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**(Stock Code: 1060)**

**(1) PROPOSED VERY SUBSTANTIAL ACQUISITION AND  
CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
CHINA ENTERTAINMENT MEDIA GROUP LIMITED,  
(2) PROPOSED ISSUE OF NEW SHARES TO THL F LIMITED,  
(3) UNUSUAL PRICE MOVEMENT AND  
INCREASE IN TRADING VOLUME AND  
(4) RESUMPTION OF TRADING**

**Financial Adviser to the Company**



**THE ACQUISITION**

On 21 October 2011, ChinaVision Media Group Limited (the “**Company**”) and Sequoia, Brilliant Mark and World Charm (together, the “**Target Shareholders**”) entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of China Entertainment Media Group Limited (the “**Target**”) for a total consideration of approximately HK\$2,016.3 million. The consideration for the Acquisition will be satisfied by the issue of the Consideration Shares to the Target Shareholders (or their respective nominee(s) or any person(s) nominated by them), credited as fully paid, at a price per Consideration Share of HK\$0.40.

\* For identification purposes only

The Consideration Shares represent approximately 242% of the existing issued share capital of the Company, approximately 70.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and approximately 65.1% of the issued share capital of the Company as enlarged by the allotment and issue of both (i) the Consideration Shares and (ii) the Subscription Shares.

The Consideration Shares will be allotted and issued pursuant to a specific mandate of the Company to be sought at the SGM and will rank *pari passu* with the Shares in issue on the date of their issue.

Upon completion of the Acquisition, the Target will become a wholly-owned subsidiary of the Company.

### **Listing Rules Implications**

As one or more of the relevant percentage ratios under Chapter 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules.

Dong Ping (“**Mr. Dong**”) is an executive director and the chairman of the Company, and indirectly owns 35% of the issued share capital of the Target through his wholly-owned investment company, Brilliant Mark. Zhao Chao (“**Mr. Zhao**”) is an executive director of the Company, and currently holds approximately 44.3% of the shares in World Charm (pending the transfer of such shares to the Target Management), an investment holding company, which in turn holds approximately 45% of the issued share capital of the Target. In addition, Liu Xiao Lin (“**Mr. Liu**”) currently holds a 24% interest in Xian Jinding Film, Television and Culture Company Limited (“Xian Jinding”), a subsidiary of the Company and is therefore a substantial shareholder of a subsidiary of the Company. Mr. Liu is also beneficially interested in 1.60% of the Target’s issued share capital. Accordingly, Brilliant Mark, World Charm and Mr. Liu are connected persons of the Company and therefore the Acquisition also constitutes a connected transaction for the Company under Rule 14A.13(1) (a) of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Mr. Dong, Mr. Zhao and Mr. Liu are also considered to have a material interest in the Acquisition. For the above reasons, Mr. Dong, Mr. Zhao and Mr. Liu and their respective associates will be required to abstain from voting on the resolutions relating to the Acquisition at the SGM. Voting at the SGM for Shareholders eligible to vote will be conducted by poll.

### **Independent Board Committee**

The Company has established the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable and whether the Acquisition is in the interests of the Company and the Shareholders as a whole. KBC Bank N.V. Hong Kong Branch has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to such matters.

## **THE SUBSCRIPTION**

On 21 October 2011, the Company and THL, a wholly-owned subsidiary of Tencent entered into the Subscription Agreement, pursuant to which THL conditionally agreed to subscribe for the Subscription Shares at a price of HK\$0.40 per Subscription Share.

The Subscription Shares represent approximately 29.7% of the existing issued share capital of the Company, approximately 22.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and approximately 8.0% of the issued share capital of the Company as enlarged by the allotment and issue of both (i) the Subscription Shares and (ii) the Consideration Shares.

The gross proceeds from the Subscription will be approximately HK\$247.8 million. After deducting all relevant expenses in relation to the Subscription, the net proceeds will be approximately HK\$245.0 million. The Company intends to use the net proceeds from the Subscription to improve its financial strength and flexibility and for general working capital purposes.

The Subscription Shares will be issued pursuant to a specific mandate of the Company to be sought at the SGM and will rank *pari passu* with the Shares in issue on the date of their issue.

## **SGM AND DISPATCH OF CIRCULAR**

The SGM will be convened as soon as practicable, at which ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, approve, certain matters relating to (i) the Acquisition and (ii) the Subscription.

The Circular containing, *inter alia*, further details relating to the Acquisition and the Subscription and a notice of SGM will be dispatched to the Shareholders on or about 11 November 2011.

## **APPLICATION FOR LISTING**

An application will also be made by the Company to the Stock Exchange for the listing of, and permission to deal in, both the Consideration Shares and the Subscription Shares on the Stock Exchange.

**Completion of each of the Acquisition and the Subscription is subject to conditions that may or may not be fulfilled. Shareholders and potential investors in the Company should exercise caution in dealing in the Company's securities.**

**On 19 September 2011, the Company noted that there was unusual price movement and increase in trading volume in the Shares and promptly requested that the Stock Exchange suspend trading in the Shares. Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 20 September 2011 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 24 October 2011.**

## **1. SUMMARY OF THE ACQUISITION**

On 21 October 2011, the Company and the Target Shareholders entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of the Target for a total consideration of approximately HK\$2,016.3 million. The consideration for the Acquisition will be satisfied by the allotment and issue of the Consideration Shares to the Target Shareholders (or their respective nominee(s) or any person(s) nominated by them), credited as fully paid, at a price per Consideration Share of HK\$0.40.

Upon completion of the Acquisition, the Target will become a wholly-owned subsidiary of the Company.

### **The Sale and Purchase Agreement**

#### ***Date***

21 October 2011.

#### ***Parties***

- (i) the Company;
- (ii) the Target Shareholders;
- (iii) Mr. Dong;
- (iv) Mr. Wan;
- (v) Mr. Liu;
- (vi) Mr. Niu; and
- (vii) Mr. Gao.

#### ***Subject matter of the Sale and Purchase Agreement***

The Sale and Purchase Agreement sets out the terms and conditions upon which the Company will acquire from the Target Shareholders the entire issued share capital of the Target.

For further details of the Target, please refer to the paragraph headed “Information on the Target” below.

## ***Consideration***

The consideration for the Acquisition will be approximately HK\$2,016.3 million, which will be satisfied by the allotment and issue of the Consideration Shares by the Company to the Target Shareholders.

The consideration was determined based on arm's length negotiations between the Company and the Target Shareholders and after taking into account, among other things:

- (a) the Acquisition representing an opportunity for the Group to consolidate and enhance its core competitive strengths in distribution through the inclusion of a library of intellectual property and content rights owned by the Target Group;
- (b) the Target Management's track record of developing high quality television and movie content;
- (c) the synergies to be created between the Group and the Target Group including the ability to utilise each other's content delivery platforms, opportunities for cross-channel sales and potential improvement in operational efficiency through the sharing of resources and expenses;
- (d) the growth potential of the Target Group from the continuous growth in market demand for quality entertainment content in the PRC; and
- (e) the preliminary indicative valuation of the Target as at 30 September 2011 carried out by an independent valuer appointed by the Company, which valued the Target in the range of approximately RMB1.9 billion to RMB2.0 billion (HK\$2.3 billion to HK\$2.5 billion) using a market approach methodology.

The preliminary valuation does not contain a forecast of profits or losses and does not include any statement which explicitly or implicitly quantifies the anticipated level of future profits or losses as the preliminary valuation was prepared using the market approach, which refers to the sales to enterprise multiple against similar companies and takes into consideration, amongst other factors, the projected revenues of the Target. The market approach has been adopted because: (i) the management considers that the cash flow or profit forecast has a high degree of uncertainty at the current stage of the Target's operation; and (ii) the market approach, which is based upon directly observable multiples from comparable companies, provides a more objective assessment. Details of the valuation will be included in the Circular.

### *Consideration Shares*

The Consideration Shares represent approximately 242% of the existing issued share capital of the Company, approximately 70.8% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and approximately 65.1% of the issued share capital of the Company as enlarged by the allotment and issue of both (i) the Consideration Shares and (ii) the Subscription Shares. The Consideration Shares will be allotted and issued pursuant to a specific mandate of the Company to be sought at the SGM and will rank *pari passu* with the Shares in issue on the date of their issue.

### *Issue price of the Consideration Shares*

The issue price of HK\$0.40 per Consideration Share was determined based on arm's length negotiations between the Company and representatives of the Target Shareholders and represents:

- (a) a discount of approximately 13.98% to the closing price of the Shares of HK\$0.465 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 8.26% to the average of the closing prices of the Shares of approximately HK\$0.436 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day;
- (c) a discount of approximately 6.76% to the average of the closing prices of the Shares of approximately HK\$0.429 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 8.70% to the average of the closing prices of the Shares of approximately HK\$0.368 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and
- (e) a premium of approximately 10.50% to the average of the closing prices of the Shares of approximately HK\$0.362 per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day.

### *Application for listing*

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## ***Conditions precedent***

Completion of the Acquisition is conditional upon the following:

- (a) the Company undertaking a due diligence investigation in respect of the Target Group including, but not limited to, the affairs, business, assets, results, legal and financing structure of the Target Group and its subsidiaries in the PRC and the Company being in its sole discretion satisfied with the results of such due diligence investigation;
- (b) the Company having received to its absolute satisfaction a PRC legal opinion confirming, *inter alia*, (i) the ownership, legality and validity of the business carried on by the Target Group, (ii) the legal structure of the companies in the PRC and (iii) that the Target Group (excluding the members of the Target Group incorporated outside of the PRC) has obtained all licences, consents and permits to carry on its business;
- (c) no event having occurred since the date of the Sale and Purchase Agreement up to completion of the Acquisition, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group and such material adverse effect shall not have been caused by the Company;
- (d) the warranties given under the Sale and Purchase Agreement for the benefit of the Company remaining true and accurate and not misleading at completion of the Acquisition, as if repeated at that date and at all times between the date of the Sale and Purchase Agreement and that date;
- (e) the passing by the Shareholders at the SGM of an ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including, but not limited to, the issue of the Consideration Shares to the Target Shareholders or their nominees;
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (g) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Consideration Shares;
- (h) all consents of the Stock Exchange and the SFC (if necessary) and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, the PRC and Bermuda or elsewhere which are required or appropriate for the entering into and implementation of the Sale and Purchase Agreement having been given or made; all waiting periods required under the laws of Hong Kong, the PRC, Bermuda or any other relevant jurisdictions having expired or terminated; and all applicable statutory or other legal obligations having been complied with;



- (i) the Acquisition not resulting in a change of control (as such term is defined in the Takeovers Code) of the Company; and
- (j) relevant members of the Target Group having entered into service contracts with certain key management individuals on terms agreed by the Company.

The parties agreed that other than conditions (a) to (d) and (j), which can be waived by the Company at any time, none of the other conditions, in particular, condition (i), may be waived. Therefore, the Acquisition will not proceed if it would result in a change of control of the Company.

### ***Completion***

Subject to fulfilment or waiver of the conditions precedent set out above (other than conditions (i) which may not be waived) on or before 31 March 2012, completion of the Acquisition will take place on the next business day immediately following the day on which the last of the conditions precedent is fulfilled or waived, at which time the transfer of the issued share capital of the Target by the Target Shareholders to the Company and the issue of the Consideration Shares by the Company to the Target Shareholders will be effected.

### ***Representations and warranties***

Each of the Target Shareholders has given certain basic representations and warranties in the Sale and Purchase Agreement in relation to, amongst other things, their ability to enter into and perform the obligations falling on them under the terms of the Sale and Purchase Agreement, and their title to the shares in the Target which are being sold by them to the Company. In addition, Mr. Dong, Wan Rong (“**Mr. Wan**”), **Mr. Liu**, Niu Zheng (“**Mr. Niu**”) and Gao Qun (“**Mr. Gao**”), being the core management team of the Target, are providing more extensive representations and warranties in relation to the assets, business and operations of the Target.

### ***Director nomination right***

Subject to compliance with the bye-laws of the Company and all applicable laws and regulations (including the Listing Rules) and for so long as Sequoia holds not less than 5% of the issued share capital of the Company, the Board of Directors will give due consideration to the appointment of one person nominated by Sequoia as a non-executive director of the Company. However, the Board of Directors will not be obliged to appoint any director nominated by Sequoia.



### ***Lock-up***

Under the terms of the Sale and Purchase Agreement, Brilliant Mark and Sequoia are prohibited from selling or otherwise disposing of any of their interests in the Consideration Shares for a period of six months after completion of the Acquisition. This restriction will not apply to:

- (a) any Shares acquired by either of Brilliant Mark or Sequoia or any of their respective subsidiaries otherwise than in accordance with the Sale and Purchase Agreement; or
- (b) any disposal or transfer of the Consideration Shares pursuant to a takeover offer, repurchase offer or scheme of arrangement extended to all Shareholders.

### ***Termination***

If the conditions precedent to completion of the Sale and Purchase Agreement are not fulfilled or waived on or before 31 March 2012, the Sale and Purchase Agreement will terminate and none of the parties thereto shall have any liability thereunder save as to any antecedent breach.

### **Information on the Company**

The Company is an investment holding company with subsidiaries that are principally engaged in the mobile new media, print media and television and film businesses. Under its mobile new media business, the Company develops and distributes mobile television, mobile games and other mobile value-added services. Its print media business is involved in newspaper advertising and the distribution of the Beijing Times, a leader in the Beijing morning post retail market. Its television and film business produces, distributes and licenses film and television programmes, and has had an interest in the production and distribution of several box office hits and has produced and distributed a range of popular television drama series.

### **Information on the Target**

The Target is a company incorporated in the Cayman Islands and is principally engaged in the production and licensing of film, television and satellite television programmes and television advertising in the PRC. It is also engaged in the merchandising and licensing of products related to its programmes. Its business is divided into three main businesses – movies, television drama series and television advertising.

For its movie business, the Target works with a team of well-recognised directors, screenwriters, actors and actresses to originate multiple movies a year and also has a strategic cooperation with CFGC to co-produce and co-invest in certain Chinese history-themed mega productions. At present, there are two movies that have been co-invested in and co-produced by the Target and CFGC, which are scheduled for general release in theatres before the end of 2011. The Target and CFGC have also tentatively agreed to co-invest in and co-produce two other Chinese history-themed mega productions, which are planned to complete in 2012 and 2013, and are scheduled for general release in theatres in 2013 and 2014, respectively.

For its television drama series business, the Target aims to invest in or produce four to five medium to large-scale television drama series per year. The Target also has a television advertising business and a management team that is experienced in satellite television content and production. It has entered into a long-term cooperation agreement with Gansu TV to exclusively operate the television advertising and content programming segments of the Gansu Satellite Television Network and Gansu Local Television Network (collectively the “TV Networks”). The cooperation agreement is for a term of 10 years and consists of two phases. The first phase of the cooperation is from 1 January 2011 to 31 December 2015, after which, the Target has the option to renew the cooperation agreement for an additional five years starting from 1 January 2016 to 31 December 2020.

Since its incorporation on 4 January 2011, the Target has produced and invested in two movie productions and two television drama series, all of which are scheduled for release in 2011. The Target has also produced and launched two well-received television entertainment programmes for the TV Networks since January 2011. In addition, Asian Union, the Target’s wholly-owned subsidiary, has invested in and produced many popular films and television drama series.

The following table sets out the group structure of the Target Group, and details about each of the Target’s subsidiaries, including when it was incorporated and injected into the Target, its registered share capital and its principal activities:

Member of Target Group	Shareholder of member of Target Group (approx.%)	Date of incorporation	Date of injection into Target	Issued share capital/registered share capital (In RMB)	Principal activities
Century First Limited 紀中有限公司	Target (100%)	22 February 2011	22 February 2011	1	Provision of management services to group companies
Orient Ventures Limited	Target (100%)	1 October 2003	4 January 2011	6	Investment holding

Member of Target Group	Shareholder of member of Target Group (approx.%)	Date of incorporation	Date of injection into Target	Issued share capital/registered share capital (In RMB)	Principal activities
友利浩歌（北京）傳媒文化有限公司 (You Li Hao Ge Media & Culture, Ltd)	Orient Ventures Limited (100%)	7 June 2005	4 January 2011	100,000	Investment holding
Best Venue Limited	Orient Ventures Limited (100%)	28 March 2011	28 March 2011	6	Investment holding
北京中聯華盟文化傳媒投資有限公司 (Beijing Asian Union Culture and Media Investments, Ltd)	Indirectly controlled (100%) by You Li Hao Ge, a wholly foreign-owned enterprise, through a series of contractual agreements signed during the establishment of the Target.	5 June 2003	4 January 2011	10,000,000	Production and distribution of film rights over films and television programmes
華盟（天津）文化投資有限公司 (Hua Meng (Tianjin) Culture and Investments, Ltd)	Asian Union (99%) Peng An Sheng Shi (1%)	15 August 2011	15 August 2011	15,000,000	Production and distribution of film rights over films and television programmes
甘肅飛視天成文化傳播有限公司 (Gansu Fei Shi Tian Cheng Culture and Broadcast, Ltd)	Asian Union (51%) Gansu Provincial Film and TV Broadcast Group (49%)	18 January 2011	18 January 2011	5,000,000	Advertising agency for the TV Networks
北京鵬安盛世廣告有限公司 (Beijing Peng An Sheng Shi Advertising, Ltd)	Asian Union (99%) Zhang Lei (1%) – Zhang Lei is a nominee holding on behalf of Asian Union	15 December 2010	11 February 2011	1,000,000	Advertising agency for the TV Networks

Member of Target Group	Shareholder of member of Target Group (approx.%)	Date of incorporation	Date of injection into Target	Issued share capital/registered share capital (In RMB)	Principal activities
北京中聯華億山和水影視文化有限公司 (Beijing Zhong Lian Hua Yi Shan He Shui Film and Culture, Ltd)	Asian Union (51%) Ding Sheng (44.1%) Lan Rui Hai (4.9%)	14 November 2005	11 January 2011	1,000,000	Production and distribution of film rights over films and television programmes
Vision Ventures Media Limited 中國視野紀錄傳媒有限公司	Asian Union (51%) Fremantle Media Limited (49%)	3 March 2009	4 January 2011	82	Production of documentary programmes
中聯華盟(天津)廣告有限公司(Asian Union (Tianjin) Advertising, Ltd)	Asian Union (1%) Peng An Sheng Shi (99%)	15 August 2011	15 August 2011	7,500,000	Advertising agency for the TV Networks

**北京中聯華盟文化傳媒投資有限公司 (Beijing Asian Union Culture and Media Investments, Ltd)**

The Target acquired the entire equity interest in Asian Union in early January 2011 from Mr. Liu who founded Asian Union in 2003. Asian Union is a well-recognised participant in the entertainment and media industry and has operating licenses to engage in film distribution (“電影發行經營許可證”), television drama series production (“電視劇製作許可證”), television entertainment programming production (“廣播電視節目製作經營許可證”) and stage performance production (“營業性演出許可證”) in the PRC.

Since its incorporation, Asian Union has produced, invested in, and distributed over 20 television drama series, seven films and three documentary programmes. The films and television drama series that Asian Union has produced, invested in and/or distributed have earned numerous industry awards, including the “Critics Award” at the 55th annual Berlin Film Festival and the “Audience Award” at the 14th Busan International Film Festival. Since 2009, Asian Union has shifted its primary business activities from film production to the wholesale distribution of advertising inventory from numerous television networks in the PRC to third party advertising agents.

The following table lists a selection of films, television drama series, and documentary programmes that Asian Union has invested in, produced and/or distributed:

Year Released	Title	Type	Role	Principal Cast	Genre	Revenue Source
2003	Green Tea (綠茶)	Movie	Distributor	Zhao Wei (趙薇), Jiang Wen (姜文)	Romance	Distribution
2006	The Eight Swordsmen Alliance (八大豪俠)	TV Series	Producer/ Distributor	Huang Qiu Sheng (黃秋生), Lu Yi (陸毅), Fan Bing Bing (范冰冰), Chen Guan Xi (陳冠希)	Kungfu	Film Rights/ Distribution
2006	The Silent Holy Stones (靜靜的 嘛呢石)	Movie	Distributor	Que Sai (確賽), Luosang Danpai (洛桑丹派)	Drama	Distribution
2007	House (房前屋後)	TV Series	Producer/ Distributor	Yan Ni (閆妮), Zhou Xiao Bin (周小斌), Yao Chen (姚晨)	Drama	Film Rights/ Distribution
2008	Movie Star In Shanghai (暴雨梨花)	TV Series	Producer/ Distributor	Kou Shi Xun (寇世勳), Zhu Yin (朱茵), Wu Qing Zhe (吳慶哲)	Romance	Film Rights/ Distribution
2008	Angel Cops (巴士警探)	TV Series	Producer/ Distributor	Luo Hai Qiong (羅海瓊), Fu Jing (傅晶), Peng Xin Yi (彭心宜)	Action	Film Rights/ Distribution
2009	The Long March (長征)	Documentary	Producer/ Distributor	N/A	Documentary	Film Rights/ Distribution
2009	Study Escort Daddy In Australia (窮爸爸 富爸爸)	TV Series	Producer/ Distributor	Chen Bao Guo (陳寶國), Li Li Hui (李立輝), Yin Xin (尹馨)	Drama	Film Rights/ Distribution

The Target's future plans for its three main businesses are as follows:

### ***Movies***

The Target aims to produce and invest in four to six films a year, four of which shall be originated in-house and one to two of which shall be co-invested in and co-produced with CFGC. The co-invested and co-produced films shall be Chinese history-themed mega productions. The Target will use its four director workshops as the primary source of origination for its in-house movie productions. Each director workshop is led by an acclaimed director who has a long-term contract with the Target namely, Shang Jing (尚敬), Yin Li (尹力), Ding Sheng (丁晟) and Huang Bo (黃渤) and will focus on a particular genre that the director specialises in, to maximise box office returns and audience segmentation. Each director workshop is allocated an annual budget in addition to a professional team consisting of screenwriters, producers, and assistants to assist the director to originate at least one movie for the Target per year.

### ***Shang Jing***

Mr. Shang is an accomplished director, producer and screenwriter and is widely known for his comedies. Mr. Shang's notable works include the box office hit "My Own Swordsman" ("武林外傳"), a martial arts comedy based on the original television drama series, also directed and produced by Mr. Shang.

### ***Yin Li***

Mr. Yin is an accomplished film director and is recognised as one of the forerunners of China's contemporary drama scene. Mr. Yin's notable works include the movies "The Knot" ("雲水謠") and "Iron Man" ("鐵人").

### ***Ding Sheng***

Mr. Ding is an accomplished film director and is recognised for his action thrillers. Mr. Ding's notable works include the movies "Little Big Soldier" ("大兵小將") and "The Underdog Hero" ("硬漢"). Mr. Ding was also an acclaimed director of television commercials earlier in his career.

### ***Huang Bo***

Mr. Huang is a popular actor and is widely known for his comedies. Mr. Huang's notable works include the popular movie series "Crazy Stone" ("瘋狂的石頭") and "Crazy Racer" ("瘋狂的賽車").

There are four movies that are currently in the pipeline for 2012, including a Chinese history-themed mega production co-produced and co-invested in with CFGC, a romantic drama originated from Yin Li's director workshop, a dark comedy originated from Huang Bo's director workshop and an action comedy originated from Shang Jing's director workshop. The Target seeks to originate all of its future productions independently using its director workshops in addition to certain co-productions and co-investments.

### ***Television Drama Series***

The Target plans to produce or invest in approximately four to five medium to large scale television drama series in-house per year as well as co-produce and co-invest in one to two high quality television drama series with other producers per year. The Target's operating strategy in the television drama series business consists of three approaches. First, the Target aims to invest and produce medium- to large-scale productions based on well-known Chinese history themes coupled with a highly recognised cast, screenwriter, and director to maximise pricing and distribution. Second, the Target aims to establish a "branding" strategy for each of its television drama series so that each series, upon its successful distribution and rating, would be followed by a sequel or multiple follow-ons series. Third, the Target aims to leverage its movies business by producing television drama series follow-ons after the successful debut of a Target's movie production.

There are three television drama series currently in the pipeline for 2012, including a Chinese history themed epic series, a suspense thriller based on a novel written by Lv Hai Yan (吕海岩), one of the most acclaimed contemporary authors in China and a romantic suspense thriller.

### ***Television Advertising***

The Target has entered into a long term cooperation agreement with Gansu TV to exclusively operate the television advertising and content programming segments of the TV Networks. The Target's television advertising business will focus on four operating initiatives for the medium term with an aim to improving the awareness and market share of the TV Networks and, ultimately, increasing advertising revenue. First, the Target will continue to leverage its content production capabilities to improve the satellite network's programme offerings by injecting more high quality movies and television drama series into its programming time slots to increase viewership and market share. Second, the Target shall originate one to two special entertainment programmes a year such as reality television competitions to add an additional source of advertising revenue to the Target and to boost network awareness. Third, the Target shall continue to improve satellite television advertising operating efficiency by increasing advertising inventory utilisation rates and brand name advertising inventory. Fourth, the Target shall continue to expand network coverage by penetrating into second- and third-tier metropolitan areas.



### ***The Target's key management personnel***

The Target's key management personnel are Mr. Dong, its Chairman and founder, Mr. Wan, its Chief Executive Officer, Mr. Liu, its Chief Operating Officer, Mr. Niu, its Chief Marketing Officer and Mr. Gao, its Executive Vice President.

#### ***Mr. Dong***

Mr. Dong entered the entertainment industry in 1996 and is recognised as one of the pioneers of the modern Chinese film entertainment industry. Mr. Dong has produced, invested in and released some of the most influential movies and television drama series in China, including "Crouching Tiger Hidden Dragon" ("臥虎藏龍") which won an Oscar in 2001 in the "Best Foreign Film Award" category, "The Devils On The Doorstep" ("鬼子來了") which won a "Critics Award" at the Cannes Film Festival in 2000, and most recently "Let the Bullets Fly" ("讓子彈飛"), the number 1 box office hit in China's motion picture history. Mr. Dong also has extensive operating experience in the management of television advertising business in satellite television networks.

#### ***Mr. Wan***

Mr. Wan has been working in the entertainment industry since 1998. He is highly experienced in the entertainment media industry and is responsible for the Target's group-wide strategic developments and planning. Prior to joining the Target, Mr. Wan held leadership positions in various high-profile satellite television networks in China, including Deputy General Manager of "Dong Fang Satellite Television Network" ("東方衛視") and Deputy General Manager of "Shen Zhen Satellite TV Network" ("深圳衛視"). He has also produced notable television drama series, including "New Shanghai" ("新上海灘"), "Drawing Sword" ("亮劍") and "History Of the Sky" ("歷史的天空") and special television entertainment programmes, including the popular reality television competition "Kungfu Star" ("功夫之星").

#### ***Mr. Liu***

Mr. Liu has over 20 years of experience in the entertainment industry and is known as one of the pioneers of China's film entertainment industry. Mr. Liu is responsible for the Target's film entertainment operations, including producing and investing in movies and television drama series. Mr. Liu has produced multiple box office movie hits, including "The Underdog Knight" ("硬漢") and "Let the Bullets Fly" ("讓子彈飛"). Prior to joining the Target, Mr. Liu held various leadership positions in film entertainment companies, including General Manager of Movie Entertainment at Huayi Brothers.

### **Mr. Niu**

Mr. Niu is experienced in television and movie advertising businesses and has worked in the advertising industry for 11 years. Prior to joining the Target, Mr. Niu held leadership positions at various entertainment and media companies, including General Manager of “The Travel Channel” (“旅遊衛視”), where he was responsible for its advertising business. Mr. Niu is also one of the pioneers of the movie ad insertion business in China.

### **Mr. Gao**

Mr. Gao has over 15 years of experience in strategic planning and corporate finance, and has led multiple complex capital markets transactions, including debt and equity issuances and significant domestic and cross-border mergers and acquisitions. Prior to joining the Target, Mr. Gao was the Assistant to the Chairman and Director of Corporate Development & Investor Relations at Gome Electrical Appliances Holding Limited. Prior to that, Mr. Gao was the Director of Corporate Development in Asia for Thermo Fisher Scientific Inc. He also worked at the Investment Banking division at J.P. Morgan Chase & Co. early in his career.

The Target’s key management personnel do not hold any Shares as at the date of this announcement and will not hold any Shares before the Acquisition. The Target’s key management’s shareholding is set out in the section of this announcement headed “9. Effect of Acquisition and the Subscription on the shareholding structure of the Company”.

The Target owns apartment 121-12 located at No. A2, Xinyuan South Road, Chaoyang District, Beijing (the “**Apartment**”) and parking lots 02B-2-07 and 02B-2-09 located at No. A2, Xinyuan South Road, Chaoyang District (the “**Parking Spaces**”), which have been solely used by Mr. Dong. As part of the terms of the Acquisition, the Apartment and Parking Spaces, the purchases of which were originally funded in full by a loan of HK\$42,512,000 from Mr. Dong, are to be transferred to Mr. Dong prior to completion of the Acquisition in full satisfaction of the obligation to repay the loan from Mr. Dong.

The preliminary indicative valuation of the Target as at 30 September 2011, carried out by an independent valuer appointed by the Company, which valued the Target in the range of approximately RMB1.9 billion to RMB2.0 billion (HK\$2.3 billion to HK\$2.5 billion) using a market approach, which refers to the sales-to-enterprise multiple against similar companies and takes into consideration, amongst other factors, the projected revenues of the Target, and is higher than the consideration of approximately HK\$2.0 billion for the shares payable under the Sale and Purchase Agreement. The market approach has been adopted as (i) the management considers that the cash flow or profit forecast has a high degree of uncertainty at the current stage of the Target’s operation, and (ii) the market approach, which is based upon directly observable multiples from comparable companies, provides more objective assessment. Details of the valuation will be included in the Circular.

## **Unaudited financial information of certain subsidiaries of the Target**

The Target was incorporated on 4 January 2011 and therefore there is no financial information available for the Target for the financial years ended 31 December 2009 and 31 December 2010. Asian Union, You Li Hao Ge, Zhong Lian Hua Yi Shan He Shui, Vision Ventures Media Limited and Orient Ventures Limited (each a subsidiary of the Target) were incorporated prior to 2011, although the financial results for Orient Ventures Limited and Vision Ventures Media Limited are de minimis and therefore not material. The remainder of the Target's subsidiaries were incorporated during 2011 and therefore, there is no financial information available for these subsidiaries for the financial years ended 31 December 2009 and 31 December 2010. In addition, save for Gansu Fei Shi, these subsidiaries' financial results are de minimis and are therefore not material.

The profit (loss) before tax of Asian Union for the financial years ended 31 December 2009 and 31 December 2010 was RMB(0.7) million and RMB8.1 million, respectively, the net profit (loss) of Asian Union for the financial years ended 31 December 2009 and 31 December 2010 was RMB(0.7) million and RMB6.0 million, respectively, and the net liabilities of Asian Union as at 31 December 2009 and 31 December 2010 were RMB(9.4) million and RMB(0.8) million, respectively.

The net loss of You Li Hao Ge for the financial years ended 31 December 2009 and 31 December 2010 was RMB(1.0) million and RMB(2.7) million, respectively, and the net liabilities of You Li Hao Ge as at 31 December 2009 and 31 December 2010 were RMB(1.5) million and RMB(5.0) million, respectively. As You Li Hao Ge did not make a profit in the financial years ended 31 December 2009 and 31 December 2010, no tax was levied on its loss.

The profit (loss) before tax of Zhong Lian Hua Yi Shan He Shui for the financial years ended 31 December 2009 and 31 December 2010 was RMB0.2 million and RMB(0.1) million, the net profit (loss) of Zhong Lian Hua Yi Shan He Shui for the financial years ended 31 December 2009 and 31 December 2010 was RMB0.1 million and RMB(0.1) million, respectively, and the net assets of Zhong Lian Hua Yi Shan He Shui as at 31 December 2009 and 31 December 2010 were RMB1.3 million and RMB1.3 million, respectively.

The net loss of Gansu Fei Shi, from the date of its incorporation (18 January 2011) to 31 August 2011 was RMB(10.8) million and the net liabilities of Gansu Fei Shi, as at 31 August 2011 was RMB(5.8) million. As Gansu Fei Shi did not make a profit for the period ended 31 August 2011, no tax was levied on its loss.

The above financial information in relation to Asian Union, You Li Hao Ge, Zhong Lian Hua Yi Shan He Shui and Gansu Fei Shi is unaudited and prepared for management only, and was prepared in accordance with Hong Kong Financial Reporting Standards. In addition, since they became subsidiaries of the Target this year, certain of the companies referred to above are now operated under different management to the management team which operated them at the time the above financial information was generated. Further, certain of the companies referred to above have changed their principal business focus since the above financial information was generated.

Therefore, the above financial information is not comparable with, nor indicative of, the financial position of the Target and its subsidiaries overall as at the date of this announcement, nor does it provide a basis from which to assess the growth of the business of the Target, and accordingly it should not be relied upon by Shareholders and potential investors for those purposes. Audited consolidated financial information for the Target and its subsidiaries will be included in the Circular.

### **Information on the Target Shareholders**

Other than Mr. Dong, Mr. Zhao and Mr. Liu, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Target Shareholders and their ultimate beneficial owners are independent third parties to the Company and its connected persons. Further details on Mr. Dong's, Mr. Zhao's and Mr. Liu's connection to the Company is set out in the section of this announcement headed "1. Summary of the Acquisition – Implications under the Listing Rules".

#### ***Sequoia***

As at the date of this announcement, Sequoia owns 20% of the issued share capital of the Target. Sequoia is a growth capital investment fund focusing on investments in growth stage companies in technology and media, consumer products and services, healthcare and cleantech industries. Sequoia is a strategic investor in the Target.

#### ***Brilliant Mark***

As at the date of this announcement, Brilliant Mark owns 35% of the issued share capital of the Target. Brilliant Mark is an investment holding company that is wholly-owned by Mr. Dong.

#### ***Mr. Dong***

Mr. Dong is the chairman and founder of the Target and is an executive director and the chairman of the Company. He founded the Target in January 2011 and has been the chairman, an executive director and a 35% shareholder of the Target since then.

Further details about Mr. Dong are set out under the section of this announcement headed "1. Summary of the Acquisition – Information on the Target – The Target's Key Management Personnel".

Mr. Dong is the brother-in-law of Mr. Zhao.

## ***World Charm***

As at the date of this announcement, World Charm owns 45% of the issued share capital of the Target. World Charm is an investment holding company that is owned by Mr. Zhao as to 44.3% (pending the transfer of such shares to the Target Management) and by certain other private investors as to 55.7%. Through World Charm, the Target Management are indirectly interested in 19.935% of the Target's issued share capital in aggregate and the private investors are indirectly interested in 25.065% of the Target's issued share capital in aggregate.

### ***Mr. Zhao***

Mr. Zhao is an executive director of the Company and currently holds 15.91% of the Company's issued share capital through Basic Charm Investment Limited and Rainstone International Limited, two investment holding companies that are wholly-owned by Mr. Zhao.

Mr. Zhao holds his shares in World Charm for the benefit of and pending transfer to the Target Management upon completion of the necessary registration procedures to permit the relevant members of Target Management to acquire shares in World Charm, an offshore investment company. This arrangement is necessary because many of the members of the Target Management are PRC residents and cannot hold shares in World Charm or the Target until they have registered their investment with the State Administration of Foreign Exchange ("SAFE"). In order to comply with PRC law, it was agreed that the shares in World Charm, which were at that time, and had been since World Charm's incorporation, 100% held by Mr. Zhao, a non-PRC resident, would continue to be legally held by Mr. Zhao until the necessary registrations with SAFE have been completed. The shares will be transferred to the Target Management once SAFE registration is completed. This arrangement was documented in conditional share transfer agreements which were entered into between Mr. Zhao and each member of the Target Management separately.

As registrations with SAFE are not required for the receipt of shares in a listed company, under the terms of the Sale and Purchase Agreement, the Consideration Shares which would otherwise be issued to World Charm on completion of the Acquisition, will instead be issued directly to the private investors (who own 55.7% of World Charm) and the relevant members of the Target Management (who are beneficially interested in 44.3% of World Charm which is currently held by Mr. Zhao, as described above). Upon completion of the Acquisition and the Subscription, the private investors will be issued approximately 16.32% of the shares in the Company in aggregate and the relevant members of the Target Management will be issued approximately 12.97% of the shares in the Company in aggregate.

Mr. Zhao does not actively manage World Charm and does not have any personal or business relationships with any of the members of the Target Management other than in relation to the interests in the Target.

Mr. Zhao is the brother-in-law of Mr. Dong.

### *Private Investors*

The private investors consist of four individuals who, through their respective wholly-owned investment companies, each acquired, in aggregate, 55.7% equity interest in World Charm from Mr. Zhao on 30 March 2011 for a total consideration of approximately HK\$260 million. Through their equity interest in World Charm, the private investors are indirectly interested in 25.065% of the Target's issued share capital in aggregate.

The private investors are independent from and not connected with Mr. Zhao and Mr. Dong or each other. Two of the private investors were introduced to Mr. Dong through mutual acquaintances and the other two are business acquaintances of Mr. Dong. Mr. Dong approached each of the private investors directly to introduce them to the investment opportunity.

Once suitable and willing investors had been identified, the disposal of the shares in World Charm to the private investors was effected at the same time on 30 March 2011 for administrative convenience.

The private investors are non-PRC residents and acquired their shares through non-Hong Kong companies so it was not necessary for them to register their investment with SAFE. Accordingly, the shares in World Charm were directly transferred to the private investors and did not need to be held by Mr. Zhao for their benefit.

### *The Target Management*

The Target Management consists of 22 individuals who are either employees, consultants or members of management of the Target (excluding Mr. Dong). They are indirectly interested in 19.935% of the Target's issued share capital in aggregate through the shares in World Charm held for their benefit, and pending transfer, by Mr. Zhao.

The following members of the Target Management are named as parties in the Sale and Purchase Agreement:

- (a) Mr. Wan, Chief Executive Officer of the Target;
- (b) Mr. Liu, Chief Operating Officer of the Target;
- (c) Mr. Niu, Chief Marketing Officer of the Target; and
- (d) Mr. Gao, Executive Vice President.

Further details about each of Mr. Wan, Mr. Liu, Mr. Niu and Mr. Gao are set out under the section of this announcement headed "1. Summary of the Acquisition – Information on the Target – The Target's Key Management Personnel".



## Implications under the Listing Rules

As one or more of the relevant percentage ratios under Chapter 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules.

Mr. Dong is an executive director and the chairman of the Company, and indirectly owns 35% of the issued share capital of the Target through his wholly-owned investment company, Brilliant Mark. In addition, Mr. Zhao is an executive director of the Company, and currently holds approximately 44.3% of the shares in World Charm (pending the transfer of such shares to the Target Management), an investment holding company, which in turn holds approximately 45% of the issued share capital of the Target. Mr. Liu currently holds a 24% interest in Xian Jinding Film, Television and Culture Company Limited (“**Xian Jinding**”), a subsidiary of the Company and is therefore a substantial shareholder of a subsidiary of the Company. Mr. Liu is also beneficially interested in 1.60% of the Target’s issued share capital and will on completion of the Acquisition, receive 80,650,000 Shares in accordance with the terms of the Sale and Purchase Agreement. Accordingly, Brilliant Mark, World Charm and Mr. Liu are connected persons of the Company and therefore the Acquisition also constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Mr. Dong, Mr. Zhao and Mr. Liu are also considered to have a material interest in the Acquisition. For the above reasons, Mr. Dong, Mr. Zhao, Mr. Liu and their respective associates will be required to abstain from voting on the resolutions relating to the Acquisition at the SGM. Voting at the SGM for Shareholders eligible to vote will be conducted by poll.

Mr. Dong, Mr. Zhao, Mr. Liu and Ding Sheng are each members of Target Management who have had certain historic business dealings with each other. Accordingly, and solely for the purposes of assessing whether any person, or group of persons whom it could be argued may be acting in concert, will obtain control (as defined in the Takeovers Code) of the Company on completion of the Acquisition and the Subscription, the respective voting rights in the Company that Mr. Dong, Mr. Zhao, Mr. Liu and Ding Sheng will be entitled to exercise or control the exercise of, have been aggregated.

Each of the Target Management and the private investors (other than Mr. Dong, Mr. Zhao, Ding Sheng and Mr. Liu) has signed a declaration confirming that, amongst other things, they are independent from, and not connected persons of, the Company and are not acting in concert with Mr. Dong, Mr. Zhao, Mr. Liu or Ding Sheng in relation to the Company.



## **2. VIEWS OF THE BOARD OF DIRECTORS ON THE ACQUISITION**

Having considered the benefits of the Acquisition for the Company as described below, in particular, that the Consideration represents a discount of at least 13% to the preliminary valuation, the Board of Directors (excluding the non-executive director and members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the Independent Financial Adviser) is of the view that the Acquisition and the terms of Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Target Shareholders and their respective ultimate beneficial owner(s) (with the exception of Mr. Dong, Mr. Zhao and Mr. Liu) is a third party independent of any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates.

## **3. REASONS FOR AND BENEFITS OF THE ACQUISITION FOR THE COMPANY**

The Target conducts its principal business of producing and distributing films and television and satellite television programmes through the employment of a seasoned management team with over ten years of experience in the industry. This complements the Company's business, which includes the production and distribution of films and programmes for television and digital entertainment, the production and distribution of print media and the development of online and mobile games and other mobile value-added services in the PRC.

The Acquisition is expected to consolidate and enhance the Target's and the Company's complementary core competitive strengths, enable the Company to expand its portfolio of television, film and media content and delivery platforms, exploit favourable market conditions and opportunities in the PRC and develop potential synergies and operational efficiencies. In addition, the Acquisition would avoid potential future conflicts of interest between the Target and the Company.

### **Consolidating the Company's and the Target's core competitive strengths and expanding content and delivery platforms**

The Company's core competitive strength is in its mobile new media and print media platforms. The Target's core competitive strength is the production and distribution of films and television programmes. In particular, the Target has direct access to one of the satellite television networks in the PRC and its management team has significant experience in developing and delivering satellite television content. By acquiring the Target, the Company expects to be able to expand its portfolio of media content and enhance its access to a comprehensive range of content delivery platforms, including stable traditional media channels, such as print, television and satellite, and fast growing new media channels, such as internet and mobile.

## **Exploiting favourable market conditions and opportunities in the PRC**

The Company intends to expand its business by acquiring the Target in order to exploit favourable market conditions and opportunities in the PRC. It is forecasted that as cinema networks expand and new theatres are built, China's box office will continue to grow rapidly and demand for box office movies will increase. The Target's portfolio of film and television programmes as well as its highly recognised and talented team of directors is expected to strengthen the Company's competitiveness against other film and television producers.

## **Developing potential synergies and operational efficiencies**

The Acquisition is expected to create a number of opportunities to generate synergistic benefits, including the ability of the Company and the Target to utilise each other's content delivery platforms, opportunities for cross-channel sales and improved operating efficiency through sharing of resources and expenses (such as marketing and promotion expenses).

## **Avoiding potential conflicts of interest**

While the Company's business includes the production and distribution of films and programmes for television, its core strength is in its mobile new media and print media platforms, so any direct competition with the Target is currently limited. However, the management of the Company believes that, by leveraging the expertise of the production management team of the Target, synergies can be created through the utilisation by the Target of the Company's new media platform. Given that Mr. Dong is both a director and shareholder of the Company and the Target and is a central figure in both companies, in order to maximise the benefits of cooperation in the future, the Company believes it would be preferable for the Target to be part of the Group to avoid the potential for future conflicts of interest which may otherwise arise.

## **4. SUMMARY OF THE SUBSCRIPTION**

On 21 October 2011, the Company and THL entered into the Subscription Agreement, pursuant to which THL conditionally agreed to subscribe for the Subscription Shares at a price of HK\$0.40 per Subscription Share.

### **The Subscription Agreement**

#### ***Date***

21 October 2011.

## ***Parties***

- (a) the Company; and
- (b) THL.

## ***Subject matter of the Subscription Agreement***

The Subscription Agreement sets out the terms and conditions upon which THL will subscribe for, and the Company will issue, the Subscription Shares.

## ***The Subscription Shares***

The Subscription Shares represent approximately 29.7% of the existing issued share capital of the Company, approximately 22.9% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and approximately 8.0% of the issued share capital of the Company as enlarged by the allotment and issue of both (i) the Subscription Shares and (ii) the Consideration Shares. The Subscription Shares will be issued pursuant to a specific mandate of the Company to be sought at the SGM and will rank *pari passu* with the Shares in issue on the date of their issue.

## ***Issue Price of the Subscription Shares***

THL will subscribe for the Subscription Shares at a price of HK\$0.40, which represents:

- (a) a discount of approximately 13.98% to the closing price of the Shares of HK\$0.465 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 8.26% to the average of the closing prices of the Shares of approximately HK\$0.436 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including Last Trading Day;
- (c) a discount of approximately 6.76% to the average of the closing prices of the Shares of approximately HK\$0.429 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 8.70% to the average of the closing prices of the Shares of approximately HK\$0.368 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and
- (e) a premium of approximately 10.50% to the average of the closing prices of the Shares of approximately HK\$0.362 per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day.

The price of HK\$0.40 per Subscription Share was arrived at after arm's length negotiations.

### *Application for listing*

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### *Consideration*

The consideration for the Subscription Shares will be approximately HK\$247.8 million, which will be payable in cash by THL upon completion of the Subscription.

### *Conditions precedent*

The Subscription is conditional upon the following:

- (a) the Company having obtained any necessary approval from its shareholders for the issue of the Subscription Shares to THL on the terms of the Subscription Agreement;
- (b) the listing committee of the Stock Exchange having granted listing of and permission to deal in the Subscription Shares;
- (c) if necessary, the Bermuda Monetary Authority having granted consent to the issue of the Subscription Shares;
- (d) the Company having completed the Acquisition on substantially the terms set out in this announcement, and in particular:
  - (i) having entered into the deed of indemnity substantially in the form set out in annex A of the Subscription Agreement; and
  - (ii) the conditions set out in paragraphs (a), (b), (c), (e), (f), (g) and (h) of the section of this announcement headed "1. Summary of the Acquisition – The Sale and Purchase Agreement – Conditions Precedent" (the "**Conditions Disclosure**") having been satisfied (and not waived), and the conditions set out in paragraph (d) of the Conditions Disclosure having been satisfied or waived (provided that any waiver shall only be in relation to a breach of the warranties set out in the Sale and Purchase Agreement, which the Company and THL (both acting reasonably) do not expect to have a material adverse effect on (a) the assets, liabilities, condition (financial or other), business, prospects, general affairs, results of operations or properties of the Group, (b) the ability of the Company to perform its obligations under the Subscription Agreement, or (c) the validity or enforceability of the Subscription Agreement;

- (e) the warranties given by both parties under the Subscription Agreement remaining true and accurate and not misleading at completion of the Subscription as if repeated at that time; and
- (f) no statute, rule or regulation having been enacted or promulgated by any governmental authority which in the sole opinion of the Company prohibits completion of the Subscription, and there being no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting such completion.

None of the conditions listed in paragraphs (a) to (f) above may be waived unless otherwise agreed by the Company and THL.

### ***Completion***

Subject to fulfilment or waiver of the conditions precedent set out above on or before 31 March 2012, completion of the Subscription will take place on the date on which all of the conditions precedent are fulfilled or waived, at which time the payment of approximately HK\$247.8 million as consideration for the Subscription Shares by THL to the Company and the issue of the Subscription Shares by the Company to THL will be effected.

### ***Director nomination right***

Subject to compliance with the bye-laws of the Company and all applicable laws and regulations (including the Listing Rules) and for so long as THL holds not less than 5% of the issued share capital of Company, THL will be entitled to nominate one individual to be appointed to the Board of Directors and the Board of Directors will give due consideration to the appointment of such nominee as a Director. However, the Board of Directors will not be obliged to appoint any director nominated by THL.

### ***Lock-up***

Under the terms of the Subscription Agreement, THL is prohibited from selling or otherwise disposing of any of its interest in the Subscription Shares for a period of six months after completion of the Subscription, except:

- (a) any disposal of any interest in the Subscription Shares acquired by it to any subsidiary of THL or of Tencent or any company that is a fellow subsidiary of THL (provided that any such transferee shall sign and deliver to the Company a letter of undertaking on terms as provided in the Subscription Agreement); or
- (b) any transfer of the Subscription Shares pursuant to a takeover offer, repurchase offer or scheme of arrangement extended to all Shareholders.

## ***Termination***

If the conditions precedent to completion of the Subscription Agreement are not fulfilled or waived on or before 31 March 2012, the Subscription Agreement will terminate and neither the Company nor THL shall have any liability thereunder save as to any antecedent breach.

Notwithstanding the above, the Subscription Agreement may be terminated with written consent of both parties thereto.

## ***Information on THL and Tencent***

THL is a wholly-owned subsidiary of Tencent. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for an insignificant indirect shareholding interest in Sequoia, THL and Tencent are independent third parties of the Company and are also independent third parties of the Target Shareholders.

Tencent is a leading provider of integrated internet services in China, which has been listed on the main board of the Stock Exchange under stock code 700 since 2004. Through its various online platforms, including Instant Messaging QQ, web portal QQ.com, the QQ Game platform under Tencent Games, multi-media social networking service Qzone and wireless portal, Tencent services the largest online community in China and fulfils the user's needs for communication, information, entertainment and e-Commerce on the internet. Tencent has three main streams of revenues: internet value-added services, mobile and telecommunications value-added services and online advertising. As of 30 June 2011, there were approximately 701.9 million active QQ user accounts for QQ IM and peak simultaneous online IM user accounts amounted to 136.7 million.

## **5. VIEWS OF THE BOARD OF DIRECTORS ON THE SUBSCRIPTION**

The Board of Directors is of the view that the Subscription and the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, THL (and its ultimate beneficial owner(s)) is a third party independent of any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates.

## **6. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION FOR THE COMPANY**

So far as the Directors are aware, Tencent has the largest new media platform with the most internet users in China. As part of the Subscription, a company controlled by Tencent and the Company has, on the same day as the Subscription, entered into a framework cooperation agreement under which the two parties have agreed to form a strategic partnership for the following purposes:

- (a) to cooperate on promoting the Company's artists, films, television drama series, new media contents, mobile entertainment contents, and events on Tencent's broad online platform (including, for example, Qzone, QQ.com and microblog);
- (b) to distribute the Company's films and television drama series online via Tencent's online video platform and to co-produce premium video contents; and
- (c) to cooperate on promoting the Company's print media contents and associated events via Tencent's broad online platforms.

The Company believes this will give the Company access to various new media platforms to promote its films, television drama series and artists as well as grow the Company's business in new media. The Subscription is expected to benefit the Company by bringing in another source of promotion and another distribution channel without needing to build and create the Company's own websites and media platforms. In addition, the Subscription is an opportunity for the Company to enlarge its capital base.

## **7. USE OF PROCEEDS FROM THE SUBSCRIPTION**

The gross proceeds from the Subscription will be approximately HK\$247.8 million. After deducting all relevant expenses in relation to the Subscription, the net proceeds will be approximately HK\$245.0 million. The Company intends to use the net proceeds from the Subscription to improve financial strength and flexibility of the Company and for general working capital purposes.



## 8. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save as set out below, the Company has not conducted any equity fund raising activities in the past 12 months preceding the date of this announcement.

Date of announcement	Description of fund raising	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement	Intended use of remainder of proceeds
9 June 2011	Placing of 125 million new Shares to Atlantis Investment Management (Hong Kong) Limited	HK\$50 million	General working capital requirements	HK\$35.8 million for reduction of borrowings and interest payments	General working capital

## 9. EFFECT OF ACQUISITION AND THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement (ii) immediately following completion of the Acquisition, (iii) immediately following completion of the Subscription and (iv) immediately following completion of both the Acquisition and the Subscription. Completion of the Acquisition and Subscription will take place simultaneously, therefore, the columns below headed “Immediately following the Acquisition (and excluding the Subscription Shares)” and “Immediately following the Subscription (and excluding the Consideration Shares)” are for illustrative purposes only and the parties referred to below will ultimately hold the number of shares set out in the column headed “Immediately following both (i) the Acquisition and (ii) the Subscription”.

Shareholder	As at the date of this announcement		Immediately following the Acquisition (and excluding the Subscription Shares)		Immediately following the Subscription (and excluding the Consideration Shares)		Immediately following both (i) the Acquisition and (ii) the Subscription	
	Number of	% (approx.)	Number of	% (approx.)	Number of	% (approx.)	Number of	% (approx.)
	Shares (mn)	(Note 1)	Shares (mn)	(Notes 1 & 2)	Shares (mn)	(Notes 1 & 2)	Shares (mn)	(Note 1)
<b>Potential concert parties</b>								
Mr. Dong	38.4	1.84	1,802.6	25.30	38.4	1.42	1,802.6	23.28
Basic Charm Investment Limited (Note 3)	331.3	15.91	331.3	4.65	331.3	12.26	331.3	4.28
Mr. Liu (Note 4)	–	–	80.6	1.13	–	–	80.6	1.04
Ding Sheng (Note 4)	–	–	8.0	0.11	–	–	8.0	0.10
<b>Subtotal</b>	<b>369.7</b>	<b>17.75</b>	<b>2,222.5</b>	<b>31.19</b>	<b>369.7</b>	<b>13.68</b>	<b>2,222.5</b>	<b>28.7</b>
<b>Substantial shareholders</b>								
Sequoia	–	–	1,008.2	14.15	–	–	1,008.2	13.02
<b>Shareholders regarded as public</b>								
Atlantis Investment Management (Hong Kong) Limited	220.0	10.56	220.0	3.09	220.0	8.14	220.0	2.84
Other public Shareholders	1,492.9	71.69	1,492.9	20.97	1,492.9	55.26	1,492.9	19.29
Private investors (Note 4)	–	–	1,263.4	17.74	–	–	1,263.4	16.32
Target Management (excluding Mr. Dong, Mr. Liu and Ding Sheng) (Note 4)	–	–	916.3	12.86	–	–	916.3	11.83
THL	–	–	–	–	619.4	22.92	619.4	8.00
<b>Subtotal</b>	<b>1,712.9</b>	<b>82.25</b>	<b>3,892.6</b>	<b>54.66</b>	<b>2,332.3</b>	<b>86.32</b>	<b>4,512.0</b>	<b>58.28</b>
<b>Total</b>	<b>2,082.6</b>	<b>100.00</b>	<b>7,123.3</b>	<b>100.00</b>	<b>2,702.0</b>	<b>100.00</b>	<b>7,742.7</b>	<b>100.00</b>

*Notes:*

1. The shareholding percentages as shown in the above table are approximate figures rounded to the nearest two decimal places.
2. The shareholding percentages in respect of the Acquisition and/or the Subscription in the above table are stated for illustrative purposes, and are subject to final valuation and financing. The figures may not represent the actual figures at completion of the Acquisition and/or the Subscription.
3. Basic Charm Investment Limited is an investment holding company wholly-owned by Rainstone International Limited, which in turn is wholly-owned by Mr. Zhao.
4. The Consideration Shares that World Charm will be entitled to receive upon completion of the Acquisition pro rata to its pre-completion shareholding in the Target will be issued directly to (i) each of the private investors in the Target and (ii) each of the Target Management, in each case pro rata to their individual shareholdings in World Charm (whether held directly by them or on their behalf by Mr. Zhao as nominee).

Other than Ms. Chu Hoi Chun, who will hold approximately 10.62% Shares through Great Esteem Group Limited, no other private investor or member of the Target Management will become substantial shareholders (as defined in the Listing Rules) of the Company upon completion of the Acquisition. Ms. Chu Hoi Chun's shareholding in the Company will be approximately 9.77% after the Acquisition and Subscription. None of the private investors or Target Management will hold more than 10% of the Shares after completion of the Acquisition and Subscription.

Upon completion of the Acquisition and the Subscription, approximately 58.28% of the Shares will be held by the public (i.e. persons who are not connected persons or substantial shareholders of the Company). Therefore, the Company will have sufficient public float upon completion of the Acquisition and the Subscription.

## 10. EFFECT OF ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE TARGET

The following table illustrates the shareholding structure of the Target (i) as at the date of this announcement and (ii) immediately following completion of the Acquisition.

Shareholder	Ultimate beneficial shareholder	Shareholding in Target as at the date of this announcement (%)	Shareholding in Target immediately following the Acquisition (%)
Brilliant Mark	Mr. Dong	35.000	—
World Charm	Mr. Wan	0.694	—
	Mr. Niu	4.983	—
	Mr. Liu	1.600	—
	Mr. Gao	0.287	—
	Ding Sheng	0.159	—
	Other members of Target Management and private investors	37.277	—
Sequoia	Sequoia	20.000	—
The Company	—	—	100.000

## 11. NO CHANGE OF CONTROL OF THE COMPANY

Under the Takeovers Code, “control” is defined as “a holding, or aggregate holdings, of 30% or more of the voting rights of a company, irrespective of whether that holding or holdings gives de facto control”.

As set out in the table under the section of this announcement headed “9. Effect of Acquisition and the Subscription on the Shareholding Structure of the Company”, no single Shareholder has or will have 30% or more of the voting rights of the Company (i) as at the date of this announcement, (ii) immediately following completion of the Acquisition, (iii) immediately following completion of the Subscription or (iv) immediately following completion of both the Acquisition and the Subscription. Therefore, no single Shareholder has or will have control of the Company.

Under the Takeovers Code, persons who are “acting in concert” are defined as “persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain or consolidate “control” of a company through the acquisition by any of them of voting rights of the company”.

The Company has conducted a comprehensive due diligence exercise to confirm that no persons that are acting in concert will together hold 30% or more of the voting rights of the Company, by making enquiries of each of the Target Shareholders and their ultimate beneficial owners and conducting a detailed assessment of the nature of the relationships between each of them.

Mr. Dong and Mr. Zhao are brothers-in-law and have engaged in certain historic business dealings with one another. Mr. Liu and Ding Sheng have had historic business arrangements with Mr. Dong and/or Mr. Zhao through their respective investments in Asian Union and Zhong Lian Hua Yi Shan He Shui. These arrangements ended in 2009 when Mr. Dong and/or Mr. Zhao ceased to have investments in Asian Union and Zhong Lian Hua Yi Shan He Shui. The Company has no reason to believe that Mr. Dong, Mr. Zhao, Mr. Liu and Ding Sheng (or any of them) are actively cooperating to obtain or consolidate control of the Company. However, it could be argued that their prior relationships give rise to a risk that they could be regarded as acting in concert. Therefore, for the purposes of the Company’s analysis of the Acquisition and the Subscription and whether it will result in a change of control only, the Company has taken a cautious approach and has aggregated the voting rights in the Company that will be controlled by Mr. Dong, Mr. Zhao, Mr. Liu and Ding Sheng immediately following completion of the Acquisition and Subscription. Mr. Dong’s, Mr. Zhao’s, Mr. Liu’s and Ding Sheng’s aggregate shareholdings in the Company before the Acquisition, after the Acquisition and after the Acquisition and Subscription are approximately 17.75%, 31.19% and 28.70%, respectively. As completion of the Acquisition and Subscription will occur simultaneously, even when their respective interests are aggregated, Mr. Dong, Mr. Zhao, Mr. Liu and Ding Sheng will control less than 30% of the voting rights in the Company, and they will not, therefore, obtain control of the Company for the purposes of the Takeovers Code.

Other than Mr. Dong, Mr. Zhao, Mr. Liu and Ding Sheng, no other relationships, agreements or understandings have been identified which would result in Sequoia, any of the Target Management or private investors being considered to be acting in concert with Mr. Dong, Mr. Zhao, Mr. Liu and Ding Sheng in relation to the Company.

Mr. Dong, Sequoia, Brilliant Mark and World Charm are parties to a customary shareholders' agreement in relation to their investment in the Target. However, this shareholders' agreement will be terminated on completion of the Acquisition and there will be no other agreements or arrangements of a similar nature entered into between the parties in place of the shareholders' agreement. In addition, as disclosed in the paragraph headed "Information on the Target Shareholders – World Charm" above, Mr. Zhao has entered into conditional share transfer agreements with certain members of the Target Management in relation to shares in World Charm. However, the terms of these conditional share transfer agreements were designed to ensure compliance with applicable PRC law and the Company does not consider that the parties to the conditional share transfer agreements should be considered to be acting in concert in the absence of other relationships or factors. On completion of the Acquisition, the arrangements under the conditional share transfer agreements will be completed and the conditional share transfer agreement will have no further purpose.

To further reinforce the enquiries and assessment carried out by the Company, the Company has required that each of the Target Management and the private investors (other than Mr. Dong, Mr. Zhao, Mr. Liu and Ding Sheng) signs a declaration confirming that, amongst other things, they are independent from, and are not connected persons of, the Company and are not acting in concert with Mr. Dong, Mr. Zhao, Mr. Liu and Ding Sheng in relation to the Company. The Target Management and private investors have been made aware that the Stock Exchange is placing reliance on the representations made in their undertakings.

In order to ensure that Mr. Dong's, Mr. Zhao's, Mr. Liu's and Ding Sheng's aggregate shareholdings do not exceed 30% after the Acquisition, the Company will complete both the Acquisition and the Subscription simultaneously.

Based on the due diligence exercise and analysis carried out by the Company, and relying on the declarations described above and the fact that the Acquisition and the Subscription will be completed simultaneously, and having received legal advice supporting the Company's conclusion, the Company is of the view that there will be no change in control of the Company as a result of the Acquisition and the Subscription.

## **12. GENERAL**

The Circular containing, among other things:

- (a) a notice of SGM to seek the approval by the Independent Shareholders of (i) the Acquisition, (ii) a specific mandate to issue up to an aggregate of 5,040,750,000 Shares as Consideration Shares and (iii) a specific mandate to issue up to an aggregate of 619,400,000 Shares as Subscription Shares;
- (b) further details of (i) the Acquisition and the Sale and Purchase Agreement and (ii) the Subscription and the Subscription Agreement;

- (c) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement; and
- (d) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement,

will be despatched to the Shareholders on or before 11 November 2011.

The Board of Directors also confirms that save as disclosed in this announcement, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board of Directors aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price sensitive nature.

**Completion of each of the Acquisition and the Subscription is subject to conditions that may or may not be fulfilled. Shareholders and potential investors in the Company should exercise caution in dealing in the securities of the Company.**

**On 19 September 2011, the Company noted that there was unusual price movement and increase in trading volume of the Shares and promptly requested that the Stock Exchange suspend trading in the Shares. Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 20 September 2011 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 24 October 2011.**

### 13. DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms shall have the following meanings:

“Acquisition”	the proposed acquisition of the entire issued share capital of the Target by the Company from the Target Shareholders;
“Asian Union”	北京中聯華盟文化傳媒投資有限公司 (Beijing Asian Union Culture and Media Investments, Ltd)*;
“associate”	has the meaning ascribed to that term in the Listing Rules;
“acting in concert”	has the meaning ascribed to that term in the Takeovers Code;



“Board of Directors”	the board of directors of the Company;
“Brilliant Mark”	Brilliant Mark Limited;
“CFGC”	China Film Group Corporation;
“Circular”	the circular to be sent to the Shareholders in relation to the SGM;
“Company”	ChinaVision Media Group Limited;
“connected person”	has the meaning ascribed to that term in the Listing Rules;
“Consideration Shares”	the 5,040,750,000 new Shares to be issued and allotted to the Target Shareholders on the terms of the Sale and Purchase Agreement;
“Directors”	the directors of the Company;
“Gansu Fei Shi”	Gansu Fei Shi Tian Cheng Culture and Broadcast, Ltd;
“Gansu TV”	Gansu Provincial Film and TV Broadcast Group;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the committee of independent non-executive directors of the Company, comprising Messrs. Chen Ching, Jin Hui Zhi and Li Chak Hung, established to advise the Independent Shareholders in respect of the terms of the Acquisition;
“Independent Financial Adviser”	KBC Bank N.V. Hong Kong Branch, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition;
“Independent Shareholders”	the Shareholders, other than Mr. Dong and Mr. Zhao or any other Shareholder with a material interest in the Acquisition;

“Last Trading Day”	19 September 2011, being the final day of trading prior to suspension of trading in the Shares and the last trading day for the Shares before the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mr. Dong”	Mr. Dong Ping;
“Mr. Liu”	Mr. Liu Xiao Lin;
“Mr. Zhao”	Mr. Zhao Chao;
“Peng An Sheng Shi”	北京鵬安盛世廣告有限公司(Beijing Peng An Sheng Shi Advertising, Ltd)*;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, being the lawful currency of the PRC;
“Sale and Purchase Agreement”	the agreement dated 21 October 2011 entered into between the Company and the Target Shareholders in respect of the Acquisition;
“Sequoia”	Sequoia Capital 2010 CGF Holdco, Ltd.;
“SFC”	The Securities and Futures Commission of Hong Kong;
“Shareholders”	holders of the Shares;
“Shares”	ordinary shares of HK\$0.25 each in the share capital of the Company;
“SGM”	the special general meeting of the Company to be held to approve matters relating to the Acquisition and the Subscription;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to that term in the Listing Rules;
“Subscription”	the subscription by THL for the Subscription Shares;

“Subscription Agreement”	the agreement dated 21 October 2011 entered into between the Company and THL in respect of the Subscription;
“Subscription Shares”	the 619,400,000 new Shares to be issued and allotted to THL on the terms of the Subscription Agreement;
“Target”	China Entertainment Media Group Limited;
“Target Group”	the Target and its subsidiaries;
“Target Management”	the employees, consultants and members of management of the Target described in the paragraph entitled “Information on the Target Shareholders – World Charm – The Target Management”;
“Target Shareholders”	collectively, Sequoia, Brilliant Mark and World Charm;
“Takeovers Code”	The Code on Takeovers and Mergers and Share Repurchases;
“Tencent”	Tencent Holdings Limited, a company listed on the main board of the Stock Exchange with stock code 700;
“THL”	THL F Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Tencent;
“World Charm”	World Charm Holdings Limited;
“You Li Hao Ge”	友利浩歌（北京）傳媒文化有限公司 (You Li Hao Ge Media & Culture, Ltd)*; and
“Zhong Lian Hua Yi Shan He Shui”	北京中聯華億山和水影視文化有限公司 (Beijing Zhong Lian Hua Yi Shan He Shui Film and Culture, Ltd)*.

\* *English names for identification purposes only*

By Order of the Board  
**ChinaVision Media Group Limited**  
**Dong Ping**  
*Chairman*

Hong Kong, 21 October 2011

*As at the date of this announcement, the Board comprises Mr. Dong Ping (Chairman), Mr. Ng Qing Hai (President) and Mr. Zhao Chao, being the Executive Directors; Mr. Kong Muk Yin, being the Non-Executive Director; and Mr. Chen Ching, Mr. Jin Hui Zhi and Mr. Li Chak Hung, being the Independent Non-Executive Directors.*

*Please note that the shareholding and percentage figures in respect of the Acquisition and the Subscription in this announcement are stated for illustrative purposes, and may not represent the actual figures at completion of either transaction.*