to which the monthly basic salary of Mr. Tsiang is increased from RMB10,000 to RMB30,000. On 19 February 2009, Mr. Tsiang entered into a second supplemental service agreement with Qin Jia Yuan Marketing (Shenzhen) Limited pursuant to which (i) the basic monthly salary of Mr. Tsiang has been increased to RMB40,000 and (ii) each party is entitled to terminate the service agreement by giving notice to the other party provided the terminating party is required to pay compensation equivalent to the remuneration payable for the remaining balance of term to the other party.

Save as disclosed, there is no service contract between the Directors and members of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 6. EXPERT’S CONSENT AND QUALIFICATION

The following is the qualification of the professional adviser who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
INCUB	A licensed corporation licensed to carry on business in type 6 regulated activity under the SFO

INCUB has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and all reference to its name in the form and context in which they appear.



As at the Latest Practicable Date, INCU was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors had any interest in any business, which competes or was likely to compete either directly or indirectly with the Group's business.

#### **8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, The Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 September 2010, being the date to which the latest audited consolidated financial statements of the Group were made up.

#### **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at Room 203, 2nd Floor, Aon China Building, 29 Queen's Road Central, Hong Kong from the date of this circular up to and including 21 March 2011 and at the Extraordinary General Meeting:

- (a) the Lam's Letter of Appointment;
- (b) the Tse's Service Agreement;
- (c) the Leung's Service Agreement; and
- (d) the service agreements referred to in the paragraph headed "Service contracts" referred in paragraph 5 of this appendix.



**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 IS HEREBY GIVEN** that an extraordinary general meeting of Qin Jia Yuan Media Services Company Limited (the “Company”) will be held at Tian & Di Rooms, 7th Floor, The Landmark Mandarin Oriental, 15 Queen’s Road Central, Hong Kong on Monday, 21 March 2011 at 4:45 p.m. (or as soon as thereafter as the annual general meeting of the Company for the same day and place shall have been concluded or adjourned), for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

1. **“THAT** the letter of appointment (the “Lam’s Letter of Appointment”) dated 8 July 2010 entered into between the Company and Mr. Lam Haw Shun Dennis (“Mr. Lam”) (a copy of which is marked “A” and produced to the meeting and signed by the Chairman for identification purpose) be and is hereby ratified, confirmed and approved and that the directors of the Company be and are hereby authorised to issue and allot up to 3,500,000 shares of US\$0.01 each in the share capital of the Company (“Share”), credited as fully paid, to Mr. Lam at HK\$2.00 per Share subject to and in accordance with the terms of the Lam’s Letter of Appointment.”
2. **“THAT** the service agreement dated 30 June 2010 entered into between the Company and Mr. Tse Wai Kuen Gary (“Mr. Tse”) as amended by a supplemental agreement dated 6 January 2011 entered into between the same parties (the “Tse’s Service Agreement”) (a copy of which are marked “B” and “C”, respectively, and produced to the meeting and signed by the Chairman for identification purpose) be and is hereby ratified, confirmed and approved and that the directors of the Company be and are hereby authorised to issue and allot up to 6,000,000 Shares, credited as fully paid, to Mr. Tse at HK\$2.00 per Share subject to and in accordance with the terms of the Tse’s Service Agreement.”

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

3. “**THAT** the service agreement dated 6 January 2011 (the “Leung’s Service Agreement”) entered into between the Company and Dr. Leung Anita Fung Yee Maria (“Dr. Leung”) (a copy of which is marked “D” and produced to the meeting and signed by the Chairman for identification purpose) be and is hereby ratified, confirmed and approved and that the directors of the Company be and are hereby authorised to issue and allot 20,000,000 Shares, credited as fully paid, to Dr. Leung at par subject to and in accordance with the terms of the Leung’s Service Agreement.”

By order of the Board  
**Qin Jia Yuan Media Services Company Limited**  
**LEUNG Anita Fung Yee Maria**  
*Executive Director and Chief Executive Officer*

Hong Kong, 28 February 2011

*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

---

## NOTICE OF EXTRAORDINARY GENERAL MEETING

---

**Notes:**

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxies to attend and to vote on a poll in his stead. On a poll, votes may be given either personally (or in the case of a shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company's branch registrar office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if shareholders so wish.