

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 documents:

- (1) Memorandum and Articles of Association of Beijing Media Corporation Limited; 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;
 - 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 "CG Code") contained in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange.

2. CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out under the CG Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2006.

3. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code ("Model Code") contained in Appendix 10 to the Listing Rules regarding securities transactions by Directors and Supervisors. Upon specific enquiries by the Company, all Directors and Supervisors confirmed that they have fully complied with the Model Code.

4. SHAREHOLDING INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 31 December 2006, none of the Directors, Supervisors or other senior management members had any interests or short positions in the shares or underlying shares in Beijing Media 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 Hong Kong Stock Exchange under the Model Code).

5. THE BOARD

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

Name	Sex	Age	Other positions in the Company	Directorship Appointment Date	Remunerated by the Company
<i>Executive Directors</i>					
Zhang Yanping	M	49	Chairman	23 August 2004	Yes
Zhang Yabin	M	50		23 August 2004	Yes
Sun Wei	M	53	President	23 August 2004	Yes
He Pingping	M	52		23 August 2004	Yes
Du Min	M	39		23 August 2004	Yes
<i>Non-executive Directors</i>					
Xu Xun	M	51		23 August 2004	Yes
Liu Han	M	48		23 August 2004	Yes
Abraham Van Zyl	M	51		20 June 2006	No
<i>Independent Non-executive Directors</i>					
Tsang Hing Lun	M	58		12 November 2004	Yes
Wu Changqi	M	52		23 August 2004	Yes
Liao Li	M	41		23 August 2004	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.

5. THE BOARD *(Continued)*

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 Chief Financial Officer) as recommended by the President, and determination of their respective remuneration;
- determination on the basic management systems of the Company;
- determination on amendments to the Memorandum and Articles of Association of the Company;
- 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 Chief Financial Officer) 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;
- appointment and replacement of and recommendation on the shareholder's representative, Director or Supervisor to its subsidiaries or associated companies

5. THE BOARD *(Continued)*

Attendance of Individual Directors at Board Meetings in 2006

	Attendance	Number of meetings: 17 Attendance by proxy
<i>Executive Directors</i>		
Zhang Yanping	17	–
Zhang Yabin	17	–
Sun Wei	17	–
He Pingping	17	–
Du Min	16	–
<i>Non-executive Directors</i>		
Xu Xun	16	–
Liu Han	17	–
Johannes Louw Malherbe	8	1
Abraham Van Zyl	6	1
<i>Independent Non-executive Directors</i>		
Tsang Hing Lun	17	–
Wu Changqi	16	1
Liao Li	15	1

Note: Mr. Johannes Louw Malherbe duly resigned as Director of the Company on 20 June 2006 and is replaced by Mr. Abraham Van Zyl.

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 requires that at least one of the independent non-executive directors must possess appropriate professional qualification or accounting or relevant financial management expertise.

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 Hong Kong 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 written 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 Memorandum and 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 Memorandum and Articles of Association of the Company, 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 before expiry of their terms. 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 Company's current remuneration policy, long-term incentive scheme and basis for remuneration to Directors, please refer to note 13 to the consolidated 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;
- 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.

The increase of the emolument of each of the independent non-executive directors from RMB50,000 to RMB100,000 per annum (before tax) was approved at the Extraordinary General Meeting ("EGM") of the Company held on 29 December 2006. Apart from this, the Remuneration Committee of the Board of the Company did not hold any meeting to consider the compensation and annual salaries to other Directors and senior management personnel of the Company.

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 nineteenth meeting of the Board held on 23 April 2006, a resolution in respect of the nomination of Mr. Abraham Van Zyl as a non-executive Director of Beijing Media was considered and approved. The nomination was approved by the 2005 annual general meeting held on 20 June 2006. Attendance of Directors at that Board meeting is as follows:

	Attendance	Attendance by proxy
<i>Executive Directors</i>		
Zhang Yanping	Yes	—
Zhang Yabin	Yes	—
Sun Wei	Yes	—
He Pingping	Yes	—
Du Min	Yes	—
<i>Non-executive Directors</i>		
Xu Xun	Yes	—
Liu Han	Yes	—
Johannes Louw Malherbe	—	Yes
<i>Independent Non-executive Directors</i>		
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 2006.

10. REMUNERATION OF THE AUDITORS

PricewaterhouseCoopers and Yuehua Certified Public Accountants Company Limited ("Yuehua Certified Public Accountants") were appointed as the international and the PRC auditors of the Company for 2006, respectively. For the year ended 31 December 2006, audit fees incurred by the Company amounted to approximately RMB3,800,000 (2005: RMB4,700,000).

PricewaterhouseCoopers has been providing audit service to Beijing Media since 2004, representing 3 consecutive years of service since entering into the first audit service engagement letter on 29 July 2004. Yuehua Certified Public Accountants has been providing audit service to Beijing Media since 2001, representing 5 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 provided scrutineer service to the Company during the general meetings. The fee for such service amounted to RMB8,448.

During the report period, apart from audit service, Yuehua 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. The fee for such services amounted to RMB35,000.

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 during the year; 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 2005;
- reviewed and considered the results of the Group for the first half of 2006;
- 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 presented the opinion report on the review report issued by independent financial advisers and the respondent report by the management of the Company;
- reviewed connected transactions.

11. AUDITING AND AUDIT COMMITTEE *(Continued)*

Attendance of Individual Members at Meetings of the Audit Committee in 2006

Name	Attendance	Number of meetings: 2	
		Attendance by proxy	
Tsang Hing Lun	2		—
Wu Changqi	1		—
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 Hong Kong Stock Exchange to 31 December 2006.

The Board of the Company is 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 2006, the Board (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 consolidated 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 value for shares, maintaining the steady level and sustained growth of the return to investment and enhancing the competitiveness of the operations.

Pursuant to the Memorandum and Articles of Association 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 Shareholders.

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 Memorandum and Articles of Association of the Company

On 20 June 2006, the following amendments to the Memorandum and Articles of Association of the Company were effected upon approval by the general meeting:

"The Company has established the Board of Directors, comprising ten (10) directors" (公司設董事會·董事會由十(10)名董事組成) in Article 93 of the Memorandum and Articles of Association of the Company be deleted and replaced by "the Company has established the Board of Directors, comprising eleven (11) directors" (公司設董事會·董事會由十一(11)名董事組成).

"In accordance with the nomination by the Executive Vice President" (根據常務副總裁的提名) in Article 95(9) of the Memorandum and Articles of Association of the Company be deleted and replaced by "in accordance with the nomination by the President" (根據總裁提名).

13. INVESTORS RELATION *(Continued)*

(2) Classes of shareholders and total shareholding

	Number of Shares	Percentage of total share capital (%)
Holders of Domestic Shares		
– BYDA	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%
	142,409,000	72.18%
H Shares in issue <i>(Note)</i>	54,901,000	27.82%
Total Share Capital	197,310,000	100%

Note: Including the 19,533,000 H shares in issue held by MIH Print Media Holdings Limited, representing 9.90% of the total share capital.

(3) General meeting held on 20 June 2006

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

Resolutions discussed at the AGM include:

1. To consider and, if thought fit, to approve the report of the Board of Beijing Media for the year ended 31 December 2005.
2. To consider and, if thought fit, to approve the report of the supervisory committee of Beijing Media for the year ended 31 December 2005.
3. To consider and, if thought fit, to approve the audited consolidated financial statements of Beijing Media for the year ended 31 December 2005.
4. To consider and, if thought fit, to approve the profit distribution proposal of Beijing Media for the year ended 31 December 2005 and the distribution of final dividends.
5. To consider and, if thought fit, to approve the proposal on the budget of Beijing Media for the year 2006.
6. To consider and, if thought fit, to approve the reappointments of Yuehua Certified Public Accountants and PricewaterhouseCoopers as the PRC auditors and international auditors of Beijing Media for the year 2006, respectively, and the authorisation of the Board to fix their remuneration and the payment of their remuneration for the 2005 financial auditing.
7. To consider and, if thought fit, to approve the granting of consent to the resignation of Mr. Johannes Louw Malherbe as non-executive Director of the Company and the election of Mr. Abraham Van Zyl as non-executive Director of the Company.

13. INVESTORS RELATION *(Continued)*

(3) General meeting held on 20 June 2006 *(Continued)*

8. To consider and, if thought fit, to approve the granting of consent to the resignation of Mr. Zhu Yaoting as supervisor of the Company and the election of Mr. Gao Zhiyong as supervisor of the Company.
9. To consider and, if thought fit, to approve the proposal on the extension of the Printing Agreement between Beijing Youth Daily Logistics Company Limited and Beijing Youth Daily Agency and the proposed cap.
10. To amend the Memorandum and Articles of Association of Beijing Media as a special resolution.

Each of the following resolutions has been considered and approved as ordinary resolutions at the AGM:

- The report of the Board of Beijing Media for the year ended 31 December 2005.
- The report of the supervisory committee of Beijing Media for the year ended 31 December 2005.
- The audited consolidated financial statements of Beijing Media for the year ended 31 December 2005.
- The profit distribution proposal of Beijing Media for the year ended 31 December 2005 and the distribution of final dividends.
- The proposal on the budget of Beijing Media for the year of 2006.
- The re-appointments of Yuehua Certified Public Accountants and PricewaterhouseCoopers as the PRC auditors and the international auditors of Beijing Media for the year of 2006, respectively, and the authorisation of the Board to fix their remuneration and the payment of their remuneration for the 2005 financial auditing.
- The granting of consent to the resignation of Mr. Johannes Louw Malherbe as non-executive Director of the Company and the election of Mr. Abraham Van Zyl as non-executive Director of the Company.
- The granting of consent to the resignation of Mr. Zhu Yaoting as supervisor of the Company and the election of Mr. Gao Zhiyong as supervisor of the Company.
- The proposal on the extension of the Printing Agreement between Beijing Youth Daily Logistics Company Limited and Beijing Youth Daily Agency and the proposed cap.

The following resolution has been considered and approved as a special resolution at the AGM:

- The proposal in respect of the amendments to the Memorandum and Articles of Association of the Company.

13. INVESTORS RELATION *(Continued)*

(4) Extraordinary General Meeting held on 29 December 2006

The EGM was held at the Meeting Room of 10th Floor, Beijing Youth Daily Agency Building, Chaoyang District, Beijing, the PRC at 2:00 p.m. on 29 December 2006.

Resolutions discussed at the EGM include:

1. To consider and, if thought fit, to approve the increase of the emolument of each independent non-executive directors from RMB50,000 to RMB100,000 per annum (before tax).
2. To consider and, if thought fit, to approve the Continuing Connected Transactions and the associated caps.

Each of the following resolutions has been considered and approved as ordinary resolutions at the EGM:

- The increase of the emolument of each independent non-executive directors from RMB50,000 to RMB100,000 per annum (before tax).
- The Continuing Connected Transactions and the associated caps.

(5) Important matters for shareholders for the 2007 financial year

The 2006 AGM will be held at 2:00 p.m. on 20 June 2007 at the Meeting Room, 10th Floor, Beijing Youth Daily Agency Building, Chaoyang District, Beijing, the PRC.

(6) Public shareholding

The highest and lowest trading prices of the Company's H shares during 2006 were HK\$14.95 and HK\$7.9 per share respectively. The trading volume and closing price as at 29 December 2006 were 20,500 shares and HK\$8.25 per share, respectively.

(7) Change of principal place of business

The principal place of business of the Company in Hong Kong has been changed to 28/F, Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong since 16 January 2006.

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, information technology management and etc. 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. discloseable 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.