

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Beijing Media Corporation Limited
(Stock Code: 1000) and 22 Directors and Supervisors

SANCTIONS AND DIRECTIONS

The Stock Exchange of Hong Kong Limited (**Exchange**)

CENSURES:

(1) **Beijing Media Corporation Limited** (Stock Code: 1000) (**Company**);

IMPOSES A PREJUDICE TO INVESTORS' INTERESTS STATEMENT against:

(2) **Mr Li Xiao Bing**, former executive director of the Company (**Mr Li**);

(3) **Mr Liu Hong**, former non-executive director of the Company (**Mr Liu**); and

(4) **Mr Chow Bing Chuen**, former independent non-executive director of the Company (**Mr Chow**);

CENSURES:

(5) **Mr Ji Chuan Pai**, former executive director and chairman of the Company (**Mr Ji**);

(6) **Ms Li Xin**, former executive director of the Company (**Ms Li**);

(7) **Mr Peng Liang**, former executive director of the Company (**Mr Peng**); and

(8) **Mr Zhang Yan Ping**, former executive director of the Company (**Mr Zhang YP**);

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CRITICISES:

- (9) **Mr Shang Da**, executive director of the Company;
- (10) **Mr Chen Ji**, former independent non-executive director of the Company;
- (11) **Mr Cui En Qing**, independent non-executive director of the Company;
- (12) **Mr Wu Chang Qi**, former independent non-executive director of the Company;
- (13) **Mr Wu Bin**, former executive director of the Company;
- (14) **Ms Yang Wen Jian**, former executive director of the Company;
- (15) **Ms He Xiao Na**, former executive director of the Company (**Ms He**);
- (16) **Ms Zang Fu Rong**, former non-executive director of the Company;
- (17) **Mr Xu Xun**, former non-executive director of the Company;
- (18) **Mr Wu Tak Lung**, former independent non-executive director of the Company;
- (19) **Mr Zhang Zhi Bing**, former supervisor of the Company;
- (20) **Mr Zhang Chuan Shui**, former supervisor of the Company;
- (21) **Mr Zhao Meng**, former supervisor of the Company;
- (22) **Ms Yan Meng Meng**, former supervisor of the Company; and
- (23) **Ms Zhang Bo**, former supervisor of the Company.

(The directors identified at (2) to (18) above are collectively referred to as **Relevant Directors**. The supervisors identified at (19) to (23) above are collectively referred to as **Relevant Supervisors**).

The statements made in respect of Mr Li, Mr Liu and Mr Chow above are made in addition to a public censure against them. The Prejudice to Investors' Interests Statement is a statement that, in the Exchange's opinion, had any of Mr Li, Mr Liu or Mr Chow remained on the board of directors of the Company (**Board**), the retention of office by him would have been prejudicial to the interests of investors.

AND FURTHER DIRECTS:

Each of the Relevant Directors (except Mr Li, Mr Liu and Mr Chow) to attend 24 hours of training on regulatory and legal topics including Listing Rule compliance.

SUMMARY OF FACTS

Between 23 January 2018 and 29 March 2019, the Company through its subsidiaries provided 13 loans totaling RMB333.2 million to its controlling shareholder (**Controlling Shareholder Loans**) and seven loans totaling RMB220 million to its associate (**Associate Loans**, together with the Controlling Shareholder Loans, **Loans**). The Controlling Shareholder Loans constituted advances to an entity under Chapter 13 of the Listing Rules, and major and connected transactions under Chapters 14 and 14A of the Listing Rules. The Associate Loans constituted advances to an entity and major transactions. Some of the Loans had no written agreements.

Mr Li was aware of all Controlling Shareholder Loans and three of the Associate Loans. His signature appeared on the approval documents for three of the Controlling Shareholder Loans. Each of Mr Ji, Ms Li, Mr Zhang YP and Mr Peng had knowledge of and/or involvement in some of the Loans. They, and Mr Li, neither notified the Board, nor took steps to procure the Company's compliance with the Listing Rules, despite their knowledge and/or involvement.

The other Relevant Directors (except Ms He who left the Board in March 2018) and the Relevant Supervisors became aware of the Loans in March and April 2019.

The Company did not comply with the announcement, circular, shareholders' approval, written agreement and reporting requirements under Chapters 13, 14 and 14A of the Listing Rules. It admitted that the Loans, which were carried out at the subsidiary level, were not reported to the Board due to deficiencies in the Group's internal control systems and the carelessness of the staff involved. The Company also admitted the following:

- (i) There were problems in the implementation of the relevant internal controls at the subsidiary level. The relevant subsidiaries did not create a complete and clear reporting procedure for the implementation of those controls.
- (ii) The relevant personnel lacked the requisite knowledge of regulatory compliance matters including in relation to the reporting of transactions. They failed to fully or thoroughly understand the relevant controls and the Listing Rules, which resulted in their failure to report the Loans to the Company in a timely manner.
- (iii) The Company lacked internal control measures and did not have a system to monitor subsidiaries in respect of their reporting responsibility.

The internal control review conducted by the internal control advisor after the Loans were granted revealed the following deficiencies:

- (i) a lack of written procedures for identification, reporting and execution of notifiable transactions, and for compliance with Chapter 14 requirements;
- (ii) staff at the subsidiary level responsible for reporting potential notifiable and/or connected transactions to the Board were unfamiliar with the Chapter 14 and 14A provisions;

- (iii) responsible staff at the subsidiary level did not comply with the internal reporting procedures to report potential connected transactions to the Board; and
- (iv) board members and senior executives of subsidiaries, and shareholders of connected parties, were not required to declare business relationships and potential conflicts to the Company.

The above internal control deficiencies contributed in part to the Company's failure to comply with the applicable Listing Rules. Although the Company had an internal audit function to review the Group's internal controls twice a year, its internal control department only had one staff and failed to identify the above internal control deficiencies.

Furthermore, Mr Li, Mr Chow and Mr Liu failed to cooperate with the investigation of the Listing Division (**Division**).

LISTING RULE REQUIREMENTS

Under Rules 13.13, 13.14 and 13.20, where the relevant advance to an entity exceeds 8 per cent, the Company must announce details of the relevant advance as soon as reasonably practicable. Such information should also be included in the Company's interim or annual report where such circumstances continue to exist at the Company's interim period or annual financial year end.

Rules 14.22 and 14.23 provide that the Exchange may require the Company to aggregate a series of transactions and treat them as if they were one transaction if they are all completed within a 12 month period or are otherwise related.

Under Rules 14.34, 14.38A, 14.40, 14A.35, 14A.36, 14A.39, 14A.44, 14A.46 and 14A.49, the Company is required to comply with the announcement, circular, (independent) shareholders' approval and reporting requirements for a major and/or connected transaction as soon as possible after such terms have been finalised or agreed. For connected transactions, the Company must also set up an independent board committee and appoint an independent financial adviser to make recommendations to the independent board committee and shareholders.

Under Rule 14A.34, the Company must enter into a written agreement for a connected transaction.

Code Provision C.2.1 of the Corporate Governance Code at the relevant time provided that the board should ensure that a review of the issuer's and its subsidiaries' internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls. The issuer must give considered reasons for any deviation of the same in its Corporate Governance Report.

Rule 3.08 provides that directors, both collectively and individually, are expected to fulfil duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. These duties include applying such degree of skill, care and diligence as may reasonably be expected of a person of his/her knowledge and experience and holding his/her office within the issuer.

Pursuant to the Declaration and Undertaking with regard to Directors in the form set out in Appendix 5H to the Listing Rules (**Director's Undertaking**), each director is required to (i) comply with the Listing Rules to the best of his/her ability; (ii) use his/her best endeavours to procure the Company's compliance with the Listing Rules; and (iii) cooperate in any investigation conducted by the Division.

Pursuant to the Declaration and Undertaking with regard to Supervisors in the form set out in Appendix 5I to the Listing Rules (**Supervisor's Undertaking**), each supervisor undertakes to use his/her best endeavours to procure the Company's and its directors' compliance with the Listing Rules.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

- (1) The Company breached:
 - (a) Rules 13.13, 13.14 and 13.20 by failing to announce and disclose in its financial results the details of the Loans as advances to an entity;
 - (b) Rules 14.34, 14.38A, 14.40, 14A.35, 14A.36, 14A.39, 14A.44, 14A.46 and 14A.49 by failing to comply with the announcement, circular, (independent) shareholders' approval and reporting requirements for the Loans; and
 - (c) Rule 14A.34 by failing to enter into written agreements for two of the Controlling Shareholder Loans, which were connected transactions.
- (2) The Relevant Directors breached Rule 3.08(f) and their Director's Undertakings by failing to ensure the Company maintained adequate and effective internal controls and, in the case of Mr Ji, Mr Li, Ms Li, Mr Peng and Mr Zhang YP, by failing to procure the Company's compliance with the Listing Rules despite their knowledge and/or involvement in the Loans.
- (3) Each of Mr Li, Mr Chow and Mr Liu breached his Director's Undertaking to cooperate with the Division's investigation.
- (4) The Relevant Supervisors breached their Supervisor's Undertakings by failing to ensure that the Company maintained adequate and effective internal controls for the Company's compliance with the Listing Rules.

CONCLUSION

The Listing Committee decided to impose the sanctions and direction set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the above sanctions and direction apply only to the Company, the Relevant Directors and the Relevant Supervisors, and not to any other past or present members of the board of directors and supervisors of the Company.

Hong Kong, 10 February 2022