



BEIJING MEDIA CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1000)

ANNOUNCEMENT

This announcement is made pursuant to rule 13.09 of the Listing Rules. Reference is made to the announcements of Company on 12 October 2005 and 17 October 2005 regarding the detention of certain employees of the Company by the PRC authorities. The Audit Committee appointed the Independent Consultant to conduct an independent investigation on the incident. Having considered the findings of the independent investigation and the responses of the Management, the Audit Committee has concluded that the relevant incidents had no material impact on the financial statements of the Company during the relevant periods.

This announcement is made pursuant to rule 13.09 of the Listing Rules. Reference is made to the announcements of Beijing Media Corporation Limited (the “Company”) on 12 October 2005 and 17 October 2005 relating to the detention of Mr Duan Tao (Officer of Advertising Department), Mr Yu Dagong (Head of Advertising Department), Mr Zhu Weijing (Deputy Head of Advertising Department) and Mr Lu Jianning (Officer of Advertising Department), Mr Zheng Yijun (Vice President) and Mr Niu Ming (Vice President) (together the “Individuals”) by the authorities of the People’s Republic of China. The Company understands that allegations of bribery were made against the Individuals and, in addition, allegations of corruption were also made concerning Mr Zhang Yijun and Mr Niu Ming. The audit committee of the Company (the “Audit Committee”) appointed an independent consultant (the “Independent Consultant”) to conduct an investigation relating to certain advertising transactions in which the Individuals were involved.

Having considered the findings of the independent investigation and the responses of the management of the Company (the “Management”), the Audit Committee has concluded that the relevant incidents had no material impact on the financial statements of the Company during the relevant periods.

The Audit Committee noted that the Independent Consultant has reported that the accounting treatments appeared to differ between 2004 and 2005 for certain contracts between the Company and 8 classified advertising agents (the “Agents”) of its 25 agents with whom one or more of the Individuals were involved. The difference is attributable to a different basis for the recognition of advertising revenues. The recognition of advertising revenues in 2005 was based on actual placed pages, while in 2004, the recognition of advertising revenues was based on contracted amount. The Independent Consultant also reported that the Company increased the number of exclusivity rights granted to the Agents when their contracts were renewed during 2005, notwithstanding that, in 2004, the Agents’ proportion of actual advertising volumes placed in relation to their contracted amount was generally lower than the proportion of the actual advertising volumes placed by the other advertising agents in relation to their contracted amount, whom the Company also renewed the contracts in 2005. In addition, these Agents total contracted amounts in 2005 were substantially less than the contracted amounts in 2004, and their average advertising fees per page were lower in 2005 than 2003 and 2004. The Independent Consultant also reported that the repayment period for debts owed by the Agents was prolonged.

Finally, the Audit Committee noted that the Independent Consultant was unable to interview the detained Individuals and did not have full access to information outside of the control of the Company.

Having considered the responses of the Management to the above findings, the Audit Committee concluded that:

- The accounting treatments adopted by the Company for its 2004 and 2005 financial statements were in compliance with the generally accepted accounting principles.
- The Company’s action to increase the number of exclusive agency rights granted to the Agents and decrease the contracted amount of advertising fees in 2005 were merely commercial decisions, which were made according to the usual and ordinary practices implemented in the Beijing local advertising market.
- The Company’s action to decrease the average advertising fees per page offered to the Agents was also a commercial decision.
- As the Independent Consultant was unable to interview the detained Individuals and have access to further related information, the material findings of the investigation report were insufficient evidence to prove the allegations of bribery or corruption against the Individuals in respect of the Company.

The Independent Consultant has also given recommendations to the Audit Committee, including the following:

- Provide comprehensive ethical training to educate and enhance the integrity of the Company’s staff;
- Set up a policy and procedure for whistle blowers;
- Strengthen the procedures for approval of advertising contracts and the filing system for signed advertising contracts;
- Enhance the controls over the documentation for discounts granted to agents;
- Set up formal reporting channels for employees to declare any conflicts of interest or gifts received from advertising agents/customers;
- Conduct regular reviews to check transaction records for any possible irregularities.

The Management and the Audit Committee welcome the recommendations given by the Independent Consultant and have taken or will be taking the following steps to implement them where appropriate:

- The Company has established a comprehensive internal control system, which provides a comprehensive internal control regime on asset supervision and management, fund management, operation management, financial management, cost control, human resources management and information technology management;
- All Company staff are required to submit a signed “Code of Best Business Conduct” statement, which includes a conflict of interest statement, on annual basis;
- A gift management policy has been launched, which requires all staff of the Company to report and submit all gifts with a value over RMB500 to the Company’s administration department;
- All discounts offered to agents are examined and reviewed by the statistics division of the advertising department and approved by appropriate management staff;
- A numbered filing system for agreements has been established and implemented;
- Proper agreement approval procedures with appropriate limits of authorization have been set up and implemented;
- Quality inspectors have been assigned to (1) double check all the data stated on the advertisement booking forms with the data on the advertising data management system; and (2) perform regular reviews on the advertising data management system so as prevent any irregular discounts to be conducted.

By Order of the Board
Beijing Media Corporation Limited
Zhang Yanping
Chairman

Beijing, PRC, 29 December 2006

As at the date of this announcement, the Board comprises: the executive directors of the Company, Zhang Yanping, Zhang Yabin, Sun Wei, He Pingping, Du Min, the non-executive directors of of the Company, Liu Han, Xu Xun, Abraham van Zyl, and the independent non-executive directors of the Company, Tsang Hing Lun, Wu Changqi and Liao Li.

“Please also refer to the published version of this announcement in The Standard.”