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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 TRANSACTIONS PROPOSED ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2021

Reference is made to the Prospectus and the Announcements in respect of the Continuing Connected Transactions.

On 12 November 2018, the Company renewed the Continuing Connected Transactions with the Parent, and proposed the annual caps for the Continuing Connected Transactions for the three years ending 31 December 2021.

The Continuing Connected Transactions will be conducted between the members of the Group and the members of the Parent Group. 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 Advertising Business Agreement, the 2018 Mutual Property Tenancy Agreement, the 2018 Printing Framework Agreement, and the 2018 Advertising Agency Framework Agreement constitute connected transactions 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 proposed annual caps of the Advertising Business Agreement, the 2018 Mutual Property Tenancy Agreement, the 2018 Printing Framework Agreement, and 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 Prospectus and the Announcements in respect of the Continuing Connected Transactions.

On 12 November 2018, the Company renewed the agreements regarding the Continuing Connected Transactions with the Parent, and proposed the annual caps for the Continuing Connected Transactions for the three years ending 31 December 2021.

II. CONTINUING CONNECTED TRANSACTIONS

1. Advertising Business Agreement

Reference is made to the Prospectus and the announcement of the Company dated 9 April 2010.

Date

7 December 2004 and 9 April 2010

Parties

- (i) the Company
- (ii) the Parent

Continuing transactions

Pursuant to the Advertising Business Agreement:

- a) the Company has been granted by the Parent the exclusive right to sell all of the advertising space in the Beijing Youth Daily and is entitled to all revenue derived from such sales;
- b) the Company is responsible for the printing, including printing costs and the choice of newsprint of the Beijing Youth Daily; and
- c) the Company is required to allocate up to 360 pages per year of advertising space in respect of the Beijing Youth Daily to the Parent for publicity announcements and notices (provided that the advertising space allocated will not exceed 9% of the total advertising space of each paper per issue), for which no fee will be payable.

Term and termination

The Advertising Business Agreement is for a term commencing from 1 October 2004 and ending on 30 September 2033. Upon expiry, the Advertising Business Agreement will, subject to compliance with the requirements of the Listing Rules, be automatically renewed.

Price determination

The consideration for the transactions contemplated under the Advertising Business Agreement is equal to 16.5% of the total advertising revenue generated from the Beijing Youth Daily or such figure or formula as the parties may agree in the future.

The percentage of the fees payable to the Parent was determined through arm's length negotiations between the Company and the Parent taking into account factors including the costs of provision of the editorial content by the Parent for Beijing Youth Daily and a reasonable profit margin, which is determined after arm's length negotiation after taking into account of various factors including operation costs and historical transaction conditions. Please also refer to the Prospectus for details.

Payment

The consideration under the Advertising Business Agreement is payable by cash on a monthly basis according to the Advertising Business Agreement and funded by the Company's internal resources. The Directors are of the view that such payment terms are in line with the market practice.

Annual caps

Actual transaction value

The actual transaction value under the transactions contemplated under the Advertising Business Agreement for the two years ended 31 December 2017 and for the eight months ended 31 August 2018 are set out below:

Transactions	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)	Eight Months ended 31 August 2018 (RMB)
Fees payable by the Company to the Parent	<u>18,622,044</u>	<u>12,012,364</u>	<u>5,222,225.61</u>

Historical annual caps

The historical annual caps for the transactions under the Advertising Business Agreement for the three years ending 31 December 2018 are set out below:

Transactions	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)	Year ending 31 December 2018 (RMB)
Fees payable by the Company to the Parent	<u>55,000,000</u>	<u>55,000,000</u>	<u>55,000,000</u>

The Directors have been monitoring the transaction amount contemplated under the Advertising Business Agreement and for the two years ended 31 December 2017, the annual cap for each year has not been exceeded. As at the date of this announcement, the annual cap for the transactions contemplated under the Advertising Business Agreement for the year ending 31 December 2018 has not been exceeded.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the Advertising Business Agreement for the three years ending 31 December 2021 are set out below:

Transactions	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)	Year ending 31 December 2021 (RMB)
Fees payable by the Company to the Parent	<u>13,500,000</u>	<u>13,500,000</u>	<u>13,500,000</u>

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- (i) the historical figures of the actual value of the transactions under the Advertising Business Agreement for the two years ended 31 December 2017 and for the eight months ended 31 August 2018, together with the influence of the seasonality and payback period of advertising placement (i.e. according to industry practice, the advertising peak season is from September to December in each year, and the settlement time-points for certain advertising placements is at the end of the year), and the fact that the Group, with the internal advertising promotion proposal, strengthening of management and the other measures, has facilitated the sales of its advertising resources, and it is expected that the advertising placement fee of Beijing Youth Daily will increase significantly from September to December in 2018 as compared to that from January to August in this year;

- (ii) considering the macroeconomic condition of the PRC in recent years and the decline of overall competitiveness of traditional media as a result of the continuous impact by the flourishing online new media, the Company's total advertising revenue recorded a year-on-year decrease with the annual advertising revenue for the year of 2015, 2016 and 2017 amounting to RMB249,181,000, RMB211,053,000, and RMB173,263,000;
- (iii) the Company strives for new growth points by analyzing the new market trends and summarizing the previous sales experience in advertising business. The Group will strengthen its advantageous business model, which is to adopt a diversified and multi-level marketing strategy to meet the diverse needs of customers in public relations activities, content promotion and product culture and packaging: (1) to establish Beiqing Super Planning Platform; (2) to launch special issue for various activities; and (3) to provide customized and tailor-made promoting and marketing services to customers, and add value through cross-industry cooperation. The Group also fully implements direct sales system to reduce intermediary links and relevant costs, and continues to vigorously develop new media centers and new products and has currently launched various new media products, tailoring a digital marketing new model to the Group's traditional customer resources and exploring new customer resources by opening up the business platform combining traditional media and new media. The Company has integrated advertising spaces of Beijing Youth Daily with various new media products, providing customers with three-dimensional advertising packaging solutions, building a precise sales promotion platform, which enjoys good market response; and
- (iv) the Company will adopt a series of measures to actively cope with the difficult market condition in the future. On one hand, the Company, through internal advertising promotion proposal, will further carry forward the integration and inter-connection of Beijing Youth Daily and the media and related resources of the Company. On the other hand, the Company will adjust the marketing team, optimize the resource allocation, consolidate professional talents to enhance the overall competitiveness of the Company's advertising business.

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 Advertising Business Agreement, and that the revised annual cap 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 Company is responsible for proposing the price, which will be reviewed by the Board office of the Company to ensure that the price is fair and reasonable as well as on normal commercial terms, and is subject to the final approval by the head of the advertising department of the Company;

- (ii) the Board office of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under the Advertising Business Agreement on a monthly basis to ensure it does not exceed any applicable caps;
- (iii) pursuant to the connected transaction management rules of the Company, the Company will implement, amend and improve the relevant mechanism and the requirements;
- (iv) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions contemplated under the Advertising Business 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
- (v) 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 Advertising Business 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 Advertising Business Agreement will be conducted on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

Reasons for Entering into the Advertising Business Agreement

The Company is of the view that the Advertising Business Agreement will (i) secure a stable and exclusive platform for the advertising business, the core business of the Group; and (ii) reduce the risks which the Company might incur during the course of operation.

2. 2018 Mutual Property Tenancy Agreement

On 12 November 2018, the Company and the Parent entered into the 2018 Mutual Property Tenancy Agreement to renew the 2015 Mutual Property Tenancy 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 Mutual Property Tenancy Agreement, the Parent agreed to lease from the Company the whole 5th floor, the floor area of 622.5 square meters on 8th floor, the whole 19th floor, and the whole 23rd floor of the Beijing Youth Daily Agency Building amounting to a total floor area of 2,962.5 square meters; whereas the Company agreed to lease from the Parent the whole 7th floor of the Beijing Youth Daily Agency Building with a total floor area of 830 square meters.

Term and termination

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

Price determination

The annual rental of RMB6,812,268.75 payable by the Parent under the 2018 Mutual Property Tenancy Agreement throughout the tenancy period is calculated based on a daily rental of RMB6.3 per square meter which is the same as the rental payable during the period of the three years ending 31 December 2021.

The annual rental of RMB1,908,585 payable by the Company under the 2018 Mutual Property Tenancy Agreement throughout the tenancy period is calculated based on a daily rental of RMB6.3 per square meter which is the same as the rental payable during the period of the three years ending 31 December 2021.

Payment

The rentals under the 2018 Mutual Property Tenancy Agreement are payable by cash in a lump sum or by installments pursuant to the 2018 Mutual Property Tenancy Agreement and funded by the internal resources of the Group and the Parent Group. The Directors are of view that such payment terms are in line with the market practice.

Annual caps

Actual transaction value

The actual transaction value of the transactions contemplated under the 2015 Mutual Property Tenancy Agreement for the two years ended 31 December 2017 and for the eight months ended 31 August 2018 are set out below:

Transactions	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)	Eight Months ended 31 August 2018 (RMB)
Rental payable by the Parent to the Company	5,022,905	4,847,595	3,242,153.35
Rental payable by the Company to the Parent	<u>1,781,629</u>	<u>1,719,446</u>	<u>1,149,994.58</u>

Historical annual caps

The historical annual caps for the transactions under the 2015 Mutual Property Tenancy Agreement for the three years ending 31 December 2018 are set out below:

Transactions	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)	Year ending 31 December 2018 (RMB)
Rental payable by the Parent to the Company	5,380,830	5,380,830	5,380,830
Rental payable by the Company to the Parent	<u>1,908,585</u>	<u>1,908,585</u>	<u>1,908,585</u>

The Directors have been monitoring the transaction amount contemplated under the 2015 Mutual Property Tenancy Agreement and for the two years ended 31 December 2017, the annual cap for each year has not been exceeded. As at the date of this announcement, the annual caps for the transactions contemplated under the 2015 Mutual Property Tenancy Agreement for the year ending 31 December 2018 have not been exceeded.

Proposed annual caps

The respective proposed annual caps for the transactions contemplated under the 2018 Mutual Property Tenancy Agreement for the three years ending 31 December 2021 are set out below:

Transactions	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)	Year ending 31 December 2021 (RMB)
Rental payable by the Parent to the Company	6,812,268.75	6,812,268.75	6,812,268.75
Rental payable by the Company to the Parent	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>

In arriving at the proposed annual caps in respect of the 2018 Mutual Property Tenancy Agreement between the Parent and the Company, the Directors have taken into account, among other matters, the market price, rental area, the then market conditions and the historical figures of the actual value of the transactions under the 2015 Mutual Property Tenancy Agreement for the two years ended 31 December 2017 and for the eight months ended 31 August 2018. The significant increase in the proposed annual caps for rental payable by the Company to the Parent for the three years ending 31 December 2021 is due to the fact that following the new trend of the International Financial Reporting Standards, the Ministry of Finance in the PRC has recently issued the *Accounting Standards for Enterprises No. 21 – Leases (Revised) (Consultation Draft)* pursuant to which leases will no longer be distinguished between finance leases and operating leases. As a result, the lease will recognize a “right-of-use” asset and a lease liability, each subject to depreciation and interest changes in the case of all leases other than short-term leases and leases of low-value assets. The Board noticed that the Hong Kong Stock Exchange has issued the *FAQs on Notifiable and Connected Transaction Rules relating to Lease Transactions of Listed Issuers adopting HKFRS/IFRS 16 “Leases” (or similar accounting standards in other jurisdictions)* in response to the new trend in the International Financial Reporting Standards, pursuant to which in the case that the listed issuer that enters into a framework agreement with a connected person for leases for a term of three years, the leases under the framework agreement will be treated as continuing connected transactions. The issuer acting as lessee will be required to set annual caps on the total value of right-of-use assets relating to the leases to be entered into by the issuer in each year under the framework agreement. Therefore, although the PRC *Accounting Standards for Enterprises No. 21 – Leases (Revised)* has not been formally adopted at present, the Board has taken into account of the effect of its future adoption in arriving at the proposed annual caps for the three years ending 31 December 2021.

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 Mutual Property Tenancy Agreement, and that the revised annual cap 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 finance department of Company is responsible for proposing the price, which will be reviewed 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, and is subject to the final approval by the president office of the Company;
- (ii) the Board office of the Company would gather the rental information of at least two properties of similar specification and size in similar location and negotiate based on such market terms to make sure that the terms available to the Company would be more favorable than those available to third parties;
- (iii) the Board office of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount on a monthly basis to ensure it does not exceed the applicable cap;
- (iv) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions contemplated under the 2018 Mutual Property Tenancy 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
- (v) 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 abovementioned 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 Mutual Property Tenancy 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 Mutual Property Tenancy Agreement will be conducted on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

Reasons for entering into the 2018 Mutual Property Tenancy Agreement

The Company is of the view that the 2018 Mutual Property Tenancy Agreement will (i) enable the Group to secure stable rental income; (ii) maintain the stability of the operations of the Group; (iii) avoid any unnecessary disruption to the operations of the Group, and (iv) minimise any unnecessary relocation costs.

3. 2018 Printing Framework Agreement

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

Date

12 November 2018

Parties

- (i) BYD Logistics, a subsidiary of the Company
- (ii) the Parent

Continuing transactions

Pursuant to the 2018 Printing Framework Agreement, BYD Logistics has agreed to provide printing services and printing materials to the Parent in respect of the relevant newspapers and magazines of the Parent (excluding Beijing Youth Daily) and other newspapers and magazines of the Parent which may be introduced by it from time to time.

Term and termination

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

Price determination

Under the 2018 Printing Framework Agreement, the price shall be determined in accordance with the following pricing principles:

- 1) the relevant market price, which is determined by reference to the prevailing market prices for comparable services which are available on an arm's length basis and provided by at least two independent service providers located in the same region or surrounding areas thereof; and

- 2) where there is no relevant market price, the contracted price agreed by both parties, which shall be determined on the basis of reasonable cost plus reasonable profit margin:
- a) the reasonable cost shall be determined by reference to the operation cost and labor cost of the products and/or services provided by BYD Logistics, and the capital cost arising from the prolonged payback period; and
 - b) the expected profit margin is not lower than 13%, which is in line with the industry and not lower than the profit rate charged to independent third parties by BYD Logistics. The above-mentioned range of profit is determined by reference to the profit margin of the prevailing market and the then market condition of the products and/or services as contemplated thereunder, the average profit margin in the related industry, and/or the overall profit margin of the BYD Logistics in the past years.

Payment

The consideration under the 2018 Printing Framework Agreement is payable by installment pursuant to the agreed payback period and 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

Actual transaction value

The actual transaction values of the transactions contemplated under the 2015 Printing Framework Agreement for the two years ended 31 December 2017 and for the eight months ended 31 August 2018 are set out below:

Transactions	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)	Eight Months ended 31 August 2018 (RMB)
Fees payable by the Parent to BYD Logistics	<u>16,504,034</u>	<u>11,074,042</u>	<u>7,077,943.75</u>

Historical annual caps

The historical annual caps for the transactions under the 2015 Printing Framework Agreement for the three years ending 31 December 2018 are set out below:

Transactions	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)	Year ending 31 December 2018 (RMB)
Fees payable by the Parent to BYD			
Logistics	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>

The Directors have been monitoring the transaction amount contemplated under the 2015 Printing Framework Agreement and for the two years ended 31 December 2017, the annual cap for each year has not been exceeded. As at the date of this announcement, the annual cap for the transactions contemplated under the 2015 Printing Framework Agreement for the year ending 31 December 2018 has not been exceeded.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the 2018 Printing Framework Agreement for the three years ending 31 December 2021 are set out below:

Transactions	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)	Year ending 31 December 2021 (RMB)
Fees payable by the Parent to BYD			
Logistics	<u>13,000,000</u>	<u>13,000,000</u>	<u>13,000,000</u>

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- (i) the historical figures of the actual value of the transactions under the 2015 Printing Framework Agreement for the two years ended 31 December 2017 and for the eight months ended 31 August 2018;
- (ii) with the severe impact of new media on traditional media in recent years, the market for print media has continuously shrunk and the circulation and print run have decreased accordingly. As a result, the Company expects that the overall transaction value will decrease in the next three years;

- (iii) in the face of continuous increase in printing material costs, the Company pays close attention to the changes in paper prices, seizes the opportunity of the paper market as affected by supply shortages, etc., and takes active steps in building up inventory by purchasing papers in a timely manner through multiple channels and maximizes the use of stocks so as to avoid capital lockup, which both reduces the printing cost and effectively increases the sales revenue of the printing material trading business; and
- (iv) it is expected that the Parent will use its sports, cultural and other media company resources to further promote the Company's newspaper printing business or printing material business in the next three years. In the year of 2018, the Company entered into cooperation with China Open Promotion Company Limited under the Parent and opened up new growth points of business revenue through ticket printing of China Open. In the future, the Company will further expand the material and printing business in ticketing, souvenirs and brochures, with a view to increasing the turnover for BYD Logistics in the next three years.

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 Printing Framework Agreement, and that the revised annual cap 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 manager of BYD Logistics' printing business department is responsible for proposing the price, which will be reviewed by the vice president in charge of BYD Logistics' printing business department 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 general manager of BYD Logistics;
- (ii) the Board office of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions under the 2018 Printing Framework Agreement, including but not limited to 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;
- (iii) pursuant to the connected transaction management rules of the Company, the Company will implement, amend and improve the relevant mechanism and the requirements, to 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 Printing Framework Agreement;

- (iv) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions contemplated under the 2018 Printing 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
- (v) 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 abovementioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2018 Printing 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 Printing 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

BYD Logistics and the members of 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 Printing Framework Agreement during its term. Each implementation agreement will set out the detailed services, specifications, quantities, prices and other relevant terms.

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

Reasons for entering into the 2018 Printing Framework Agreement

The Company is of the view that the 2018 Printing Framework Agreement will enable the Group to have the Parent Group as a stable customer of the relevant services in its ordinary course of business.

4. 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 of three years 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 Company and the Parent, which shall be no less favorable to the Company than those available from independent third parties. The contract price shall be determined after arm's length negotiations between the Company and the Parent according to unit price set out in the standard advertising price lists of the Company and the Parent (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 Company and the Parent 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 Company and the Parent in that year, respectively. The aforesaid standard price lists of the Company and the Parent are also applicable to advertising agency agreements with other independent third parties. Meanwhile, the advertising placement fee payable by the Parent to the Company is no less than the price payable by the other independent third parties to the Company in relation to the advertising placement provided by the Group, and the advertising placement fee payable by the Company to the Parent is no more than the price payable by the other independent third parties to the Parent in relation to the advertising placement provided by the Parent. 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

Actual transaction value

The actual transaction values of the transactions contemplated under the 2015 Advertising Agency Framework Agreement for the two years ended 31 December 2017 and for the eight months ended 31 August 2018 are set out below:

Transactions	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)	Eight Months ended 31 August 2018 (RMB)
Advertising placement fee payable by the Parent to the Company	490,566	188,679	1,694,214
Advertising placement fee payable by the Company to the Parent	<u>550,374</u>	<u>1,701,113</u>	<u>2,412,530.32</u>

Historical annual caps

The historical annual caps for the transactions under the 2015 Advertising Agency Framework Agreement for the three years ending 31 December 2018 are set out below:

Transactions	Year ended 31 December 2016 (RMB)	Year ended 31 December 2017 (RMB)	Year ending 31 December 2018 (RMB)
Advertising placement fee payable by the Parent to the Company	50,000,000	50,000,000	50,000,000
Advertising placement fee payable by the Company to the Parent	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>

The Directors have been monitoring the transaction amount contemplated under the 2015 Advertising Agency Framework Agreement and for the two years ended 31 December 2017, the annual cap for each year has not been exceeded. As at the date of this announcement, the annual cap for the transactions contemplated under the 2015 Advertising Agency Framework Agreement for the year ending 31 December 2018 has not been exceeded.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the 2018 Advertising Agency Framework Agreement for the three years ending 31 December 2021 are set out below:

Transactions	Year ending 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)	Year ending 31 December 2021 (RMB)
Advertising placement fee payable by the Parent to the Company	5,000,000	5,000,000	5,000,000
Advertising placement fee payable by the Company to the Parent	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- (i) the historical figures of the actual value of the transactions under the 2015 Advertising Agency Framework Agreement for the two years ended 31 December 2017 and for the eight months ended 31 August 2018, together with the influence of the seasonality and payback period of advertising placement (i.e. according to industry practice, the advertising peak season is from September to December in each year, and the settlement time-points for certain advertising placements is at the end of the year);
- (ii) With the macroeconomic slowdown in the PRC and the decrease in overall competitiveness and market space of traditional media as a result of the continuous impact by the flourishing online new media, the Company's total advertising revenue recorded a year-on-year decrease with the annual advertising revenue for the year of 2015, 2016 and 2017 amounting to RMB249,181,000, RMB211,053,000, and RMB173,263,000; and
- (iii) The Parent has gradually developed new media business in recent years which is expected to be the new growth point in transaction value of the advertising agency business of the Company. For example, the Beiqing WeChat Matrix Platform is a comprehensive promotion platform consisting of more than 20 official WeChat public accounts under the Parent, covering various industries such as current affairs and politics, education, finance, sports and culture. The Company will cooperate with Beiqing WeChat Matrix Platform by taking advantage of the brand effect and the loyalty of fans of WeChat Matrix Platform and the strong influence and credibility of the Parent's official WeChat public account, which is expected to bring further advertising placement revenue for the Group.

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 to ensure the revised annual cap 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 abovementioned 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

Members of 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.

Reasons for entering into the 2018 Advertising Agency Framework Agreement

The Company is of the view that entering into the 2018 Advertising Agency Framework Agreement will (i) provide a wider advertising platform and offer richer services to the clients of the Company; (ii) facilitate the development of more clients by the Company; (iii) bring higher return to the Company's advertising business from the Company's advertising agent and related services business; (iv) establish a one-stop procurement platform, and optimize the resources purchasing process available to the clients; (v) integrate the resources of the Group, enhance the Group's overall market competitiveness by the systematic development of all areas of the Group's internal resources and products packaging; and (vi) realize the gradual combination of traditional media, new media and mobile internet media by following the demand of market development and the rapid growth of the new media resources platform.

III. LISTING RULES IMPLICATIONS

The Continuing Connected Transactions will be conducted between the members of the Group and the members of the Parent Group. 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 Advertising Business Agreement, the 2018 Mutual Property Tenancy Agreement, the 2018 Printing Framework Agreement, and the 2018 Advertising Agency Framework Agreement constitute connected transactions 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 proposed annual caps of the Advertising Business Agreement, the 2018 Mutual Property Tenancy Agreement, the 2018 Printing Framework Agreement, and 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

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions under the Advertising Business Agreement, the 2018 Mutual Property Tenancy Agreement, the 2018 Printing Framework Agreement, and the 2018 Advertising Agency Framework Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favorable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; and (iv) are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the annual caps for the three years ending 31 December 2021 mentioned above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Ji Chuanpai, Mr. Li Xiaobing, Ms. Yang Wenjian, Mr. Peng Liang, Ms. Zang Furong and Mr. Wu Bin, also directors or senior management of the Parent, are deemed to have material interests in the transactions under the Continuing Connected Transactions and have abstained from voting on the relevant Board resolutions. 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 Continuing Connected Transactions.

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 any of the Continuing Connected Transactions, aggregated under Rule 14A.81 of the Listing Rules.

V. GENERAL INFORMATION ON THE PARTIES TO THE TRANSACTIONS

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 is principally engaged in the holding of twelve newspapers, two magazines and four online media. The Parent is the controlling shareholder of the Company.

BYD Logistics

BYD Logistics is a non-wholly owned subsidiary of the Company and is involved in the business of providing storage, transportation, logistics and printing services and the trading of print-related materials.

VI. DEFINITIONS

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

“Advertising Business Agreement”	the advertising business agreement dated 7 December 2004 and the supplemental agreement to the advertising business agreement dated 9 April 2010 entered into between the Company and the Parent
“Announcements”	the announcements of the Company dated 9 April 2010 and 22 October 2015, respectively
“associate(s)”	has the meaning ascribed under the Listing Rules
“Beijing Youth Daily”	the newspaper named Beijing Youth Daily (北京青年報)
“Beijing Youth Daily Agency Building”	the Beijing Youth Daily Agency Building situated at Building A, No. 23 Baijiazhuang Dongli, Chaoyang District, Beijing, the PRC
“Board”	the board of directors of the Company

“BYD Logistics”	Beijing Youth Daily Logistics Company Limited (北京青年報現代物流有限公司), a limited liability company incorporated under the laws of the PRC and a subsidiary 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 Hong Kong Stock Exchange
“Continuing Connected Transactions”	the transactions under the Advertising Business Agreement, the 2018 Mutual Property Tenancy Agreement, the 2018 Printing Framework Agreement, and the 2018 Advertising Agency Framework Agreement
“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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Prospectus”	the prospectus of the Company dated 13 December 2004
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders”	the shareholders of the Company
“2015 Advertising Agency Framework Agreement”	the advertising agency framework agreement entered into between the Company and the Parent on 22 October 2015
“2015 Mutual Property Tenancy Agreement”	the mutual property tenancy agreement entered into between the Company and the Parent on 22 October 2015
“2015 Printing Framework Agreement”	the printing framework agreement entered into between BYD Logistics and the Parent on 22 October 2015
“2018 Advertising Agency Framework Agreement”	the advertising agency framework agreement entered into between the Company and the Parent on 12 November 2018
“2018 Mutual Property Tenancy Agreement”	the mutual property tenancy agreement entered into between the Company and the Parent on 12 November 2018
“2018 Printing Framework Agreement”	the printing framework agreement entered into between BYD Logistics and the Parent on 12 November 2018

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

Beijing, the PRC
12 November 2018

As at the date of this announcement, the Board comprises: the executive directors of the Company, Ji Chuanpai, Li Xiaobing, Yang Wenjian, Peng Liang, Shang Da and Li Xin; 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.