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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Media and Films Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**中國傳媒影視控股有限公司\***  
China Media and Films Holdings Limited

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8172)**

- (1) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;  
(2) RE-ELECTION OF DIRECTORS;  
(3) ADOPTION OF NEW SHARE OPTION SCHEME;  
(4) PROPOSED CHANGE OF COMPANY NAME; AND  
(5) NOTICE OF AGM**
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A notice convening the annual general meeting of the Company to be held at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 10 June 2014 at 4:00 p.m. is set out on pages 33 to 38 of this circular. A form of proxy for use at the annual general meeting is enclosed with this circular.

Whether or not you are able to attend the annual general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish.

This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven (7) days from the date of its publication and on the website of the Company at [www.cmfhl.com](http://www.cmfhl.com).

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is adopted by an ordinary resolution of the Shareholders at the AGM
“AGM”	the annual general meeting of the Company to be convened and held at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong to consider and, if appropriate, to approve the resolutions contained in the notice of the AGM which are set out on pages 33 to 38 of this circular
“associates”	have the same meaning as ascribed in the GEM Listing Rules
“Board”	the board of Directors, including all independent non-executive Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Bye-laws”	the bye-laws of the Company
“Company”	China Media and Films Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Shares of which are listed on GEM
“Current General Mandate”	the general mandate approved at the AGM to grant to the Directors to allot and issue Shares of up to 20% of the issued share capital of the Company on the date of the passing of the relevant resolution, which was 16 May 2013
“Directors”	the directors of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	5 May 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“New General Mandate”	the general mandate proposed to be granted to the Directors at the AGM to allot, issue and otherwise deal with additional Shares not exceeding 20% of the share capital of the Company in issue on the date of the passing of the relevant resolution
“New Share Option Scheme”	the new share option scheme which is proposed to be adopted by the Company at the AGM, the principal terms of which are set out in Appendix III to this circular
“Option(s)”	option(s) granted or to be granted to Participant(s) to subscribe for Share(s) under the Previous Share Option Scheme or, after its termination, under the New Share Option Scheme as the case may be
“Participant(s)”	full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) and any supplier, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for Option(s) under the New Share Option Scheme
“Previous Share Option Scheme”	the previous share option scheme of the Company adopted by the Company on 6 March 2002

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## DEFINITIONS

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“Proposed Change of Company Name”	the proposed change of the English name of the Company from “China Media and Films Holdings Limited” to “China Star Cultural Media Group Limited” and the Chinese name of the Company “中國星文化產業集團有限公司” will be adopted to replace “中國傳媒影視控股有限公司” for identification purpose only
“Repurchase Mandate”	the repurchases mandate proposed to be granted to the Directors at the AGM to exercise the power of the Company to repurchase up to a maximum of 10% of the issued share capital of the Company as at the date of passing of the relevant resolution granting of such repurchase mandate by the Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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中國傳媒影視控股有限公司\*  
China Media and Films Holdings Limited

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8172)**

*Executive Directors:*

Mr. Heung Wah Keung

Mr. Leung Wai Man

*Independent non-executive Directors:*

Mr. Yip Tai Him

Mr. Law Yiu Sang, Jacky

Mr. Fung Wai Ching

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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

Unit 3407, 34/F.,

Shun Tak Centre West Tower,

168-200 Connaught Road Central,

Hong Kong

8 May 2014

*To the Shareholders*

Dear Sir or Madam,

- (1) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES;  
(2) RE-ELECTION OF DIRECTORS;  
(3) ADOPTION OF NEW SHARE OPTION SCHEME;  
(4) PROPOSED CHANGE OF COMPANY NAME; AND  
(5) NOTICE OF AGM**

### INTRODUCTION

At the forthcoming AGM, resolutions will be proposed to seek the Shareholders' approval for, among other things, (i) the granting of the General Mandate (including the extended General Mandate) and the Repurchase Mandate to the Directors; (ii) the re-election of Directors; (iii) the adoption of the New Share Option Scheme; and (iv) the Proposed Change of Company Name.

*\* for identification purpose only*

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information relating to the resolutions to be proposed at the AGM for (i) the granting of the General Mandate (including the extended General Mandate) and the Repurchase Mandate to the Directors; (ii) the re-election of Directors; (iii) the adoption of the New Share Option Scheme; (iv) the Proposed Change of Company Name; and (v) the notice of the AGM.

### **GENERAL MANDATE AND REPURCHASE MANDATE**

At the AGM, the Directors propose to seek the approval of the Shareholders to grant to the Directors the General Mandate (including the extended General Mandate) and the Repurchase Mandate.

#### **General Mandate**

At the AGM, an ordinary resolution will be proposed such that the Directors be given an unconditional general mandate (i.e. the General Mandate) to allot, issue and deal with unissued Shares or underlying shares of the Company (other than by way of rights or pursuant to a share option scheme for employees of the Company or Directors and/or any of its subsidiaries or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of the dividend on Shares in accordance with the Bye-laws) or make or grant offers, agreements, options and warrants which might require the exercise of such power, of an aggregate amount of up to 20% of the issued Shares as at the date of granting of the General Mandate.

In addition, a separate ordinary resolution will further be proposed for extending the General Mandate authorising the Directors to allot, issue and deal with Shares to the extent of the Shares repurchased pursuant to the Repurchase Mandate. Details on the Repurchase Mandate are further elaborated below.

As at the Latest Practicable Date, the Company has an aggregate of 605,649,726 Shares in issue. Subject to the passing of the resolutions for the approval of the General Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the General Mandate to allot, issue and deal with a maximum of 121,129,945 Shares.

#### **Repurchase Mandate**

At the AGM, an ordinary resolution will also be proposed such that the Directors be given an unconditional general mandate to repurchase Shares (i.e. the Repurchase Mandate) on the Stock Exchange of an aggregate amount of up to 10% of the issued Shares as at the date of granting of the Repurchase Mandate.



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## LETTER FROM THE BOARD

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Subject to the passing of the resolution for the approval of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 60,564,972 Shares.

The General Mandate (including the extended General Mandate) and the Repurchase Mandate shall continue to be in force during the period from the date of passing of the resolutions for the approval of the General Mandate (including the extended General Mandate) and the Repurchase Mandate up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws, the Companies Act or any applicable laws of Bermuda to be held; or (iii) the revocation or variation of the General Mandate (including the extended General Mandate) or the Repurchase Mandate (as the case may be) by ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

An explanatory statement in connection with the Repurchase Mandate is set out in Appendix I to this circular. The explanatory statement contains all the requisite information required under the GEM Listing Rules to be given to the Shareholders to enable them to make an informed decision on whether to vote for or against the resolution approving the Repurchase Mandate.

### **RE-ELECTION OF DIRECTORS**

According to Bye-law 86(2), the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Shareholders in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

According to Bye-law 87(1), at each annual general meeting one-third of the Directors for the time being, (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years

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## LETTER FROM THE BOARD

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In accordance with Bye-law 86(2), Mr. Heung Wah Keung shall retire from office at the AGM; whereas in accordance with Bye-law 87(1), Mr. Leung Wai Man and Mr. Fung Wai Ching shall retire from office by rotation at the AGM. Being eligible, each of Mr. Heung Wah Keung, Mr. Leung Wai Man and Mr. Fung Wai Ching will offer himself for re-election as executive or independent non-executive Director as the case may be.

At the AGM, ordinary resolutions will be proposed to re-elect each of Mr. Heung Wah Keung, Mr. Leung Wai Man and Mr. Fung Wai Ching as executive or independent non-executive Director as the case may be.

Details of the retiring Directors who are proposed to be re-elected at the AGM are set out in Appendix II to this circular.

### **ADOPTION OF THE NEW SHARE OPTION SCHEME**

In light of that the Previous Share Option Scheme has expired on 5 March 2012, the Board proposes to adopt the New Share Option Scheme for the Company and to terminate the Previous Share Option Scheme (without prejudice to the rights and benefits of and attached to all those Option(s), if any, granted under the Previous Share Option Scheme which are outstanding) subject to the approval of the Shareholders.

The total issued share capital of the Company as at the Latest Practicable Date is HK\$6,056,497.26 divided into 605,649,726 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date to the date of the adoption of the New Share Option Scheme, the number of Shares which may fall to be allotted and issued upon exercise in full of New Share Option Scheme would be 60,564,972 representing approximately 10% of the Shares in issue as at the Latest Practicable Date, which is within the overall limit of 30% prescribed under Rule 23.03(3) of the GEM Listing Rules.

### **Previous Share Option Scheme**

The Previous Share Option Scheme has been adopted by the Company on 6 March 2002 under which the Directors may at their discretion grant options to eligible participants to subscribe for Shares in the Company subject to the terms and conditions stipulated in the Previous Share Option Scheme.

As at the Latest Practicable Date, no Options granted under the Previous Share Option Scheme were outstanding. The Company confirmed that it has no present intention to grant any Options under the Previous Share Option Scheme prior to the AGM.

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## LETTER FROM THE BOARD

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### **Termination of the Previous Share Option Scheme**

Under the terms of the Previous Share Option Scheme, the Company may at any time by ordinary resolution in general meeting terminate the operation of the Previous Share Option Scheme. It is proposed that the Previous Share Option Scheme is to be terminated upon adoption of the New Share Option Scheme subject to the approval of the Shareholders.

Upon termination of the Previous Share Option Scheme, no further Options can be offered thereunder but the provisions of the Previous Share Option Scheme shall remain in all other respects in full force and effect in respect of any Options granted prior to such termination but not yet exercised at the time of termination.

### **New Share Option Scheme**

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Participants in order to recognise and motivate the contribution of the Participants to the Group. The scope of the Participants was determined to provide flexibility for the Company to encourage and reward a broad range of the Participants to contribute to the development of the Group. The Board is of the view that the Participants (including employees, directors, supplier, consultants, distributors, agents, customers, partners, joint venture partners, promoter, service providers and advisers to the Group) are persons who may contribute to the growth and development of the Group through their services or investments. The Directors are of the view that the New Share Option Scheme will serve to motivate the Participants to continue to optimise their performance and efficiency for better serving the Group in the future, as well as to attract and retain or otherwise maintain ongoing business or investment relationship with the Participants depending on many factors such as their interest in the Shares, their business/working relationship with the Group, and their contribution that has or may have been made to the Group etc. The general principal is the same for all the Participants. As such, the Directors is of the view that the scope of Participants is fair and reasonable to the Group.

The rules of the New Share Option Scheme provide that the Company may specify the Participants to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. There is no specified minimum period under the New Share Option Scheme for which an Option must be held or a performance target which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme unless otherwise specified by the Board at the time of grant. The Board may set appropriate performance target and/

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## LETTER FROM THE BOARD

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or minimum period for the exercise of the Options at the time of the grant of Options under the New Share Option Scheme as and when appropriate. The Directors consider that the aforesaid criteria and rules will further promote the interests of the Group and serve the purpose of the New Share Option Scheme.

Subject to the approval of the New Share Option Scheme by the Shareholders, a resolution will be proposed at the AGM for the Board to grant options under the New Share Option Scheme and any other schemes for the subscription of not more than 10% of the entire issued capital of the Company (excluding, for this purpose, Options which have lapsed in accordance with the terms of any other share option scheme of the Group) as at the date of the passing of the relevant resolution.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but not limited to the exercise price, exercise period and lock-up period (if any). The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirement under Chapter 23 of the GEM Listing Rules.

### **Conditions**

The proposed adoption of the New Share Option Scheme is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may fall to be issued and allotted by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and
- (b) the passing of the necessary resolution to approve and adopt the New Share Option Scheme in the AGM.

None of the Directors is trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee.

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## LETTER FROM THE BOARD

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A summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in Appendix III to this circular on pages 21 to 32. A copy of the rules of the New Share Option Scheme is available for inspection at the head office and principal place of business of the Company in Hong Kong at Unit 3407, 34/F., Shun Tak Centre West Tower, 168-200 Connaught Road Central, Hong Kong during normal business hours from the date hereof up to and including the date of the AGM.

### **PROPOSED CHANGE OF COMPANY NAME**

The Board announced on 9 April 2014 that it proposed to the Shareholders to change the English name of the Company from “China Media and Films Holdings Limited” to “China Star Cultural Media Group Limited” and the Chinese name of the Company “中國星文化產業集團有限公司” to be adopted to replace “中國傳媒影視控股有限公司” for identification purpose only, subject to the conditions set out below being fulfilled.

#### **Conditions**

The Proposed Change of Company Name will be subject to the following conditions:

1. the passing of a special resolution by the Shareholders at the AGM to approve the Proposed Change of Company Name; and
2. the Registrar of Companies in the Bermuda approving the use of the new English name by the Company.

Subject to the satisfaction of the conditions set out above, the Proposed Change of Company Name will take effect from the date of entry of the new English name of the Company on the register maintained by the Bermuda Registrar of Companies. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

#### **Reasons for the Proposed Change of Company Name**

The Board considers that the Proposed Change of Company Name is part of the corporate strategy to reflect more accurately of and emphasise on the future business focus of the Company and its subsidiaries in the film and cultural industry. The Proposed Change of Company Name will better reflect the Company’s business and direction and will, therefore, provide the Company a better identification and image, which is in the best interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Effects of the Proposed Change of Company Name**

The Proposed Change of Company Name will not affect any rights of the holders of securities of the Company or the Company's daily business operation and its financial position.

All existing share certificates in issue bearing the present name of the Company shall, after the Proposed Change of Company Name becoming effective, continue to be evidence of title to such shares and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for exchange of the existing share certificates for new share certificates bearing the new English name of the Company. Once the Proposed Change of Company Name becomes effective, new share certificates will be issued only in the new English name of the Company.

The Board also proposes to adopt a new stock short name in both English and Chinese for the purpose of trading on GEM.

### **AGM**

A notice convening the AGM to be held at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 10 June 2014 at 4:00 p.m. is set out on pages 33 to 38 of this circular. Ordinary resolutions will be proposed at the AGM to approve, among other things, (i) General Mandate (including the extended General Mandate) and the Repurchase Mandate of the Directors; (ii) the re-election of Directors; and (iii) the adoption of the New Share Option Scheme. A Special resolution will be proposed at the AGM to approve the Proposed Change of Company Name.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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All the resolutions proposed to be approved at the AGM will be taken by poll and an announcement will be made by the Company after the AGM on the results of the AGM.

### RESPONSIBILITY STATEMENT

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

### RECOMMENDATION

The Directors considers (i) the granting of the General Mandate (including the extended General Mandate) and the Repurchase Mandate to the Directors (ii) the re-election of Directors and (iii) the adoption of the New Share Option Scheme; and (iv) the Proposed Change of Company Name are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

### GENERAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the AGM.

### MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully  
For and on behalf of the Board of  
**China Media and Films Holdings Limited**  
**Heung Wah Keung**  
*Chairman*

*This Appendix I serves as an explanatory statement given to all Shareholders relating to a resolution to be proposed at the AGM authorising the proposed Repurchase Mandate.*

*This explanatory statement contains all information pursuant to Rule 13.08 and other relevant provisions of the GEM Listing Rules which is set out as follows:*

**1.      NUMBER OF SHARES WHICH MAY BE REPURCHASED**

Exercise in full of the Repurchase Mandate, on the basis of 605,649,726 Shares in issue as at the Latest Practicable Date, would result in 60,564,972 Shares (representing approximately 10% of the issued share capital of the Company as at the date of passing of the resolution), being repurchased by the Company during the period prior to the next annual general meeting of the Company following the passing of the resolution approving the Repurchase Mandate.

**2.      REASONS FOR PROPOSED REPURCHASE OF SHARES**

The Directors believe that it is in the interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase Shares on GEM. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets of the Company and/or its earnings per Share.

The Repurchase Mandate will only be exercised when the Directors believe that such purchases will benefit the Company and the Shareholders as a whole. The Directors have no present intention to repurchase any Shares.

**3.      SOURCE OF FUNDS**

In repurchasing Shares, the Company will only apply funds legally available for such purpose in accordance with its Bye-laws, the laws of Bermuda and the GEM Listing Rules. The laws of Bermuda provide that the amount of capital paid in connection with a repurchase of Shares may only be paid out of the profits of the Company or the proceeds of a fresh issue of Shares made for the purposes of the repurchase or out of capital subject to and in accordance with the laws of Bermuda. The amount of premium payable on repurchase may only be paid out of either the profits of the Company or out of the share premium account before or at the time the Shares are repurchased in the manner provided for in the laws of Bermuda. The Company will not purchase the Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.



**4.      EFFECT OF EXERCISING THE REPURCHASE MANDATE**

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the annual report of the Company for the year ended 31 December 2013) in the event that the Repurchase Mandate is exercised in full at any time during the Relevant Period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

**5.      DISCLOSURE OF INTERESTS**

None of the Directors nor, to the best of their knowledge having made all reasonable enquires, any of their respective associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Mandate if such is approved by the Shareholders at the AGM.

**6.      DIRECTORS' UNDERTAKING**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Bye-laws, the GEM Listing Rules and the applicable laws of Bermuda.

**7.      THE HONG KONG CODE ON TAKEOVERS AND MERGERS**

If, as a result of a repurchase of Shares, pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

As a result, a Shareholder, or a group of Shareholders acting in concert (within that term's meaning under the Takeovers Code), depending on the level of increase in the Shareholders' interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 or 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge of the Company, the following Shareholder(s) is/are interested in more than 10% of the Shares then in issue. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Repurchase Mandate, the total interests of such Shareholder(s) in the Shares would be increased to approximately the percentage set out in the last column as follows:

<b>Name of Shareholder(s)</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding</b>	<b>Approximate percentage of shareholding if the Repurchase Mandate is exercised in full</b>
Culture Landmark Investment Limited ( <i>Note</i> )	232,366,016	38.37%	42.63%
Eternity Investment Limited	146,640,000	24.21%	26.90%

*Note:*

Culture Landmark Investment Limited, through its wholly-owned subsidiary, is interested in 232,366,016 Shares, representing approximately 38.37% of the existing total issued Shares of 605,649,726.

On the basis that the issued share capital of the Company remains unchanged up to date of the AGM, in the event that the Repurchase Mandate is exercised in full, the attributable shareholding of Culture Landmark Investment Limited would be increased to approximately 42.63% of the issued share capital of the Company. Such increase would give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

However, as at the Latest Practicable Date, the Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in a requirement of any of the above Shareholder(s) or any other persons to make a general offer under the Takeovers Code or the number of Shares in the hands of the public falling below the prescribed minimum percentage of 25%.

The Directors are not aware of any consequences which could arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate in full.

**8. NO PURCHASES OF SHARES BY THE COMPANY**

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the previous six months preceding the Latest Practicable Date.

**9. CONNECTED PERSON**

No connected persons (as defined in the GEM Listing Rules) has notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so in the event that the Repurchase Mandate is approved by the Shareholders at the AGM.

**10. SHARE PRICES**

The highest and lowest prices at which the Shares were traded on GEM during each of the previous twelve months were as follows:

	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2013</b>		
May	0.285	0.240
June	0.300	0.265
July	0.355	0.280
August	0.420	0.320
September	0.370	0.315
October	0.370	0.330
November	0.350	0.310
December	0.330	0.280
<b>2014</b>		
January	0.320	0.280
February	0.310	0.285
March	0.315	0.27
April	0.470	0.27
May (up to the Latest Practicable Date)	0.315	0.30

Detail of the Directors who will retire from office at the AGM and being eligible, will offer themselves for re-election at the AGM, are set out below:

**MR. HEUNG WAH KEUNG (“MR. HEUNG”)**

Mr. Heung, aged 65, has over 30 years of experience in the entertainment and multimedia industries. He was the founder of Win’s Entertainment Limited and One Hundred Years of Film Company Limited, which produces films recommended by audiences and distributors around the world. He is also the vice-chairman of Hong Kong Kowloon and New Territories Motion Picture Industry Association Limited. Mr. Heung is the chairman and executive director of China Star Entertainment Limited (“China Star”) (Stock code: 326, a company listed on the Main Board of the Stock Exchange). Mr. Heung was the chairman and executive director of Eternity Investment Limited (Stock code: 764, a company listed on the Main Board of the Stock Exchange) during the period from 2 August 2001 to 31 January 2010 and was also an executive director of the Company during the period from 6 August 2009 to 21 January 2010.

Mr. Heung is also an executive director of China Star Film Group Limited and its wholly owned subsidiary, China Star Film Production Limited, which are joint venture companies equally held by the Company and China Star.

Save as disclosed above, Mr. Heung does not hold any other position in the Company or any subsidiaries of the Company nor any other directorship in listed public companies in the last three years.

Mr. Heung has not entered into a service contract with the Company. Mr. Heung has not been appointed for a specific term. In accordance with the Bye-laws of the Company, Mr. Heung is subject to retirement by rotation and re-election at the Company’s general meetings. Mr. Heung will receive a Director’s fee of HK\$120,000 per annum which is determined with reference to his duties and responsibilities with the Company, the Company’s performance and the prevailing market situation. The director’s fee for Mr. Heung will be reviewed annually by the Board with reference to his duties and responsibilities with the Company, the Company’s performance and the prevailing market situation.

Save as disclosed above, Mr. Heung does not have, and is not deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, Mr. Heung does not have any relationship with any existing directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company (as defined in the GEM Listing Rules).

Save as disclosed above, there is no information which is discloseable nor is/was Mr. Heung involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under rules 17.50(h) to (v) of the GEM Listing Rules.

Save as disclosed, there is no other matter relating to Mr. Heung that needs to be brought to the attention of the Shareholders and the Stock Exchange.

#### **MR. LEUNG WAI MAN (“MR. LEUNG”)**

Mr. Leung, aged 44, is an executive director, company secretary and chief financial officer of the Company. He has over 15 years of experience in company secretarial, accounting and financial management. He is a member of the Association of Chartered Certified Accountants in the United Kingdom and Hong Kong Institute of Certified Public Accountants.

Mr. Leung was previously an executive director and a company secretary of Dore Holdings Limited (Stock Code: 628) during the period from March 2009 to March 2010. From July 2007 to December 2011, he was also an independent non-executive director of Zhi Cheng Holdings Limited (Stock Code: 8130). Save as disclosed, Mr. Leung does not hold any other position in the Company or any subsidiaries of the Company nor any other directorship in listed public companies in the last three years.

Mr. Leung has not entered into a service contract with the Company. Mr. Leung has not been appointed for a specific term. In accordance with the Bye-laws of the Company, Mr. Leung is subject to retirement by rotation and re-election at the Company's general meetings. Mr. Leung will receive a Director's fee of HK\$120,000 per annum which is determined with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation. The director's fee for Mr. Leung will be reviewed annually by the Board with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation.

Mr. Leung does not have, and is not deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Mr. Leung does not have any relationship with any existing directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company (as defined in the GEM Listing Rules).

Save as disclosed above, there is no information which is discloseable nor is/was Mr. Leung involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under rules 17.50(h) to (v) of the GEM Listing Rules.

Save as disclosed, there is no other matter relating to Mr. Leung that needs to be brought to the attention of the Shareholders and the Stock Exchange.

### **MR. FUNG WAI CHING (“MR. FUNG”)**

Mr. Fung, aged 44, is an independent non-executive director of the Company. He is presently an owner of a printing company in Hong Kong. He has over 16 years’ experience in managing paper, packaging and printing industries in both China and Hong Kong markets.

Mr. Fung does not hold any other position in the Company or any subsidiaries of the Company nor any other directorship in listed public companies in the last three years.

Mr. Fung has not entered into a service contract with the Company. Mr. Fung has not been appointed for a specific term. In accordance with the Bye-laws of the Company, Mr. Fung is subject to retirement by rotation and re-election at the Company’s general meetings. Mr. Fung will receive a Director’s fee of HK\$120,000 per annum which is determined with reference to his duties and responsibilities with the Company, the Company’s performance and the prevailing market situation. The Director’s fee for Mr. Fung will be reviewed annually by the Board with reference to his duties and responsibilities with the Company, the Company’s performance and the prevailing market situation.

Mr. Fung does not have, and is not deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Mr. Fung does not have any relationship with any existing directors, senior management of the Company, substantial shareholders or controlling shareholders of the Company (as defined in the GEM Listing Rules).

Save as disclosed above, there is no information which is discloseable nor is/was Mr. Fung involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under rules 17.50(h) to (v) of the GEM Listing Rules.

Save as disclosed, there is no other matter relating to Mr. Fung that needs to be brought to the attention of the Shareholders and the Stock Exchange.

*This appendix sets out further information of the New Share Option Scheme and also summarises the rules of the New Share Option Scheme but does not form part of nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme:*

## **NEW SHARE OPTION SCHEME**

### **Summary of terms**

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved by a resolution of the Shareholders at the AGM, notice of which is set out on pages 33 to 38 of this circular:

#### ***(a) Purpose of the New Share Option Scheme***

The purpose of the New Share Option Scheme is to enable the Company to grant Options to the Participants in order to recognise and motivate the contribution of the Participants to the Group.

#### ***(b) Administration of the New Share Option Scheme***

The New Share Option Scheme shall be subject to the administration by the Directors whose decision shall be final and binding on all parties who may be affected thereby.

#### ***(c) Grant and acceptance of Options***

Subject to the terms of the New Share Option Scheme, the Board may, in its absolute discretion, invite any Participant to take up Options to subscribe for Shares at a price calculated in accordance with paragraph (d) below.

An offer of the grant of an Option shall be made to Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the Adoption Date or the termination of the New Share Option Scheme.



A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an Option. An Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option duly signed by the Participant together with the said consideration of HK\$1.00 is received by the Company.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in such number of Shares as represents a board lot for the time being for the purpose of trading on GEM or an integral multiple thereof.

*(d) Exercise of Options and price of Shares*

An Option may be exercised in whole or in part by the grantee giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company's auditors or independent financial advisers, the Company shall allot and issue the relevant Shares to the grantee (or his legal personal representative(s)) credited as fully paid.

Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the bye-laws of the Company for the time being in force and will rank pari passu in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of the Company as the holder thereof.

The exercise price for Shares under the New Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange on the date of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant and (iii) the nominal value of a Share.

*(e) Maximum number of Shares available for issue*

- (i) Subject to the GEM Listing Rules, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time (the “Overall Limit”). No Options shall be granted under any share option schemes of the Company (including the New Share Option Scheme) if this will result in the Overall Limit being exceeded.
- (ii) Subject to the Overall Limit, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the New Share Option Scheme (the “Scheme Mandate Limit”), unless Shareholders’ approval has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) Subject to the Overall Limit, the Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval (the “Refreshed Limit”). Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Options) will not be counted for the purpose of calculating the Refreshed Limit. The Company must send a circular to the Shareholders containing such information as required under the GEM Listing Rules.

(iv) The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other scheme of the Company must not exceed 30 % of the total issued Shares from time to time. Subject to the Overall Limit, the Company may also seek separate approval of the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified Participants, the number and terms of Options to be granted, the purpose of granting Options to the specified Participants with an explanation as to how the terms of the Options serve such purpose and such other information as required under the GEM Listing Rules.

**(f) *Grant of Options to connected persons or any of their associates***

Any grant of Options to a connected person or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). Where Options are proposed to be granted to a connected person who is also a substantial shareholder of the Company or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1 % of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, then the proposed grant must be subject to the approval of Shareholders taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting (except where any connected person intends to vote against the proposed grant provided that his intention to do so has been stated in the Shareholders' circular to be issued as stated below).

A circular must be prepared by the Company explaining the proposed grant, disclosing (i) the number and terms of the Options to be granted; (ii) containing a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee) on whether or not to vote in favour of the proposed grant; and (iii) containing information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees.

Any change in the terms of Options granted to a connected person or its associates must be approved by Shareholders in a general meeting.

**(g) *Maximum entitlement of each Participant***

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue at the date of grant (the “Individual Limit”). Where it is proposed that any offer is to be made to a Participant (or where appropriate, an existing grantee) which would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the twelve (12)-month period up to and including the relevant date of grant to exceed his, her or its Individual Limit, such offer and any acceptance thereof must be conditional upon Shareholders’ approval in general meeting with such Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant or grantee, the number and terms of Options to be granted (and Options previously granted) to such Participant, the information required under the GEM Listing Rules. The number and terms (including the subscription price) of Options to be granted to such Participant must be fixed before the date on which Shareholders’ approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

***(h) Time of exercise of Options***

Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an Option, but in any event no later than 10 years from the date of grant but subject to the early termination of the New Share Option Scheme (the “Option Period”).

There is no specified minimum period under the New Share Option Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme unless otherwise specified by the Board at the time of grant. The Board may set appropriate performance target and/or minimum period for the exercise of the Options at the time of the grant of Options under the New Share Option Scheme as and when appropriate.

***(i) Restrictions on the time of grant of Options***

Grant of Options may not be made after inside information has come to the knowledge of the Company until such inside information has been announced in accordance with the relevant requirements of the GEM Listing Rules. In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company’s quarterly, interim or annual results and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement and ending on the date of such results announcement.

***(j) Rights are personal to grantees***

An Option is personal to the grantee and shall not be assignable. An Option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest in favour of any third party.

***(k) Rights on cessation of employment by dismissal***

If the grantee of an Option is an employee of the Group and ceases to be a Participant on one or more of the grounds that he or she has been guilty of persistent or serious misconduct, bankruptcy, insolvency, composition with his or her creditors generally or conviction of any criminal offence or other grounds on which an employer would be entitled to terminate his or her employment pursuant to any applicable law, his or her Option (to the extent not already exercised) will lapse on the date of cessation of his or her employment.

***(l) Rights on death***

If the grantee of an Option is an employee of the Group and ceases to be a Participant by reason of his or her death before exercising the Options in full and none of the events referred to in paragraph (k) above as ground for termination of his or her Options arises, his or her personal representative(s) may exercise the Option (to the extent not already exercised) within a period of 12 months following the date of death (or such longer period as the Board may determine), failing which it will lapse.

***(m) Rights on cessation of employment for other reasons***

If the grantee of an Option who is an employee of the Group and ceases to be a Participant for any other reason before exercising the Option in full, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination and shall not be exercisable, which date shall be the last actual working with the Company or its subsidiary, whether salary is paid in lieu of notice or not.

***(n) Rights on a general offer***

In the event of a general offer being made to all Shareholders (or all such holders other than the offeror and/or person controlled by the offeror and/or any person acting in concert (as defined in the Hong Kong Codes on Takeovers and Mergers) with the offeror) and such offer becomes or is declared unconditional during the Option Period of the relevant Option, the grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within thereafter and up to the close of such offer.

**(o) *Rights on winding up***

In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all grantees and any grantee (or his or her personal representative(s) may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price in respect of the relevant Option (such notice to be received by the Company no later than five Business Days prior to the proposed general meeting)) exercise the Option (to the extent not already exercised) either to its full extent or to the extent that he or she may specify in his or her notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid.

**(p) *Rights on reconstruction, compromise or arrangement***

If a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may by notice in writing to the Company accompanied by a remittance for the full amount of the subscription price in respect of which the notice is given (such notice to be received by the Company no later than five Business Days prior to the proposed general meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed general meeting allot and issue such number of Shares to the grantee credited as fully paid.

**(q) Cancellation of Options**

The Board may at any time cancel any Option granted but not exercised if the grantee so agrees. Any cancellation of Options granted but not exercised and the issuance of new Options to the same grantee may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit referred to in paragraph (e)(ii) above. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

**(r) Effect of alterations to share capital**

In the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while any Option remains exercisable), such corresponding alterations (if any) will be made in (i) the numbers or nominal amount of Shares subject to any Option so far as such Option remains unexercised and/or (ii) the subscription price of any Option and/or (iii) the maximum number of Shares available for subscription and/or; (iv) the method of exercise of the Option as the auditors or independent financial advisers for the time being of the Company shall at the request of the Company or any grantee certify in writing to be in their opinion fair and reasonable, provided that (i) any such alterations shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as possible the same as (but not greater than) it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issue at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustment; and (iv) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment. Save in the case of a capitalisation issue, the auditors or independent financial advisers for the time being of the Company must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements.



**(s) *Ranking of Shares***

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the bye-laws of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the Option is exercised and accordingly will entitle the holders of Shares to participate in all dividends or other distributions paid or made on or after the date on which the Option is exercised other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

**(t) *Duration of the New Share Option Scheme***

The New Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the 10th anniversary thereof, after such period no further Options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in respect of any Options granted before its expiry or termination but not yet exercised.

**(u) *Alterations to the terms of the New Share Option Scheme***

- (i) The provisions relating to the matters set out in rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants without the prior approval of Shareholders in a general meeting.
- (ii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (iii) Any change to the authority of the Directors in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders in a general meeting.
- (iv) Any change to the provisions of the New Share Option Scheme as to the certain definitions including but not limited to “Participant” and “Option Period” must be approved by Shareholders in a general meeting.

- (v) Any change to certain provisions of the New Share Option Scheme including but not limited to the provisions relating to alterations to the terms of the New Share Option Scheme, exercise of Options and price of Shares must be approved by Shareholders in a general meeting.

Save as disclosed in the above, the New Share Option Scheme may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration. Any alterations to the terms and conditions of the New Share Option Scheme shall also comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

**(v) *Conditions of the New Share Option Scheme***

The New Share Option Scheme is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and
- (ii) the passing of the necessary resolution to approve and adopt the New Share Option Scheme in general meeting.

**(w) *Lapse of Options***

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (k) to (p);
- (iii) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of a breach of paragraph (j) by the grantee of the Option in respect of that or any other Option; and

(iv) save as otherwise determined by the Board, the date on which the grantee being an employee of a member of the Group, ceases to be a Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Company and its subsidiaries into disrepute).

**(x) Termination**

The Company by ordinary resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior to such termination.

Details of the Options granted, including Options exercised or outstanding, under the New Share Option Scheme shall be disclosed in the circular to Shareholders seeking approval of any subsequent share option scheme to be established after such termination.

**(y) Miscellaneous**

The terms of the New Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the new requirements set out in Chapter 23 of the GEM Listing Rules.

The Company will comply with the relevant statutory requirements and the GEM Listing Rules from time to time in force on a continuing basis in respect of the New Share Option Scheme and any other schemes of the Company.

Any dispute arising in connection with the number of Shares of an Option and any of the matters referred to in paragraph (r) above shall be referred to the decision of the auditors or the independent financial advisers of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final and binding.

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## NOTICE OF AGM

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中國傳媒影視控股有限公司\*  
China Media and Films Holdings Limited

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 8172)**

**NOTICE IS HEREBY GIVEN** that an annual general meeting of China Media and Films Holdings Limited (the “Company”) will be held at Macau Jockey Club, 1/F Function Room, 1st Floor China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 10 June 2014 at 4:00 p.m. for the purposes of considering and, if thought fit, passing the following ordinary business with or without amendments as ordinary resolutions of the Company:

1. To receive and consider the audited consolidated financial statements and the reports of the directors (the “Directors”) and auditors of the Company for the year ended 31 December 2013;
2.
  - (a) To re-elect Mr. Heung Wah Keung as an executive Director;
  - (b) To re-elect Mr. Leung Wai Man as an executive Director;
  - (c) To re-elect Mr. Fung Wai Ching as an independent non-executive Director;  
and
  - (d) To authorise the board of Directors to fix the Directors’ remuneration;
3. To re-appoint HLB Hodgson Impey Cheng Limited as the auditors of the Company and to authorise the board of Directors to fix their remuneration;

To, as special business, consider and, if thought fit, pass the following resolutions as ordinary resolutions and a special resolution respectively:

*\* for identification purpose only*

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## NOTICE OF AGM

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### ORDINARY RESOLUTIONS

4. “THAT:

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the “Shares”) and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the previous share option scheme (the “Previous Share Option Scheme”) of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws (the “Bye-laws”) of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
  - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
  - (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of resolution no. 5),

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and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended) (the “Companies Act”) or any other applicable laws of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”;

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5. **“THAT:**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Act and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws, the Companies Act or any other applicable laws of Bermuda to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”

6. **“THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.”

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7. “**THAT** the rules of the new share option scheme (the “New Share Option Scheme”) (a copy of which is set out in the document marked “A” which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification) be and are hereby approved and adopted and the Directors be and are hereby authorised to grant options and to allot, issue and deal with Shares pursuant to the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme.”

### SPECIAL RESOLUTION

8. “**THAT** subject to and conditional upon the approval of the Registrar of Companies in Bermuda to change the English name of the Company from “China Media and Films Holdings Limited” to “China Star Cultural Media Group Limited” and the Chinese name of the Company “中國星文化產業集團有限公司” to be adopted to replace “中國傳媒影視控股有限公司” for identification purpose only (the “Proposed Change of Company Name”), with effect from the date of entry of the English name of the Company on the register maintained by the Bermuda Registrar of Companies, and the Directors be and are hereby authorised to do all such acts, deeds and things and execute all documents they consider necessary or expedient to give effect to the Proposed Change of the Company Name.”

Yours faithfully

For and on behalf of the Board of  
**China Media and Films Holdings Limited**  
**Heung Wah Keung**  
*Chairman*

Hong Kong, 8 May 2014

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Unit 3407, 34/F.  
Shun Tak Centre West Tower  
168-200 Connaught Road Central  
Hong Kong



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*Notes:*

1. A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one or, if he is a holder of more than one share, more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the annual general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the annual general meeting is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the annual general meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the annual general meeting or any adjournment thereof, should he so wish and in such event, the proxy shall be deemed to be revoked.
3. In the case of joint holders of shares, any one of such holders may vote at the annual general meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the annual general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
4. In relation to proposed resolutions nos. 4 and 6 above, approval is being sought from the shareholders for the granting to the Directors of a general mandate to authorise the allotment and issue of shares of the Company under the GEM Listing Rules. The Directors have no immediate plans to issue any new shares of the Company other than Shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.
5. In relation to proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase Shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules is set out in Appendix I to this circular.