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## **BEIJING MEDIA CORPORATION LIMITED**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1000)**

### **CONTINUING CONNECTED TRANSACTIONS**

The Board announces that:

- (1) as disclosed in the Announcement, BYD Logistics, a subsidiary of the Company, is a party to an existing continuing connected transaction entered into under the Logistics Services Agreement. The Company expects that the aggregate maximum value of transactions under the Logistics Services Agreement for the year ending 31 December 2008 and the six months ending on 30 June 2009 will exceed the caps previously adopted due to a greater need for logistics services from XHM Logistics than the Company originally estimated. The Company proposes the new aggregate maximum value for the same period and will re-comply with the applicable provisions of Chapter 14A of the Listing Rules in relation to such transaction.
- (2) on 11 September 2008, COL and XHM Logistics entered into the COL Services Agreement pursuant to which XHM Logistics agreed to provide logistics services in respect of tennis tournament related products to COL and COL agreed to lease a warehouse from XHM Logistics for storage.

The applicable percentage ratios in respect of the aggregate maximum values for the transactions under the Logistics Services Agreement and the COL Services Agreement exceed 0.1% but less than 2.5% of the size tests (other than the profits ratios) on an annual basis. The transactions under the Logistics Services Agreement and the COL Services Agreement are therefore subject to the reporting and announcement requirements, but exempt from the requirement of independent shareholders' approval.

## **1. CONTINUING CONNECTED TRANSACTIONS**

### **1.1 Logistics Services Agreement**

#### **Background**

As disclosed in the Announcement, BYD Logistics, a subsidiary of the Company, is a party to an existing continuing connected transaction entered into under the Logistics Services Agreement. The Company expects, by reference to the latest financial data from the management accounts of the Company for the period ended 31 August 2008, that the aggregate maximum value of transactions under the Logistics Services Agreement for the year ending 31 December 2008 and the six months ending on 30 June 2009 will exceed the caps previously adopted. The Company proposes the new aggregate maximum value for the same periods, as detailed below, and will re-comply with the applicable provisions of Chapter 14A of the Listing Rules in relation to such transactions.

#### **Transactions contemplated under the Logistics Services Agreement**

Date: 27 June 2007

Term: from 1 July 2007 to 30 June 2009

Contracting parties: BYD Logistics, a non-wholly owned subsidiary of the Company  
XHM Logistics, a non-wholly owned subsidiary of XHM,  
a connected person of the Company

Under the Logistics Services Agreement entered into between BYD Logistics and XHM Logistics, XHM Logistics has agreed to provide logistics services in respect of paper and printing materials to BYD Logistics and BYD Logistics has agreed to lease from XHM Logistics a 3,700 square-meter warehouse for storage.

The logistics services fee will be based on the actual volume of paper and printing materials, and the storage fee will be RMB12 per month per square-meter. BYD Logistics will settle the logistics service fees and storage fees with XHM Logistics on a monthly basis. The Company is of the view that the applicable pricing mechanism is in line with market standards for the logistics industry and comparable to the fees charged by other service providers.

The actual value of transactions for the year ended 31 December 2007 (by reference to the financial information from the management accounts of the Company for the year ended 31 December 2007), the original annual caps and the revised annual caps proposed by the Company for the year ending 31 December 2008 and the six months ending on 30 June 2009, respectively, are as follows:

Transactions	Year ended 31 December 2007 (RMB)		Year ending 31 December 2008 (RMB)		Six months ending on 30 June 2009 (RMB)	
	Original cap	Actual value (approximately)	Original cap	Proposed revised cap	Original cap	Proposed revised cap
Logistics services by XHM Logistics to BYD Logistics	1,000,000	752,311 (Not exceeded)	2,000,000	3,000,000	1,000,000	2,000,000

### **Reasons for revising the aggregate maximum value under the Logistics Services Agreement**

Due to increased activities of the Group and based on internal assumptions of ongoing demand and operating conditions, which have led to a greater need for logistics services from XHM Logistics than the Company originally estimated, the Company is of the view that the existing aggregate maximum value under the Logistics Services Agreement for the year ending 31 December 2008 and the six months ending on 30 June 2009, respectively, as set out in the Announcement will not be sufficient for the Company's requirements, and therefore proposes that the existing aggregate maximum value be revised. As of the date of this announcement, the existing aggregate maximum value under the Logistics Services Agreement for the year ending 31 December 2008 had not been exceeded.

The Company proposes that the new aggregate maximum value be revised to RMB3 million, and RMB2 million (equivalent to approximately HK\$3.41 million and HK\$2.28 million) respectively, for the year ending 31 December 2008 and the six months ending on 30 June 2009. In determining the maximum value, the Company has taken into account the actual values of the transactions generated from 1 January 2008 to date (being approximately RMB1.5 million (equivalent to approximately HK\$1.71 million) and the current market conditions. The Company believes that the increase in the maximum value under the Logistics Services Agreement will be beneficial to the Shareholders as a whole.

## **1.2 COL Services Agreement**

Transactions contemplated under the COL Services Agreement

Date: 11 September 2008

Term: from 11 September 2008 to 31 July 2010

Contracting parties: COL, a non-wholly owned subsidiary of the Company  
XHM Logistics, a non-wholly owned subsidiary of XHM,  
a connected person of the Company

Under the COL Services Agreement entered into between COL and XHM Logistics, XHM Logistics has agreed to provide logistics services in respect of tennis tournament related products to COL and COL has agreed to lease from XHM Logistics a 400 square-meter warehouse for storage.

The logistics services fee will be based on the actual volume of tennis tournament related product, and the storage fee will be in the range of RMB15 and RMB18 per month per square-meter. COL will settle the logistics service fees and storage fees with XHM Logistics on a monthly basis. The Company is of the view that the applicable pricing mechanism is in line with market standards for the logistics industry and comparable to the fees charged by other service providers.

Although there is no cap fixed under the COL Services Agreement, the Company estimates that the aggregate maximum value under the COL Services Agreement will not exceed RMB100,000, RMB250,000 and RMB150,000 (equivalent to approximately HK\$113,766, HK\$284,414 and HK\$170,648), for the year ending 31 December 2008 and 2009 and the seven months ending on 31 July 2010, respectively. In determining the maximum value, the Company has taken into account the actual transaction amounts conducted in 2006 and 2007 (being approximately RMB16,884 and 47,435, respectively, equivalent to HK\$16,412 and HK\$48,686), estimated expansion in operation and business growth of the COL, the economic outlook of the PRC, the estimated continued development of the Group and internal assumptions of demand and operating conditions. In particular, there has been substantial increase in the transportation costs (mainly in the increase of unit price of fuel) and the labor costs and they are generally expected that such increase will continue.

### **1.3 The Listing Rules Implications**

COL and BYD Logistics are both subsidiaries of the Company. XHM Logistics is an indirect subsidiary of BYDA, the controlling shareholder of the Company and therefore XHM Logistics is a connected person of the Company under rule 14A.11 of the Listing Rules. Accordingly, the transactions referred to under the Logistics Services Agreement and the COL Service Agreement will constitute continuing connected transaction for the Company.

As the Logistics Services Agreement and the COL Service Agreement were entered into by the Group with the same connected person, therefore the transactions thereunder should be aggregated pursuant to the rules 14A.25 and 14A.26 of the Listing Rules and the aggregated transactions values thereof are expected to be, on an annual basis, more than 0.1% but less than 2.5% of the applicable percentage ratios (other than the profit ratio) under the Listing Rules. Therefore the transactions thereunder are subject to the reporting and announcement requirements, but exempt from the requirement of independent shareholders' approval under chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction entered into between the Group and XHM Logistics and its ultimate beneficial owners within a 12 months period from the date of this announcement or otherwise related, which would be, together with transactions under the Logistics Services Agreement and COL Services Agreement, regarded as a series of transactions and treated as if they are one transaction under Rules 14A.25 of the Listing Rules.

## **1.4 Reasons for Entering into the Logistics Services Agreement and COL Services Agreement**

The Logistics Services Agreement and COL Services Agreement were entered into following arm's length negotiations among the parties thereto. The respective pricing mechanisms under the Logistics Services Agreement and the COL Services Agreement are in line with market standards for the logistics industry and comparable to the fees charged by other service providers. The Company believes the entering into of such agreements on a continuing basis provide greater certainty for the Company during the course of operations. The Directors (including the independent non-executive Directors) are of the view that the Logistics Services Agreement and COL Services Agreement were entered into on normal commercial terms which are fair and reasonable and in the interests of the Shareholders as a whole.

## **2. INFORMATION RELATING TO COL, XHM LOGISTICS AND BYD LOGISTICS**

COL is a 51%-owned subsidiary of the Company while BYDA holds the remaining 49%. COL is treated as a jointly controlled entity and accounted for by the Company under the equity accounting method. COL is principally engaged in marketing and organising the China Open tennis tournaments.

BYD Logistics is a 50.5%-owned subsidiary of the Company and is involved in the business of providing printing services and the trading of print-related material.

XHM Logistics is a limited liability company incorporated in PRC which is principally engaged in the transportation, storage, logistics and trading of printing related materials.

## **3. DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless otherwise indicated in the context:

“Announcement”	the announcement issued by the Company on 27 June 2007 in relation to the execution of the Logistics Services Agreement
“Board”	the board of directors of the Company;
“BYDA”	北京青年報社 (Beijing Youth Daily Agency);
“BYD Logistics”	北京青年報現代物流有限公司 (Beijing Youth Daily Logistics Company Limited), a subsidiary of the Company;
“Company”	Beijing Media Corporation limited;
“COL”	Beijing China Open Promotion Company Limited (北京中国網球公開賽體育推廣有限公司), a limited liability company established under PRC laws

“COL Services Agreement”	the logistics services agreement dated 11 September 2008 entered into between COL and XHM Logistics;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong Special Administrative Region
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Logistics Services Agreement”	the logistics services agreement dated 27 June 2007 entered into between BYD Logistics and XHM Logistics;
“RMB”	Renminbi, the lawful currency of the People's Republic of China;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“XHM”	小紅帽發行股份有限公司 (XiaoHongMao Corporation), a subsidiary of BYDA;
“XHM Logistics”	北京小紅帽物流有限責任公司 (XiaoHongMao Logistics Company Limited), an indirect subsidiary of BYDA.

By Order of the Board  
**Zhang Yanping**  
*Chairman*

Beijing, PRC, 11 September 2008

*As at the date of this announcement, the Board comprises: the executive directors of the Company, Zhang Yanping, Zhang Yabin, Sun Wei, He Pingping, Du Min, the non-executive directors of the Company, Liu Han, Xu Xun, Li Wenqing, and the independent non-executive directors of the Company, Tsang Hing Lun, Wu Changqi and Liao Li.*