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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Beijing Media Corporation Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)**

### PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION PROPOSED CHANGE IN DIRECTORS CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF THE EGM

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**China Everbright Capital Limited**

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A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 29 of this circular.

A notice convening the EGM to be held at 3:00 p.m. on Friday, 21 December 2012 at 21st Floor, Beijing Youth Daily Agency, Building A, No. 23 Baijiazhuang Dongli, Chaoyang District, Beijing 100026, the PRC is set out on pages 35 to 39 of this circular.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H Shares registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

6 November 2012

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## TABLE OF CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> . . . . .	1
<b>LETTER FROM THE BOARD</b> . . . . .	4
I. INTRODUCTION . . . . .	4
II. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION . . . . .	5
III. PROPOSED CHANGE IN DIRECTORS . . . . .	6
IV. CONTINUING CONNECTED TRANSACTIONS . . . . .	7
V. EGM . . . . .	14
VI. RECOMMENDATION . . . . .	15
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> . . . . .	16
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> . . . . .	18
<b>APPENDIX I – GENERAL INFORMATION</b> . . . . .	30
<b>NOTICE OF THE EGM</b> . . . . .	35

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Advertising Business Agreement”	the advertising business agreement dated 7 December 2004 entered into between the Company and the Parent
“Announcements”	the announcements of the Company dated 15 October 2009 and 9 April 2010, respectively
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed under the Listing Rules
“Beijing Youth Daily”	a newspaper named Beijing Youth Daily (北京青年報)
“Board”	the board of Directors
“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 and the Printing Framework Agreement
“controlling shareholder”	has the meaning ascribed under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 3:00 p.m. on Friday, 21 December 2012 at 21st Floor, Beijing Youth Daily Agency, Building A, No. 23 Baijiazhuang Dongli, Chaoyang District, Beijing 100026, the PRC
“GAGR”	gross annual growth rate
“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

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## DEFINITIONS

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“Independent Board Committee”	an independent board committee of the Board comprising all of the independent non-executive Directors, who has no material interests in the Continuing Connected Transactions, namely Tsang Hing Lun, Wu Changqi, Liao Li, Cui Baoguo and Song Jianwu
“Independent Financial Adviser”	China Everbright Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders as to the terms of the Advertising Business Agreement and the Printing Framework Agreement and the proposed annual caps thereof
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting on the resolutions in relation to the Advertising Business Agreement and the Printing Framework Agreement to be proposed at the EGM under the Listing Rules
“Latest Practicable Date”	30 October 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“LEPA”	Legal Evening Post Agency (法制晚報社), a public institution incorporated under the laws of the PRC with the main business scope of operating and publishing of legal related newspaper and a subsidiary of the Parent
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“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 and, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Printing Framework Agreement”	the printing framework agreement dated 31 October 2012 entered into between BYD Logistics and the Parent
“Prospectus”	the prospectus of the Company dated 13 December 2004
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the shareholder(s) of the Company
“Supervisor(s)”	the supervisor(s) of the Company
“2009 Printing Framework Agreement”	the printing framework agreement dated 15 October 2009 entered into between BYD Logistics and the Parent

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Zhang Yanping  
Zhang Yabin  
Sun Wei  
He Xiaona

*Registered Office:*

Building A, No.23 Baijiazhuang Dongli  
Chaoyang District  
Beijing 100026  
PRC

*Non-executive Directors:*

Li Shiheng  
Liu Han  
Wu Peihua  
Li Xiaobing  
Xu Xun  
Li Yigeng

*Independent non-executive Directors:*

Tsang Hing Lun  
Wu Changqi  
Liao Li  
Cui Baoguo  
Song Jianwu

6 November 2012

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
PROPOSED CHANGE IN DIRECTORS  
AND  
CONTINUING CONNECTED TRANSACTIONS**

#### **I. INTRODUCTION**

The purpose of this circular is to provide you with all the information regarding (i) the proposed amendments to the Articles, (ii) the proposed change in directors of the Company and (iii) the Continuing Connected Transactions between the Group and the Parent Group to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

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## LETTER FROM THE BOARD

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

### II. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company proposes to make certain amendments to the Articles to reflect, among other matters, certain changes in the scope of issues which are required to be approved by special resolutions at a general meeting. The proposed amendments to the Articles are subject to the approval of the Shareholders by way of a special resolution at the EGM.

**The Board proposes to amend the Articles as follows, the existing Article 78 of the Articles, which reads:**

- “Article 78                      The following issues shall be approved by special resolutions at a general meeting:
- (I)      Increase or reduction in share capital of the Company and the issuance of shares of any class, warrants and other similar securities;
  - (II)     Issuance of the corporate bonds;
  - (III)   Division, merger, dissolution and liquidation of the Company, and substantial acquisition or disposal;
  - (IV)   Appointment and removal of members of the board of directors and the supervisory committee, their remunerations and the method of payment thereof;
  - (V)     Amendment to these Articles of Association;
  - (VI)   Change or annulment to the rights of class shareholders; and
  - (VII)   Any other issue confirmed by an ordinary resolution at a general meeting that it may have material impact on the Company and accordingly shall be approved by special resolutions or required to be approved by special resolutions in accordance with Listing Rules of the Stock Exchange.”

**is proposed to delete the clause (IV) thereof and be amended as follows:**

- “Article 78                      The following issues shall be approved by special resolutions at a general meeting:
- (I)      Increase or reduction in share capital of the Company and the issuance of shares of any class, warrants and other similar securities;
  - (II)     Issuance of the corporate bonds;

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## LETTER FROM THE BOARD

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- (III) Division, merger, dissolution and liquidation of the Company, and substantial acquisition or disposal;
- (IV) Amendment to these Articles of Association;
- (V) Change or annulment to the rights of class shareholders; and
- (VI) Any other issue confirmed by an ordinary resolution at a general meeting that it may have material impact on the Company and accordingly shall be approved by special resolutions or required to be approved by special resolutions in accordance with Listing Rules of the Stock Exchange.”

### III. PROPOSED CHANGE IN DIRECTORS

#### (A) Removal of the Director

On 31 October 2012, due to the reassignment of work, Mr. Zhang Yabin has been proposed to be dismissed from his positions as an executive director of the Company and the vice chairman of the Board with effect from the date of the approval by the shareholders of the Company at the EGM.

The Board would like to take this opportunity to express its sincere gratitude to Mr. Zhang for his valuable contribution to the Company during his term of service.

#### (B) Appointment of the Director

On 31 October 2012, Mr. Yu Haibo was nominated as an executive director of the Company and the vice chairman of the Board with effect from the date of the approval by the shareholders of the Company at the EGM and until the expiration of the term of the current session of the Board.

#### *Biographical Details*

##### **Mr. Yu Haibo (余海波)**

Mr. Yu, aged 40, was nominated as an executive director of the Company and the vice chairman of the Board with effect from the date of the approval by the shareholders of the Company at the EGM and until the expiration of the term of the current session of the Board.

Mr. Yu obtained his bachelor’s degree and master’s degree of journalism from Renmin University of China in July 1993 and June 1996, respectively. Since 1 December 2009, Mr. Yu had been granted the technical position of news senior editor. From July 1996 to June 2000, Mr. Yu had served as an editor of the General Editorial Department of Guangming Daily Agency and had been appointed as the chief editor of the second session of Guangming Daily Agency from June 2000 to September 2006. From September 2006 to May 2009, Mr. Yu had served as the chief editor of the News Planning Department of Guangming Daily Agency. Mr. Yu had served as the Deputy Director of the News Planning Department of Guangming Daily Agency from May 2009 to January 2010 and from January 2011 to August 2011, and had



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## LETTER FROM THE BOARD

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served in the News Coordination Group of Central Propaganda Department of PRC from January 2010 to January 2011. From August 2011 to June 2012, Mr. Yu had served as the Vice General Editor of Beijing Daily Group. Since June 2012, Mr. Yu has served as the Deputy Secretary of Party Committee and the General Editor of Beijing Youth Daily Agency.

Mr. Yu has not held any directorship in any listed companies in the past 3 years.

Saved as disclosed above, Mr. Yu has no relationship with any directors, senior management or substantial or controlling shareholder(s) of the Company.

As at the date of this circular, Mr. Yu does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Upon due appointment as an executive director of the Company, Mr. Yu will enter into a service contract with the Company for a term commencing from the date of appointment and ending on the expiration of the term of the current session of the Board. Pursuant to the articles of association of the Company, Mr. Yu will be subject to retirement by rotation and re-election upon the expiry of his term of office.

Mr. Yu's remuneration package will be determined by the remuneration committee of the Board who is proposed to be authorized by the shareholders of the Company at the EGM by taking into account, among other matters, his terms of reference, his duties and responsibilities in the Company.

Save as disclosed above, the Board is not aware of any other matters in relation to Mr. Yu's appointment as an executive director of the Company that need to be brought to the attention of the shareholders of the Company nor any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

#### **IV. CONTINUING CONNECTED TRANSACTIONS**

##### **A. Advertising Business Agreement**

Reference is made to the Prospectus and the announcements of the Company dated 15 October 2009, 9 April 2010 and 31 October 2012, respectively.

##### ***Date***

7 December 2004 and 9 April 2010

##### ***Parties***

- a) the Company; and
- b) the Parent

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## LETTER FROM THE BOARD

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### *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 (i) shall be settled by the Company by cash from internal resources on a monthly basis to the Parent; and (ii) 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. Please also refer to the prospectus dated 13 December 2004 of the Company for details.

There is no the same or similar arrangement in the advertising industry, as such the percentage of the fees payable under the Advertising Business Agreement is not comparable to the market rate.

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## LETTER FROM THE BOARD

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### *Historical Transaction Value*

The historical transaction values for the transactions under the Advertising Business Agreement for the two years ended 31 December 2011 and for the nine months ended 30 September 2012 are as follows:

Transactions	Year ended 31 December 2010 (RMB)	Year ended 31 December 2011 (RMB)	Nine months ended 30 September 2012 (RMB)
Fees paid by the Company to the Parent	62,855,386	58,246,646.18	38,886,762.43

### *Proposed Annual Caps*

The proposed annual caps for the transactions contemplated under the Advertising Business Agreement for the three years ending 31 December 2015 are as follows:

Transactions	Year ending 31 December 2013 (RMB)	Year ending 31 December 2014 (RMB)	Year ending 31 December 2015 (RMB)
Fees to be paid by the Company to the Parent	100,000,000	100,000,000	100,000,000

In arriving at the proposed annual caps in respect of provision of advertising services to the Parent by the Company, the Directors have taken into account, among other matters:

- (i) the historical figures of the actual value of the transactions under the Advertising Business Agreement for the two years ended 31 December 2011 and for the nine months ended 30 September 2012;
- (ii) according to Global entertainment and media outlook: 2012-2016, published by PricewaterhouseCoopers LLP in June 2012, the total advertising expenditure will increase from approximately US\$39,518 million in 2012 to approximately US\$71,641 million in 2016, with CAGR of approximately 14.6%. The Company expects its GAGR of the advertising turnover can be comparable to or higher than approximately 14.6% of total advertising expenditure in China in the coming three years;
- (iii) In the past years, the real estate industry and automobile industry, major advertisement sources of the Company, was subject to the restrictive policies on real estate purchase and the restrictive policies on automobile purchase in Beijing, respectively. Among the various advertiser industry category of advertising income, real estate market and automobiles market together accounted for

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## LETTER FROM THE BOARD

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approximately half of the total advertising revenue of Beijing Youth Daily. The Company believes that once there is any policy easing in real estate industry and/or automobile industry, higher annual caps will be required during the three years ending 31 December 2015; and

- (iv) the expected growth of the advertising business of the Group as the Group continues its efforts to develop its advertising business and increase its advertising sales. As stated in the 2012 Interim Report of the Company, revenue from advertising sales to living services, tourism and luxury industries targeting high-income groups recorded growth of 35.23%, 18.5% and 7.14%, respectively, compared to the first half of 2011. Accordingly, the Management expects that the advertising revenue of Beijing Youth Daily, especially generated from the living services, tourism and luxury industries, will increase over the next few years.

### ***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 of the Company.

### **B. Printing Framework Agreement**

Reference is made to the announcements of the Company dated 15 October 2009 and 31 October 2012.

#### ***Date***

31 October 2012

#### ***Parties***

- a) BYD Logistics, a subsidiary of the Company; and
- b) the Parent

### ***Continuing Transactions***

Pursuant to the 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.

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## LETTER FROM THE BOARD

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### *Consideration*

The consideration for the transactions contemplated under the Printing Framework Agreement (i) shall be settled by the Parent from its internal resources by cash in a lump sum or by installments according to the specific and separate implementation agreements; (ii) shall be conducted on normal commercial terms, being on terms which a party could obtain if the transactions were on arm's length basis and on terms no less favorable to BYD Logistics than terms available from third parties for providing such services; and (iii) shall be calculated based on the actual volume of the newsprint printed and the quality of the printing services and printing materials.

### *Term and Termination*

The Printing Framework Agreement is for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Upon expiry, 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 Printing Framework Agreement, the price shall be determined in accordance with the following pricing principles:

- (a) relevant market price; and
- (b) where there is no relevant market price, then the contracted price agreed by both parties, which shall be determined on the basis of reasonable cost plus reasonable profit margin:
  - 1) the reasonable cost shall be determined by reference to the cost of the products and/or services provided by BYD Logistics; and
  - 2) the reasonable profit margin shall be determined by reference to the profit margin of the prevailing market and the then market for 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.

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## LETTER FROM THE BOARD

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### *Historical Transaction Value*

The historical transaction values for the transactions under the 2009 Printing Framework Agreement for the two years ended 31 December 2011 and for the nine months ended 30 September 2012 are as follows:

Transactions	Year ended 31 December 2010 (RMB)	Year ended 31 December 2011 (RMB)	Nine months ended 30 September 2012 (RMB)
Fees paid by the Parent to the BYD Logistics	12,454,094.82	10,044,374.48	15,479,488.04

### *Proposed Annual Caps*

The proposed annual caps for the transactions contemplated under the Printing Framework Agreement for the three years ending 31 December 2015 are as follows:

Transactions	Year ending 31 December 2013 (RMB)	Year ending 31 December 2014 (RMB)	Year ending 31 December 2015 (RMB)
Fees paid by the Parent to the BYD Logistics	100,000,000	100,000,000	100,000,000

In arriving at the proposed annual caps in respect of provision of printing services to the Parent by BYD Logistics, the Directors have taken into account, among other matters, (i) the historical figures of the actual value of the transactions under the 2009 Printing Framework Agreement for the two years ended 31 December 2011 and for the nine months ended 30 September 2012; and (ii) the possible resumption of business relationship between the Group and LEPA, a subsidiary of the Parent, during the three years ending 31 December 2015, the Group ceased to transact with LEPA as they were unable to agree on the terms in relation to the provision of printing services and printing materials in 2009 and in the first half of 2012, the Group partially resumed the provision of printing materials to LEPA and generated revenue of approximately RMB5 million during the nine months ended 30 September 2012. In order to increase the Group's revenue from the printing and the trading of print-related materials businesses and improve the business performance of the Group, the Group was making its efforts to continue its cooperation with LEPA. If the related commercial negotiations proceed smoothly, leveraging the experiences of BYD Logistics in printing business and its high quality services, the Company expects to substantially resume the provision of printing services and printing materials to LEPA on the normal commercial terms, or on terms no less favourable than those from independent third parties under prevailing local market conditions in the first half of 2013. With reference to the historical transaction amount of approximately RMB95

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## LETTER FROM THE BOARD

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million with LEPA for the provision of the printing services and printing materials during the year ended 31 December 2008, the estimated annual transaction value will be approximately RMB70,000,000 during the three years ending 31 December 2015.

### *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 Printing Framework Agreement during its term. Each implementation agreement will set out the detailed services, the 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 Printing Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the Printing Framework Agreement and the relevant annual caps, if exceeded, the Company will comply with the relevant Listing Rules accordingly.

### *Reasons for Entering into the Printing Framework Agreement*

The Company is of the view that the 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.

## **C. Listing Rules Implications**

The Parent is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the respective transactions under the Advertising Business Agreement and the Printing Framework Agreement constitute continuing 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.10 of the Listing Rules) in respect of the respective annual caps under each of the Advertising Business Agreement and the Printing Framework Agreement for the three years ending 31 December 2015 exceed 5% respectively, the transactions contemplated under each of the Advertising Business Agreement and the Printing Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

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 Advertising Business Agreement and the Printing Framework Agreement, aggregated under Rule 14A.25 of the Listing Rules.

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## LETTER FROM THE BOARD

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### **D. General Information of the Parties**

#### *The Company*

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

#### *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 ten newspapers, five magazines and two online media. The Parent is a 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.

### **V. EGM**

A notice convening the EGM is set out on pages 35 to 39 of this circular. The EGM will be held at 3:00 p.m. on Friday, 21 December 2012 at 21st Floor, Beijing Youth Daily Agency, Building A, No. 23 Baijiazhuang Dongli, Chaoyang District, Beijing 100026, the PRC, at which resolutions will be proposed to approve, among other matters, (i) the proposed amendments to the Articles, (ii) the proposed change in directors of the Company and (iii) the Continuing Connected Transactions.

At as the Latest Practicable Date, the Parent and its associates, who directly and indirectly, hold 124,839,974 shares (represent approximately 63.27% of the issued share capital of the Company), control or are entitled to control over the voting right in respect of their shares in the Company. Therefore, the Parent and its associates will abstain from voting on the resolutions in relation to the Advertising Business Agreement and the Printing Framework Agreement at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no connected person of the Company, Shareholder or their respective associates with a material interest in the resolutions to be proposed at EGM is required to abstain from voting at the EGM.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H Shares registrar and transfer office of the Company in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.



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## LETTER FROM THE BOARD

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### VI. RECOMMENDATION

The Directors believe that the resolutions in respect of (i) the proposed amendments to the Articles and (ii) the proposed change in directors of the Company are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of the resolutions at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Continuing Connected Transactions; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice.

The Directors (excluding the independent non-executive Directors) are of the view that the terms of each of the Advertising Business Agreement and the Printing 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 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; 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 2015, as mentioned above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Zhang Yanping, Mr. Zhang Yabin, Mr. Li Shiheng, Mr. Liu Han, Ms. Wu Peihua, Mr. Li Xiaobing and Ms. He Xiaona, also members of the decision-making body of the Parent, are deemed to have material interests in the transactions under each of the Advertising Business Agreement and the Printing Framework Agreement 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 each of the Advertising Business Agreement and the Printing Framework Agreement.

Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolutions in respect to the Advertising Business Agreement and the Printing Framework Agreement and their respective annual caps for the three years ending 31 December 2015.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

*Independent non-executive Directors:*

Tsang Hing Lun

Wu Changqi

Liao Li

Cui Baoguo

Song Jianwu

6 November 2012

*To the Independent Shareholders:*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

We refer to this circular dated 6 November 2012 by the Company to the Shareholders, of which this letter forms part. Terms defined in this circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been formed to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of Continuing Connected Transactions and their respective annual caps for the three years ending 31 December 2015 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Shareholders are recommended to read the letter from the Independent Financial Adviser, the letter from the Board contained in this circular as well as the additional information set out in the appendix to this circular.

As the Independent Board Committee, we have discussed with the management of the Company on the terms of Continuing Connected Transactions and the basis upon which their respective proposed annual caps for the three years ending 31 December 2015 are determined.

Having considered the advices given by the Independent Financial Adviser, we are of the view that each transaction under the Continuing Connected Transactions and the terms thereof (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 Company and the Shareholders as a whole; and (v) that the proposed annual caps for those agreements for the three years ending 31 December 2015, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Continuing Connected Transactions and their respective annual caps for the three years ending 31 December 2015.

Yours faithfully,

Independent Board Committee

**Tsang Hing Lun**

**Wu Changqi**

**Liao Li**

**Cui Baoguo**

**Song Jianwu**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the “Letter from the Independent Financial Adviser” to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



6 November 2012

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Advertising Business Agreement and the Printing Framework Agreement (collectively, “**CCT Agreements**”), pursuant to which (i) the Group was granted by the Parent the exclusive right to operate the advertisement business in respect of Beijing Youth Daily for a duration of 30 years from 1 October 2004 to 30 September 2033; and (ii) the Group 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 respectively (collectively, “**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in the circular to the Shareholders dated 6 November 2012 (“**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Being the controlling shareholder of the Company, the Parent is a connected person to the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the CCT Agreements constitute continuing 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.10 of the Listing Rules) of the proposed annual cap (“**Annual Caps**”) of the transactions contemplated under the CCT Agreements exceed 5%, the Continuing Connected Transactions are subject to the reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of five independent non-executive Directors, has been formed to consider whether (i) the terms of the CCT Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) transactions contemplated under the CCT Agreements, including the Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group, the Parent Group or any of their respective associates. We are independent from and not connected with the Group and Parent Group or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the management (“**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group and Parent Group. We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

### **PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT**

In formulating our view on the transactions contemplated under the CCT Agreements, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

#### **(A) Background of the Continuing Connected Transactions**

##### ***(i) Historical Business Relationships between the Group and 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 ten newspapers, five magazines and two online media.

The Company is a leading media company in the PRC principally engaged in sale of advertising space, production of newspapers and magazines, printing and trading of print-related materials. We were advised that the advertising business is one of the Company’s core businesses and derives a substantial portion of the Company’s income. Its principal advertising medium is Beijing Youth Daily.

Prior to the establishment of the Company in May 2001, the advertising, printing and distribution businesses of Beijing Youth Daily were carried out by departments within the Parent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the prospectus (“**Prospectus**”) of the Company dated 13 December 2004, on 7 December 2004, the Advertising Business Agreement was entered into between the Company and Parent, pursuant to which the Company was granted the exclusive right to operate the advertisement business in respect of Beijing Youth Daily for a duration of 30 years from 1 October 2004 to 30 September 2033, which duration will automatically be extended upon expiry. The right granted includes the right to sell all of the advertising space in Beijing Youth Daily, and the Company is entitled to all revenue derived from such sales.

According to the original printing framework agreement (“**Original Agreement**”) entered into between BYD Logistics, a subsidiary of the Company, and the Parent on 7 December 2004, BYD Logistics 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.

In preparation for the listing, the Company and the Parent entered into a number of agreements in 2004 to govern and manage the continuing connected transactions between them. At the time of the Company’s listing in December 2004, the Stock Exchange granted a waiver to the Company from strict compliance with the relevant requirements of the Listing Rules in respect of the continuing connected transactions. The waivers (“**Original Waivers**”) with respect to the Continuing Connected Transactions, which were subsequently approved by the then Independent Shareholders in December 2006 and December 2009, will expire on 31 December 2012. The Management expects the Continuing Connected Transactions will continue after the expiry of the Original Waivers. In compliance with the continuing connected transaction requirements under the Listing Rules, the Directors propose to seek Independent Shareholders’ approval to renew the Continuing Connected Transactions for a term up to 31 December 2015.

### *(ii) Reasons for, and benefits of, the Continuing Connected Transactions*

As set out in the interim report of the Group for the first six months ended 30 June 2012 (“**2012 Interim Report**”), total revenue generated from (i) advertising sales (mainly derived from advertising business of Beijing Youth Daily); and (ii) printing business (mainly generated from the printing of publications arranged by BYD Logistics) amounted to RMB178,849,000 and RMB33,806,000, representing approximately 56.3% and 10.6% of the Group’s total revenue during the first half of 2012, respectively.

We were advised that Beijing Youth Daily is the principal advertising medium of the Group. As the Parent produces the editorial content for Beijing Youth Daily, an area of business which is currently restricted from foreign ownership under the PRC law, the Management considers that the Advertising Business Agreement is an agreement whereby the Group benefits from the exclusive right to operate the advertising business of Beijing Youth Daily. The revenue generated from Advertising Business Agreement has been, and is expected in the foreseeable future to be, the principal revenue of the Group.

One of the principal businesses of BYD Logistics is the provision of printing services, including the printing of newspapers. We were advised that the Parent is one of the BYD Logistics’ major customers in respect of its printing business. As the Parent is one of the largest newspaper

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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agencies in the PRC, the consolidated bulk printing orders from the Parent not only ensure a large quantity of business and revenue inflow to BYD Logistics on a stable basis, but also allow BYD Logistics to enjoy the advantage of economies of scale and lower average printing costs.

As stated in the Letter from the Board, the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Company. Such transactions will continue to be conducted on an arm's length basis and on terms that are fair and reasonable to the Company. Owing to the long-term co-operation relationship between the Company and the Parent and the need for quality editorial content for Beijing Youth Daily, the Board is of the opinion that the entering into of such transactions on a continuing basis is essential to the continuation of the Company's business and will be beneficial to the Company as the Continuing Connected Transactions facilitate the business operation and growth of the Company and reduce risks which the Company might incur during the course of operation.

Due to the above, we concur with the Directors' view that the Continuing Connected Transactions fall within the ordinary and usual course of business of the Group; and it is in the interests of the Group and its Shareholders as a whole.

### (B) Key Terms of the CCT Agreements

#### (i) *The Advertising Business Agreement*

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 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 Beijing Youth Daily; and
- c) the Company is required to allocate up to 360 pages per year of advertising space in respect of each of 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.

The consideration for the transactions contemplated under the Advertising Business Agreement (i) shall be settled by the Company by cash from internal resources on a monthly basis to the Parent; and (ii) is equal to 16.5% ("**Fixed Fee Rate**") of the total advertising revenue generated from the Beijing Youth Daily or such figure or formula as the parties may agree in the future.

As the terms of the Advertising Business Agreement will expire in 2033, the Directors confirm that all the terms of the Advertising Business Agreement will remain the same for the three years ending 31 December 2015. We noted the Advertising Business Agreement has a term of more than three years, which does not comply with the requirement under rule 14A.35 (1) of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We believe that it is an acceptable business practice to enter into agreement of prolonged duration when it is essential to the businesses of parties to the agreement. These circumstances and relevant justifications are as follows:

- the Parent produces the editorial content for Beijing Youth Daily, an area of business which is currently restricted from foreign ownership under the PRC law. The Advertising Business Agreement provides the important legal framework for the Group to obtain the exclusive right in operating the advertising business of Beijing Youth Daily. The revenue generated from the Advertising Business Agreement has been, and is expected in the foreseeable future to be, the principal revenue of the Group. The extended duration gives assurance to the Group's position to maintain its long term revenue stream which is crucial to the smooth operation and performance of the Group and in turn enhance Shareholders' value;
- such duration is consistent to the call option granted under the Advertising Business Agreement, details of which have been disclosed in the Prospectus, and which, among other things, allows the Company to acquire the publishing, operation and editorial rights in respect of Beijing Youth Daily, exercisable from such date it becomes permissible under the PRC law and regulation for the Company to acquire and operate Beijing Youth Daily up to 30 years (subject to automatic renewal) from the date of the Advertising Business Agreement or the date of its termination, if earlier; and
- the Advertising Business Agreement can only be terminated by the Company by giving no less than six months' prior written notice or upon the exercise of the call option as mentioned earlier, the Advertising Business Agreement will be terminated automatically. These give appropriate rights and protection to the Company and its shareholders as a whole.

In our assessment on the fairness of the terms of the Advertising Business Agreement, we noted that it is stipulated in the Advertising Business Agreement that the Fixed Fee Rate 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. As stated in the Letter from the Board, there is no the same or similar arrangement in the advertising industry, as such the percentage of the fees payable under the Advertising Business Agreement is not comparable to the market rate.

The Advertising Business Agreement has mapped out a co-operative environment for both the Company and the Parent and is consistent with the strategic rationale of listing the Company. We also considered that the provisions in the Advertising Business Agreement have been implemented since the listing of the Company and will remain in force for the three years ending 31 December 2015 and in the future, which are important and crucial to the prospects of the Group.

We noted that there is a provision in the Advertising Business Agreement allowing both parties to mutually agree on other payment amount or computation methodologies. This serves a fair platform for both the Company and the Parent to negotiate should there be a variation in the business environment of the Company or the Parent which may affect the fairness of the Fixed Fee Rate. As



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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confirmed by the Management, the Fixed Fee Rate has not been changed since the Advertising Business Agreement was entered in December 2004. As mentioned above, the Fixed Fee Rate is directly related to the Parent's expenses in relation to the provision of the editorial content for Beijing Youth Daily, which was under rising cost pressure during the past few years. According to the statistics published by the National Bureau of Statistics of the PRC, consumer price index, a key inflation indicator, rose by an average of 3.24% annually during the period from 2004 to 2011. During the first nine months of 2012, consumer price index rose by 2.8% year-on-year. Therefore, it is commercially favourable to the Group to keep the Fixed Fee Rate unchanged.

Based on the aforementioned, we are of the view that the terms of the Advertising Business Agreement are reasonably determined and are fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned as a whole.

### *(ii) The Printing Framework Agreement*

Pursuant to the 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 (other than Beijing Youth Daily) and other newspapers and magazines of the Parent which may be introduced by it from time to time. The consideration for the transactions contemplated under the Printing Framework Agreement (i) shall be settled by the Parent from its internal resources by cash in a lump sum or by installments according to the specific and separate implementation agreements; (ii) shall be conducted on normal commercial terms, being on terms which a party could obtain if the transactions were on arm's length basis or on terms no less favorable to BYD Logistics than terms available to or from third parties; and (iii) is calculated based on the actual volume of the newsprint printed and the quality of the printing services and printing materials.

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

The renewal of the terms of the Printing Framework Agreement for the three years ending 31 December 2012 was approved by the then Independent Shareholders at the Company's extraordinary general meeting held on 18 December 2009.

Shareholders should note that there is no provision in the Printing Framework Agreement requiring BYD Logistics to provide printing services and printing materials to the Parent exclusively. In other words, BYD Logistics is not obligated to provide printing services and printing materials to the Parent and would only do so if it is in the commercial interests of the Group, and it does not restrict BYD Logistics from providing printing services and printing materials to any third parties. Therefore, we consider the Printing Framework Agreement provide commercial flexibility to the Group to transact with other potential customers in the event that the Group solicits new customers or BYD Logistics might not be able to agree with any terms with the Parent in relation to the printing services and printing materials.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

- (a) relevant market price; and
- (b) where there is no relevant market price, then the contracted price agreed by both parties, which shall be determined on the basis of reasonable cost plus reasonable profit margin:
  - 1. the reasonable cost shall be determined by reference to the cost of the products and/or services provided by BYD Logistics; and
  - 2. the reasonable profit margin shall be determined by reference to the profit margin of the prevailing market and the then market for the products and/ or services as contemplated thereunder, the average profit margin in the related industry, and/or the overall profit margin of BYD Logistics in the past years

After discussion with the Management, we understand that BYD Logistics also provides printing service to other independent customers. In addition, BYD Logistics has adopted the same pricing policy to determine the service fee paid by its customers, including the Parent. We have reviewed sample copies of the printing services agreements between BYD Logistics and (i) the Parent; and (ii) independent customers in 2010 and 2011, and we noted that the pricing basis and payment terms under the Printing Framework Agreement are comparable and similar to printing service agreements between BYD Logistics and other independent customers.

In view of the above, we consider that the terms of the Printing Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **(C) The Annual Caps**

The Continuing Connected Transactions are subject to Listing Rules requirements and conditions as particularly discussed under the section headed “Requirements of the Listing Rules” below. In particular, the Continuing Connected Transactions are subject to the Annual Caps as discussed below.

Sets out below are the proposed Annual Caps for the Principal Continuing Connected Transactions and reasons thereof:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The Advertising Business Agreement*

As set out in the Letter from the Board, we summarise (i) the annual caps for the three years ending 31 December 2012, (ii) the proposed annual caps for the three years ending 31 December 2015; and (iii) the audited historical transactions amounts for the two years ended 31 December 2011 and the latest available unaudited transaction amount for the nine months ended 30 September 2012 in the following table:

	2010 (RMB'000)	2011 (RMB'000)	2012 (RMB'000)	2013 (RMB'000)	2014 (RMB'000)	2015 (RMB'000)
Annual Cap	132,000	145,200	145,200	100,000	100,000	100,000
Historical value	62,855	58,247	38,887 (up to 30 September 2012)	n/a	n/a	n/a

As shown above, the annual caps under the Advertising Business Agreement during the three years ending 31 December 2015 are RMB100 million, respectively, which are substantially lower than the existing annual caps for the three years ending 31 December 2012. As advised by the Management, the above annual caps are determined with reference to (i) the historical figures of the actual value of the transactions under the Advertising Business Agreement for the two years ended 31 December 2011 and for the nine months ended 30 September 2012; and (ii) expected growth of the advertising business of the Group.

We noted that the historical transaction amount during the nine months ended 30 September 2012 was approximately RMB38.9 million. After discussion with the Management, it is expected the total transaction amount in 2012 will be slightly lower than those in 2011 due to (i) slowdown of macro economy; (ii) restrictive policies on real estate purchase; and (iii) continuing stringent restrictive policies on automobile purchase in Beijing. As advised by the Management, the real estate industry and automobile industry are major advertisement sources of Beijing Youth Daily.

In our assessment of the Management's rationale in determining the cap amounts for the three years ending 31 December 2015, we have taken into consideration of the following factors:

(i) *Overview of the advertising industry in China*

According to the Global Entertainment and Media Outlook: 2012-2016, published by PricewaterhouseCoopers LLP in June 2012, China is the third largest advertising market in the world. The total advertising expenditure increased from approximately US\$19,037 million in 2007 to approximately US\$36,166 million in 2011. It is estimated that such expenditure will further increase from approximately US\$39,518 million in 2012 to approximately US\$71,641 million in 2016, with CAGR of approximately 14.6%. Among various types of media, newspaper advertising is the most important advertising platform and accounts for more than half of the total advertising expenditure in the PRC.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) Leading position of Beijing Youth Daily*

As stated in the 2012 Interim Report, Beijing Youth Daily secured its leading position (i) in revenue from advertising sales; and (ii) market share of real estate advertising among the major metropolitan newspapers in Beijing during the first half of 2012. The Management considers that Beijing Youth Daily is well poised to become a dominant leader amongst peer newspapers and to be benefited from the rebound and sustainable growth of the PRC economy.

*(iii) Macro environment on development of the real estate and automobiles industries*

We understand from the Management that commercial advertisements traditionally accounted for approximately 90% of the total advertising turnover of Beijing Youth Daily during the past few years. Among the various advertiser industry category of advertising income, real estate market and automobiles market together accounted for approximately half of the total advertising revenue of Beijing Youth Daily.

The State Council of the PRC introduced a raft of measures in September 2012 to stabilize trade growth, including speeding up export tax rebates, reducing administrative costs for companies, lowering financing costs for small and micro-sized enterprises and increasing credit to exporters. As a result, PRC's exports increased by 9.9% in September 2012 from a year earlier, a record monthly high and much higher than the 2.7% growth in August 2012. PRC's exports significantly expanded in September 2012 while imports resumed growth after a decline in August 2012, suggesting a recovery in overseas markets and a moderate improvement of domestic demand amid a bottoming-out in the PRC. Benefited from the economic growth to step out of the bottom, together with the leading position of Beijing Youth Daily in attracting commercial advertisements from real estate and automobile industries, it is expected by the Management that the advertising revenue from these two sectors will be gradually recovered over the next few years.

In addition, we are advised by the Management that the Company has continued to develop its advertising business to other industries in order to broaden its client base. As stated in the 2012 Interim Report, revenue from advertising sales to living services, tourism, luxury products and financial services targeting high-income groups witnessed year-on-year growth to different extents, among which, living services, tourism and luxury industries recorded growth of 35.23%, 18.5% and 7.14%, respectively, compared to the first half of 2011. Revenue from advertising sales to other industries such as education and commercial trade also recorded different rates of growth. Through the continuous development of advertising sales to diversified industries in the PRC, the Management expects that the advertising revenue of Beijing Youth Daily will resume its growth trend over the next few years.

As the fee to be paid to the Parent under the Advertising Business Agreement is fixed at 16.5% of the advertisement revenue generated by Beijing Youth Daily, the improvement of the advertising business of the Group is directly linked to the fee cap amount proposed in the table above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account the factors as discussed above and our assessment on the basis considered by the Company giving rise to the Annual Caps for three years ending 31 December 2015, we are of the view that the Annual Caps are fair and reasonable.

### *The Printing Framework Agreement*

As set out in the Letter from the Board, we summarise (i) the annual cap under for the three years ending 31 December 2012, (ii) the proposed Annual Caps for the three years ending 31 December 2015; and (iii) the audited historical transactions amounts for the two years ended 31 December 2011 and the latest available unaudited transaction amount for the nine months ended 30 September 2012 in the following table:

	2010 (RMB'000)	2011 (RMB'000)	2012 (RMB'000)	2013 (RMB'000)	2014 (RMB'000)	2015 (RMB'000)
Annual Cap	100,000	120,000	140,000	100,000	100,000	100,000
Historical value	12,454	10,044	15,479 (up to 30 September 2012)	n/a	n/a	n/a

As shown above, the annual caps under the Printing Framework Agreement during the three years ending 31 December 2015 are RMB100 million, respectively, which are substantially lower than the existing annual caps for the three years ending 31 December 2012. As advised by the Management, the above annual caps are determined with reference to (i) the historical figures of the actual value of the transactions under the Original Agreement for the two years ended 31 December 2010 and 2011 respectively, and the nine months ended 30 September 2012; and (ii) the possible resumption of business relationship with LEPA during the three years ending 31 December 2015.

We noted that the historical transaction amount during the nine months ended 30 September 2012 was approximately RMB15.5 million, which was higher than the actual transaction amount for the full year of 2011. However, such transaction amount during the past few years were substantially lower than the existing annual caps under the Printing Framework Agreement because the Group ceased to transact with LEPA in relation to the provision of printing services and printing materials in 2009 as they were unable to agree on the pricing terms.

As confirmed by LEPA, we understand that BYD Logistics is in the progress of negotiation with LEPA to resume the provision of printing services and printing materials by BYD Logistics. In the first half of 2012, the Group resumed to supply printing materials to LEPA which generated a revenue of approximately RMB5 million during the nine months ended 30 September 2012. If the related commercial negotiations proceed smoothly, it is expected by the Management that the provision of printing services to LEPA will be resumed by the first half of 2013.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the data provided by the Management, the historical transaction amount with LEPA during the year ended 31 December 2008 amounted to approximately RMB95 million. As estimated by LEPA, the estimated annual transaction value for printing services and printing materials supplied to LEPA will be approximately RMB70,000,000 in 2013.

Taking into account the factors as discussed above and our assessment on the basis considered by the Company giving rise to the Annual Caps for three years ending 31 December 2015, we are of the view that the annual caps are fair and reasonable.

### **(D) Requirements of the Listing Rule**

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
  - in the ordinary and usual course of business of the Group;
  - either on normal commercial terms or, if there are no sufficient comparable continuing connected transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
  - in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
  - have received the approval of the Board;
  - are in accordance with the pricing policies of the Group;
  - have been entered into in accordance with the terms of the relevant agreements governing the Continuing Connected Transactions; and
  - have not exceeded the Annual Caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Continuing Connected Transactions to allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions as set out in paragraph (b); and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and (b) respectively.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of transactions contemplated under the CCT Agreements, including the Annual Caps, are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, we advise the independent board committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Continuing Connected Transactions and their respective Annual Caps for the three years ending 31 December 2015, as detailed in the notice of EGM set out at the end of Circular.

Yours faithfully,  
For and on behalf of  
**China Everbright Capital Limited**  
**Alvin Kam**  
*Director*

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER**

As at the Latest Practicable Date and save as disclosed below, no other Director, Supervisor or chief executive officer of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which are required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and to the Hong Kong Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange.

**3. SUBSTANTIAL SHAREHOLDERS' INTERESTS**

So far as is known to the Directors, the Supervisors and the chief executive officer of the Company, as at the Latest Practicable Date, the following persons, other than the Directors, the Supervisors, or the chief executive officer of the Company, had interests or short positions in the shares or underlying shares which



would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of substantial shareholder	Class of Shares	Nature of Interest	Number of Shares Held	% of Class Share Capital (%)	% of Total Share Capital (%)
Beijing Youth Daily Agency	Domestic	N/A	124,839,974	87.66	63.27
Beijing Zhijin Science and Technology Investment Co., Ltd.	Domestic	N/A	7,367,000	5.17	3.73
MIH (BVI) Limited	H	Long	19,533,000	35.58	9.90
MIH Holdings Limited	H	Long	19,533,000	35.58	9.90
MIH Investments (PTY) Limited	H	Long	19,533,000	35.58	9.90
MIH Print Media Holdings Limited	H	Long	19,533,000	35.58	9.90
MIH QQ (BVI) Limited	H	Long	19,533,000	35.58	9.90
Naspers Limited	H	Long	19,533,000	35.58	9.90
Beijing Beida Founder Group Corporation	H	Long	4,939,000	8.99	2.50
Beijing University	H	Long	4,939,000	8.99	2.50
Beijing University Founder Investment Co., Ltd.	H	Long	4,939,000	8.99	2.50
Beijing University New Technology Corporation	H	Long	4,939,000	8.99	2.50
CITICITI Ltd.	H	Long	4,939,000	8.99	2.50
Founder Investment (HK) Ltd.	H	Long	4,939,000	8.99	2.50
Yue Shan International Limited	H	Long	4,939,000	8.99	2.50
Xia Jie	H	Long	4,939,000	8.99	2.50
Cao Ya Wen	H	Long	4,939,000	8.99	2.50

*Notes:*

- (1) The above information is based on the data provided on the website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)).
- (2) Mr. Zhang Yanping, Mr. Zhang Yabin, Mr. Li Shiheng, Mr. Liu Han, Ms. Wu Peihua, Mr. Li Xiaobing and Ms. He Xiaona, also members of the decision-making body of the Parent, are deemed to have material interests in the transactions under each of the Advertising Business Agreement and the Printing Framework Agreement and have abstained from voting on the relevant Board resolutions.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, the Supervisors and the chief executive officer of the Company, there was no other person (other than the Directors, the Supervisors or the chief executive officer of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

#### **4. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors and the Supervisors were not aware of any other factor which may lead material adverse change in the financial position or trading position of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group was made up.

#### **5. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors and the Supervisors nor their respective associates was interested in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under the Listing Rules.

#### **6. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors nor the Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Group was made up or was proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors nor the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

#### **7. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors nor the Supervisors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### **8. LITIGATION**

As far as the Directors are aware, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

**9. EXPERT'S QUALIFICATION AND CONSENT**

China Everbright Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its names in the form and context in which it appear.

The following are the qualifications of the experts who have given their opinions or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
China Everbright Capital Limited	a licensed corporation to carry on Type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

**10. EXPERT'S INTERESTS**

As at the Latest Practicable Date, China Everbright Capital Limited did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2011, the date to which the latest audited financial statements of the Group was made up.

As at the Latest Practicable Date, China Everbright Capital Limited was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**11. METHOD OF VOTING AT THE EGM**

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to the resolutions to be proposed at the EGM.

**12. MISCELLANEOUS**

- (a) The joint company secretaries of the Company are Mr. Shang Da and Mr. Yu Leung Fai.
- (b) The registered office of the Company is situated at Building A, No. 23 Baijiazhuang Dongli, Chaoyang District, Beijing, the PRC.
- (c) The H Share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited which is situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 7th Floor, Hong Kong Trade Centre, 161-167 Des Voeux Road Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including 27 November 2012:

- (a) the Advertising Business Agreement;
- (b) the Printing Framework Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders as set out in this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in this circular; and
- (e) the letter of consent from the expert referred to under the paragraph headed “Expert’s Qualification and Consent” in this appendix.

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## NOTICE OF THE EGM

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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)**

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Beijing Media Corporation Limited will be held at 3:00 p.m. on Friday, 21 December 2012 at 21st Floor, Beijing Youth Daily Agency, Building A, No. 23 Baijiazhuang Dongli, Chaoyang District, Beijing 100026, the People's Republic of China (“**PRC**”), for the purpose of considering and, if thought fit, passing the following resolutions:

#### A SPECIAL RESOLUTION

1. To consider and, if thought fit, to approve the amendment to the articles of association (the “**Articles**”) of the Company as follows:

**the clause (IV) of existing Article 78 of the Articles is proposed to be deleted and the existing Article 78 of the Articles will be amended as follows:**

“Article 78      The following issues shall be approved by special resolutions at a general meeting:

- (I) Increase or reduction in share capital of the Company and the issuance of shares of any class, warrants and other similar securities;
- (II) Issuance of the corporate bonds;
- (III) Division, merger, dissolution and liquidation of the Company, and substantial acquisition or disposal;
- (IV) Amendment to these Articles of Association;
- (V) Change or annulment to the rights of class shareholders; and
- (VI) Any other issue confirmed by an ordinary resolution at a general meeting that it may have material impact on the Company and accordingly shall be approved by special resolutions or required to be approved by special resolutions in accordance with Listing Rules of the Stock Exchange.”

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## NOTICE OF THE EGM

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### ORDINARY RESOLUTIONS

2. To consider and, if thought fit, to approve the removal of Mr. Zhang Yabin as an executive director of the Company.
3. To consider and, if thought fit, to approve the appointment of Mr. Yu Haibo as an executive director of the Company, to authorise the remuneration committee of the board of directors of the Company to determine his remuneration, and to authorise any one director of the Company to execute a service contract or such other documents or supplement agreements or deeds on behalf of the Company.
4. To consider and, if thought fit, to approve the respective annual caps for the three years ending 31 December 2015 for the transactions contemplated under the agreement (the “**Advertising Business Agreement**”) dated 7 December 2004 and its supplement agreement dated 9 April 2010 and entered into between the Company and Beijing Youth Daily Agency (the “**Parent**”) in relation to granting by the Parent the exclusive rights to sell all the advertising space in the Beijing Youth Daily.
5. To consider and, if thought fit, to approve:

“THAT

- a. the agreement (the “**Printing Framework Agreement**”) dated 31 October 2012 and entered into between the Beijing Youth Daily Logistics Company Limited and the Parent in relation to providing the printing services and printing materials to the Parent, and the respective annual caps for the three years ending 31 December 2015 for the transactions contemplated thereunder;
- b. any one director of the Company be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the Printing Framework Agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient.”

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

Beijing, 6 November 2012

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

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## NOTICE OF THE EGM

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*Notes:*

### **1. ELIGIBILITY FOR ATTENDING THE EGM**

Holders of H shares whose names appear on the register of the Company maintained by Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, on Wednesday, 21 November 2012 shall be entitled to attend the EGM.

Holders of H shares intending to attend and vote at the EGM to be held on Friday, 21 December 2012 shall lodge all the transfer documents for H shares with the relevant share certificates to the H share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 20 November 2012.

### **2. PROXY**

- (1) Shareholders entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote at the meeting on his behalf. The proxy need not be a shareholder of the Company.
- (2) A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under hand of its director(s) or duly authorized attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (3) To be valid, the notarized power of attorney or other document(s) of authorization (if any) and the form of proxy shall be delivered to (i) the registered office address of Company for holders of domestic shares; and (ii) Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, for holders of H shares, no less than 24 hours before the time fixed for convening the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so desires.
- (4) If a shareholder appoints more than one proxy, such proxies shall only exercise their voting rights by a poll.

### **3. REGISTRATION PROCEDURES FOR ATTENDING THE EGM**

- (1) A shareholder or his proxy shall produce his identification document when attending the EGM. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the resolutions of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Shareholders intending to attend the EGM shall return to the Company the reply slip stating their attendance on or before Friday, 30 November 2012.
- (3) A shareholder may return the above reply slip to the Company in person, by post or by facsimile to the office of the Company or Computershare Hong Kong Investor Services Limited.

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## NOTICE OF THE EGM

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### **4. CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Wednesday, 21 November 2012 to Tuesday, 21 December 2012 (both days inclusive), during which period no transfer of shares will be registered.

### **5. METHOD OF VOTING AT THE EGM**

Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to all the proposed resolutions at the EGM.

### **6. MISCELLANEOUS**

- (1) The EGM of the Company is expected to be held for less than half a day. Shareholders attending the EGM shall be responsible for their own travelling and accommodation expenses.
- (2) The address of the Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The registered office and the contact details of the Company are:  
Building A, No. 23 Baijiazhuang Dongli,  
Chaoyang District, Beijing 100026,  
the PRC  
Telephone: (+86) 10 6590 2630  
Fax: (+86) 10 6590 2630