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## **BEIJING MEDIA CORPORATION LIMITED**

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

**(Stock Code: 1000)**

### **ESTABLISHMENT OF JOINT VENTURE, CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS**

The Company has entered into the Arrangement with Hebei Youth Daily Newspaper Agency for the establishment of Heqing Media, a joint venture to be owned as to 60 percent. by the Company and 40 percent. by Hebei Youth Daily Newspaper Agency.

Pursuant to the Arrangement, the Company will initially make a RMB18 million equity investment into Heqing Media and will be responsible for procuring a further funding of up to a further RMB32 million as working capital if needed.

Heqing Media will enter into the Agreement with Hebei Youth Daily Newspaper Agency under which Heqing Media will have the sole and exclusive right to place advertisements in, as well as printing and distribution of, the Hebei Youth Daily and will be entitled to any income derived from these activities. As Hebei Youth Daily Newspaper Agency will become a substantial shareholder of Heqing Media after the implementation of the Arrangement, the transactions under the Agreement will constitute a connected transaction and continuing connected transactions for the Company.

The Board is of the view that the Agreement was entered into on normal commercial terms following arm's-length negotiations among the parties thereto.

The directors (including independent non-executive directors) of the Company consider that the Agreement and the terms thereof are on normal commercial terms, are fair and reasonable and that the transactions contemplated thereunder are in the interests of the shareholders of the Company as a whole.

#### **The establishment of a joint venture**

The board of directors (the "Board") of Beijing Media Corporation Limited (the "Company") announces that on 13 February 2006, the Company entered into an arrangement (the "Arrangement") with 河北青年報社 (Hebei Youth Daily Newspaper Agency) for the establishment of a joint venture to be named 河青傳媒有限責任公司 (Heqing Media Corporation Limited) ("Heqing Media"). Heqing Media's principal business will involve the placement of advertisements in, as well as the printing and distribution of, newspapers. Heqing Media will obtain from Hebei Youth Daily Newspaper Agency the sole and exclusive right to place advertisements in, as well as to print and distribute, 河北青年報 (Hebei Youth Daily) at a consideration of RMB20 million and will be entitled to any income derived from these activities. Hebei Youth Daily is a daily newspaper circulated in Hebei Province, the People's Republic of China. According to information provided by Hebei Youth Daily Newspaper Agency, in 2005, the Hebei Youth Daily had an average daily circulation of approximately 42,000 and a total circulation of 14.6 million per year and total

advertising revenue generated in respect of advertisement in the Hebei Youth Daily amounted to RMB8.55 million and RMB9.91 million for the years ended 31 December 2004 and 2005, respectively.

Pursuant to the Arrangement, the Company and Hebei Youth Daily Newspaper Agency will make an equity investment of RMB18 million and RMB12 million, respectively, into Heqing Media. Pursuant to the Arrangement, the equity investment will be paid to Heqing Media before its establishment. Upon implementation of the Arrangement, the Company and Hebei Youth Daily Newspaper Agency will own 60 and 40 percent of the equity interests in Heqing Media, respectively. Although it is the intention of Heqing Media to continue its operations using internal resources and third-party borrowings, the Company will be responsible for procuring the funding of up to a further RMB32 million as working capital into Heqing Media if needed. The funding may be by way of shareholder's loan or the guaranteeing of a third party borrowing. If further financing is required, it is expected that the Company and Hebei Youth Daily Newspaper Agency will provide further funding in accordance with the proportion of their equity holding thereafter. It is expected that the equity investment and the further funding, if needed, will be financed by internal resources of the Company.

Upon establishment of Heqing Media, the Company and Hebei Youth Daily Newspaper Agency will be entitled to appoint 3 and 2 members to the board of directors of Heqing Media, respectively, under the Arrangement.

The establishment of Heqing Media will be conditional upon the approval by the relevant authorities in the People's Republic of China, including the State-owned Assets Supervision and Administration Commission and the Propaganda Department. The Arrangement may not be terminated without the consent of the parties.

The Arrangement does not constitute a notifiable or connected transaction for the Company under the Listing Rules. The above disclosure is made pursuant to Rule 13.09 of the Listing Rules.

#### **Connected transaction and continuing connected transactions**

Transactions: The entering into of a printing, distribution and advertising business transfer agreement (the "Agreement")

Date: Upon establishment of Heqing Media

Parties: Heqing Media, a subsidiary of the Company immediately after the implementation of the Arrangement  
Heqing Youth Daily Newspaper Agency, a substantial shareholder of Heqing Media immediately after the implementation of the Arrangement and a connected person of the Company

#### *Transactions contemplated under the Agreement*

Under the terms of the Agreement, Heqing Media will have the sole and exclusive right to place advertisement in, print and distribute, the Hebei Youth Daily and Heqing Media will bear the associated costs. Under the Agreement, Heqing Media will be entitled to all income generated in relation to the sales of advertising space in Hebei Youth Daily and the sales of the newspaper. The one-off fee payable for the exclusive right is RMB20 million, which fee will be financed by Heqing Media using equity investment contributed by the Company and Hebei Youth Daily Newspaper Agency. Hebei Youth Daily Newspaper Agency will remain to be responsible for preparing the editorial contents of Hebei Youth Daily. Heqing Media will be responsible for the reimbursement of costs incurred by Hebei Youth Daily Newspaper Agency for preparing the editorial contents of the Hebei Youth Daily, such as editorial staff and office rental.

The Agreement commences upon signing and has a term of 30 years. The Board (including the independent non-executive directors) is of the view that the duration of the Agreement is in line with the Advertising Business Agreement in existence with 北京青年報社 (Beijing Youth Daily Newspaper Agency) in respect of the advertising business of 北京青年報 (Beijing Youth Daily) and is also justified in the present circumstances. The factors taken into account by the Board in reaching the view include:

- The transactions contemplated under the Agreement will constitute one of the principal business activities for Heqing Media. It is presently expected that most of the future revenues of Heqing Media will be derived from the Agreement;
- The amount of investment and total financial commitment by the Company into Heqing Media is significant and it would be in the interests of the Company to secure a long-term arrangement; and
- The rights granted under the Agreement will be sole and exclusive to Heqing Media.

For the three years ended 31 December 2003, 2004 and 2005, the total costs incurred by Hebei Youth Daily Newspaper Agency for the preparation of the Hebei Youth Daily for which the Company will in the future be responsible for reimbursement were RMB952,000, RMB3.139 million and RMB2.714 million, respectively. At present, the Hebei Youth Daily has approximately on average 28 pages of editorial and advertisement. It is currently proposed that this would gradually be increased to up to 48 pages by the end of 2006 and 56 pages by the end of 2008. Based on historical data and the anticipated editorial costs required for the above increase, it is expected that the amount of reimbursement payable to Hebei Youth Daily Newspaper Agency under the Agreement for the years ending 31 December 2006, 2007 and 2008 will not exceed RMB8.5 million, RMB12 million and RMB13 million, respectively.

### **Consideration**

The fee of RMB20 million was reached after arm's length negotiation between the Company and Hebei Youth Daily Newspaper Agency. The Company in reaching the amount of the fee has taken into account factors such as the historical advertising revenue of Hebei Youth Daily as an indicator, an internal analysis of expected income and profit which may be generated by Heqing Media pursuant to the exclusive right for the duration of the exclusive period of 30 years and the potential growth in the circulation of Hebei Youth Daily. The Company has also commissioned an independent university in The People's Republic of China to prepare a research study on the newspaper and newspaper advertising market in the Hebei Province and taken into account the historical circulation of the Hebei Youth Daily and the surrounding market condition in determining the fee payable.

The amount of reimbursement will be based on actual expenses incurred by Hebei Youth Daily Newspaper Agency.

### **Reasons for entering into the Agreement and benefits to the Company**

The Company is a PRC media company principally engaged in the sale of advertising space. The entering into the Agreement will enable Heqing Media to enter into the advertising business of Hebei Youth Daily and thus expanding the business of the Company. The Company believes this will form a significant step for the Company's expansion into the advertising business of other newspapers in other regions of The People's Republic of China. The transaction is expected to generate a new income stream for the Company and thus reduce its reliance on advertising revenue from Beijing Youth Daily.

### **Relationship between the Company, Heqing Media and Hebei Youth Daily Agency**

Before the implementation of the Arrangement, Hebei Youth Daily Agency is a third-party independent from any connected persons of the Company. Upon implementation of the Arrangement, Heqing Media will become a subsidiary of the Company and Hebei Youth Daily Newspaper Agency will become a substantial shareholder of Heqing Media. Under rule 14A.14 of the Listing Rules, the transactions contemplated under the Agreement will constitute a connected transaction and continuing connected transactions of the Company. As the purchase price and the annual amount of reimbursement under the Agreement, respectively, are expected to be less than 2.5 of the percentage ratios (other than the profits ratio) under the Listing Rules, the transactions would fall under the de minimis exception under rule 14A.34 of the Listing Rules and the Company is only required to comply with the reporting and announcement requirements thereunder. Under rule 14A.34 of the Listing Rules, independent shareholders' approval is not required.

**Information relating to the Company**

The Company is a PRC media company principally engaged in the sale of advertising space, production of newspapers and trading of print-related materials. It has the exclusive right to operate the advertising business of a number of leading newspapers in the PRC, including the Beijing Youth Daily.

**Information relating to Hebei Youth Daily Newspaper Agency**

Hebei Youth Daily Newspaper Agency is principally engaged in the publication of Hebei Youth Daily and arrange the placement of advertisements in the Hebei Youth Daily. Hebei Youth Daily Newspaper Agency is a state-owned entity established under the laws of the People's Republic of China.

**GENERAL**

The Agreement was entered into on normal commercial terms following arm's-length negotiations among the parties thereto.

The directors (including independent non-executive directors) of the Company consider that the Agreement and the terms thereof are on normal commercial terms, are fair and reasonable and that the relevant transactions are in the interest of the shareholders of the Company as a whole.

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

Beijing, PRC, 14 February 2006

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

“Please also refer to the published version of this announcement in The Standard.”