

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION



FSD CAUSE NO: 0002 OF 2013

IN THE MATTER OF SECTIONS 14 TO 16 OF THE COMPANIES LAW (2012 REVISION)

AND IN THE MATTER OF QIN JIA YUAN MEDIA SERVICES COMPANY LIMITED

PETITION

#5000

161237

To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION of Qin Jia Yuan Media Services Company Limited (the "**Company**") of Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands, shows that:

Purpose

1 The object of this Petition is to seek an Order of the Court pursuant to section 16 of the Companies Law (2012 Revision) (the "**Companies Law**") confirming a reduction of the capital of the Company ("**Capital Reduction**"), which has been approved by special resolution of the Company's shareholders.

Background

2 The Company was incorporated and registered on 29 October 2002 as an exempted company limited by shares.

3 The registered office of the Company is at Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company's principal place of business is at Unit 2303, 23rd Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong SAR.

- 4 The objects for which the Company was formed are unrestricted but include, without limitation, to act and to perform all the functions of a holding company and as an investment company and to carry out the other objects more particularly set forth in the Company's Amended and Restated Memorandum and Articles of Association (the "**Articles**") dated 13 June 2004 (as amended from time to time). The Company carries on business, principally, in the provision of cross-media services including television programming and production-related services, television advertising, out-of-home advertising, marketing and promotional services, and art, performance and public relations services.
- 5 Since 30 June 2004 the shares of the Company have been listed and traded on The Stock Exchange of Hong Kong.

Company's share capital - History

- 6 The Company was incorporated and registered with an authorised share capital of US\$8,000,000 divided into 800,000,000 shares with a par value of US\$0.01 each.
- 7 By an ordinary resolution passed on 15 January 2010 the Company's authorised share capital was increased to US\$12,000,000 divided into 1,200,000,000 shares with a par value of US\$0.01 each.
- 8 By an ordinary resolution passed on 1 September 2011 the Company's authorised share capital was increased to US\$26,000,000 divided into 2,600,000,000 shares with a par value of US\$0.01 each.
- 9 By an ordinary resolution passed on 15 December 2011 the Company's authorised share capital was increased to US\$100,000,000 divided into 10,000,000,000 shares with a par value of US\$0.01 each.
- 10 By an ordinary resolution passed on 21 December 2012 the Company approved, conditionally, a consolidation of its issued and unissued share capital, such that every 10 issued and unissued shares of the Company with a par value of US\$0.01 each would be consolidated into 1 share with a par value of US\$0.10 each (the "**Share Consolidation**"). The Share Consolidation is to become effective at 9:00 a.m. (Cayman Islands time) on the

date that this Honourable Court confirms the Capital Reduction. Accordingly, prior to this Honourable Court's proposed confirmation of the Capital Reduction:

- (a) the Company's authorised capital will be US\$100,000,000 divided into 1,000,000,000 shares with a par value of US\$0.10 each; and
- (b) the Company will have 468,798,074 shares of US\$0.10 each in issue, each of which is fully paid.

Power to reduce the Company's share capital

- 11 Pursuant to Article 59(b) of the Company's Articles of Association, the Company has the power to reduce its share capital by special resolution subject to the Companies Law. Article 59(b) is as follows:

"The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by [the Companies Law]."

- 12 By a special resolution of the Company duly passed in accordance with Company's Articles and Section 60 of the Companies Law at an extraordinary general meeting of the Company's shareholders held on 21 December 2012 in Hong Kong (the "EGM") it was resolved, amongst other things, that conditional upon the approval of the Share Consolidation, the confirmation of the Capital Reduction by this Honourable Court, compliance with any conditions which this Honourable Court may impose, registration by the Registrar of Companies in the Cayman Islands of the order of this Honourable Court confirming the Capital Reduction and the filing of a minute of the Capital Reduction approved by this Honourable Court, and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the "**Adjusted Shares**" (as defined below) in issue, with effect from the date on which those conditions are fulfilled:

- (a) *the issued share capital of the Company be and is reduced from US\$46,879,807.40 to US\$4,687,980.74 by (i) the cancellation of US\$0.09 paid up capital on each issued share of the Company so that each issued share of the Company shall be treated as one fully paid up share of US\$0.01 each in the capital of the Company; and (ii) the*

*reduction of the par value of each and every unissued share of the Company from US\$0.10 to US\$0.01 (the US\$0.01 issued and unissued shares of the Company are hereafter referred to as "**Adjusted Shares**" and the reduction of the par value of the Company's issued and unissued shares is referred to herein as the "**Capital Reduction**"; and*

- (b) *the credit arising on the Capital Reduction, being US\$42,191,826.66 be transferred to a distributable reserve account of the Company to be applied to meet the ongoing needs of the Company.*

13 By an ordinary resolution duly passed at the EGM it was resolved that:

- (a) *conditional and immediately upon the Capital Reduction becoming effective, the authorized share capital of the Company be increased from US\$10,000,000 divided into 1,000,000,000 Adjusted Shares of US\$0.01 each to US\$100,000,000 divided into 10,000,000,000 Adjusted Shares of US\$0.01 each by the creation of an additional 9,000,000,000 Adjusted Shares of US\$0.01 each.*

Purpose of the Capital Reduction

- 14 The reason for the capital reorganisation of the Company (which includes the Share Consolidation, Capital Reduction and subsequent increase in the Company's authorised share capital ("**Capital Reorganisation**")) is because the trading price of the Company's shares has been close to or below the par value of the shares, being US\$0.01, which has limited the ability of the Company to raise new equity capital. The primary purpose of the Capital Reorganisation, therefore, is to bring about an increase in the trading price of the shares to a level well above their par value. In this regard, the Share Consolidation will have the effect of reducing the number of shares in issue by a multiple of 10 and at the same time increasing the par value of the shares as well as the trading price of the shares by a multiple of 10. Following that, the Capital Reduction will maintain the lower number of shares in issue but will return the par value of the shares to US\$0.01 rather than the higher consolidated par value of US\$0.10.
- 15 The combined effect of the Share Consolidation and Capital Reduction is expected to result in an increase in the trading price of the Adjusted Shares to an amount well higher than their

par value. In addition, the Capital Reorganisation (incorporating the Capital Reduction) would reduce the overall transaction costs of dealing in the Adjusted Shares, which, together with the raising of the trading price of the Adjusted Shares above their par value, would provide greater capital raising flexibility for the Company. Separately it will also facilitate a rights issue proposed to be implemented by the Company once the Capital Reorganisation has been implemented.

- 16 The Company proposes that the credit item of US\$42,191,826.66 arising upon the Capital Reduction becoming effective be transferred to a distributable reserve to be applied to meet the ongoing needs of the Company.
- 17 The proposed Capital Reduction does not involve the diminution of any liability in respect of unpaid capital or the payment of any shareholder of any paid-up capital.

Minute of Order

- 18 The form of Minute proposed to be registered is as follows:

"The capital of Qin Jia Yuan Media Services Company Limited was, by virtue of a Special Resolution passed on 21 December 2012 and confirmed by an Order of the Grand Court reduced from US\$100,000,000 divided into 1,000,000,000 shares of US\$0.10 each to US\$10,000,000 divided into 1,000,000,000 shares of US\$0.01 each. At the date of the registration of this Minute, 468,798,074 shares in the Company have been issued and are deemed to be fully paid up. On the said reduction of capital taking effect, the authorised share capital of the Company will be US\$10,000,000 divided into 1,000,000,000 shares of US\$0.01 each of which 468,798,074 are issued and are fully paid up and the remainder are unissued."

AND THE PETITIONER HUMBL Y PRAYS AS FOLLOWS:

- 1 That the capital reduction of the Company proposed to be effected by the Special Resolution referred to in paragraph 12 of this Petition be confirmed by the Court.
- 2 That the Minute referred to in paragraph 18 of this Petition be approved by the Court.
- 3 That, to this end, all necessary inquiries may be made and directions may be given.

4 Such further or other order as the Court sees fit.

Dated this 3rd day of January 2013


Maples and Calder

NOTE: This petition is not intended to be served on anyone.

This Petition was presented by Maples and Calder, attorneys for the Petitioner, whose address for service is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. (Ref: CDM/SBA676937)