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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)**

### **DISCLOSEABLE TRANSACTION CAPITAL INCREASE AGREEMENT**

The Board announces that on 18 May 2011, the Company entered into the Capital Increase Agreement with Beiqing CéCi, a non wholly-owned subsidiary of the Company, and JoongAng m&b Limited, whereby the Company has agreed to unilaterally contribute additional capital in the amount of RMB55,000,000 in cash to Beiqing CéCi.

Upon completion of the Capital Increase, Beiqing CéCi will be owned as to approximately 84.7% and 15.3% by the Company and JoongAng m&b Limited, respectively.

As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) in relation to the transactions contemplated under the Capital Increase Agreement exceed 5% but below 25%, the Capital Increase constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.

#### **1. INTRODUCTION**

On 18 May 2011, the Company entered into the Capital Increase Agreement with Beiqing CéCi, a non wholly-owned subsidiary of the Company, and JoongAng m&b Limited, whereby the Company has agreed to unilaterally contribute additional capital in the amount of RMB55,000,000 in cash to Beiqing CéCi.

Upon completion of the Capital Increase, Beiqing CéCi will be owned as to approximately 84.7% and 15.3% by the Company and JoongAng m&b Limited, respectively.

## **2. CAPITAL INCREASE AGREEMENT**

### **Date**

18 May 2011

### **Parties**

- (i) the Company
- (ii) Beiqing CéCi
- (iii) JoongAng m&b Limited

### **Transaction**

Pursuant to the Capital Increase Agreement, JoongAng m&b Limited has confirmed that it agreed to waive its rights to participate in the Capital Increase and the Company has agreed to unilaterally contribute additional capital in the amount of RMB55,000,000 in cash to Beiqing CéCi.

Upon completion of the Capital Increase, Beiqing CéCi will be owned as to approximately 84.7% and 15.3% by the Company and JoongAng m&b Limited, respectively.

There is no further capital commitment that is required to be contributed by the Company or JoongAng m&b Limited other than the capital contribution by the Company towards the Capital Increase set out above.

### **Consideration**

The consideration for the Capital Increase in the amount of RMB55,000,000 will be payable in full by the Company in cash by internal resources within 30 business days upon obtaining of all necessary consents, permits or approvals from the relevant regulatory authorities in relation to the transactions contemplated under the Capital Increase Agreement.

The above consideration was determined by arm's length commercial negotiations between the parties, with reference to, among other things, (i) the appraised net assets value of Beiqing CéCi in the amount of RMB26,125,700 as at the Valuation Date; (ii) the business prospects of Beiqing CéCi.

The appraised net assets value of Beiqing CéCi in the amount of RMB26,125,700 as at the Valuation Date was set out under the valuation report prepared by the Valuer, based on discounted cash flow method. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, such Valuer is a third party independent from the Group and its connected persons.

## **Other Key Terms of the Capital Increase Agreement**

After completion of the Capital Increase Agreement, the board of directors of Beiqing CéCi shall comprise of four members, where the Company will be entitled to nominate three directors and JoongAng m&b Limited will be entitled to nominate one director. The chairman of the board of Beiqing CéCi is still designated by the Company.

## **Conditions Precedent**

The completion of the Capital Increase Agreement will be conditional upon the fulfillment of, among other matters, the following conditions precedent:

- (i) the due execution of the Capital Increase Agreement by the legal representative or authorized representative of each of the parties thereto;
- (ii) the completion of all necessary submission or filing procedure to relevant administrative authority for industry and commerce and obtaining of all necessary consents, permits or approvals from the relevant regulatory authorities (if any) in relation to the transactions contemplated under the Capital Increase Agreement;
- (iii) the approval of the Capital Increase Agreement by the internal decision making body of JoongAng m&b Limited and the board of directors of Beiqing CéCi; and
- (iv) the approval of the Capital Increase Agreement by the Board and compliance with all the disclosure requirements under the Hong Kong Listing Rules.

## **Completion**

The completion of the Capital Increase Agreement will be on the date of filing of registration of changes to the relevant administrative authority for industry and commerce.

### 3. SHAREHOLDING STRUCTURE OF BEIQING CÉCI

The shareholding structure of Beiqing CéCi before and upon the completion of the Capital Increase Agreement is set out below:

Shareholders	Capital Contribution before the completion of the Capital Increase Agreement	Equity Interest before the completion of the Capital Increase Agreement	Additional contribution pursuant to the Capital Increase Agreement	Capital Contribution after the completion of the Capital Increase Agreement	Equity Interest after the completion of the Capital Increase Agreement
The Company	RMB12,750,000	51%	RMB55,000,000	RMB67,750,000	84.7%
JoongAng m&b Limited	RMB12,250,000	49%	RMB0	RMB12,250,000	15.3%
<b>Total</b>	<b><u>RMB25,000,000</u></b>	<b><u>100%</u></b>	<b><u>RMB55,000,000</u></b>	<b><u>RMB80,000,000</u></b>	<b><u>100%</u></b>

As at the date of this announcement, Beiqing CéCi is owned as to 51% and 49% by the Company and JoongAng m&b Limited, respectively. Upon the completion of the Capital Increase Agreement, Beiqing CéCi will be owned as to approximately 84.7% and 15.3% by the Company and JoongAng m&b Limited, respectively, and Beiqing CéCi will still be a non-wholly owned subsidiary of the Company. The Company expects that the Capital Increase will have a possible effect on the earnings of the Group.

### 4. FINANCIAL INFORMATION OF BEIQING CÉCI

The audited net asset value of Beiqing CéCi as of 31 December 2010 prepared in accordance with PRC GAAP was approximately RMB-18,951,312.49.

For the two financial years ended 31 December 2009 and 2010, respectively, the audited net loss before and after taxation and extraordinary items of Beiqing CéCi prepared in accordance with PRC GAAP were as follows:

	For the year ended 31 December 2009 RMB	For the year ended 31 December 2010 RMB
<b>Audited net loss before taxation and extraordinary items</b>	11,996,110.29	9,748,479.37
<b>Audited net loss after taxation and extraordinary items</b>	11,996,110.29	9,748,479.37

## 5. DISCLOSURE IN RELATION TO RULES 14.61 AND 14.62 OF THE HONG KONG LISTING RULES

### Profit Forecast of the Assets of Beijing CéCi

The appraised value of net assets of Beijing CéCi is based on the discounted cash flow method, and constitute profit forecast under Rule 14.61 of the Hong Kong Listing Rules (the “**Profit Forecast of the Assets of Beijing CéCi**”), and accordingly, the requirements under 14.60A and 14.62 of the Hong Kong Listing Rules are applicable.

The reporting accountants of the Company, ShineWing Certified Public Accountants Co., Ltd. (“**ShineWing CPA**”), has confirmed that they have reviewed the accounting policies and calculations for the Profit Forecast of the Assets of Beijing CéCi on which the appraisal prepared by the Valuer is based. The Board has reviewed the principal assumptions upon which the Profit Forecast of the Assets of Beijing CéCi is based and is of the view that the Profit Forecast of the Assets of Beijing CéCi has been made after due care and enquiry.

The principal assumptions upon which the Profit Forecast of the Assets of Beijing CéCi is based are as follows:

1. the actual reserve as at the Valuation Date is a pre-condition for appraising the relevant assets of Beijing CéCi, the applicable market price of the relevant assets are based on the effective price in the PRC as at the Valuation Date;
2. there are no unforeseeable material changes to the external economic position after the Valuation Date;
3. there are no unforeseeable factors which would cause Beijing CéCi’s non-continuous operation, and the use of the relevant assets of Beijing CéCi will remain unchanged;
4. the relevant basic information and financial information provided by Beijing CéCi and the Company are true, accurate and complete;
5. the compared financial report or trading data of Beijing CéCi used by the Valuer are reliable;
6. security or guarantee which might have been taken for the relevant equity interest or assets are not considered for the effect to the appraisal results, the possible changes in national macro-economic policy and the possible force majeure events are not considered for the effect to the appraisal results;
7. the scope of the appraisal is subject to the appraising report provided by Beijing CéCi;

8. Beiqing CéCi is assumed to be able to continuously operating in accordance with the current operating methods after the termination of the period of cooperation; and
9. the shareholders of Beiqing CéCi is assumed to retain net cash flow during the year of 2010.

### **Expert and Consent**

The Board wishes to disclose that the following are the qualifications of the experts who have given opinions or advices:

<b>Name</b>	<b>Qualification</b>
China Alliance Appraisal	an independent professional valuer
ShineWing CPA	certified public accountants

As at the date of this announcement, each of China Alliance Appraisal and ShineWing CPA does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of the Director's knowledge, information and belief, each of China Alliance Appraisal and ShineWing CPA is a third party independent of and not connected with the Company or the connected persons (as defined in the Hong Kong Listing Rules) of the Company and its subsidiaries.

The opinion of ShineWing CPA is also contained in this announcement as Appendix I. Each of China Alliance Appraisal and ShineWing CPA has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letter and report and references to its name in the form and context in which it appears.

## **6. REASONS FOR THE CAPITAL INCREASE**

The Company is of the view that the Capital Increase will (i) further enhance the Group's operating business in Magazine; and (ii) generate higher returns to the Group in future, should Beiqing CéCi become more profitable in future.

## **7. HONG KONG LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) in relation to the transactions contemplated under the Capital Increase Agreement exceed 5% but below 25%, the Capital Increase constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable 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; (iv) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, that there is no other transaction entered into between any member of the Group and JoongAng m&b Limited or its associates within a 12-month period before the date of this announcement or otherwise related, which would be, together with the Capital Increase Agreement, regarded as a series of transactions and treated as if they are one transaction under Rule 14.22 of the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, as at the date of this announcement, JoongAng m&b Limited and its respective ultimate beneficial owner(s), are third parties independent of the Group and its connected persons (as defined in the Hong Kong Listing Rules).

## **8. INFORMATION RELATING TO THE COMPANY AND JOONGANG M&B LIMITED**

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

JoongAng m&b Limited is a publishing subsidiary of JMN, the largest media group of Korea; it is a leader of the publishing market of Korea, and the periodicals and magazines such as "Women Central", "CéCi", "Lemon Tree", "SURE", "In Style", "HEREN" and "Cosmopolitan" published by JoongAng m&b Limited lead the magazine publishing market in Korea.

Beiqing CéCi is primarily engaged in the operation of advertising of female trendy magazines "CéCi" by acting as agent.

## DEFINITIONS

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

“Beiqing CéCi”	Beiqing CéCi Advertising (Beijing) Company Limited (北青茜茜廣告(北京)有限公司), a sino-foreign equity joint venture enterprise jointly owned by the Company and JoongAng m&b Limited;
“Board”	the board of Directors;
“Capital Increase”	the capital increase in Beiqing CéCi by the Company in the amount of RMB55,000,000 as contemplated under the Capital Increase Agreement;
“Capital Increase Agreement”	a capital increase agreement dated 18 May 2011 entered into between the Company, Beiqing CéCi and JoongAng m&b Limited;
“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 the H shares of which are listed and traded on The Stock Exchange of Hong Kong Limited;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“JoongAng m&b Limited”	JoongAng m&b Limited, a company incorporated under the laws of the Korea;
“Korea”	the Republic of Korea;
“PRC”	the People’s Republic of China, which for the purposes of this announcement only excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;



“PRC GAAP”	the generally accepted accounting principles in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Valuation Date”	31 December 2010; and
“Valuer” or “China Alliance Appraisal”	China Alliance Appraisal Co., Ltd. (中同華資產評估有限公司).

By Order of the Board  
**Beijing Media Corporation Limited**  
*Zhang Yanping*  
*Chairman*

Beijing, PRC,  
18 May 2011

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

*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).*

## APPENDIX I – REPORT FROM SHINEWING CPA ON THE PROFIT FORECAST OF ASSETS OF BEIQING CÉCI

*The following is the text of the report received by the Directors from the Company's reporting accountants, ShineWing CPA, prepared for the purpose of incorporation in this announcement in connection with the Profit Forecast of Assets of Beiqing CéCi in the Valuation Report.*

信永中和  
ShineWing

信永中和会计师事务所

ShineWing  
certified public accountants

18 May, 2011

Dear Sirs,

### INDEPENDENT ASSURANCE REPORT ON PROFIT FORECAST INCLUDED IN THE VALUATION REPORT

We refer to the announcement of Beijing Media Corporation Limited (the “**Company**”) dated 18 May 2011 (the “**Announcement**”) in relation to, among other matters, the capital increase in Beiqing CéCi Advertising (Beijing) Company Limited (the “**Target**”) to be made solely by the Company. Unless otherwise stated, the terms defined in the Announcement shall have the same meanings when used herein.

We have examined the accounting policies adopted and calculations made in arriving at the forecast of the underlying profit forecast of the Target (the “**Underlying Forecast**”) to the valuation report dated 28 February 2011 prepared by China Alliance Appraisal Co., Ltd. in respect of the assets of the Target as of 31 December 2010.

### Responsibilities

The directors of the Company and the Target Company (the “**Directors**”) are solely responsible for the preparation of the Underlying Forecast including the assumptions, for the purpose of business valuation of the Target Company based on discounted cash flow method. The Underlying Forecast has been prepared using a set of assumptions (the “**Assumptions**”) that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the assumptions.

It is our responsibility to form an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, solely for the purpose of reporting under “Rule 14.62 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

### **Summary of our work**

We conducted our work in accordance with the China Standard on Other Assurance Service 3101 “Assurance Service Other Than Audits or Reviews of Historical Financial Information” issued by the Chinese Institute of Certified Public Accountant. We examined the consistency of accounting policies adopted and the arithmetical accuracy of the Underlying Forecast. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Company.

### **Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Underlying Forecast has been properly compiled in accordance with the Assumptions made by the Directors and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Yours faithfully,

**ShineWing Certified Public Accountants Co., Ltd.**

*Certified Public Accountants*

**Liu Jingwei**

Practising Certificate Number: 100000552114

*Certified Public Accountants*

**Ji Sheng**

Practising Certificate Number: 110001570006

Beijing

## APPENDIX II – LETTER FROM THE BOARD RELATING TO THE PROFIT FORECAST OF ASSETS OF BEIQING CÉCI

*The following is the text of a letter prepared for the purpose of incorporation in this announcement, executed by the Board of the Company.*



### 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)**

18 May 2011

Dear Sir or Madam,

We refer to the announcement of the Company dated 18 May 2011 (the “**Announcement**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

In accordance with the requirements under Rule 14.62(3) of the Hong Kong Listing Rules, we confirm that the Profit Forecast of Assets of Beiqing CéCi has been made after due and careful enquiry by us.

On behalf of the Board  
**Beijing Media Corporation Limited**  
**Zhang Yanping**  
*Chairman*