

1 Overview of Corporate Governance

Beijing Media places a lot of importance to establish a comprehensive, stable and reasonable corporate governance framework. At present, the Company's code of conduct of corporate governance includes but not limited to the following document:

- (1) Articles of Association of Beijing Media Corporation Limited (the "Articles"); and
- (2) Internal Control Handbook of Beijing Media Corporation Limited, including but not limited to the following policies and procedures:
 - Procedures of Disclosure and Inspection of Connected Transactions;
 - Management Procedures against Internal Corruption; and
 - Investors Relation Management Procedures.

The Board has reviewed the corporate governance documents adopted by the Company and considers that such documents complied with all code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2 Code on Corporate Governance Practices

Save as disclosed herein, the Company has complied with the code provisions set out under the Code contained in Appendix 14 to the Listing Rules since its listing on the Stock Exchange on 22 December 2004.

3 Securities Transactions by Directors

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules regarding securities transactions by Directors. Directors as well as senior management members of the Company are required to comply with the Model Code.

Upon specific enquiries by the Company, all Directors confirmed that they have fully complied with the Model Code throughout the report period.

4 Shareholding Interests of Directors and Senior Management

As at 31 December 2005, none of the Directors, Supervisors or other senior management members had any interests or short positions in the shares or underlying shares in the Company or as referred to under Part XV of the Securities and Futures Ordinance (the "SFO"), Cap. 571 of the laws of Hong Kong (pursuant to Section 352 of the SFO, these interests and short positions are required to be registered in the register maintained or notified by the Directors or Supervisors to Beijing Media and the Stock Exchange under the Model Code).

5 Board

Set forth below are the composition and selected information of the Board:

Name	Sex	Age	Other positions in the Company	Term of Directorship	Remunerated by the Company
Executive Directors					
Zhang Yanping	M	48	Chairman	from 23 August 2004 to conclusion of the third annual general meeting of the Company	Yes
Zhang Yabin	M	49		from 23 August 2004 to conclusion of the third annual general meeting of the Company	Yes
Sun Wei	M	52	President	from 23 August 2004 to conclusion of the third annual general meeting of the Company	Yes
He Pingping	M	51		from 23 August 2004 to conclusion of the third annual general meeting of the Company	Yes
Du Min	M	38		from 23 August 2004 to conclusion of the third annual general meeting of the Company	Yes
Non-executive Directors					
Xu Xun	M	50	Non-executive Director	from 23 August 2004 to conclusion of the third annual general meeting of the Company	Yes
Liu Han	M	47	Non-executive Director	from 23 August 2004 to conclusion of the third annual general meeting of the Company	Yes
Johannes Louw Malherbe	M	58	Non-executive Director	from 15 June 2005 to conclusion of the third annual general meeting of the Company	Yes
Independent Non-executive Directors					
Tsang Hing Lun	M	57	Independent Non-executive Director	from 12 November 2004 to conclusion of the third annual general meeting of the Company	Yes
Wu Changqi	M	51	Independent Non-executive Director	from 23 August 2004 to conclusion of the third annual general meeting of the Company	Yes
Liao Li	M	40	Independent Non-executive Director	from 23 August 2004 to conclusion of the third annual general meeting of the Company	Yes

The Board is a permanent decision-making entity of the Company, responsible for steering and supervising the operations of Beijing Media in an accountable and efficiency-oriented manner. All Directors are obliged to act in the best interests of the Company. All members of the Board acknowledged that they are jointly and severally accountable to the shareholders for the management, supervision and operations of the Company.

The Company confirms that the Board is primarily responsible for making decisions for the purposes of:

- formulation of the operating plan and investment proposals of the Company;
- formulation of the annual budgets and financial reports of the Company;
- formulation of proposals of profit distribution and recovery of losses of the Company;
- formulation of proposals for the addition or reduction of registered share capital and issue of bonds of the Company;
- formulation of proposals for the mergers, spin-off or winding up of the Company;
- determination on the internal management structure of the Company;
- appointment and removal of the President and Executive Vice President of the Company, appointment and removal of the Vice President and other senior management (including the Financial Controller) as recommended by the Executive Vice President, and determination of their respective remuneration;
- determination on the basic management systems of the Company;
- determination on amendments to the Articles of Associations of the Company; and
- formulation of proposals for material acquisitions or disposals of the Company.

The Company confirms that the management is primarily responsible for making decisions and performing daily management for the purposes of:

- formulation of proposal for the internal management structure of the Company;
- setting up the basic management system of the Company;
- formulation of the basic regulations of the Company;
- recommendation for the appointment or removal of other senior management members (including the Financial Controller) of the Company;
- appointment or removal of management personnel other than those subject to the appointment and removal by the Board;

- formulation of and determination on the branch structure of the Company; and
- appointment and replacement of and recommendation on the shareholder's representative, director or supervisor to its subsidiaries or associated companies.

Attendance of Individual Directors at Board Meetings in 2005

	Number of meetings: 8	
	Attendance	Attendance by proxy
Independent Non-executive Directors		
Tsang Hing Lun	7	—
Wu Changqi	6	2
Liao Li	7	1
Executive Directors		
Zhang Yanping	8	—
Zhang Yabin	8	—
Sun Wei	8	—
He Pingping	8	—
Du Min	8	—
Non-executive Directors		
Xu Xun	8	—
Liu Han	8	—
Johannes Louw Malherbe	7	1

Since the listing of the Company, the composition of the Board has been in compliance with Rule 3.10(1) of the Listing Rules, which requires a minimum of 3 independent non-executive directors on board, and with Rule 3.10(2) of the Listing Rules, which require that at least one of the independent non-executive directors must possess appropriate professional qualification or accounting or relevant financial management expertise.

Pursuant to the requirements of the Stock Exchange, the Company confirms the independence of the independent non-executive Directors as follows: The Company has received the annual confirmation from each independent non-executive Directors confirming their compliance with the independence requirements set out under Rule 3.13 of the Listing Rules of the Stock Exchange. The Company considers that all independent non-executive Directors to be independent.

Members of the Board, Supervisory Committee and senior management do not have any financial, business, family or other material relationship with each other save for working relationship.

6 Chairman and President

The posts of Chairman and President of Beijing Media are assumed by Mr. Zhang Yanping and Mr. Sun Wei respectively.

The two posts are separate and distinct. The Chairman cannot assume the post of President of the Company simultaneously. Distinct terms of reference have been adopted for these two posts. The Chairman shall be responsible for overseeing the operation of the Board, while the President shall oversee the business operations of the Company. The roles of the Chairman and President are set out in detail in the Articles of Association of the Company.

The Chairman and President do not have any financial, business, family or other material relationship with each other save for working relationship.

7 Non-executive Directors

Pursuant to the Articles, non-executive Directors of the Company are appointed for a term of three years.

Independent non-executive Directors are appointed for a term of three years which is renewable upon re-election. Independent non-executive Directors may not be removed without legitimate cause. Where an independent non-executive Director was removed from office before expiry of his term, the matter shall be disclosed by the Company as a special issue.

8 Remuneration of Directors

The Board has set up a Remuneration Committee comprising three independent non-executive Directors. The Remuneration Committee was chaired by Mr. Wu Changqi with Mr. Tsang Hing Lun and Mr. Liao Li as members.

The Remuneration Committee consults the Chairman and/or President on the remuneration to other executive Directors and will seek assistance and/or advice from external professional advisor when considered necessary.

For details on the current remuneration policy, long-term incentive scheme and basis for remuneration to Directors, please refer to note 13 to the financial statements.

Set forth below are the principal duties of the Remuneration Committee:

- to advise the Board on setting up formal and transparent procedures in respect of the determination of remuneration policy and structure for the Directors and senior management personnel of the Company;
- to determine the remuneration packages of all executive Directors and senior management personnel and advise the Board on the remuneration to non-executive Directors;
- to review and approve the performance-linked remuneration to the Directors with reference to the operating goals of the Company as approved by the Board from time to time;

- to review and approve compensation to the executive Directors and senior management personnel for loss or termination of offices or appointment;
- to review and approve the compensation arrangement in relation to the removal of Directors involving misconduct; and
- to ensure that the Directors or any of their associates are not involved in the determination of the Directors' remuneration of their own.

Compensation and annual salaries to the Directors and senior management personnel have been considered and approved by the fourth meeting of the second session of the Board held on 4 December 2004. The three independent non-executive Directors being members of the existing Remuneration Committee attended the Board meeting and approved the relevant resolution. Since no adjustment was made to the proposed remuneration and compensation to the Directors and senior management personnel of the Company between December 2004 and 31 December 2005, the Remuneration Committee did not hold any meeting during the year ended 31 December 2005.

9 Nomination of Directors

The Board has not set up any nomination committee. Instead, the Company appoints new directors through a formally regulated, carefully considered and transparent procedures. Generally, a candidate for directorship will be nominated by the Board according to the recommended principles and standards by the shareholders and the nomination will take the form of a proposed resolution to be approved by the Company's general meeting.

The intention for nomination of a directorship candidate and a written notice of the candidate stating acceptance of such nomination shall be lodged with the Company no earlier than the date of dispatch of notice convening the general meeting and no later than 7 days prior to the date of the general meeting. The open period for submitting and accepting nomination shall not be less than 7 days.

At the sixth meeting of the Board held on 23 April 2005, a resolution in respect of the appointment of Mr. Johannes Louw Malherbe as a non-executive Director of Beijing Media was considered and approved. The nomination was approved by the 2004 annual general meeting held on 15 June 2005. Attendance of Directors at that Board meeting is as follows:

	Attendance	Attendance by proxy
Executive Directors		
Zhang Yanping	Yes	—
Zhang Yabin	Yes	—
Sun Wei	Yes	—
He Pingping	Yes	—
Du Min	Yes	—
Non-executive Directors		
Xu Xun	Yes	—
Liu Han	Yes	—
Johannes Louw Malherbe	Yes	—
Independent Non-executive Directors		
Tsang Hing Lun	Yes	—
Wu Changqi	—	Yes
Liao Li	—	Yes

Save as disclosed herein, the Board did not make any other nomination for directorship nor formulate any policy in respect of directorship nomination during the year ended 31 December 2005.

10 Remuneration of the Auditors

PricewaterhouseCoopers and Yue Hua Certified Public Accountants (岳華會計師事務所) were appointed as the international and PRC auditors of the Company for 2005, respectively. For the year ended 31 December 2005, audit fees incurred by the Company amounted to approximately RMB4.7 million.

The Audit Committee has approved the re-appointment of PricewaterhouseCoopers and Yue Hua Certified Public Accountants as the international and PRC auditors of the Company for 2006, respectively.

PricewaterhouseCoopers has been providing audit service to Beijing Media since 2004, representing two consecutive years of service since entering into the first audit service engagement letter on 29 July 2004. Yue Hua Certified Public Accountants has been providing audit service to Beijing Media since 2001, representing four consecutive years of service since entering into the first audit service engagement letter on 4 June 2002.

During the report period, apart from audit service, PricewaterhouseCoopers also rendered services to the Company in respect of financial due diligence on a company whose shares are to be acquired under a proposed acquisition by the Company. The service fee for due diligence amounted to approximately RMB550,000. It also provided vote counting service to the Company at the annual general meeting for the year of 2004. The fee for the vote counting service amounted to RMB8,300.

During the report period, apart from audit service, Yue Hua Certified Public Accountants also rendered services to the Company in respect of financial due diligence on a company whose shares are to be acquired under a proposed acquisition by the Company. It also provided internal investigation service in respect of the arrest of the Company's employees by the government. The total fee for these two services amounted to approximately RMB140,000.

11 Auditing and Audit Committee

The Board of the Company has set up an Audit Committee comprising three non-executive Directors, which includes two independent non-executive Directors. The Audit Committee was chaired by Mr. Tsang Hing Lun with Mr. Wu Changqi and Mr. Liu Han as members.

The principal duties of the Audit Committee are to review and inspect the independence of the external auditors and effectiveness of the auditing procedures; to formulate and enforce policies in respect of the provision of non-audit services provided by the external auditors; to advise the Board on the appointment, re-appointment and removal of the external auditors, review and approve the remuneration and terms of engagement of the external auditors, and handle the resignation and removal of the auditors; to review the internal audit plans of the Company; to supervise the quality of internal audit and financial disclosure of the Company and review the interim and annual financial statements before their submission to the Board; to supervise and advise on the appointment and removal of head of the Company's internal audit function; to review and receive complaints on the effectiveness of the Company's internal control procedures; and to inspect the integrity of the Company's financial statements, annual reports and interim reports and review material opinions in respect of financial reporting contained in the financial statements and reports.

The Committee will seek assistance and/or opinion from external professional advisor when considered necessary.

Set forth below are the work details of the Audit Committee during the year:

- reviewed and considered the results of the Group for the year 2004;
- reviewed and considered the results of the Group for the first half of 2005;
- reviewed and evaluated the internal control systems of the Group;
- directed the internal investigation on the arrest of six employees of the Company by the government; and
- reviewed connected transactions.

Attendance of Individual Members at Meetings of the Audit Committee in 2005

Name	Number of meetings: 3	
	Attendance	Attendance by proxy
Tsang Hing Lun	3	–
Wu Changqi	2	–
Liu Han	2	–

The Company has been in full compliance with requirements of Rule 3.21 of the Listing Rules throughout the period from its listing on the Stock Exchange to 31 December 2005.

The Directors are responsible for overseeing the preparation of financial statements for each financial period, so that the financial statements reflect a true and fair view of the operating position, results and cash flow of the Company during the period. In preparing the financial statements for the year ended 31 December 2005, the Directors have (1) selected and consistently applied appropriate accounting policies; (2) approved the adoption of all standards in line with the Hong Kong Financial Reporting Standards ("HKFRS"); and (3) made appropriate judgments and assessments in a prudent manner and adopted an ongoing concern basis for preparation of financial statements. For the statement of reporting responsibility issued by PricewaterhouseCoopers, the auditors of the Company, please refer to the auditors' report set out in the financial statements.

12 Rights of Shareholders

The Board and senior management members of the Company understand that they represent the interests of the shareholders as a whole. As such, they take important priority in safeguarding the values for shareholders, maintaining the steady level and sustained growth of the return to investment and enhancing the competitiveness of the operations.

Pursuant to the Articles of the Company, an extraordinary general meeting shall be convened within two months upon request in writing by shareholders holding independently or jointly 10% or above of the outstanding shares of the Company conferring a right to vote, where shareholdings of the shareholders shall be determined as on the date of submission of the relevant written request.

The relevant documents must state the objective of the general meeting and be served to all Directors.

The shareholders may raise questions to the Board and the Company shall provide sufficient contact information so as to enable the shareholders to properly direct their enquiries. The shareholders may raise their opinions directly at the general meeting.

13 Investors Relation

(1) Material amendments to the Articles of Association of the Company

On 15 June 2005, the following amendments to the Articles of Association of the Company were effected upon approval by the general meeting:

"existing" (目前的) in Article 18 be deleted and replaced by "Prior to the issue of overseas listed foreign shares" (發行境外上市外資股前的). Accordingly, Article 18 shall be amended as:

Prior to the issue of overseas listed foreign shares, the Company had a total of 147,400,000 shares of RMB1 each, all of which were subscribed by the following promoters, representing in aggregate 100% of the total issued ordinary shares of the Company:

BYD	129,557,060 shares	87.9%
Beijing Zhijin Science and Technology Investment Co., Ltd.	7,367,000 shares	5.0%
China Telecommunication Broadcast Satellite Corp.	4,424,200 shares	3.0%
Beijing Development Area Ltd.	3,098,940 shares	2.1%
Sino Television Co., Ltd.	2,952,800 shares	2.0%

Articles 19 to 22 be deleted.

The following be inserted as Article 19:

Upon completion of this issue, the registered capital of the Company is RMB197,310,000, currently divided into a total of 197,310,000 shares of RMB1.00 each. The shareholding structure is as follows:

BYD	124,839,974 shares	63.27%
Beijing Zhijin Science and Technology Investment Co., Ltd.	7,367,000 shares	3.73%
China Telecommunication Broadcast Satellite Corp.	4,263,117 shares	2.16%
Beijing Development Area Ltd.	2,986,109 shares	1.52%
Sino Television Co., Ltd.	2,952,800 shares	1.50%
Public shareholders	54,901,000 shares	27.82%

(2) Classes of shareholders and total shareholding

	Number of Shares	Percentage of total share capital (%)
Total Share Capital	197,310,000	100.00
Holders of Domestic Shares	142,409,000	72.18
BYD	124,839,974	63.27
Beijing Zhijin Science and Technology Investment Co., Ltd.	7,367,000	3.73
China Telecommunication Broadcast Satellite Corp.	4,263,117	2.16
Beijing Development Area Ltd.	2,986,109	1.52
Sino Television Co., Ltd.	2,952,800	1.50
H Shares in issue	54,901,000	27.82
Including: MIH Print Media Holdings Limited	19,533,000	9.90

(3) General meeting held on 15 June 2005

The 2004 annual general meeting ("AGM") was held at 2:00 p.m. on 15 June 2005 at Meeting Room, 10th Floor, Beijing Youth Daily Agency Building, Beijing, the PRC.

Resolutions reviewed and discussed at the annual general meeting include:

1. The report of the Board of Beijing Media for 2004;
2. The report of the supervisory committee of Beijing Media for 2004;
3. The audited consolidated financial report of Beijing Media for 2004;
4. The profit distribution proposal of Beijing Media for 2004 and the distribution of final dividends;
5. The proposal on re-appointment of PricewaterhouseCoopers and Yue Hua Certified Public Accountants as the international and PRC auditors of Beijing Media for 2005, respectively, and the authorisation of the Board to fix their remuneration;
6. The proposal on the budget of Beijing Media for 2005;
7. The proposal on the election of Mr. Johannes Louw Malherbe as a non-executive director of the Company;
8. The Monetary Housing Allowance Implementation Proposal of Beijing Media; and
9. The amendments to the Articles of Association of the Company as a special resolution.

The followings were passed as ordinary resolutions by vote in the AGM:

- Report of the Board of the Company for the year ended 31 December 2004;
- Report of the Supervisory Committee of the Company for the year ended 31 December 2004;
- Audited Consolidated financial statement of the Company for the year ended 31 December 2004;
- Profit distribution proposal and payment of final dividend of the Company for the year ended 31 December 2004;
- Re-appointment of Yue Hua Certified Public Accountants and PricewaterhouseCoopers as the PRC and international auditors of the Company for 2005 and authorisation of the Board to fix their remuneration;
- Budget proposal of the Company for 2005;

- Election of Mr. Johannes Louw Malherbe as a non-executive director of the Company; and
- Monetary Housing Allowance Implementation Proposal of the Company.

The following was passed as a special resolution by the AGM:

- Proposed amendments to the Articles of the Company.

(4) Important matters for shareholders for the 2006 financial year

The 2005 annual general meeting will be held at 2:00 p.m. on 20 June 2006 at the Meeting Room, 10th Floor, Beijing Youth Daily Agency Building, Chaoyang District, Beijing, the PRC.

(5) Public shareholding

The highest and lowest trading prices of the Company's H shares during the year were HK\$22.70 and HK\$8.9 respectively up to 31 December 2005. The trading volume and closing price as at 31 December 2005 were 93,500 H Shares and HK\$10.65, respectively.

14 Internal Control

The Board is ultimately responsible for the internal control systems of the Company and has reviewed the efficiency of such systems through the Audit Committee during the year.

The Company has continued to make efforts to establish and improve its internal control systems, enhance the control procedures and operating efficiencies and reduce operating risks. The Company has established a comprehensive internal control system, which provides a relatively comprehensive internal control regime on the asset supervision and management, fund management, operation management, financial management, cost control, human resources management and information technology management. With a comparatively scientific internal structure and proper system design, the Company has set up a scientific decision-making mechanisms, implementation mechanisms and supervision mechanisms. The "Scope of Authorisation of Beijing Media Corporation Limited"(北青傳媒股份有限公司批准權限) has strict provisions in respect of the authority of the Business Department, Financial Department, Human Resources and Administration Department, Executive Vice President and President. The authorised personnel and departments must discharge their duties in good faith within the scope of authorisation. Where any approval they made exceeds their respective scope of authorisation, the relevant departments may decline such instruction.

The effective implementation of the internal system ensured the orderly operational management of the Company and effective risk control, thereby safeguarding the integrity of the Company's properties and ensuring the attainment of the Company's operating goals.

Every department of the Company has smooth access to the Board for the submission of information required to be submitted to the Board. The President represents the highest point of contact for all departments, reports to the Board in respect of all departmental operations and promotes proper decisions within the Company to cater to and coordinate the various requests of the departments. As such, any matter discovered by the staff which are of a material nature (e.g. disclosable matters) may be reported to the decision-making management of the Company in a prompt, accurate and efficient manner. On the other hand, decisions of the Company's management are also implemented and supervised in an accurate, prompt and consistent manner.

Accordingly, the Board takes the view that: The internal control system of the Company is complete, rational and effective, able to ensure the proper discharge of obligations by the Company and its Directors under the Listing Rules and applicable laws and regulations in Hong Kong, and is able to ensure that the Directors assess the financial positions and prospect of the Company and its subsidiaries in a proper manner.

Building on our increasing practical experience and feedback from shareholders, with the aim of achieving continued development, we will persistently review and improve our corporate governance practices with reference to the domestic and international development trends, changes in internal and external risks and the Listing Rules.