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



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)

**VERY SUBSTANTIAL ACQUISITION AND CONTINUING
CONNECTED TRANSACTION
IN RELATION TO THE SUPPLEMENTAL AGREEMENT TO
THE SINGLE ASSET MANAGEMENT CONTRACT;
ANNUAL FINANCIAL BUDGETS FOR THE YEAR 2023;
AND NOTICE OF AGM**

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



A letter from the Board is set out on pages 4 to 22 of this circular and a letter from the Independent Board Committee, containing its recommendations to the Independent Shareholders, is set out on pages 23 to 24 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 25 to 42 of this circular.

A notice convening the AGM to be held at 2:00 p.m. on Friday, 16 June 2023 at the Conference Room 704, the 7th Floor, Beijing Youth Daily Agency Building, No. 23 Baijiazhuang Dongli, Chaoyang District, Beijing, the PRC is set out on pages 65 to 67 of this circular. Whether or not you are able to attend the AGM in person, 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 AGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H share 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 AGM or any adjournment thereof should you so desire.

25 May 2023

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DEFINITIONS

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

“AGM”	the 2022 annual general meeting to be convened by the Company on 16 June 2023
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing SASAC”	State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“Board”	the board of Directors of the Company
“Bond Repurchase Business”	a bond-based short-term capital financing business, including pledged repurchase (質押式回購) and outright repurchase (買斷式回購). The bond holder (positive repurchase party) pledges or sells the bond to the bond buyer (reverse repurchase party), and the two parties agree that on a future date, the positive repurchase party will buy back an equal amount of the same bond from the reverse repurchase party at a pre-agreed price. The specific transaction period is subject to the regulations of the People’s Bank of China
“BYDA”	Beijing Youth Daily Agency (北京青年報社), comprising public institution division and enterprise division
“Capital Group”	Beijing Capital Group Co., Ltd. (北京首都創業集團有限公司), the actual controller of the Company
“Capital Securities”	Capital Securities Co., Ltd. (首創證券股份有限公司)
“China Bond rating”	the bond rating by China Central Depository & Clearing Co., Ltd. (CCDC), which is usually different with bond rating of external rating institutions due to different rating basis. Therefore, based on the industrial practice, the bond rating under the Single Asset Management Contract excludes that of China Bond rating
“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 Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“CSRC”	China Securities Regulatory Commission
“Custodian Bank”	Beijing Branch of Bank of Communications Co., Ltd.
“Director(s)”	the director(s) of the Company
“Entrusted Assets”	the entrusted assets managed by the Capital Securities for the Company under the Scheme pursuant to the Single Asset Management Contract
“Extended Period”	the period from 17 June 2023 to 16 June 2026
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, who have no material interest in the transactions contemplated under the Single Asset Management Contract, namely Ms. Shi Hongying, Mr. Chan Yee Ping, Michael, Ms. Du Guoqing and Mr. Kong Weiping, aiming to provide advice to the Independent Shareholders on the entering into of the Supplemental Agreement
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the entering into of the Supplemental Agreement
“Independent Shareholders”	shareholders who have no material interest in the transactions contemplated under the Supplemental Agreement and are not required to abstain from voting on the relevant resolution at the AGM
“Latest Practicable Date”	19 May 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

“Proposed Annual Cap”	during the Extended Period of the Single Asset Management Contract, the maximum daily balance of the Entrusted Assets managed by Capital Securities shall not exceed RMB200 million
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the open-end, fixed-income single asset management scheme provided by Capital Securities to the Company under the Single Asset Management Contract
“SFO”	the Securities and Futures Ordinance (Chapter 571 of laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Single Asset Management Contract”	the Asset Management Contract for the Capital Securities — Beijing Media Single Asset Management Scheme entered into by the Company, Capital Securities and Custodian Bank dated 19 April 2022 and extended on 25 April 2023 pursuant to the Supplemental Agreement
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Supplemental Agreement”	the supplemental agreement to the Single Asset Management Contract entered into by the Company, Capital Securities and Custodian Bank dated 25 April 2023



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:

Jing Enji

Wu Min

Registered Office:

Building A, No. 23 Baijiazhuang Dongli

Chaoyang District, Beijing

the PRC

Non-Executive Directors:

Sun Baojie

Cui Ping

Xu Jian

Wang Zechen

Zhang Lei

Independent Non-Executive Directors:

Shi Hongying

Chan Yee Ping, Michael

Du Guoqing

Kong Weiping

25 May 2023

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND CONTINUING
CONNECTED TRANSACTION
IN RELATION TO THE SUPPLEMENTAL AGREEMENT TO
THE SINGLE ASSET MANAGEMENT CONTRACT;
ANNUAL FINANCIAL BUDGETS FOR THE YEAR 2023;
AND NOTICE OF AGM**

I. INTRODUCTION

References are made to the announcements dated 19 April 2022 and 25 April 2023 and the circular dated 26 May 2022 of the Company, in relation to the Supplemental Agreement to the Single Asset Management Contract entered into by the Company, Capital Securities

LETTER FROM THE BOARD

and Custodian Bank, to extend the term of the Single Asset Management Contract for three years from 17 June 2023 to 16 June 2026, and make certain amendments to the Single Asset Management Contract, mainly including matching amendments in accordance with the relevant PRC laws and regulations recently coming into force and upgrading the credit rating of the investment portfolio. The Board recommended that, within the Extended Period of the Single Asset Management Contract, the maximum daily balance of the Entrusted Assets managed by Capital Securities shall not exceed RMB200 million. The transactions under the Supplemental Agreement and the Proposed Annual Cap constitute very substantial acquisitions and continuing connected transactions for the Company under the Listing Rules, and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Company will convene the AGM at 2:00 p.m. on Friday, 16 June 2023, for the purpose of, among others, seeking Independent Shareholders' approval of the above transactions under the Supplemental Agreement. Other resolutions to be proposed to Shareholders at the AGM include: the report of the Board for 2022, the report of the Supervisory Committee for 2022, the audited financial statements of the Company for 2022, the annual financial budgets of the Company for the year 2023, and the appointment of WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) as the Company' auditor for the year 2023 and to authorize the audit committee of the Board to determine its remuneration.

The purpose of this circular is to provide you with all information reasonably necessary to enable you to make an informed decision on the consideration of the resolutions at the AGM, including but not limited to, (i) the particulars of the Supplemental Agreement; (ii) details of the financial budgets of the Company for the year 2023; and (iii) a notice of the AGM.

II. VERY SUBSTANTIAL ACQUISITION AND CONTINUING CONNECTED TRANSACTION

1. The Principal Terms of The Supplemental Agreement

The principal terms of the supplemented Single Asset Management Contract are as follows:

The Date of the Supplemental Agreement:	25 April 2023
Parties:	(1) the Company (as entrustor); (2) Capital Securities (as manager); and (3) the Custodian Bank (as custodian).

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Entrusted Assets: Within the validity period of the Single Asset Management Contract, the Company shall have the right to add and withdraw the Entrusted Assets, and no restriction on the maximum amount of redemption for the withdrawal of the Entrusted Assets will be set:

For the addition to the Entrusted Assets, the Company shall inform Capital Securities by email and telephone by 1:00 p.m. at least one business day in advance, and transfer the additional assets to the escrow account. After the Custodian Bank confirms that the additional Entrusted Assets have been received into the escrow account, Capital Securities and the Company will seal the Confirmation Letter of the Additional Entrusted Assets, which is the confirmation document of the additional Entrusted Assets.

For the withdrawal of the Entrusted Assets, the Company shall submit the sealed Notice of Withdrawal of Entrusted Assets to Capital Securities by 1:00 p.m. at least one business day before the application date for withdrawal of the Entrusted Assets. After confirming with seal, Capital Securities will send an asset transfer instruction to the Custodian Bank, notifying it to transfer the corresponding assets from the escrow account to the account designated by the Company within two days of the application date for the withdrawal of the Entrusted Assets (i.e. the date on which the Company applies for the withdrawal of the Entrusted Assets in the Notice of Withdrawal of Entrusted Assets). The sealed document by the Company and Capital Securities will be the confirmation document for the withdrawal of the Entrusted Assets. Capital Securities and the Custodian Bank would not bear the loss of asset realization resulting from the late notice by the Company. If any special matters occur, the Company, Capital Securities and the Custodian Bank shall otherwise deal with upon negotiation without violating relevant requirements of laws and regulations.

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Asset Management and Investment Services: Capital Securities shall provide the Company with asset management and investment services in respect of the Entrusted Assets in accordance with the investment scope and investment ratio set out below:

The Scheme aims to primarily invest in debt investment products such as fixed-income products (including cash) and can participate in bond repurchase business. In particular, the credit rating of fixed-income products such as corporate bonds, enterprise bonds, mid-term bills and other credit debts to be invested in should be issuer rating (without considering China Bond rating) or bond rating with at least one rated AA+ or above; the credit rating of short-term financing bond and ultra-short-term financing bond shall be A-1 or above (in case of no bond rating, the issuer rating shall be AA or above), and the issuers of all such bonds shall be state-owned holding enterprises. The Scheme shall not invest in asset management products other than public securities investment funds, or directly invest in credit assets of commercial banks or finance local government and its delegates in violation of regulations.

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Within six months from the commencement of the operating period of the investment, the ratio of the investment portfolio under the Scheme shall satisfy the following requirements: (1) fixed-income and cash assets shall account for 80% (inclusive) –100% of the total assets of the Scheme, and to avoid unilateral downside risk of fixed income products, the proportion of investment in fixed income assets may be lower than 80% of the total assets of the Scheme, but it shall not be lower than 80% of the total assets of the Scheme for six months in a row; (2) the balances of the funds for reverse bond repurchase and forward bond repurchase shall not exceed 100% and 50%, respectively, of the net assets of the Scheme on the previous day; (3) the total assets of the Scheme shall not exceed 200% of the net assets of the Scheme. If the proportion of the investment in bonds issued by the same issuer and its related parties exceeds 50% of its net assets in the Scheme, the total assets of the Scheme shall not exceed 120% of its net assets. Investment in treasury bonds, central bank notes, policy financial bonds, local government bonds and other investment varieties approved by the CSRC are not subject to the aforementioned regulations; (4) in terms of market value, investment in a single underlying bond (except for interest rate bonds) shall not exceed 25% of the total size of such invested bond, nor 25% of the net assets of the Scheme; (5) investment in the same asset (except for bank demand deposits, treasury bonds, central bank bills, policy financial bonds, local government bonds and other investment products recognized by the CSRC) other than bonds shall not exceed 25% of the net assets of the Scheme, nor 25% of such invested asset; and (6) investment in bonds issued by the same issuer shall not exceed 25% of the net asset value of such bond product.

Asset Custody
Services:

The Custodian Bank opens an escrow account in the name of the Scheme for the Entrusted Assets and opens a securities account or other specific account for specific use by the Scheme for Capital Securities. The Company will deposit the Entrusted Assets in the escrow account, and the Custodian Bank shall provide asset custody services to the Company and Capital Securities in respect of the Entrusted Assets, perform the obligation of supervising the investment and arrange payment in accordance with the terms and conditions under the Single Asset Management Contract.

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Distribution of Returns: If the balance of bond interests, bonus, dividend, securities dealing spread, interest on bank deposits and other legal income deriving from the same-day investment under the Scheme deducting legal expenses, being profit available for distribution, is positive, Capital Securities may fix such date as the income distribution date, and make a distribution within five business days after the income distribution date to the extent of the profit available for distribution on the income distribution date, in other words, in principle, upon confirmation by Capital Securities and the Custodian Bank, the profit available for distribution will be transferred to the Entrusted Assets share on the next business day following the income distribution date.

If the Entrusted Assets cannot be realized when the Scheme terminates, the Custodian Bank will transfer the then profit available for distribution into the capital account of the Company in the form of monetary funds at the instruction of Capital Securities. The settlement of the remaining assets with restricted liquidity will be deferred and made upon negotiation by the Company, Capital Securities and the Custodian Bank, and within ten business days from the date when they become realisable, such assets with restricted liquidity will be transferred into the capital account of the Company in the form of monetary funds.

Early Warning and Stop-loss Mechanism: The early warning line of the Scheme is RMB0.9800. During the duration of the Scheme, if the unit net value of the Entrusted Assets at the end of the trading day (T day) reaches or falls below the warning line, Capital Securities will send an early warning to the Company by email on T+1 day, and will adjust the position from T+1 day by only selling or conducting redemption and related investment operations and no longer conducting purchase or application (subscription) and related investment operations. When the unit net value of the Entrusted Assets recovers to RMB1.0000 (inclusive) or more from the next trading day, the Scheme can resume the purchase or application (subscription) and related investment operations.

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The stop-loss line of the Scheme is RMB0.9000. During the duration of the Scheme, if the unit net value of the Entrusted Assets at the end of the trading day (T day) reaches the stop-loss line, Capital Securities will begin to realise all the non-cash assets held by the Scheme on the next trading day (T+1 day) and inform the Company by email. The Company has the right to terminate the Scheme as and when appropriate based on realisation.

Charges under the Scheme: The Company shall pay:

To Capital Securities

(1) the management fee:

at 0.2% per annum based on the net asset value of the Entrusted Assets on the previous calendar day, to be accrued on a daily basis and paid on a quarterly basis; and

(2) the performance fee:

to be accrued (i) on the date of application for withdrawal of the Entrusted Assets, (ii) on the income distribution date, or (iii) upon expiry or liquidation of the Scheme (collectively, the “**performance fee accrual date(s)**”);

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calculated based on the realised gains on investments (i.e. various types of gains obtained from the investment operation of Entrusted Assets, including but not limited to investment bonus, dividends, bond interest, the price difference between buying and selling securities, bank deposit interest and other income) of the Scheme during the performance fee accrual period (i.e. from the commencement of the Scheme to the first performance fee accrual date or the period from each performance fee accrual date to the next performance fee accrual date): if the actual annualised return rate (*note*) exceeds 3.8% which is the benchmark annualised return rate, then 30% of the excess portion shall be payable by the Company to Capital Securities as performance fee for such performance fee accrual period; if the annualised return rate is lower than or equal to 3.8%, no performance fee for such performance fee accrual period is required to be paid by the Company;

to be taken by Capital Securities at most once every six months, except when the Company exits the Scheme.

Note:

Actual annualised return rate = (unit net value of Entrusted Assets at the end of the period – unit net value of Entrusted Assets at the beginning of the period)/unit net value of the Entrusted Assets at the beginning of the period* 100%* (365/days of operations from the beginning (inclusive) to the end of the period (exclusive)). Among them, the unit net value of Entrusted Assets = (total value of Entrusted Assets – liabilities of Entrusted Assets)/total units of Entrusted Assets. The total value of Entrusted Assets refers to the total value of various types of negotiable securities, principal and interest of bank deposits, securities investment fund shares and other assets under the Scheme.

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To the Custodian Bank

the custodial fee: at 0.05% per annum based on the net asset value of the Entrusted Assets on the previous calendar day, to be accrued on a daily basis and paid on 20 December every accounting year (or the next business day in case such day is not a business day) and the termination date of the Single Asset Management Contract (or the date for early termination).

Information
Disclosure and
Reporting:

Capital Securities shall disclose the net value of Entrusted Assets share under the Scheme to the Company at least once every trading day; circulate quarterly and annual reports on management and custody to the Company, explaining the investment performance, investment portfolio, returns distribution, value changes, changes of investment managers, and substantial related transactions of the Entrusted Assets during the reporting period.

If an event occurs that materially affects the continuous operation of the Scheme, the interests of clients, and the net asset value during the existence of the Scheme, Capital Securities shall disclose it to the Company within five business days from the date of the occurrence of the relevant event.

In addition, Capital Securities shall provide the Company with a reconciliation statement on a quarterly basis, including the number and net value of Entrusted Assets shares held by the Company under the Scheme, details of participation and withdrawal, and income distribution, etc.

Term of the
Scheme:

The original term of the Scheme shall be one year, which has been agreed by the parties to extend for three years from the expiration date of the Single Asset Management Contract, i.e. the Extended Period shall be three years from 17 June 2023, which may be terminated early or be renewed subsequently based on actual operation.

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Termination: The Scheme will be terminated in the case of the occurrence of the followings. The Single Asset Management Contract will be terminated once the Scheme is terminated:

- (1) the Scheme expires and is not renewed;
- (2) it is terminated by the Company, Capital Securities and the Custodian Bank upon negotiation;
- (3) Capital Securities is disqualified from asset management business in accordance with the law, or dissolved, cancelled, declared to go bankruptcy in accordance with the law without new manager succeeding within six months;
- (4) the Custodian Bank is disqualified from fund custody in accordance with the law, or dissolved, cancelled, declared to go bankruptcy in accordance with the law without new custodian succeeding within six months;
- (5) failure to complete the filing or non-filing in the Asset Management Association; or
- (6) other terminations required by laws, administrative regulations, the Supplemental Agreement and the CSRC.

Liabilities for Default:

Except for special circumstances such as force majeure, if Capital Securities and the Custodian Bank violate the provisions of laws, administrative regulations or the Supplemental Agreement and cause damage to the Entrusted Assets or the Company in the process of performing their respective duties, they should be respectively liable for their own actions and for direct losses according to law.

If Capital Securities violates the relevant provisions of laws and administrative regulations, and is legally revoked by the CSRC for the securities asset management business license, ordered to suspend business for rectification, or unable to perform its duties due to business suspension, dissolution, revocation, bankruptcy, etc., it shall properly handle relevant matters in accordance with relevant regulatory requirements.

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2. Financial Information on the Single Asset Management Scheme

As at 31 December 2022, the maximum daily balance of Entrusted Assets under the Single Asset Management Contract is RMB162,663,157.65, resulting in a total profit and net profit of RMB2,663,157.65 for the financial year ended 31 December 2022 through the transactions under the Single Asset Management Contract.

3. Basis for Pricing and the Proposed Annual Cap

Basis for Pricing

As at the Latest Practicable Date, the Company invested a lump sum of principal of RMB160,000,000 in accordance with the Single Asset Management Contract. As of 31 March 2023, the net unit value of Entrusted Assets was RMB1.0323, representing an annualised return rate of approximately 4.14%; the Company has paid a fixed management fee of RMB252,681.80 to Capital Securities at the annual rate of 0.2% and a custody fee of approximately RMB63,170.45 to the Custodian Bank at the annual rate of 0.05%.

Prior to entering into the Supplemental Agreement, the Company has reviewed the pricing policy for the Single Asset Management Contract during the Extended Period with reference to the actual amount incurred under the Single Asset Management Contract based on the latest market conditions. The Company believes that the pricing policy under the Single Asset Management Contract during the Extended Period is concluded after arm's length negotiation between the parties based on normal commercial terms, and is fair and reasonable.

When concluding the management fee and performance fee payable by the Company to Capital Securities under the Single Asset Management Contract during the Extended Period, the Company has taken into account the following factors:

- (1) the current terms in respect of asset management and investment services in similar nature and amounts involved to the Company provided by two comparable independent financial institutions in China licensed by the CSRC with C rating or above, including the management fees of 0.3% to 0.4% per annum, the benchmark annualised return rate of the accrual basis of the performance fee of 3.2% to 3.4%, and the ratio of the excess portion of the accrual ratio of performance fees of 40% to 60%. In contrast, Capital Securities charges the Company the same or lower fixed management fees and performance fees with a higher accrual basis and a lower accrual ratio; and
- (2) the fixed management fee (i.e. 0.2% per annum) charged by Capital Securities to the Company is lower than the average management fee (i.e. 0.5% per annum) currently charged by Capital Securities to independent third parties for asset management and investment services of similar nature and amount;

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- (3) the accrual basis of the performance fee (i.e. 3.8%) charged by Capital Securities to the Company is calculated based on the assessment of the income contribution of the proposed investment target (including coupon rate of bonds with AA rating or above and the market interest rate of bond pledge-style repurchase) and investment ratio under the Single Asset Management Contract, with reference to the planned actual annualised return rate under the Single Asset Management Contract (the actual annualised return rates as at the end of the five months ended 31 March 2023 were 2.49%, 3.27%, 3.36%, 3.91% and 4.14% respectively) and market yield of similar single asset management scheme by securities companies in the market; and
- (4) the accrual ratio of performance fees (i.e. 30%) charged by Capital Securities to the Company is lower than the current average accrual ratio of performance fee charged by Capital Securities to independent third parties for asset management and investment services of similar nature and amount (i.e. 60%).

While concluding the custody fee (i.e. 0.05% annual rate) payable by the Company to the Custodian Bank under the Single Asset Management Contract during the Extended Period, the Company has taken into account the following factors:

- (1) fixed-rate custodial fee is one of the common quotation methods for the custodial fees of standardized securities companies' asset management products. It is usually linked to the size of the product in that the smaller the product size is, the higher the fixed rate is;
- (2) the annual rate of custodial fees charged by other custodian banks under a single asset management product of a similar scale (i.e. RMB100 million to RMB200 million) of Capital Securities ranges from 0.05% to 0.08%; and
- (3) the annual rate of custodial fee payable by the Company to the Custodian Bank under the Single Asset Management Contract is lower than the annual rate of custodial fee charged by the Custodian Bank for products of similar scale.

The Proposed Annual Cap

The Single Asset Management Contract was effective from 17 June 2022 for an original term of one year, during which the maximum daily balance of the Entrusted Assets managed by Capital Securities was RMB200 million. The Directors continuously monitor whether the actual amount incurred in respect of the Entrusted Assets under the Single Asset Management Contract exceeds the maximum daily balance. As at 31 March 2023, the actual daily balance of the

LETTER FROM THE BOARD

Entrusted Assets under the Single Asset Management Contract was a maximum of RMB165,475,342.59, which has not exceeded the maximum daily balance of RMB200 million of the Entrusted Assets established above.

The Board recommended that, during the Extended Period of the Single Asset Management Contract, the maximum daily balance of the Entrusted Assets managed by Capital Securities is RMB200 million. When determining the above Proposed Annual Cap, the Directors have considered the following factors:

- (1) the Company has actually invested a principal amount of RMB160 million under the Single Asset Management Contract, and it is expected that during the Extended Period, in addition to the Group's daily operating capital and aforesaid investment amount, the Group still has funds available for investment management of approximately RMB30 million, including the Group's existing idle funds of approximately RMB20 million and the estimated idle earnings of approximately RMB10 million through other investment methods such as funds and equity each year; and
- (2) Based on the actual income performance of the Scheme under the Single Asset Management Contract, combined with the gradual reduction of the impact of the COVID-19 on the economy in the future, and the steady recovery of economic operation, the expected return on investment on the Entrusted Assets under the Single Asset Management Contract during the Extended Period.

4. Reasons for and Benefits of Entering into the Supplemental Agreement

The Company has achieved good income return through the Single Asset Management Contract. As of 31 March 2023, the annualised return on the Company's investments under the Single Asset Management Contract, was approximately 4.14%, which was much higher than the return on the Group's management of idle funds by way of bank demand deposits for the previous two years ended 31 December 2022 (not exceeding 1.9% per annum). The Company has established a good cooperation relationship with Capital Securities in the process. With the improvement of the cash management experience and professionalism of Capital Securities, the Company believes that Capital Securities will bring more efficient cash management services to the Company and looks forward to obtaining better investment returns. Accordingly, the Company entered into the Supplemental Agreement with Capital Securities and the Custodian Bank, to continue to entrust Capital Securities to manage the Company's idle fund for the Company without affecting the ordinary operating liquidity. At the same time, through the Supplemental Agreement, the parties have made necessary matching amendments to the Single Asset Management Contract in accordance with the relevant PRC laws and regulations that have recently come into effect, and upgraded the credit rating of the investment portfolio, to meet regulatory requirements and further reduce investment risks of the Company.

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Despite of the coexistence of revenue and risks in the wealth management products and no promise of principal guaranteed policy restriction for the products, the Company, having considered that, among others, (i) the Scheme under the Single Asset Management Contract is specially customized for the Company (as the sole entrustor) by Capital Securities, which enables the Company to negotiate with Capital Securities on investment and operation details (including exclusive investment scope and ratio, early warning and stop-loss mechanism of the Scheme and post-investment management services, etc.), customize the investment products that are truly suitable for the Company in terms of risks and returns, and have the right to require Capital Securities to report the operation of the Scheme to the Company in a timely manner, and keep abreast of investment product information; (ii) Capital Securities has extensive experience and proven track record in cash management, including the average annual return rate of 3.5% and 4% for single asset management products in similar amount of Capital Securities in the past one year and the past three years respectively and the actual rate of return on investments of the Company achieved by the Scheme; (iii) the Entrusted Assets shall be invested in the investment products with relatively low risks, and the early warning and stop-loss mechanism and flexible withdrawal of Entrusted Assets pursuant to the Single Asset Management Contract will protect the Company from any significant investment loss under the Scheme and will not affect the ordinary operating liquidity of the Group; (iv) the comparison between the management fee and performance fee charged by Capital Securities from the Company under the Single Asset Management Contract and the management fee and performance fee (including accrual basis and ratio) charged by independent securities companies in respect of similar asset management and investment services as well as those charged by Capital Securities from the independent third parties; (v) the arrangement of performance fee is commercial charging practices for similar plans and will motivate Capital Securities to obtain more returns for the Company; and (vi) the revised terms of the Single Asset Management Contract under the Supplemental Agreement further upgrade the underlying credit rating of fixed income products for the investment universe and strengthen certain investment ratio restrictions in accordance with the latest regulatory rules, which help to further reduce investment risk, the Directors (excluding the independent non-executive Directors whose opinions will be set out in the Letter from the Independent Board Committee in the circular) are of the view that the Supplemental Agreement and the transactions contemplated thereunder, despite not entered into in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms, and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

5. Internal Control Measures

- (1) Notwithstanding the sound investment strategy and risk control system of the wealth management products issued by Capital Securities under the Single Asset Management Contract, due to the coexistence of revenue and risks in the wealth management products and no promise of principal guaranteed policy restriction for the products, the Company will strengthen the project management on investment particulars of Capital Securities. The Company's Finance Department will assign a responsible person for daily verification of the daily net value, accrual management fee and performance fee of the Entrusted Assets. The Company's Finance Department is responsible for reviewing the quarterly and annual reports on management and custody submitted by Capital Securities to ensure the compliance with the terms of the Single Asset Management Contract, while the Audit Committee of the Board is responsible for continuously monitoring and inspecting the short-term wealth management business of monetary funds of the Company, and is entitled to appoint internal and external experts to conduct special audit of the wealth management business if necessary;
- (2) The Company's Finance Department is responsible for adding and withdrawing the Entrusted Assets under the Single Asset Management Contract upon the approval from the Company's president based on the actual operating situation and the demand for funds, and shall regularly report the capital operation and return details of the transactions under the Single Asset Management Contract and relevant analysis report to the president of the Company and the Board on a monthly basis;
- (3) The Company's Finance Department and the Office of the Board will keep examining, monitoring, collecting and assessing the details of the continuing connected transactions under the revised Single Asset Management Contract, including but not limited to the execution, the actual transaction amounts and payment arrangements of the Single Asset Management Contract to ensure the scope in the revised Single Asset Management Contract and the Proposed Annual Cap are not exceeded;
- (4) The Company will continue to improve its relevant internal control system, including establishing special short-term wealth management system, improving the monitoring mechanism for the Single Asset Management Contract and other short-term wealth management schemes and implementing the delineation between relevant rights and responsibilities to ensure the compliance of the Company's continuing connected transactions;

LETTER FROM THE BOARD

- (5) The independent non-executive Directors will continue to review continuing connected transactions, and confirm whether the relevant transactions are entered into in the ordinary and usual course of the business of the Group, whether on normal commercial terms or better, and whether the terms of relevant agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
- (6) The Company's auditor will conduct annual review on the pricing and the annual cap of the continuing connected transactions to ensure the annual caps for the transactions under the framework agreements are not exceeded.

Taking into account of that: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the above agreements. The Directors (excluding the independent non-executive Directors who will express their views after receiving advice from the independent financial adviser) are of the view that such methods and procedures can ensure that the transactions contemplated under the above agreements will be conducted on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

6. Listing Rules Implications

Capital Group has obtained the voting rights attached to 124,839,974 Shares of the Company (representing approximately 63.27% of the issued share capital of the Company) held by BYDA (enterprise) in accordance with the entrust management arrangement between it and BYDA and its beneficial owner on 20 May 2021. Therefore, Capital Group is a substantial Shareholder of the Company. Capital Securities is a subsidiary of Capital Group, therefore Capital Securities is an associate of Capital Group and a connected person of the Company, and the transactions under the Supplemental 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 Chapter 14A of the Listing Rules) in respect of the Proposed Annual Cap of the transactions contemplated under the Supplemental Agreement exceed 5%, the transactions contemplated under the Supplemental Agreement and the Proposed Annual Cap are subject to the annual review, reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The transactions under the Supplemental Agreement also fall within the ambit of Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the maximum annual cap during the Extended Period exceed 100%, the relevant transactions thereunder also constitute a very substantial acquisition of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 of the Listing Rules.

Save for Ms. Sun Baojie, Mr. Jing Enji, Ms. Cui Ping and Mr. Xu Jian (all employed by Capital Group (the parent company of Capital Securities) or its subsidiaries) who have abstained from voting on the relevant Board resolution(s) for their material interests in the transactions under the Supplemental Agreement, to the best knowledge of the Company having made all reasonable enquiries, none of the other Directors is required to abstain from voting on the relevant Board resolution(s).

7. General Information of the Parties to the Transactions

The Company

The Company is a leading media company in the PRC and its principal business includes sales of media advertisement, production of newspapers and magazines, and trading of print-related materials.

Capital Securities

Capital Securities is a joint stock limited company incorporated in the PRC with limited liability and a subsidiary of Capital Group, and is primarily engaged in the businesses of securities broking, investment banking and investment management. Further, Capital Securities has obtained the license for securities and futures dealing, investment and management issued by the China Securities Regulatory Commission in the PRC, enhancing the scope of business and products offered to its customers. The ultimate actual controller of Capital Securities is Beijing SASAC.

The Custodian Bank

The Custodian Bank is a joint stock limited company incorporated in the PRC with limited liability. It is principally engaged in the provision of banking and related financial services, with principal businesses in the areas of corporate banking, retail banking and treasury operations. Its treasury operations include, interbank money market transactions, foreign exchange trading and government and bond trading and investment. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Custodian Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

III. ANNUAL FINANCIAL BUDGETS FOR THE YEAR 2023

Details of the consolidated financial budgets of the Company for the year 2023 are set out below:

(i) Scope for Preparation of the Budgets

The Company and its subsidiaries.

(ii) Principles for Preparation of the Budgets

In accordance with the Budgets Management System of the Company combined with the actual operation situations of the Company in 2022, we fully anticipate the impacts on the revenue and cost by the changes of external environments in operation in 2023, and in accordance with the principles of budgets preparation such as consistency, assessability, appropriateness and comprehensiveness, the task objectives are broken down from the top down, information is reported from the bottom up, and budgets preparation is carried out through comprehensive balance.

(iii) Major Project Budgets

The Company's expected total operating costs (including operating costs, selling expenses, administrative expenses and financial expenses) for the year 2023 shall be approximately RMB229.70 million. The above budget amount is the internal management control objective of the Company's operation plan, and whether it can be achieved is subject to macroeconomic, industry development conditions, market demand and other factors, and is therefore uncertain. The actual expenditures for specific business should be charged based on actual price and market conditions when the business occurs.

The above consolidated annual financial budget of the Company for the year 2023 is subject to the consideration and approval of the Shareholders by an ordinary resolution at the AGM.

IV. AGM

A notice convening the AGM to be held at the Conference Room 704, the 7th Floor, Beijing Youth Daily Agency, No.23 Baijiazhuang Dongli, Chaoyang District, Beijing, the PRC, at 2:00 p.m. on Friday, 16 June 2023, is set out on pages 65 to 67 of this circular.

Votes on the resolutions to be proposed at the AGM shall be taken by way of poll. As at the Latest Practicable Date, Capital Group has acquired the voting right attached to 124,839,974 shares of the Company held by BYDA (enterprise) (representing approximately 63.27% of the total issued share capital of the Company) through the entrust management arrangement between BYDA and its beneficial owner on 20 May 2021. Capital Group, as the controller of Capital Securities, the counterparty to the Supplemental Agreement, has a material interest in the transactions under the Supplemental Agreement, and therefore Capital Group and its associates (totally holding voting right attached to 124,839,974

LETTER FROM THE BOARD

shares of the Company, representing approximately 63.27% of the total issued share capital of the Company), are required to abstain from voting on the resolution in relation to the Supplemental Agreement at the AGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, there is no Shareholder who has material interests in the resolutions to be proposed at the AGM and is required to abstain from voting on the relevant resolutions at the AGM.

Whether or not you are able to attend the AGM in person, 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 AGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H share 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 AGM or any adjournment thereof should you so wish.

V. RECOMMENDATION

The Board is of the view that the matters to be proposed to Shareholders for voting at the AGM are in the interests of the Company and its Shareholders as a whole. Therefore, the Board recommend the Shareholders to vote in favour of all the resolutions at the AGM.

VI. OTHER INFORMATION

Your attention is drawn to (i) the Letter from the Independent Board Committee set out in this circular which contains the transaction under the Supplemental Agreement and the Proposed Annual Cap, and the recommendations of the Independent Board Committee to the Independent Shareholders; and (ii) the Letter from the Independent Financial Adviser set out in this circular which contains the transactions under the Supplemental Agreement and the Proposed Annual Cap, the recommendations of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the same, and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice. Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Beijing Media Corporation Limited
Chairman
Sun Baojie

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the transactions under the Supplemental Agreement and the relevant annual cap, which has been prepared for the purpose of inclusion in this circular.



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)

25 May 2023

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE SUPPLEMENTAL AGREEMENT TO THE SINGLE ASSET MANAGEMENT CONTRACT

We refer to the circular of the Company dated 25 May 2023 (the “**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.

We have been appointed to form the Independent Board Committee to consider and advise you as to whether, in our opinion, the transactions under the Supplemental Agreement and the Proposed Annual Cap (details of which are set out in the letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned.

Gram Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions under the Supplemental Agreement and the Proposed Annual Cap. Details of the advice from Gram Capital, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 25 to 42 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 22 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered (i) the terms and conditions of the transactions under the Supplemental Agreement, (ii) the discussion with the management of the Company about the background to and nature of the transactions under the Supplemental Agreement, (iii) the reasons for the relevant cap and the basis upon which it has been determined, (iv) the business and financial effects of the transactions under the Supplemental Agreement, and (v) the advice given by the Independent Financial Advisor and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the view that the transactions under the Supplemental Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favorable than those available to or from independent third parties under prevailing local market conditions; and (iii) although not entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of Company and its Shareholders as a whole; and that the Proposed Annual Cap is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the AGM so as to approve the transactions under the Supplemental Agreement and the Proposed Annual Cap.

Yours faithfully,

For and on behalf of the Independent Board Committee of

Beijing Media Corporation Limited

Independent Non-executive Directors

Shi Hongying

Chan Yee Ping, Michael

Du Guoqing

Kong Weiping

LETTER FORM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

25 May 2023

*To: The independent board committee and the independent shareholders
of Beijing Media Corporation Limited*

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONTINUING CONNECTED TRANSACTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Supplemental Agreement (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 25 May 2023 issued by the Company to the Shareholders (the “**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 requires otherwise.

As the Single Asset Management Contract is expected to expire on 16 June 2023, the Company entered into the Supplemental Agreement with Capital Securities and the Custodian Bank on 25 April 2023, to extend the term of the original Single Asset Management Contract for three years from 17 June 2023 to 16 June 2026, and make certain amendments to the original Single Asset Management Contract, mainly including matching amendments in accordance with the relevant PRC laws and regulations recently coming into force. The Board recommended that, within the Extended Period of the Single Asset Management Contract, the maximum daily balance of the Entrusted Assets managed by Capital Securities shall not exceed RMB200 million.

With reference to the Board Letter, the transactions contemplated under the Single Asset Management Contract constitute very substantial acquisition and continuing connected transaction of the Company, and are subject to the reporting, announcement, annual review and the Independent Shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

LETTER FORM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Shi Hongying, Chan Yee Ping, Michael, Du Guoqing and Kong Weiping (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) continuing connected transactions (details of which were set out in the Company's circular dated 15 December 2021); (ii) continuing connected transactions (details of which were set out in the Company's circular dated 31 March 2022); (iii) very substantial acquisition and continuing connected transactions (details of which were set out in the Company's circular dated 26 May 2022); and (iv) continuing connected transactions (details of which were set out in the Company's circular dated 8 February 2023). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy

LETTER FORM THE INDEPENDENT FINANCIAL ADVISER

and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the original Single Asset Management Contract and the Supplemental Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 the 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Capital Securities and the Custodian Bank and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Company is a leading media company in the PRC and its principal business includes sales of media advertisement, production of newspapers and magazines and trading of print-related materials.

LETTER FORM THE INDEPENDENT FINANCIAL ADVISER

Information on Capital Securities

With reference to the Board Letter, Capital Securities is a joint stock limited company incorporated in the PRC with limited liability and a subsidiary of Capital Group (a substantial shareholder of the Company), and is primarily engaged in the businesses of securities broking, investment banking and investment management. Further, Capital Securities has obtained the license for securities and futures dealing, investment and management issued by the China Securities Regulatory Commission in the PRC, enhancing the scope of business and products offered to its customers. The ultimate actual controller of Capital Securities is Beijing SASAC.

Information on the Custodian Bank

With reference to the Board Letter, the Custodian Bank is a joint stock limited company incorporated in the PRC with limited liability. It is principally engaged in the provision of banking and related financial services, with principal businesses in the areas of corporate banking, retail banking and treasury operations. Its treasury operations include, among others, interbank money market transactions, foreign exchange trading and government and bond trading and investment. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Custodian Bank and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Reasons for and benefits of the Transactions

As advised by the Directors, to increase the cash revenue of the Group, the Company entered into the original Single Asset Management Contract with Capital Securities and the Custodian Bank to effectively manage existing idle fund through conducting low-risk investment activities without affecting the ordinary operating liquidity.

Despite of coexistence of revenue and risks in the wealth management products and no promise of principal guaranteed policy restriction for the products, the Company, having considered that, among others, (i) the Scheme under the Single Asset Management Contract is specially customized for the Company (as the sole entrustor) by Capital Securities, which enables the Company to negotiate with Capital Securities on investment and operation details (including exclusive investment scope and ratio, early warning and stop-loss mechanism of the Scheme and post-investment management services, etc.), customize the investment products that are truly suitable for the Company in terms of risks and returns, and have the right to require Capital Securities to report the operation of the Scheme to the Company in a timely manner, and keep abreast of investment product information; (ii) Capital Securities has extensive experience and proven track record in cash management; (iii) the Entrusted Assets shall be invested in the investment products with relatively low risks, and the early warning and stop-loss mechanism and flexible withdrawal of Entrusted Assets pursuant to the Single Asset Management Contract will protect the Company from any significant investment loss under the Scheme and will not affect the ordinary operating liquidity of the Group; (iv) the comparison between the management fee and performance fee charged by Capital Securities from the Company under the Single Asset Management Contract and the management fee and performance fee (including accrual basis and ratio)

LETTER FORM THE INDEPENDENT FINANCIAL ADVISER

charged by independent securities companies in respect of similar asset management and investment services as well as those charged by Capital Securities from the independent third parties; (v) the arrangement of performance fee is commercial charging practices for similar plans and will motivate Capital Securities to obtain more returns for the Company; and (vi) the revised terms of the Single Asset Management Contract under the Supplemental Agreement further upgrade the underlying credit rating of fixed income products for the investment universe and strengthen certain investment ratio restrictions in accordance with the latest regulatory rules, which help to further reduce investment risk, the Directors are of the view that the Supplemental Agreement and the transactions contemplated thereunder, despite not entered into in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms, and in the interest of the Company and its Shareholders as a whole.

With reference to Board Letter, as at 31 March 2023, the annualised return on the Company's investments under the original Single Asset Management Contract was approximately 4.14%. Furthermore, according to Capital Securities' prospectus (the "**Capital Securities' Prospectus**")^(Note) published on 21 November 2022, annualised average investment return of single asset management as managed by Capital Securities were 6.62% for 2019 (74 single asset management products as at the end of this period), 5.68% for 2020 (49 single asset management products as at the end of this period), 2.05% for 2021 (43 single asset management products as at the end of this period), and 5.68% for the period from January 2022 to June 2022 (39 single asset management products as at the end of this period) respectively. For each of the four years ended 31 December 2022, banks deposit rates available to the Group were below all the aforesaid returns of single asset management managed by Capital Securities.

Having considered the above factors and our analyses on the pricing policy of the Single Asset Management Contract below (which is fair and reasonable), we consider that although the transactions contemplated under the Single Asset Management Contract are not conducted in the ordinary and usual course of business of the Group, the transactions contemplated under of the Single Asset Management Contract are in the interests of the Company and the Shareholders as a whole.

As the original Single Asset Management Contract will expire on 16 June 2023, the Supplemental Agreement was entered to extend the term of the original Single Asset Management Contract. Furthermore, the Supplemental Agreement was also to make certain amendments in accordance with the relevant PRC laws and regulations recently coming into force.

Having considered that (i) the transactions contemplated under the Single Asset Management Contract are in the interest of the Company and the Shareholders as a whole; (ii) the Supplemental Agreement is to extend the term of the Single Asset Management Contract (which will expire on 16 June 2023) and make certain amendments in accordance with the relevant PRC laws and regulations recently coming into force, we are of the view

Note: http://www.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-21/601136_20221121_4TAS.pdf

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that although the Transactions are not conducted in the ordinary and usual course of business of the Group, the Transactions are in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transactions

The following table summarizes the principal terms of the Transactions, details of which are set out under the section headed “THE PRINCIPAL TERMS OF THE SUPPLEMENTAL AGREEMENT”.

Date:	25 April 2023
Parties:	(1) the Company (as entrustor); (2) Capital Securities (as manager); and (3) the Custodian Bank (as custodian).
Term of the Scheme:	The original term of the Scheme was one year, which has been extended, with unanimous consent of all parties for three years on the basis of the expiry date of the Single Asset Management Contract, i.e. the Extended Period shall be three years from 17 June 2023, which may be terminated early or be renewed subsequently based on actual operation.

Entrusted Assets:

Within the validity period of the Single Asset Management Contract, the Company shall have the right to add to or withdraw from the Entrusted Assets, and no restriction on the maximum amount of redemption for the withdrawal of the Entrusted Assets will be set.

For the addition to the Entrusted Assets, the Company shall inform Capital Securities by email and telephone by 1:00 p.m. at least one business day in advance, and transfer the additional assets to the escrow account. After the Custodian Bank confirms that the additional Entrusted Assets have been received into the escrow account, Capital Securities and the Company will seal the Confirmation Letter of the Additional Entrusted Assets, which is the confirmation document of the additional Entrusted Assets.

For the withdrawal of the Entrusted Assets, the Company shall submit the sealed Notice of Withdrawal of Entrusted Assets to Capital Securities by 1:00 p.m. at least one business day before the application date for withdrawal of the Entrusted Assets. After confirming with seal, Capital Securities will send an asset transfer instruction to the Custodian Bank, notifying it to transfer the corresponding assets from the escrow account to the account designated by the Company within two days of the application date for the withdrawal of the Entrusted Assets (i.e. the date on which the Company applies for the withdrawal of the Entrusted Assets in the Notice of Withdrawal of Entrusted Assets). The sealed document by the Company and Capital Securities will be the confirmation document for the withdrawal of the Entrusted Assets. Capital Securities and the Custodian Bank

LETTER FORM THE INDEPENDENT FINANCIAL ADVISER

would not bear the loss of asset realization resulting from the late notice by the Company. If any special matters occur, the Company, Capital Securities and the Custodian Bank shall otherwise deal with upon negotiation without violating relevant requirements of laws and regulations.

Asset Management and Investment Services:

Capital Securities shall provide the Company with asset management and investment services in respect of the Entrusted Assets in accordance with the investment scope and investment ratio set out below:

The Scheme aims to primarily invest in debt investment products such as fixed-income products (including cash) and can participate in bond repurchase business. In particular, the credit rating of fixed-income products such as corporate bonds, enterprise bonds, mid-term bills and other credit debts to be invested in should be issuer rating (without considering China Bond rating) or bond rating with at least one rated AA+ or above; the credit rating of short-term financing bond and ultra-short-term financing bond shall be A-1 or above (in case of no bond rating, the issuer rating shall be AA or above), and the issuers of all such bonds shall be state-owned holding enterprises. The Scheme shall not invest in asset management products other than public securities investment funds, or directly invest in credit assets of commercial banks or finance local government and its delegates in violation of regulations.

Within 6 months from the commencement of the operating period of the investment, the ratio of the investment portfolio under the Scheme shall satisfy the following requirements: (1) fixed-income and cash assets shall account for 80% (inclusive)–100% of the total assets of the Scheme, and to avoid unilateral downside risk of fixed income products, the proportion of investment in fixed income assets may be lower than 80% of the total assets of the Scheme, but it shall not be lower than 80% of the total assets of the Scheme for 6 months in a row; (2) the balances of the funds for reverse bond repurchase and forward bond repurchase shall not exceed 100% and 50%, respectively, of the net assets of the Scheme on the previous day; (3) the total assets of the Scheme shall not exceed 200% of the net assets of the Scheme. If the proportion of the investment in bonds issued by the same issuer and its related parties exceeds 50% of its net assets in the Scheme, the total assets of the Scheme shall not exceed 120% of its net assets. Investment in government bonds, central bank notes, policy financial bonds, local government bonds and other investment varieties approved by the CSRC are not subject to the aforementioned regulations; (4) in terms of market value, investment in a single underlying bond (except for interest rate bonds) shall not exceed 25% of the total size of such invested bond, nor 25% of the net assets of the Scheme; (5) investment in the same asset (except for bank demand deposits, government bonds, central bank bills, policy financial bonds, local government bonds and other investment products recognized by the CSRC) other than bonds shall not exceed 25% of the net assets of the Scheme, nor 25% of such invested asset; and (6) investment in bonds issued by the same issuer shall not exceed 25% of the net asset value of such bond product.

LETTER FORM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Directors, the Company has adopted short-term investment policy to better manage its cash on hand. We obtained and reviewed such policy and noted that the principal terms of the short-term investment policy are as follows:

	Short-term investment policy	Single Asset Management Contract
Legality	Fund management should be of legality, in compliance with the relevant laws, regulations and internal policies, and strictly under the authorized area	Pursuant to the Single Asset Management Contract, Capital Securities undertook that Capital Securities will manage and operate the Entrusted Assets with
Prudence	Fund management should be planned and solidly managed, with no impact on fund requirements during normal business	responsibility, honesty, prudence and diligence in accordance with 《中華人民共和國證券投資基金法》 (The Securities Investment Fund Law of the People's Republic of China*).
Security	Investment in the high-risk products and speculation in stocks are forbidden	Primarily invest in debt investment products such as fixed-income products (including cash) and can participate in bond repurchase business. In particular, the credit rating of fixed-income products such as corporate bonds, enterprise bonds, mid-term bills and other credit debts to be invested in should be issuer rating (without considering China Bond rating) or bond rating with at least one rated AA + or above; the credit rating of short-term financing bond and ultra-short-term financing bond shall be A-1 or above (in case of no bond rating, the issuer rating shall be AA or above), and the issuers of all such bonds shall be state-owned holding enterprises. The Scheme shall not invest in asset management products other than public securities investment funds, or directly invest in credit assets of commercial banks or finance local government and its delegates in violation of regulations.
Liquidity	Fund should be invested in products with high liquidity. Investment in the products which have very long terms or are difficult to sell are forbidden. Fund shall be further added or redeemed at any time	
Efficiency	The utilisation of fund should be low risk and high liquidity; aim for security, sustainability and return which is higher than opportunity cost and to maximise benefit	
Investment products	Investment products may include cash products (such as bank saving deposits, time deposit with term of less than six months, government bonds and the People's Bank of China bills with maturity of less than one year and with good liquidity, etc.), fixed income products (such as treasury bonds, the People's Bank of China bills, local government debts, commercial bank bonds, medium-term bills, corporate bonds, floating-interests bonds, etc.) and other products acceptable to the Company	

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	Short-term investment policy	Single Asset Management Contract
Investment period	Less than one year for a single product in principle	The original term of the Scheme was one year, which has been extended, with unanimous consent of all parties for three years on the basis of the expiry date of the Single Asset Management Contract, i.e. the Extended Period shall be three years from 17 June 2023, which may be terminated early or be renewed subsequently based on actual operation.
Cooperated institutions	In deciding the institutions for cooperation, their creditability, asset management experience, proposed management fees, risk management measures, management fees, etc. should be considered comprehensively	Please refer to section headed “Information on Capital Securities” of this letter.

Based on the above, save for the investment period, the investment scope of the Single Asset Management Contract is in line with the requirements set out by the Company’s short-term investment policy.

Asset Custody Services:

The Custodian Bank opens an escrow account in the name of the Scheme for the Entrusted Assets and opens a securities account or other specific account for specific use by the Scheme for Capital Securities. The Company will deposit the Entrusted Assets in the escrow account, and the Custodian Bank shall provide asset custody services to the Company and Capital Securities in respect of the Entrusted Assets, perform the obligation of supervising the investment and arrange payment in accordance with the terms and conditions under the Single Asset Management Contract.

Charges under the Scheme:

The Company shall pay:

A. To Capital Securities

(1) the management fee:

- at 0.2% per annum based on the net asset value of the Entrusted Assets on the previous calendar day, to be accrued on a daily basis and paid on a quarterly basis.

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(2) the performance fee:

- to be accrued (i) on the date of application for withdrawal of the Entrusted Assets, (ii) on the income distribution date, or (iii) upon expiry or liquidation of the Scheme (collectively, the “**performance fee accrual date(s)**”);
- calculated based on the realised gains on investments (i.e. various types of gains obtained from the investment operation of Entrusted Assets, including but not limited to investment bonus, dividends, bond interest, the price difference between buying and selling securities, bank deposit interest and other income) of the Scheme during the performance fee accrual period (i.e. from the commencement of the Scheme to the first performance fee accrual date or the period from each performance fee accrual date to the next performance fee accrual date): if the actual annualised return rate (*note*) exceeds 3.8% which is the benchmark annualised return rate, then 30% of the excess portion shall be payable by the Company to Capital Securities as performance fee for such performance fee accrual period; if the annualised return rate is lower than or equal to 3.8%, no performance fee for such performance fee accrual period is required to be paid by the Company;
- to be taken by Capital Securities at most once every six months, except when the Company exits the Scheme.

*Actual annualised return rate = [(unit net value of Entrusted Assets at the end of the period – unit net value of Entrusted Assets at the beginning of the period)/unit net value of the Entrusted Assets at the beginning of the period]*100%* (365/days of operations from the beginning (inclusive) to the end of the period (exclusive)). Among them, the unit net value of Entrusted Assets = (total value of Entrusted Assets – liabilities of Entrusted Assets)/total units of Entrusted Assets. The total value of Entrusted Assets refers to the total value of various types of negotiable securities, principal and interest of bank deposits, securities investment fund shares and other assets under the Scheme.*

With reference to the Board Letter, the management fee and performance fee payable by the Company to Capital Securities under the Single Asset Management Contract was concluded after arm’s length negotiation between the parties, taking into account the following factors:

- (i) the current terms in respect of asset management and investment services in similar nature and amounts involved to the Company provided by two comparable independent financial institutions in China licensed by the CSRC with C rating or above, including the management fees of 0.3% to 0.4% per annum, the benchmark annualised return rate of the accrual basis of the performance fee of 3.2% to 3.4%, and the ratio of the excess portion of the accrual ratio of performance fees of 40% to 60%. In contrast, Capital Securities charges the Company the same or lower fixed management fees and performance fees with a higher accrual basis and a lower accrual ratio;

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- (ii) the fixed management fee (i.e. 0.2% per annum) charged by Capital Securities to the Company is lower than the average management fee (i.e. 0.5% per annum) currently charged by Capital Securities to independent third parties for asset management and investment services of similar nature and amount;
- (iii) the accrual basis of the performance fee (i.e. 3.8%) charged by Capital Securities to the Company is calculated based on the assessment of the income contribution of the proposed investment target (including coupon rate of bonds with AA rating or above and the market interest rate of bond pledge-style repurchase) and investment ratio under the Single Asset Management Contract, with reference to the planned actual annualised return rate under the Single Asset Management Contract (the actual annualised return rate as at the end of the five months ended 31 March 2023 were 2.49%, 3.27%, 3.36%, 3.91% and 4.14%, respectively) and market yield of similar single asset management scheme by securities companies in the market; and
- (iv) the accrual ratio of performance fees (i.e. 30%) charged by Capital Securities to the Company is lower than the current average accrual ratio of performance fee charged by Capital Securities to independent third parties for asset management and investment services of similar nature and amount (i.e. 60%).

Upon our request, the Directors provided us documents showing quotations offered by two comparable independent financial institutions in China licensed by the CSRC with C rating or above for asset management and investment services in similar nature and amounts involved. We noted that the Company sought quotations from two independent financial institutions and the number of independent financial institutions is not exhaustive. After considering the following reasons, we are of the view that the two quotations are acceptable to us for our analyses:

- (i) according to 2021年證券公司分類結果 (Classification Results of Securities Companies in 2021*) published by CSRC, the ratings of Capital Securities, independent financial institution A and independent financial institution B were A rating, A rating and BBB rating;
- (ii) it is not possible for the Company to seek for quotations from all securities firms due to the fact that there more than 100 securities firms in the PRC according to the statistics released by CSRC; and
- (iii) in addition to the comparison of quotations from the two independent financial institutions for the purpose of analyzing pricing policy contemplated under the Single Asset Management Contract, we also performed other analyses on the pricing policy.

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Details of the quotations offered by the two comparable independent financial institutions are as follows:

	Management fee	Performance fee	Accrual basis
Independent financial institution A	0.3%	60%	3.4%
Independent financial institution B	0.4%	40%	3.2%
Capital Securities	0.2%	30%	3.8%

In addition, we also noted from the Capital Securities' Prospectus that quotations offered by Capital Securities to independent third party clients for asset management services in respect of single asset management were as follows:

		Management fee	Performance fee	Accrual basis
For the year ended 31 December 2019	Clients (not connected persons)	0–3.0%	0–60%	0–7.5%
	Clients (connected persons)	0–0.15%	0–40%	0–4%
For the year ended 31 December 2020	Clients (not connected persons)	0–2.4%	0–60%	0–7.5%
	Clients (connected persons)	0–0.2%	0–30%	3.8%–4%
For the year ended 31 December 2021	Clients (not connected persons)	0–2.4%	0–60%	0–7.0%
	Clients (connected persons)	0–0.2%	0–30%	3.8%–4%
For the six months ended 30 June 2022	Clients (not connected persons)	0–0.5%	0–60%	0–6.8%
	Clients (connected persons)	0–0.2%	25%–30%	3.8%–4%
Single Asset Management Contract		0.2%	30%	3.8%

According to the above table, the management fee, performance fee and accrual basis offered by Capital Securities under the Single Asset Management Contract fell within the range of those offered by Capital Securities to its clients (including both connected persons and not connected persons of Capital Securities).

We further noted that (i) the management fee offered by Capital Securities under the Single Asset Management Contract (i.e. 0.2% per annum) was higher than the management fee offered by Capital Securities to its clients (who are connected persons of Capital Securities) for the year ended 31 December 2019 (i.e. 0–0.15% per annum); (ii) the management fee and performance fee offered by Capital Securities under the Single Asset Management Contract were at the upper limit of the ranges of those offered by Capital Securities to its clients (who are connected persons of Capital Securities) for the two years ended 31 December 2021 and six months ended 30 June 2022; and (iii) the accrual basis offered by Capital Securities under the Single Asset Management Contract was at the lower limit of the ranges of those offered by Capital Securities to its clients (who are connected persons of Capital Securities) for the two

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years ended 31 December 2021 and six months ended 30 June 2022. We consider the aforesaid facts will not affect our view on the management fee, performance fee and accrual basis offered by Capital Securities under the Single Asset Management Contract after the following works/analyses:

- we further noted from the Capital Securities' Prospectus that (i) other than the single asset management plan with the Company, there were four single asset management plans (the "**Recent Years Plans**") formed (to its clients who are connected persons of Capital Securities) during the period from 1 January 2020 to 30 June 2022; (ii) management fees of all four Recent Years Plans were 0.2% per annum; (iii) performance fees of all four Recent Years Plans were 30% of the excess portion (which ranged from 3.8% to 4.0% (i.e. accrual basis)). The range of the aforesaid accrual basis (i.e. 3.8% to 4.0%) was narrow.

Based on the above, the management fee, performance fee and accrual basis offered by Capital Securities under the Single Asset Management Contract were at the same level to those offered by Capital Securities to its clients (who are connected persons of Capital Securities) for the period from 1 January 2020 to 30 June 2022, being a more recent period.

Having considered the above, in particular, management fee, performance fee and accrual basis offered by Capital Securities under the Single Asset Management Contract (i) were more favourable than those offered by other two independent financial institutions; (ii) fell within the range of those offered by Capital Securities to its clients (including both connected persons and non-connected persons of Capital Securities); and (iii) were at the same level to those offered by Capital Securities to its clients (who are connected persons of Capital Securities) for the period from 1 January 2020 to 30 June 2022, we are of the view that the management fee, performance fee and accrual basis offered by Capital Securities under the Single Asset Management Contract to be fair and reasonable.

B. To the Custodian Bank

A custodial fee at 0.05% per annum based on the net asset value of the Entrusted Assets on the previous calendar day, to be accrued on a daily basis and paid on December 20 every accounting year (or the next business day in case such day is not a business day) and the termination date of the Single Asset Management Contract (or the date for early termination).

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With reference to the Board Letter, the custodial fee (i.e. 0.05% annual rate) payable by the Company to the Custodian Bank under the Single Asset Management Contract was concluded after arm's length negotiation between the parties, taking into account the following factors:

- (i) fixed-rate custodial fee is one of the common quotation methods for the custodial fees of standardized securities companies' asset management products. It is usually linked to the size of the product in that the smaller the product size is, the higher the fixed rate is;
- (ii) the annual rate of custodial fees charged by other custodian Banks under a single asset management product of a similar scale (i.e. RMB100 million to RMB200 million) of Capital Securities ranges from 0.05% to 0.08%; and
- (iii) the annual rate of custodial fee payable by the Company to the Custodian Bank under the Single Asset Management Contract is lower than the annual rate of custodial fee charged by the Custodian Bank for products of similar scale.

In addition to the above information, we also searched for custodial fees of 券商资管 (Asset Management by Securities Firms) with asset management products being fixed-income products from Wind Financial Terminal^(Note). As the available funds for investment is RMB190 million (including principal amount of RMB160 million already invested and RMB30 million as available funds), we set the scale of the comparable products with size ranging from RMB171 million to RMB209 million (i.e. 10% difference from the scale of the original available funds for investment under the Single Asset Management Contract) as at the date of the Supplemental Agreement (the "**Comparable Products**"). Based on the information which we obtained from Wind Financial Terminal, there were 59 Comparable Products met our selection criteria and with available information, which were exhaustive as far as we were aware of. According to our findings, the custodial fees of the Comparable Products ranged from 0.01% to 0.10%, with average of approximately 0.044%. The custodial fee under the Single Asset Management Contract of 0.05% fell within the aforesaid range and was close to the aforesaid average.

Having considered that (i) the annual rate of custodial fees charged by other custodian Banks under a single asset management product of a similar scale (i.e. RMB100 million to 200 million) of Capital Securities ranges from 0.05% to 0.08%; and (ii) the custodial fee under the Single Asset Management Contract of 0.05% fell within the aforesaid range of the Comparable Products and was close to the aforesaid average, we are of the view that the custodial fee under the Single Asset Management Contract to be fair and reasonable.

Note: According to the website of Wind Financial Terminal, Wind Information Co., Ltd. ("Wind", the developer of Wind Financial Terminal) is a leading provider of financial information services in China, and an indispensable partner for lots of securities companies, fund management corporations, insurance companies, banks, investment firms, and media. Globally, Wind is also favored by widely used by qualified foreign institutional investors (QFII) approved by China Securities Regulatory Commission.

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We also noted that the Company's Finance Department will assign a responsible person for daily verification of the daily net value, accrual management fee and performance fee of the Entrusted Assets. We consider the effective implementation of the aforesaid procedures will ensure the fair pricing pursuant to the Single Asset Management Contract.

For our due diligence purpose, we conducted following works:

- (i) the Company provided us with daily net asset value of the Entrusted Assets, together with management fee and custodial fee. We noted that the implied management fee is 0.2% on the net asset value of the Entrusted Assets on the previous calendar day on an annualised basis; and
- (ii) we random selected one working day in each month during the period from the establishment of the single asset management plan to the date of the Supplemental Agreement and required the Company to provide daily report of the Entrusted Assets for such date. We obtained the daily reports as per our request and noted that the daily net value of the Entrusted Assets was reported by Capital Securities to the Company's Finance Department.

Based on the aforesaid, we do not doubt the effectiveness of the implementation of the internal control procedures.

Information disclosure and reporting:

Capital Securities shall disclose the net value of Entrusted Assets share under the Scheme to the Company at least once every trading day; circulate quarterly and annual reports on management and custody to the Company, explaining the investment performance, investment portfolio, returns distribution, value changes, changes of investment managers, and substantial related transactions of the Entrusted Assets during the reporting period.

If an event occurs that materially affects the continuous operation of the Scheme, the interests of clients, and the net asset value during the existence of the Scheme, Capital Securities shall disclose it to the Company within five business days from the date of the occurrence of the relevant event.

In addition, Capital Securities shall provide the Company with a reconciliation statement on a quarterly basis, including the number and net value of Entrusted Assets shares held by the Company under the Scheme, details of participation and withdrawal, and income distribution, etc.

Termination:

The Scheme will be terminated in the case of the occurrence of the followings. The Single Asset Management Contract will be terminated once the Scheme is terminated:

- (1) the Scheme expires and is not renewed;

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- (2) it is terminated by the Company, Capital Securities and the Custodian Bank upon negotiation;
- (3) Capital Securities is disqualified from asset management business in accordance with the law, or dissolved, cancelled, declared to go bankruptcy in accordance with the law without new manager succeeding within six months;
- (4) the Custodian Bank is disqualified from fund custody in accordance with the law, or dissolved, cancelled, declared to go bankruptcy in accordance with the law without new custodian succeeding within six months;
- (5) failure to complete the filing or non-filing in the Asset Management Association;
or
- (6) other terminations required by laws, administrative regulations, the Single Asset Management Contract and the CSRC.

Proposed Annual Cap

With reference to the Board Letter, the original Single Asset Management Contract was effective from 17 June 2022 for an original term of one year, during which the maximum daily balance of the Entrusted Assets managed by Capital Securities was RMB200 million. The Directors continuously monitor whether the actual amount incurred in respect of the Entrusted Assets under the Single Asset Management Contract exceeds the maximum daily balance.

The Board recommended that, during the Extended Period of the Single Asset Management Contract, the maximum daily balance of the Entrusted Assets managed by Capital Securities was RMB200 million. When determining the above Proposed Annual Cap, the Directors considered the certain factors, details of which are set out under the section headed “The Proposed Annual Cap” of the Board Letter.

As stated in the Board Letter, the Company has actually invested a principal amount of RMB160 million under the original Single Asset Management Contract. In addition to the Group’s daily operating capital and the above invested amount, it is expected that the Group has available funds for investment management of approximately RMB30 million during the Extended Period, including the Group’s existing idle funds of approximately RMB20 million and the estimated idle earnings of approximately RMB10 million through investment methods such as funds and equity each year.

As at 31 December 2022, the Group recorded bank balances and cash of approximately RMB82.9 million and financial assets held for trading of approximately RMB162.7 million. We also noted that dividends receivable was approximately RMB11.1 million (or approximately RMB9.6 million after less provision for bad debts) as at 31 December 2022, both amounts were close to the estimated idle earnings of approximately RMB10 million.

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Based on the above, in particular, (i) that the Company has actually invested a principal amount of RMB160 million under the original Single Asset Management Contract; (ii) dividends receivable was approximately RMB11.1 million (or approximately RMB9.6 million after less provision for bad debts) as at 31 December 2022, both amounts were close to the estimated idle earnings of approximately RMB10 million; and (iii) the Group's existing idle funds of approximately RMB20 million, we are of the view that the estimated fund for investment of RMB190 million are justifiable.

As mentioned above, the intended benchmark rate in the Scheme will be 3.8% each year, which is the same as annualized return rate as accrual basis of the performance fee charged by Capital Securities. The intended investment return of RMB7.22 million was calculated by RMB190 million \times 3.8%.

Based on the above factors and that the Proposed Annual Cap (RMB200 million) is close to the above analysed total estimated amounts of RMB197.22 million, we are of the view that the Proposed Annual Cap of RMB200 million for the first year ending 16 June 2024 is fair and reasonable.

As advised by the Directors, it is difficult to forecast (i) the total idle cash level of the Group; and (ii) the actual return from the single asset management plan for whole Extended Period. Nevertheless, should there be any substantial increase in total idle cash of the Group or net asset value of Entrusted Assets, the Group may opt to (i) invest idle cash by other means or deposit such idle cash in commercial banks; (ii) redeem partial of the Entrusted Assets; and/or (iii) re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the Proposed Annual Cap.

Based on the above, we consider that the Proposed Annual Cap, which is the same during the Extended Period, is fair and reasonable.

Shareholders should note that as the Proposed Annual Cap of the Transactions are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to the new expiry date of the Single Asset Management Contract at the AGM, and they do not represent forecasts of revenue/cost to be recorded/incurred from the Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost to be recorded/incurred from the Transactions will correspond with the Proposed Annual Cap.

We also noted that the Company's Finance Department and the Office of the Board will keep examining, monitoring, collecting and assessing the details of the continuing connected transactions under the Single Asset Management Contract, including but not limited to the execution, the actual transaction amounts and payment arrangements of the Single Asset Management Contract to ensure the scope in the Single Asset Management Contract and the Proposed Annual Cap is not exceeded. We consider the effective implementation of the aforesaid internal control procedure will ensure the Proposed Annual Cap is not exceeded.

In light of the above, we consider that the terms of the Transactions (including the Proposed Annual Cap) are on normal commercial terms and are fair and reasonable.

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Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the Proposed Annual Cap for the term of Single Asset Management Contract; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps.

In the event that the maximum amounts of the Transactions are anticipated to exceed the Proposed Annual Cap, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions (please also refer to section headed "Internal Control Measures" of the Board Letter for details) and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions (including the Proposed Annual Cap) are on normal commercial terms and are fair and reasonable; and (ii) although the Transactions are not conducted in the ordinary and usual course of business of the Group, the Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the AGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the years ended 31 December 2020, 2021 and 2022 are disclosed on pages 63 to 166 of the Company's annual report for 2020, pages 74 to 170 of the annual report for 2021 and pages 77 to 174 of the annual report for 2022 respectively, which are available on the Company's website (<http://www.bjmedia.com.cn>) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. INDEBTEDNESS STATEMENT

Bank Loans and Other Borrowings

As at the close of business on 31 March 2023 (being the latest practicable date for determining the indebtedness of the Group), the Group had no outstanding bank loans and other borrowings.

Lease Commitments

As at the close of business on 31 March 2023 (being the latest practicable date for determining the indebtedness of the Group), the lease commitments arising from operating leases of the Group are all unsecured and/or unguaranteed, details of which are set out as follows:

Operating Lease Commitment — Properties

As at the close of business on 31 March 2023 (being the latest practicable date for determining the indebtedness of the Group), the Group had total future minimum lease payments under non-cancelable operating leases (with the leasing terms listed below) in respect of leased properties as follows:

Unit: RMB'000

Within 1 year	1,581
1–2 years	1,617
2–3 years	<u>1,645</u>
Total	<u><u>4,843</u></u>

External Guarantees and Contingent Liabilities

As at the close of business on 31 March 2023 (being the latest practicable date for determining the indebtedness of the Group), the Group had no external guarantee and contingent liabilities. Save as disclosed above, as at the close of business on 31 March 2023 (being the latest practicable date for determining the indebtedness of the Group), the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (exclude common trading bills) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors had confirmed there were no significant adverse changes in liabilities or contingent liabilities of the Group since 31 March 2023.

3. WORKING CAPITAL

Taking into account the funds available and indebtedness of the Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular in the absence of unforeseeable circumstances.

The Company has obtained the relevant confirmations as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2022, being the date of the latest published audited financial statements of the Group.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the sales of media advertisement, production of newspapers and magazines and trading of print-related materials.

In 2023, the Group will (1) adhere to the operation and development strategy of “maintaining stability and trying amid stability” and accelerate the transformation of search business. Through strengthening product building, the Group will create self-media matrix, establish multimedia product system and strive to explore sustainable business model by expanding camping education and other asset-light operating business; (2) play the role of a market-oriented expansion platform for the cultural and sports industry of the Capital Group, actively synergize and integrate resources, innovate IP operation and maintenance and activity planning, leverage the advantages of the listed company platform to build a comprehensive and multi-level industrial chain, construct a new industrial development pattern, respond to industry risks through a diversified revenue model and cultivate new growth momentum; (3) deepen the expansion of cultural, creative and technological resources, seek opportunities for industrial cooperation through industry research and field research, and carry out capital operations when appropriate; (4) continuously improve management, comprehensively strengthen the system and information construction, improve the risk control system and make efforts to address the previous issues; (5) implement a reform of the remuneration system that prioritizes efficiency and gives consideration to fairness, strengthen performance assessment and talent cultivation, and establish an effective incentive mechanism, to realize the talent to strengthen the enterprise and stimulate the endogenous power of the Company’s development; based on the strengthening of the existing businesses, grasp the opportunities arising from industry reform and the revival of social economy to create new opportunities in crisis and open a new chapter in a changing situation by trying valiantly and exploring actively, and strive to become a leading media enterprise with cross-media market expansion capabilities in China.

6. EFFECT OF THE TRANSACTIONS UNDER THE SUPPLEMENTAL AGREEMENT ON THE EARNING, ASSETS AND LIABILITIES OF THE GROUP

The Group intends to invest mainly in cash and medium and high-grade bonds through the asset management scheme, and strive to achieve steady appreciation of assets while strictly controlling risks and maintaining asset liquidity. The Scheme is principally invested in debt investment products of non-principal guaranteed with fixed return (including cash products) and others. According to the Scheme and after considering the relevant factors as set out in the section headed “Reasons for and benefits of entering into the Supplemental Agreement” in the Letter from the Board in this circular, the Directors estimate that the Group will record a surplus in respect of the investment, and the total assets of the Group are expected to increase accordingly, and the investment is expected to have no impact on the liabilities of the Group. The Group expects that the investment will have a positive impact on the Group’s financial performance as a whole.

7. MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis of the Group for the three financial years ended 31 December 2022 is set out below:

(1) For the financial year ended 31 December 2022

Group Business Review

The Group is principally engaged in three core businesses: (1) advertising sales, which contributes to part of the Group’s turnover; (2) printing, whose turnover includes revenue from printing publications arranged by BYD Logistics; and (3) trading of print-related materials, which involves the supply and trading of, among others, newsprint, ink, lubricants, films, presensitized plate and rubber sheet to customers including commercial printers.

Due to the ongoing impact of COVID-19 pandemic and the escalation of global geopolitical conflicts, energy crisis, and persistently high inflation, the economy recovery has slowed down with a turbulent global economy, while China’s economy was also affected and faced unprecedented challenges in 2022.

The Group’s total operating income for 2022 was RMB158,397 thousand (2021: RMB187,552 thousand), representing a decrease of 15.55% as compared with the corresponding period in 2021. Due to the impact of COVID-19 pandemic, the competition from new media and changes in policy, the operating revenue of the various business sectors of the Group declined to varying degrees. In particular, Beiqing Community Media, a subsidiary of the Company, recorded a decrease in operating revenue by RMB17,297 thousand in 2022 due to the decline in offline business and the impact of changes in the management policy of the industry.

The Group recorded a significant decrease of loss, thanks to (1) bad debts accrued over years and the provision for asset impairment significantly decreased by RMB37,264 thousand in 2022; (2) proactively taking measures of reducing costs and enhancing efficiency, including optimizing human resources allocation, strictly controlling costs and reducing business expenses. The administrative expenses were therefore significantly decreased by RMB6,891 thousand, representing a decrease of 18.64% as compared with those for the corresponding period of 2021; (3) turnaround from loss to profit of BYD Logistics, a subsidiary of the Company, whose net profit in 2022 was RMB810 thousand, achieving not only operating profits but also financial profit after provision.

Financial Resources and Liquidity

As at 31 December 2022, current assets of the Group was RMB310,393 thousand (31 December 2021: RMB335,041 thousand), including bank balances and cash of RMB82,948 thousand (31 December 2021: RMB264,322 thousand) and non-current assets of the Group was RMB394,716 thousand (31 December 2021: RMB392,519 thousand).

As at 31 December 2022, current liabilities of the Group was RMB73,547 thousand (31 December 2021: RMB77,477 thousand); and non-current liabilities was RMB3,901 thousand (31 December 2021: RMB4,525 thousand).

As at 31 December 2022, shareholders' equity of the Group was RMB627,661 thousand (31 December 2021: RMB645,558 thousand).

Gearing Ratio

As at 31 December 2022, gearing ratio of the Group was 12.34% (31 December 2021: 12.70%) (which is calculated by dividing the Group's total liabilities by its total equity).

Bank Borrowings, Overdrafts and Other Borrowings

As at 31 December 2022, bank loans, overdrafts and other borrowings of the Group was Nil (31 December 2021: Nil). Most of the cash and cash equivalent held by the Group was denominated in Renminbi.

Financing Cost

Financing cost of the Group for 2022 was RMB5 thousand (2021: RMB18 thousand).

Capital Expenditure

Capital expenditures of the Group for 2022 was RMB930 thousand (2021: RMB719 thousand). Capital expenditures of the Group for 2022 mainly comprises the expenditures consistent with business strategies including expenditures on office equipment and intangible assets.

Contingent Liabilities and Pledge of Assets

As at 31 December 2022, the Group did not have any contingent liabilities or any pledge of assets.

Material Investments

To increase the cash revenue of the Group, the Company entered into the Single Asset Management Contract with Capital Securities and the Beijing Branch of Bank of Communications Co., Ltd. on 19 April 2022 to effectively manage existing idle funds through conducting low-risk investment activities without affecting the ordinary operating liquidity of the Group. Pursuant to the Single Asset Management Contract, the Company will entrust Capital Securities to provide asset management and investment services for the Entrusted Assets, with a term of one year commencing from 17 June 2022, being the date of approval by the Independent Shareholders at the AGM. Within the validity period of the Single Asset Management Contract, the maximum daily balance of the Entrusted Assets managed by Capital Securities shall not exceed RMB200 million. For details of the above transaction, please refer to the announcement dated 19 April 2022 and the circular dated 26 May 2022 of the Company.

As at 31 December 2022, the Company's investments in Beiyang Publishing & Media Co., Ltd. and Beijing Keyin Media Culture Co., Ltd. accounted for over 5% of the Group's total assets in value. The details of such significant investments are set out below:

(1) Basic information of relevant companies:

Company name	Place of registration	Primary operation place	Business nature	Investment cost (RMB'000)	Shareholding (%)	Fair value	Proportion of total assets (%)
						as at 31 December 2022 (RMB'000)	
Beiyang Publishing & Media Co., Ltd.	Shijiazhuang, Hebei	Shijiazhuang, Hebei	Production, printing, publishing and distribution of books, newspapers and magazines	103,000	2.43	222,256	31.52
Beijing Keyin Media Culture Co., Ltd.	Beijing	Beijing	Organizing exchange activities on culture and art, and design, production and provision of agency service of advertisements	6,560	16.00	35,874	5.09

(2) Major financial information of significant investees:

Company name	Net profit attributable to owners of the parent company for the year ended 31 December 2022 (RMB thousand)	Accumulated undistributed profits as at 31 December 2022 (RMB thousand)	Dividend received for the year ended 31 December 2022 (RMB thousand)
	Beiyang Publishing & Media Co., Ltd.	—	—
Beijing Keyin Media Culture Co., Ltd.	2,458	164,014	11,160

(3) The investment strategies of major investments:

Beiyang Publishing & Media Co., Ltd. (hereinafter referred to as “**Beiyang Media**”) is mainly engaged in the production, printing, publishing and distribution of books, newspapers and magazines. It is the main platform for Hebei Publishing & Media Group Co., Ltd. to perform transformation into corporate and capitalized operations. Currently, the Company holds 43,706,423 shares of Beiyang Media, representing 2.43% of the aggregate

share capital of Beiyang Media. The Company has made investment in Beiyang Media mainly based on the following: 1) the sound operating status of Beiyang Media; 2) its share reform, listing and other capital operation plans, to achieve better investment returns. Upon investment by the Company, Beiyang Media has been operating well, with stable growth in both assets and revenues in recent years. The Company is optimistic about the future operation of Beiyang Media and intends to hold its shares for a long term.

Beijing Keyin Media and Culture Co., Ltd. (hereinafter referred to as “**Keyin Media**”) is mainly engaged in organizing exchange activities on culture and art, and design, production and provision of agency service of advertisements, etc. Currently, the Company holds 4,000,000 shares of Keyin Media, representing 16% of the aggregate share capital of Keyin Media. The Company has made investment in Keyin Media mainly based on its sound operating status and listing plan. Upon investment by the Company, Keyin Media has been operating well and has been in a profitable position in recent years. The Company is optimistic about the future operation of Keyin Media and intends to hold its shares for a long term.

Save as disclosed above, for the year ended 31 December 2022, the Group had no material investments or any plan related to material investment or acquisition of assets.

Material Acquisition and Disposal of Assets

For the year ended 31 December 2022, the Group had no material acquisition or disposal of subsidiaries, joint ventures or associates.

Foreign Exchange Risks

Renminbi is the functional currency of the Company. The Company’s operations conducted in the PRC are mainly settled in Renminbi. However, certain payables are settled in foreign currency (mainly HKD). Therefore, the Company is exposed to fluctuations in foreign exchange rate to a certain extent. Operating cash flow or liquidity of the Group is subject to very limited effect from exchange rate fluctuations.

Staff

The Group is committed to building and cultivating a diversified and high-quality talent team, maintains a working environment for diversified development, strictly forbids discrimination in gender, region, religion and nationality, etc., and treats different types of employees equally. As at 31 December 2022, the Group had a total of 329 staff members (31 December 2021: a total of 289) including 219 female staff members and 110 male staff members, accounting for 66.57% and 33.43% of the total staff members, respectively. The increase in the number of the staff as compared with 2021 was mainly due to the

establishment of new subsidiaries of the Company and the reasonable increase of the normal business needs of new subsidiaries. Differences in background of the staff members and job demand and other matters are the main factors affecting the gender diversity of staff members. During the year ended 31 December 2022, the Group's employee remuneration amounted to approximately RMB51,846 thousand in total. The staff remuneration and benefits of the Group are both determined by reference to market rates, national policies and individual performance. The Group actively encouraged the self-development of the employees, and carried out abundant staff training activities. In 2022, the Group carried out staff training on induction of new employees and management capacity of middle-level cadre, connected transactions, etc.

Remuneration Policy

The Company has set up the Remuneration Committee under the Board, which is responsible for formulating the remuneration policy and making proposal regarding the remunerations of the Directors and senior management of the Company to the Board. The remunerations of the Directors of the Company are determined by the Remuneration Committee as authorized by the general meeting of the Company. The remuneration of Supervisors of the Company shall be approved by the general meeting of the Company. The remuneration policy of the Company is determined and realized according to the duties of the Directors, Supervisors and senior management and the Company's operating performance.

Position-based remuneration system was adopted for general management staff. Salary was determined according to the relative importance of the positions, the responsibilities assumed in the positions and other factors. Various salary models such as performance linked and piece rate wage model were adopted respectively for other employees based on the types of employees and their job nature.

The Company stringently controlled the overall remuneration amount management of its controlled subsidiaries and its wholly-owned subsidiaries in accordance with the applicable policy requirements of the PRC government. It sought to maintain an appropriate balance between salary increase and the growth in economic benefits, in order to achieve a win-win situation among Shareholders, management and employees and to facilitate the harmonious development of the enterprise.

The Company paid housing funds and social security funds on behalf of employees on a monthly basis, according to the relevant national and local laws and regulations on labour affairs and social security. In particular, social security funds include pension insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance, etc.

(2) For the financial year ended 31 December 2021***Group Business Review***

The Group is principally engaged in three core businesses: (1) advertising sales, which contributes to part of the Group's turnover; (2) printing, whose turnover includes revenue from printing publications arranged by BYD Logistics; and (3) trading of print-related materials, which involves the supply and trading of, among others, newsprint, ink, lubricants, films, presensitized plate and rubber sheet to customers including commercial printers.

In 2021, the Group adhered to the strategy of “focusing on stability, innovating while maintaining stability, and seeking progress while innovating”, and took multiple measures simultaneously. The Group's total operating income for 2021 was RMB187,552 thousand, representing a decrease of 13.69% as compared with the corresponding period in 2020 (2020: RMB217,291 thousand), which was mainly attributable to (1) a decrease of advertising income; (2) a decrease of paper trading income. Among which, revenue from advertising was RMB82,855 thousand (2020: RMB89,973 thousand), representing a decrease of 7.91% as compared with 2020; revenue from printing was RMB2,921 thousand (2020: RMB2,824 thousand), representing an increase of 3.43% as compared with 2020; and revenue from trading of print-related materials was RMB96,486 thousand (2020: RMB115,256 thousand), representing a decrease of 16.29% as compared with 2020. Net loss attributable to shareholders of the Company for 2021 was RMB64,159 thousand (net loss attributable to shareholders of the Company for 2020: RMB130,176 thousand), representing a decrease of loss of 50.71% as compared with the corresponding period in 2020, which was mainly due to (1) an increase of investment income, among which RMB19,923 thousand was contributed by Runxin Dingtai Fund and RMB376 thousand by Suzhou Huaying Fund; (2) a decrease of RMB72,495 thousand from bad debt provision and asset impairment.

Financial Resources and Liquidity

As at 31 December 2021, current assets of the Group was RMB335,041 thousand (31 December 2020: RMB356,897 thousand), including bank balances and cash of RMB264,322 thousand (31 December 2020: RMB240,221 thousand) and non-current assets of the Group was RMB392,519 thousand (31 December 2020: RMB388,550 thousand).

As at 31 December 2021, current liabilities of the Group was RMB77,477 thousand (31 December 2020: RMB90,159 thousand); and non-current liabilities was RMB4,525 thousand (31 December 2020: RMB6,792 thousand).

As at 31 December 2021, shareholders' equity of the Group was RMB645,558 thousand (31 December 2020: RMB648,496 thousand).

Gearing Ratio

As at 31 December 2021, gearing ratio of the Group was 12.70% (31 December 2020: 14.95%) (the gearing ratio is calculated by dividing the Group's total liabilities by its total equity).

Bank Borrowings, Overdrafts and Other Borrowings

As at 31 December 2021, bank loans, overdrafts and other borrowings of the Group was Nil (31 December 2020: Nil). Most of the currency unit of cash and cash equivalent held by the Group was Renminbi.

Financing Cost

Financing cost of the Group for 2021 was RMB18 thousand (2020: RMB138 thousand).

Capital Expenditure

Capital expenditures of the Group for 2021 was RMB719 thousand (2020: RMB763 thousand). Capital expenditures of the Group for 2021 was mainly comprised of the expenditures consistent with business strategies including expenditures on office equipment and intangible assets.

Contingent Liabilities and Pledge of Assets

As at 31 December 2021, the Group did not have any contingent liabilities or any pledge of assets.

Material Investments

As at 31 December 2021, the Company's investments in Beiyang Media, Keyin Media accounted for over 5% of the Group's total assets in value. The details of such significant investments are set out below:

(1) Basic information of relevant companies:

Company name	Place of registration	Primary operation place	Business nature	Investment cost (RMB'000)	Shareholding (%)	Fair value	Proportion of total assets (%)
						as at 31 December 2021 (RMB'000)	
Beiyang Media	Shijiazhuang, Hebei	Shijiazhuang, Hebei	Production, printing, publishing and distribution of books, newspapers and magazines	103,000	2.43	194,901	26.79
Keyin Media	Beijing	Beijing	Organizing exchange activities on culture and art, and design, production and provision of agency service of advertisements	6,560	16.00	46,665	6.41

(2) Major financial information of significant investees:

Company name	Net profit attributable to owners of the Company for the year ended 31 December 2021 (RMB thousand)	Accumulated undistributed profits as at 31 December 2021 (RMB thousand)	Dividend received for the year ended 31 December 2021 (RMB thousand)
	Beiyang Media	—	—
Keyin Media	3,469	231,195	—

(3) The investment strategies of major investments:

Beiyang Media is mainly engaged in the production, printing, publishing and distribution of books, newspapers and magazines. It is the main platform for Hebei Publishing & Media Group Co., Ltd. to perform transformation into corporate and capitalized operations. Currently, the Group holds 43,706,423 shares of Beiyang Media, representing 2.43% of the aggregate share capital of Beiyang Media. In recent years, Beiyang Media has been

operating well and has been in a profitable position, and the assets and revenues increase steadily. The Group is optimistic about the future operation of Beiyang Media and intends to hold its shares for a long term.

Keyin Media is mainly engaged in organizing exchange activities on culture and art, and design, production and provision of agency service of advertisements, etc. Currently, the Group holds 4,000,000 shares of Keyin Media, representing 16% of the aggregate share capital of Keyin Media. The Group has made investment in Keyin Media mainly based on its sound operating status and listing plan. Upon investment by the Group, Keyin Media has been operating well and has been in a profitable position in recent years. The Group is optimistic about the future operation of Keyin Media and intends to hold its shares for a long term.

Save as disclosed above, for the year ended 31 December 2021, the Group had no material investments or any plan related to material investment or acquisition of assets.

Material Acquisition and Disposal of Assets

For the year ended 31 December 2021, the Group had no material acquisition or disposal of subsidiaries, joint ventures, associates, etc.

Foreign Exchange Risks

Renminbi is the functional currency of the Group. The Group's operations conducted in the PRC are mainly settled in Renminbi. However, certain payables are settled in foreign currency (mainly HKD). Therefore, the Group is exposed to fluctuations in foreign exchange rate to a certain extent. Operating cash flow or liquidity of the Group is subject to very limited effect from exchange rate fluctuations.

Staff

As at 31 December 2021, the Group had a total of 289 staff members (31 December 2020: 298). The decrease in the number of the staff as compared with 2020 was mainly due to the reasonable decrease of the normal business needs of the Company and its subsidiaries. For the year ended 31 December 2021, the Group's employee remuneration amounted to approximately RMB51,695 thousand in total. The staff remuneration and benefits of the Group are both determined by reference to market rates, national policies and individual performance. The Group actively encouraged the self-development of the employees, and carried out abundant staff training activities. In 2021, the Group carried out a number of staff trainings in respect of new media, creative industries and connected transactions.

Remuneration Policy

The Company has set up the Remuneration Committee under the Board, which is responsible for formulating the remuneration policy and making proposal regarding the remunerations of the Directors and senior management of the Company to the Board. The remunerations of the Directors of the Company are determined by the Remuneration Committee as authorized by the general meeting of the Company. The remuneration of Supervisors of the Company shall be approved by the general meeting of the Company. The remuneration policy of the Company is determined and realized according to the duties of the Directors, Supervisors and senior management and the Company's operating performance.

Position-based remuneration system was adopted for general management staff. Salary was determined according to the relative importance of the positions, the responsibilities assumed in the positions and other factors. Various salary models such as performance linked and piece rate wage model were adopted respectively for other employees based on the types of employees and their job nature.

The Company stringently controlled the overall remuneration amount management of its controlled subsidiaries and its wholly-owned subsidiaries in accordance with the applicable policy requirements of the PRC government. It sought to maintain an appropriate balance between salary increase and the growth in economic benefits, in order to achieve a win-win situation among Shareholders, management and employees and to facilitate the harmonious development of the enterprise.

The Company paid certain housing funds and social security funds on behalf of employees on a monthly basis, according to the relevant national and local laws and regulations on labour affairs and social security. In particular, social security funds include pension insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance, etc.

(3) For the financial year ended 31 December 2020*Group Business Review*

The Group is principally engaged in three core businesses: (1) advertising sales, which contributes to part of the Group's turnover; (2) printing, whose turnover includes revenue from printing publications arranged by BYD Logistics; and (3) trading of print-related materials, which involves the supply and trading of, among others, newsprint, ink, lubricants, films, presensitized plate and rubber sheet to customers including commercial printers.

Due to the continuing impact of new media, advertising in the traditional print media market decreased. Although the Company actively developed new media advertising for its clients, the Group's overall advertising revenue still

decreased. The Group's total operating income for 2020 was RMB217,291 thousand (2019: RMB219,927 thousand), representing a decrease of 1.20% as compared with 2019 of which, revenue from advertising was RMB89,973 thousand (2019: RMB96,965 thousand), representing a decrease of 7.21% as compared with 2019; revenue from printing was RMB2,824 thousand (2019: RMB3,457 thousand), representing a decrease of 18.31% as compared with 2019; and revenue from trading of print-related materials was RMB115,256 thousand (2019: RMB102,620 thousand), representing an increase of 12.31% as compared with 2019. Net loss attributable to shareholders of the Company for 2020 was RMB130,176 thousand (2019: RMB196,538 thousand).

Looking back at the arduous challenges and changes in 2020, even though the raging epidemic has adversely affected all businesses of the Group, the decline level in revenue of the Group has been mitigated as compared with the previous year. At the same time, the positive and effective control of cost and expense leads to the reduction in the loss. Accordingly, the epidemic did not impose any obvious substantial impact on the operation of the Group.

Financial Resources and Liquidity

As at 31 December 2020, current assets of the Group was RMB356,897 thousand (31 December 2019: RMB452,716 thousand), including bank balances and cash of RMB240,221 thousand (31 December 2019: RMB217,264 thousand); non-current assets of the Group was RMB388,550 thousand (31 December 2019: RMB442,729 thousand).

As at 31 December 2020, current liabilities of the Group was RMB90,159 thousand (31 December 2019: RMB92,135 thousand); non-current liabilities was RMB6,792 thousand (31 December 2019: RMB8,313 thousand).

As at 31 December 2020, shareholders' equity of the Group was RMB648,496 thousand (31 December 2019: RMB794,997 thousand).

Gearing Ratio

As at 31 December 2020, gearing ratio of the Group was 14.95% (31 December 2019: 12.64%) (the gearing ratio is calculated by dividing the Group's total liabilities by its total equity).

Bank Borrowings, Overdrafts and Other Borrowings

As at 31 December 2020, bank loans, overdrafts and other borrowings of the Group was Nil (31 December 2019: Nil). Most of the currency unit of cash and cash equivalent held by the Group was Renminbi.

Financing Cost

Financing cost of the Group for 2020 was RMB138 thousand (2019: RMB444 thousand).

Capital Expenditure

Capital expenditures, including expenditures on office equipment and intangible assets of the Group for 2020 was RMB763 thousand (2019: RMB3,020 thousand). Capital expenditures of the Group for 2020 was mainly comprised of the expenditures consistent with business strategies.

Contingent Liabilities and Pledge of Assets

As at 31 December 2020, the Group did not have any contingent liabilities or any pledge of assets.

Material Investments

As at 31 December 2020, the Company's investments in Beiyang Media, Keyin Media and Beijing Runxin Dingtai Investment Center (Limited Partnership) accounted for over 5% of the Group's total assets in value. The details of such significant investments are set out below:

(1) Basic information of relevant companies:

Company name	Place of registration	Primary operation place	Business nature	Investment cost (RMB'000)	Shareholding (%)	Fair value as at 31 December 2020 (RMB'000)	Proportion of total assets (%)
Beiyang Media	Shijiazhuang, Hebei	Shijiazhuang, Hebei	Production, printing, publishing and distribution of books, newspapers and magazines	103,000	2.43	156,657	21.02
Keyin Media	Beijing	Beijing	Organizing exchange activities on culture and art, and design, production and provision of agency service of advertisements	6,560	16.00	46,524	6.24
Beijing Runxin Dingtai Investment Center (Limited Partnership)	Beijing	Beijing	Investment management	42,758	11.62	40,332	5.41

(2) Major financial information of significant investees:

Company name	Net profit attributable to owners of the Company for the year ended 31 December 2020 <i>(RMB thousand)</i>	Accumulated undistributed profits as at 31 December 2020 <i>(RMB thousand)</i>	Dividend received for the year ended 31 December 2020 <i>(RMB thousand)</i>
Beiyang Media	—	—	9,615
Keyin Media	9,343	230,529	—
Beijing Runxin Dingtai Investment Center (Limited Partnership)	101,144	102,951	22,932

(3) The investment strategies of major investments:

Beiyang Media is mainly engaged in the production, printing, publishing and distribution of books, newspapers and magazines. It is the main platform for Hebei Publishing & Media Group Co., Ltd. to perform transformation into corporate and capitalized operations. Currently, the Company holds 43,706,423 shares of Beiyang Media, representing 2.43% of the aggregate share capital of Beiyang Media. The Company has made investment in Beiyang Media mainly based on the following: 1) the sound operating status of Beiyang Media; 2) its share reform, listing and other capital operation plans, to achieve better investment returns. Upon investment by the Company, Beiyang Media has been operating well, with stable growth in both assets and revenues in recent years. The Company is optimistic about the future operation of Beiyang Media and intends to hold its shares for a long term.

Keyin Media is mainly engaged in organizing exchange activities on culture and art, and design, production and provision of agency service of advertisements, etc. Currently, the Company holds 4,000,000 shares of Keyin Media, representing 16% of the aggregate share capital of Keyin Media. The Company has made investment in Keyin Media mainly based on its sound operating status and listing plan. Upon investment by the Company, Keyin Media has been operating well and has been in a profitable position in recent years. The Company is optimistic about the future operation of Keyin Media and intends to hold its shares for a long term.

The Company's wholly-owned subsidiary, Beiqing Network Culture Communication Co., Ltd., as a limited partner, established Beijing Runxin Dingtai Investment Center (limited partnership) (hereafter referred to as the "Fund") in 2013, with a shareholding of 11.62%. The Fund leverages on CSC Financial Co., Ltd. to focus on investing in equities of growth companies that

plan to list. The Company has made investment in the Fund mainly based on the consideration of achieving favourable yields from the Fund's investment projects and considerable investment returns. In recent years, the Fund has been actively facilitating various investment projects to realise exits via listing, merger and acquisition and restructuring, repurchase and transfer in NEEQ market, etc. A number of projects have realised exit after listing or partial exit and delivered satisfactory yield. As of 31 December 2020, the Company has also received accumulated investment income of RMB54,506 thousand. The Company is optimistic about the future operation and income of the Fund, and expects to achieve better investment returns upon our exit from the Fund at maturity.

Save as disclosed above, for the year ended 31 December 2020, the Group had no material investments or any plan related to material investment or acquisition of assets.

Material Acquisition and Disposal of Assets

For the year ended 31 December 2020, the Group had no material acquisition or disposal of assets.

For the year ended 31 December 2020, the Group had no material acquisition or disposal of subsidiaries, joint ventures and associates.

Foreign Exchange Risks

Renminbi is the functional currency of the Company. The Company's operations conducted in the PRC are mainly settled in Renminbi. However, certain payables are settled in foreign currency (mainly HKD). Therefore, the Company is exposed to fluctuations in foreign exchange rate to a certain extent. Operating cash flow or liquidity of the Group is subject to very limited effect from exchange rate fluctuations.

Staff

As at 31 December 2020, the Group had a total of 298 staff members (31 December 2019: 327). The decrease in the number of the staff as compared with 2019 was mainly due to the reasonable decrease of the normal business needs of the Company and its subsidiaries. For the year ended 31 December 2020, the Group's employee remuneration amounted to approximately RMB47,271 thousand in total. The staff remuneration and benefits of the Group are both determined by reference to market rates, national policies and individual performance. The Group actively encouraged the self-development of the employees, and carried out abundant staff training activities. In 2020, the Group carried out a number of staff trainings in respect of new media, creative industries and connected transactions.

Remuneration Policy

The Company has set up the Remuneration Committee under the Board, which is responsible for formulating the remuneration policy and making proposal regarding the remunerations of the Directors and senior management of the Company to the Board. The remunerations of the Directors of the Company are determined by the Remuneration Committee as authorized by the general meeting of the Company. The remuneration of Supervisors of the Company shall be approved by the general meeting of the Company. The remuneration policy of the Company is determined and realized according to the duties of the Directors, Supervisors and senior management and the Company's operating performance.

Position-based remuneration system was adopted for general management staff. Salary was determined according to the relative importance of the positions, the responsibilities assumed in the positions and other factors. Various salary models such as performance linked and piece rate wage model were adopted respectively for other employees based on the types of employees and their job nature.

The Company stringently controlled the overall remuneration amount management of its controlled subsidiaries and its wholly-owned subsidiaries in accordance with the applicable policy requirements of the PRC government. It sought to maintain an appropriate balance between salary increase and the growth in economic benefits, in order to achieve a win-win situation among Shareholders, management and employees and to facilitate the harmonious development of the enterprise.

The Company paid housing funds and social security funds on behalf of employees on a monthly basis according to the relevant national and local laws and regulations on labour affairs and social security. In particular, social security funds include pension insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance, etc.

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 Group. 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. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive 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 and 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 were taken or deemed to have), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As at the Latest Practicable Date: Directors Ms. Sun Baojie and Ms. Cui Ping are employees of Capital Group; Director Mr. Wang Zechen is an employee of Beijing Chengshang Cultural Communication Co., Ltd.; Director Mr. Zhang Lei is an employee of Leshi Internet Information & Technology Corp., Beijing. While Capital Group, Beijing Chengshang Cultural Communication Co., Ltd. and Leshi Internet Information & Technology Corp., Beijing had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as detailed below:

Name of Shareholder	Class of Shares	Nature of Shares	Nature of Interest	Number of Shares	% of Class Issued Share Capital	% of Total Share Capital
Capital Group ^{Note1}	Other	Domestic shares	N/A	124,839,974	87.66	63.27
Beijing Chengshang Cultural Communication Co., Ltd.	Beneficial owner	Domestic shares	N/A	7,367,000	5.17	3.73
Leshi Internet Information & Technology Corp., Beijing	Beneficial owner	H share	Long position	19,533,000	35.58	9.90

Information disclosed above is based on the information published on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) unless otherwise stated in the notes below.

Note:

1. The Committee of the Beijing Municipality of the Youth League of Communist Party of China entrusted Capital Group to manage the affiliates of BYDA (excluding the Company) with a term of five years commencing from 18 June 2020. The Company has been included in the scope of above entrust arrangement since 20 May 2021, pursuant to which, Capital Group will exercise the rights and duties of investors/shareholders stipulated in the Company's articles of association within the term of entrust management, including but not limited to, the control, voting rights, operation rights and income rights over the Company. Therefore, Capital Group has interest in the 124,839,974 domestic shares held by BYDA.

Save as disclosed above, as at the Latest Practicable Date, none of other Directors holds position in a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or operation position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

4. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors, Supervisors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or 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 2022, 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; and none of the Directors or 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 as a whole.

6. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had any existing or proposed service contracts with any member of the Group in which more than one year's notice or payment of compensation (other than statutory compensation) shall be given by the latter upon termination.

7. EXPERT'S QUALIFICATION AND CONSENT

Gram Capital 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 name in the form and context in which it appears.

The following is the qualification of Gram Capital who has given its opinions or advice which are contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO

8. EXPERT'S INTERESTS

As at the Latest Practicable Date, Gram Capital 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 since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, and did not have any shareholding in 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.

9. MATERIAL CONTRACTS

Save for the Single Asset Management Contract and the Supplemental Agreement thereof, the Group has not entered into any material contracts (not in the ordinary course of business) during the two years preceding the Latest Practicable Date.

10. MATERIAL LITIGATION

To the knowledge of the Directors, as at the Latest Practicable Date, the Company was not involved in any material litigation, arbitration or claim and there was no material legal action or claim that is outstanding or may arise or occur, which may pose material threat to the business and financial condition of the Group.

11. METHOD OF VOTING AT THE AGM

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

12. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Ms. Liu Jia and Mr. Yu Leung Fai. Ms. Liu Jia, by virtue of her relevant experiences, has been confirmed capable of discharging the functions of company secretary by the Hong Kong Stock Exchange in November 2022 pursuant to note 2 to Rule 3.28 of the Listing Rules and qualified for the position of company secretary of the Company under the Listing Rules. Mr. Yu Leung Fai is a member of the American Institute of Certified Public Accountants, Certified Practising Accountants of Australia, the Hong Kong Institute of Certified Public Accountants and a Certified Trust Practitioner of Hong Kong Trustee Association.
- (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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

13. DOCUMENTS ON DISPLAY

Copy of the following document will be published on the website of Hong Kong Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.bjmedia.com.cn> for a period of 14 days commencing from the date of this circular:

- (a) The Supplemental Agreement;
- (b) The Single Asset Management Contract; and
- (c) the Independent Financial Adviser’s consent letter mentioned in the “7. Expert’s Qualification and Consent” of the Appendix II of this circular.



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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the “AGM”) of Beijing Media Corporation Limited (the “Company”) will be held at 2:00 p.m. on Friday, 16 June 2023 at the Conference Room 704, the 7th Floor, Beijing Youth Daily Agency, No. 23 Baijiazhuang Dongli, Chaoyang District, Beijing, the People’s Republic of China (the “PRC”), for the purpose of considering and, if thought fit, passing the following resolutions:

As Ordinary Resolutions

1. To consider and, if thought fit, to approve the report of the board of directors of the Company for the year ended 31 December 2022.
2. To consider and, if thought fit, to approve the report of the supervisory committee of the Company for the year ended 31 December 2022.
3. To consider and, if thought fit, to approve the audited financial statements of the Company for the year ended 31 December 2022.
4. To consider and, if thought fit, to approve the annual financial budgets of the Company for the year 2023.
5. To consider and, if thought fit, to approve the appointment of WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) as the Company’s auditor for the year 2023, and to authorize the audit committee of the Board of the Company to determine its remuneration.

NOTICE OF AGM

6. To consider and, if thought fit, to approve:

“**THAT**

- a. the supplemental agreement to the asset management contract for the Capital Securities — Beijing Media single asset scheme dated 25 April 2023 and entered into between the Company, Capital Securities Co., Ltd. and Beijing Branch of Bank of Communications Co., Ltd., and the Proposed Annual Cap of the transactions contemplated thereunder within the Extended Period of the single asset management contract;
- 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 supplemental agreement to the asset management contract for the Capital Securities — Beijing Media single asset scheme 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
Chairman
Sun Baojie

Beijing, the PRC
25 May 2023

As at the date of this notice, the Board comprises: the executive directors of the Company, Jing Enji and Wu Min; the non-executive directors of the Company, Sun Baojie, Cui Ping, Xu Jian, Wang Zechen and Zhang Lei; and the independent non-executive directors of the Company, Shi Hongying, Chan Yee Ping, Michael, Du Guoqing and Kong Weiping.

Please also refer to the published notice on the Company's website www.bjmedia.com.cn.

Notes:

1. Eligibility for Attending the AGM

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 Monday, 12 June 2023 shall be entitled to attend the AGM.

Holders of H shares intending to attend and vote at the AGM to be held on Friday, 16 June 2023 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 9 June 2023.

NOTICE OF AGM

2. Proxy

- (1) Shareholders entitled to attend and vote at the AGM 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 AGM 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 AGM

A shareholder or his proxy shall produce his identification document when attending the AGM. 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.

4. Closure of Register of Members

The Register of Members will be closed from Monday, 12 June 2023 to Friday, 16 June 2023 (both days inclusive).

5. Method of Voting at the AGM

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 AGM will demand a poll in relation to all the proposed resolutions at the AGM.

6. Miscellaneous

- (1) The AGM is expected to be held for less than half a day. Shareholders attending the AGM 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 2801