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## **BEIJING MEDIA CORPORATION LIMITED**

### **北青傳媒股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1000)**

#### **CONTINUING CONNECTED TRANSACTION REVISION OF ANNUAL CAPS UNDER THE 2018 ADVERTISING AGENCY FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 12 November 2018 in respect of (among other matters) the annual caps for the continuing connected transactions contemplated under the 2018 Advertising Agency Framework Agreement for the three years ending 31 December 2021.

As the expected increase in the advertising placement of the “Beijing Headlines” App that was transferred by the Company to the Parent, emerging online platform “YNET.COM” under the Parent Group and other media under the Parent Group and the expected enhancement of the capacity of advertising agency of the Group will result in the increase in the advertising agency income of the Group under the 2018 Advertising Agency Framework Agreement, the Directors expect that the original relevant annual caps under the 2018 Advertising Agency Framework Agreement will be insufficient to satisfy the actual advertising fee payable by the Group to the Parent Group.

The Board has resolved on 27 February 2019 to revise the annual caps for the continuing connected transactions for the Group to act as the advertising agent of the Parent Group under the 2018 Advertising Agency Framework Agreement for the three years ending 31 December 2021 from RMB5,000,000 to RMB16,000,000. The relevant annual caps for the continuing connected transactions for the Parent Group to act as the advertising agent of the Group will remain unchanged.

As the Parent is the controlling shareholder of the Company, the Parent and its subsidiaries are therefore connected persons of the Company under the Listing Rules. The transactions contemplated under the 2018 Advertising Agency Framework Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) of the revised annual caps of the 2018 Advertising Agency Framework Agreement for the three years ending 31 December 2021 exceed 0.1% but are below 5%, the transactions contemplated thereunder are therefore subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **I. INTRODUCTION**

Reference is made to the announcement of the Company dated 12 November 2018 in respect of (among other matters) the annual caps for the continuing connected transactions contemplated under the 2018 Advertising Agency Framework Agreement for the three years ending 31 December 2021.

As the expected increase in the advertising placement of the "Beijing Headlines" App that was transferred by the Company to the Parent, emerging online platform "YNET.COM" under the Parent Group and other media under the Parent Group and the expected enhancement of the capacity of advertising agency of the Group will result in the increase in the advertising agency income of the Group under the 2018 Advertising Agency Framework Agreement, the Directors expect that the original relevant annual caps under the 2018 Advertising Agency Framework Agreement will be insufficient to satisfy the actual advertising fee payable by the Group to the Parent Group.

The Board has resolved on 27 February 2019 to revise the annual caps for the continuing connected transactions for the Group to act as the advertising agent of the Parent Group under the 2018 Advertising Agency Framework Agreement entered into by the Company and the Parent for the three years ending 31 December 2021. The relevant annual caps for the continuing connected transactions for the Parent Group to act as the advertising agent of the Group will remain unchanged.

## **II. 2018 ADVERTISING AGENCY FRAMEWORK AGREEMENT**

On 12 November 2018, the Company and the Parent entered into the 2018 Advertising Agency Framework Agreement to renew the 2015 Advertising Agency Framework Agreement for another term of three years with effect from 1 January 2019 to 31 December 2021.

### **Date**

12 November 2018

### **Parties**

(i) the Company

(ii) the Parent

## **Continuing transactions**

Pursuant to the 2018 Advertising Agency Framework Agreement, (1) the Parent shall authorize the Group to act as the advertising agent of the Parent Group to sell advertising space in the journals or media and the emerging media resources in the possession of or represented by the Parent Group (excluding Beijing Youth Daily) and to provide related services (including commercial promotion, event planning, event execution and consultation service, etc.); and (2) the Company shall authorize the Parent Group to act as the advertising agent of the Group to sell advertising space in the Beijing Youth Daily and other journals or media and the emerging media resources in the possession of or represented by the Group and to provide related services (including commercial promotion, event planning, event execution and consultation service, etc.).

## **Term and termination**

The 2018 Advertising Agency Framework Agreement is for a term commencing from 1 January 2019 and ending on 31 December 2021. Upon expiry, the Advertising Agency Framework Agreement will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three years.

## **Price determination**

Under the 2018 Advertising Agency Framework Agreement, the price shall be determined in accordance with the contract price agreed by the Group and the Parent Group, which shall be no less favorable to the Group than those available from independent third parties. The contract price shall be determined after arm's length negotiations between the Group and the Parent Group according to unit price set out in the standard advertising price lists of the Group and the Parent Group (subject to applicable discounts: generally at around 30%-50% discount which is also applicable to independent third parties and thus no less favorable than available to or from independent third parties, and the specific discount is determined also with reference to the industry nature, market circumstances, placement position and publishing time, etc.), actual placement quantity, size and other factors.

The standard price lists of the Group and the Parent Group are determined with reference to the placement size, placement position and the placement color (color or black and white) and are disclosed on the advertising rate card formulated and published by the Group and the Parent Group in that year, respectively. The aforesaid standard price lists of the Group and the Parent Group are also applicable to advertising agency agreements with other independent third parties. Meanwhile, the advertising fee payable by the Parent Group to the Group is no less than the price payable by the other independent third parties to the Group in relation to the advertising placement provided by the Group, and the advertising fee payable by the Group to the Parent Group is no less than the price payable by the other independent third parties to the Parent in relation to the advertising placement provided by the Parent Group. The Company believes that the standard price list is fair and reasonable, and on normal commercial terms.

## Payment

The consideration under the 2018 Advertising Agency Framework Agreement is payable by cash in a lump sum or by installment according to the specific and separate implementation agreements and funded by the relevant party's internal resources. The Directors are of view that such payment terms are in line with the market practice.

## Annual Caps

### *Original annual caps*

The original annual caps of the continuing connected transactions for the Group to act as the advertising agent of the Parent Group under the 2018 Advertising Agency Framework Agreement for the three years ending 31 December 2021 are as follows:

Transactions	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)	Year ending 31 December 2021 (RMB)
Advertising fee payable by the Group to the Parent Group	5,000,000	5,000,000	5,000,000

The Directors have been monitoring the transaction amount under the 2018 Advertising Agency Framework Agreement. As at the date of this announcement, the annual caps for the transaction amount under the 2018 Advertising Agency Framework Agreement for the year ending 31 December 2019 has not been exceeded.

### *Revision of the annual caps for the three years ending 31 December 2021*

As the expected increase in the advertising placement of the “Beijing Headlines” App that was transferred by the Company to the Parent, emerging online platform “YNET.COM” under the Parent Group and other media under the Parent Group and the expected enhancement of the capacity of advertising agency of the Group will result in the increase in the advertising agency income of the Group under the 2018 Advertising Agency Framework Agreement, the Directors expect that the original relevant annual caps under the 2018 Advertising Agency Framework Agreement will be insufficient to satisfy the actual advertising fee payable by the Group to the Parent Group.

Therefore, the Board resolved to revise the original annual caps for the continuing connected transactions for the Group to act as the advertising agent of the Parent Group under the 2018 Advertising Agency Framework Agreement for the three years ending 31 December 2021 as follows:

<b>Transactions</b>	<b>Year ending 31 December 2019 (RMB)</b>	<b>Year ending 31 December 2020 (RMB)</b>	<b>Year ending 31 December 2021 (RMB)</b>
Advertising fee payable by the Group to the Parent Group	16,000,000	16,000,000	16,000,000

***Reasons for the revision of the annual caps***

In determining the revised annual caps above, the Directors have considered the following:

- (1) the Company transferred the “Beijing Headlines” App to the Parent in December 2018. Since then, the advertising placement on the “Beijing Headlines” App by the Company for its agency clients has become connected transactions under the 2018 Advertising Agency Framework Agreement. In 2018, the annual advertising revenue of “Beijing Headlines” App amounted to approximately RMB2.41 million. “Beijing Headlines” App is currently a crucial comprehensive new media platform to the Parent, integrating the content production team, operation team, management team and technical team of other media under the Parent Group. On 26 December 2018, the “Beijing Headlines” App was officially released and its brand recognition and influence was further enhanced. In the future, the “Beijing Headlines” App will gradually develop functions such as the electronic market and the media open platform to fulfil the personalized needs of the customers and increase revenue;
- (2) relying on its own resource advantages, YNET.COM under the Parent Group is proactively building an emerging online platform. In 2018, it renewed and obtained all qualifications and licenses for operation such as news interview qualifications, audio-visual license, and internet publication license, laying a solid foundation for the diversified operation and higher profitability of the Parent Group;
- (3) other media under the Parent Group have also proactively carried out various relevant media activities and offline activities to establish the media resources supermarket and a good reputation for Beijing culture brand, so as to increase the advertising revenue; and
- (4) the Group will further expand advertising agency channels, develop and seek more clients in the future, and the number of advertising agency is in the hope of achieving a further leap.

Therefore, relying on the strong influence and credibility of the “Beqing Brand”, the Group is expected to bring an increase in advertising fee income of RMB11 million to the Parent Group in 2019 via the advertisements placed on the “Beijing Headlines” App, emerging online platform “YNET.COM” and other media under the Parent Group and the enhancement of the advertising agency capacity of the Group.

The Directors (including the independent non-executive Directors) are of the view that the above revision of the annual caps for the continuing connected transactions for the Group to act as the advertising agent of the Parent Group under the 2018 Advertising Agency Framework Agreement for the three years ending 31 December 2021 is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **Internal control measures**

To ensure the Group’s conformity with the above-mentioned pricing policies in relation to the continuing connected transactions contemplated under the 2018 Advertising Agency Framework Agreement, and that the revised annual caps will not be exceeded by the amount of related transactions, the Company will adopt the following internal control policies for its daily operation:

- (i) in determining the above-mentioned pricing policies, the advertising department of the Company is responsible for proposing the price, which will be reviewed by Board office of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as more favorable than terms available to independent parties, and is subject to the final approval by the head of the advertising department of the Company;
- (ii) the advertising department of the Company is responsible for monitoring, collecting and evaluating the market data, including but not limited to the prevailing market and the then market price for comparable services in the related industry on a monthly basis, which is subject to the final review by the Board office of the Company. Under the circumstances that the comparable market price increases or decreases by more than 15% as compared with the price of the specific service under the 2018 Advertising Agency Framework Agreement as set by the Company, the advertising department of the Company will put forward proposal of price adjustment and carry out preliminary review, which is subject to the final approval by the Board office of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as more favorable than terms available to independent parties;
- (iii) the Board office of the Company is responsible for monitoring, collecting and evaluating the condition for implementation of the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure it does not exceed any applicable caps;
- (iv) pursuant to the connected transaction management rules of the Company, the Company will implement, amend and improve the relevant mechanism and the requirements, specify that the subsidiaries of the Company shall comply with the above-mentioned pricing policies in respect of the continuing connected transactions contemplated under the 2018 Advertising Agency Framework Agreement;

- (v) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions contemplated under the 2018 Advertising Agency Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; and
- (vi) the auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account that: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2018 Advertising Agency Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2018 Advertising Agency Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

### **Implementation agreements**

The Group and the Parent Group have entered into and will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2018 Advertising Agency Framework Agreement during its term thereof. Each implementation agreement will set out the detailed services, specifications, quantities, prices, payment method, date and other relevant terms.

As the implementation agreements provide for the services as contemplated under the 2018 Advertising Agency Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2018 Advertising Agency Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Listing Rules accordingly.

## **III. LISTING RULES IMPLICATIONS**

As the Parent is the controlling shareholder of the Company, the Parent and its subsidiaries are therefore connected persons of the Company under the Listing Rules. The transactions contemplated under the 2018 Advertising Agency Framework Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Listing Rules) of the revised annual caps of the 2018 Advertising Agency Framework Agreement for the three years ending 31 December 2021 exceed 0.1% but are below 5%, the transactions contemplated thereunder are therefore subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.



#### **IV. GENERAL INFORMATION**

Mr. Ji Chuanpai, Mr. Li Xiaobing, Ms. Yang Wenjian, Mr. Peng Liang, Ms. Zang Furong and Mr. Wu Bin, also being the leading members of the Parent, are deemed to have material interests in the transactions contemplated under the 2018 Advertising Agency Framework Agreement and have abstained from voting on the Board resolutions in respect of the revision of annual caps. Other than those Directors mentioned above, none of the other Directors has or is deemed to have a material interest in the transactions under the 2018 Advertising Agency Framework Agreement and shall abstain from voting on the Board resolutions in respect of the revision of annual caps.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other continuing transaction entered into between any respective members of the Group and the Parent Group and its ultimate beneficial owner(s) or otherwise related, which would be, together with the transactions contemplated under the 2018 Advertising Agency Framework Agreement, aggregated under Rule 14A.81 of the Listing Rules.

#### **V. GENERAL INFORMATION ON THE PARTIES TO THE 2018 ADVERTISING AGENCY FRAMEWORK AGREEMENT**

##### **The Company**

The Company is a leading media company in the PRC and is principally engaged in production of newspapers and magazines, printing and trading of print-related materials.

##### **The Parent**

The Parent is a state-owned enterprise and ultimately controlled by the Beijing Municipal Government. The Parent's main business includes media product matrix such as newspapers, periodicals, publishers, websites, users, WeChat public accounts and Weibo. The Parent is the controlling shareholder of the Company.

#### **VI. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“2015 Advertising Agency Framework Agreement”	the advertising agency framework agreement entered into between the Company and the Parent on 22 October 2018
“2018 Advertising Agency Framework Agreement”	the advertising agency framework agreement entered into between the Company and the Parent on 12 November 2018
“Beijing Youth Daily”	the newspaper named Beijing Youth Daily (北京青年報)
“Board”	the board of directors of the Company



“Company”	Beijing Media Corporation Limited (北青傳媒股份有限公司), a joint stock limited company incorporated under the laws of the PRC and whose H shares are listed and traded on the Stock Exchange
“controlling shareholder”	has the meaning ascribed under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parent”	Beijing Youth Daily Agency (北京青年報社), a wholly state-owned enterprise incorporated under the laws of the PRC and the controlling Shareholder of the Company
“Parent Group”	the Parent and its subsidiaries (excluding the Group)
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**Beijing Media Corporation Limited**  
**Ji Chuanpai**  
*Chairman of the Board*

Beijing, the PRC  
27 February 2019

*As at the date of this announcement, the Board comprises: the executive directors of the Company, Ji Chuanpai, Li Xiaobing, Yang Wenjian, Peng Liang and Shang Da; the non-executive directors of the Company, Zang Furong, Wu Bin, Liu Hong and Sun Fang; and the independent non-executive directors of the Company, Wu Tak Lung, Cui Enqing, Chen Ji, Wu Changqi and Chow Bing Chuen.*

*Please also refer to the published version of this announcement on the Company’s website at [www.bjmedia.com.cn](http://www.bjmedia.com.cn).*