

If you are in doubt as to any aspect of this Circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Beijing Media Corporation Limited, you should at once hand this Circular together with the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for delivery to the purchaser or transferee.

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BEIJING MEDIA CORPORATION LIMITED
北青傳媒股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1000)

CONTINUING CONNECTED TRANSACTIONS

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

Kingsway Capital Limited



KingswayGroup

Kingsway Capital Limited

A letter from the Independent Board Committee of Beijing Media Corporation Limited is set out on pages 14 to 15 of this Circular. A letter from Kingsway Capital Limited containing its advice to the Independent Board Committee is set out on pages 16 to 31 of this Circular.

A notice convening an extraordinary general meeting of Beijing Media Corporation Limited to be held at 10th Floor, Beijing Youth Daily Agency Building, Beijing, The People's Republic of China on Friday, 29 December 2006 at 2:00 p.m. is set out on pages 37 to 39 of this Circular. Whether or not you are able to attend the meeting, 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 holding the meeting.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

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DEFINITIONS

In this Circular, unless otherwise indicated in the context, the following expressions have the meaning set out below:

| | |
|-------------------------------------|---|
| “Advertising Business Agreement” | the advertising business agreement dated 7 December 2004 entered into between the Company and BYD; |
| “associates” | has the meaning ascribed to it in the HK Listing Rules; |
| “Beiqing Advertising” | 北京北青廣告有限公司 (Beijing Beiqing Advertising Limited), a subsidiary of BYD; |
| “Beiqing Advertising Agreement” | the real estate advertising agreement dated 1 January 2006 entered into between the Company and Beiqing Advertising; |
| “Board” | the board of Directors; |
| “BYD” | 北京青年報社(Beijing Youth Daily Press Agency); |
| “BYD Logistics” | 北京青年報現代物流有限公司(Beijing Youth Daily Logistics Company Limited), a subsidiary of the Company; |
| “BYD Papers” | newspapers which consist of the 北京青年報 (Beijing Youth Daily), 北京少年報 (Beijing Children’s Weekly), 中學時事報 (Middleschool Times) and 今日北京 (Beijing Today); |
| “Company” | Beijing Media Corporation Limited; |
| “Continuing Connected Transactions” | the 16.5% fee payable under the Advertising Business Agreement, and transactions under the Printing Agreement, Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beqing Advertising Agreement; |
| “Directors” | the directors of the Company; |
| “Extraordinary General Meeting” | the extraordinary general meeting of the Company to be held on 29 December 2006 at 2:00 p.m. at 10th Floor, Beijing Youth Daily Agency Building for Independent Shareholders to consider and to approve the Continuing Connected Transactions and the caps for the Continuing Connected Transactions; |
| “Gehua YangGuang” | 北京歌華陽光廣告有限公司 (Beijing Gehua Sunshine Advertising Co., Ltd), a jointly-controlled entity of BYD; |

DEFINITIONS

| | |
|---|---|
| “Gehua YangGuang Advertising Agreement” | the advertising sales agreement dated 8 December 2004 entered into between the Company and Gehua YangGuang; |
| “Group” | the Company and its subsidiaries; |
| “Independent Shareholders” | the shareholders of the Company other than BYD and its associates; |
| “Latest Practicable Date” | 14 December 2006, being the latest practicable date for the purpose of ascertaining certain information contained in the circular prior to its publication; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “PRC” | the Peoples’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan); |
| “Printing Agreement” | the printing agreement dated 7 December 2004 entered into between BYD Logistics and BYD; |
| “RMB” | the lawful currency of the People’s Republic of China; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Today YangGuang” | 北京今日陽光廣告有限責任公司 (Beijing Today Sunshine Advertising Co., Ltd), a subsidiary of BYD; |
| “Today YangGuang Advertising Agreement” | the advertising sales agreement dated 8 December 2004 entered into between the Company and Today YangGuang. |

LETTER FROM THE CHAIRMAN



BEIJING MEDIA CORPORATION LIMITED

北青傳媒股份有限公司

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

(Stock Code: 1000)

Executive Directors

Zhang Yanping

Zhang Yabin

Sun Wei

He Pingping

Du Min

Non-executive Directors

Liu Han

Xu Xun

Abraham van Zyl

Independent non-executive Directors

Tsang Hing Lun

Wu Changqi

Liao Li

19 December 2006

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

Reference is made to the announcement of the Company dated 4 December 2006. In preparation for its listing, the Company and BYD entered into a number of agreements in 2004 to govern and manage the Continuing Connected Transactions between them. These agreements include the Today YangGuang Advertising Agreement, the Advertising Business Agreement, the Gehua YangGuang Advertising Agreement and the Printing Agreement. At the time of the Company's listing in December 2004, the Stock Exchange granted a waiver to the Company from strict compliance with the relevant requirements of the Listing Rules in respect of the Continuing Connected Transactions. The waiver will expire on 31 December 2006.

On 1 January 2006, the Company and Beiqing Advertising entered into the Beiqing Advertising Agreement. The Beiqing Advertising Agreement will expire on 31 December 2006. An announcement was made on the agreement on 25 April 2006.

LETTER FROM THE CHAIRMAN

At the Company's extraordinary general meeting held on 20 June 2006, the Independent Shareholders approved the revision of the annual cap in respect of the Printing Agreement as a result of a significant increase in the publication of the Legal Evening Post which led to an increase in the printing services provided by the Group to BYD. A circular to shareholders was issued on 17 May 2006.

The Company expects to continue the Continuing Connected Transactions after the expiry of the waiver.

2. THE CONTINUING CONNECTED TRANSACTIONS

2.1 The continuing connected transactions

The following transactions are continuing connected transactions which must comply in full with the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules:

(a) *Advertising Business Agreement*

Under the Advertising Business Agreement entered into between the Company and BYD, BYD has agreed to grant an exclusive right to the Company to operate the Advertising Business in respect of the BYD Papers, including editions on other media such as the Internet. The advertising business is one of the Company's core businesses and derives a substantial portion of the Company's income.

BYD is the publisher and distributor of, among other things, the BYD Papers. The BYD Papers are circulated mainly in Beijing.

Under the Advertising Business Agreement, the Company was granted the exclusive right to operate the advertisement business in respect of the BYD Papers for a duration of 30 years from 1 October 2004, which duration will automatically be extended upon expiry. The right granted includes the right to sell all of the advertising space in the BYD Papers, and the Company is entitled to all revenue derived from such sales. In consideration, the Company will (a) be responsible for the printing, including printing costs and the choice of newsprint, of the BYD Papers, (b) pay BYD a fee representing 16.5% of the total advertising revenue generated from the BYD Papers or such figure or formula as the parties may agree in the future and (c) allocate up to 360 pages per year of advertising space in respect of each of the BYD Papers to BYD for publicity announcements and notices (provided that the advertising space allocated will not exceed 9% of the total advertising space of each paper per issue), for which no fee will be payable. The fee payable by the Company will be settled on a monthly basis.

LETTER FROM THE CHAIRMAN

During the years ended 31 December 2004, 31 December 2005 and the six-month period ended 30 June 2006, the 16.5% fees amounted to approximately RMB138,116,000, RMB96,582,000 and RMB37,696,000, respectively.

The agreement will expire on 30 September 2033 which will be automatically extended. The Company expects that the transactions under the Advertising Business Agreement will continue after 31 December 2006. For details relating to the arrangement before the Advertising Business Agreement was entered into, please refer to the Company's prospectus dated 13 December 2004.

It is proposed that the annual caps for transactions under the Advertising Business Agreement for each of the three years ending on 31 December 2007, 2008 and 2009 will be RMB127,050,000, RMB145,200,000 and RMB145,200,000, respectively. As the advertising business right vested under this agreement form the core part of the Company's business, the Company believes flexibility should be built into the annual caps to minimize disruption to the Company's day-to-day operation. As 2005 and 2006 have been quiet years for newspaper advertising, the Company believes the usage of the 2004 level is an appropriate starting point for determining the annual caps for the three years ending 31 December 2009 with an increment of approximately 15 percent between 2007 and 2008.

(b) Printing Agreement

Under the Printing Agreement entered into between BYD Logistics and BYD, BYD Logistics agreed to provide printing services in respect of (Beijing Sci-Tech Report), (Middleschool Science Post) and (Legal Evening Post) and other newspaper and magazines of BYD which may be introduced by BYD. However, the terms of the printing agreement shall not applicable to the BYD Papers. Under this agreement, BYD Logistics is responsible for the printing of the three newspapers and the provision of papers for the printing. The printing fee charged by the Company will be based on the actual volume of the newsprint printed and the quality of the printing and the papers. The quality of printing and papers will be pre-agreed between the parties. The fee payable will be settled on a monthly basis. The term of the agreement will end on 31 December 2006. Pursuant to the Printing Agreement, BYD Logistics or any of its subsidiaries may only provide the printing service to BYD on the basis that the fees payable under the printing agreement are settled on normal commercial terms, that being on terms which a party could obtain if the transaction were on arm's length basis or on terms no less favourable to BYD Logistics than terms available to or from third parties.

LETTER FROM THE CHAIRMAN

During the years ended 31 December 2004, 31 December 2005 and the six-month period ended 30 June 2006, printing fees paid to the Company were approximately RMB31,400,000, RMB79,795,000 and RMB43,176,000, respectively.

At the Company's extraordinary general meeting held on 20 June 2006, the Independent Shareholders approved the extension of the terms of the Printing Agreement for a further 3 years expiring on 31 December 2009 and the annual caps for 2006, 2007 and 2008 of RMB125,000,000, RMB150,000,000 and RMB190,000,000 respectively.

It is proposed that the annual cap for transactions under the Printing Agreement for the year ending on 31 December 2009 will be RMB220,000,000. The estimates have been arrived at based on the historical strong growth in the circulation of Legal Evening Post which resulted in higher printing costs, the caps approved for 2007 and 2008, the projected growth of circulation of the three newspapers and the expected increase in printing charges due to an expected increase in the costs of printing, in particular the growth in circulation of the Legal Evening Post.

(c) *Today YangGuang Advertising Agreement, Gehua YangGuang Advertising Agreement and Beiqing Advertising Agreement*

(i) *Today YangGuang Advertising Agreement*

The Company has the exclusive right to sell advertising space in the BYD Papers. Under the Today YangGuang Advertising Agreement entered into between the Company and Today YangGuang, the Company agreed to sell advertising space in the BYD Papers to Today YangGuang based on the following framework terms set out in the agreement. The advertising fee charged by the Company will be calculated based on a unit price agreed between the parties from time to time in accordance with the provisions of the agreement and taking into account the actual amount of the advertisements placed, the size of the advertisements and the page on which the advertisements will be published. The fee is payable before publication of the advertisements. The term of the Today YangGuang Advertising Agreement will expire on 31 December 2006.

During the years ended 31 December 2004, 31 December 2005 and the six-month period ended 30 June 2006, sales fees paid by Today YangGuang to the Company were approximately RMB2,244,000, RMB108,800 and RMB338,000, respectively.

LETTER FROM THE CHAIRMAN

The Company expects that the transactions under the Today YangGuang Advertising Agreement will be required after 31 December 2006 and has, therefore, extended the term of agreement for a further 3 years expiring on 31 December 2009 pursuant to a supplemental agreement dated 29 November 2006. Other provisions of the agreement have remained unchanged.

(ii) Gehua YangGuang Advertising Agreement

The Company has the exclusive right to sell advertising space in the BYD Papers. Under the Gehua YangGuang Advertising Agreement entered into between the Company and Gehua YangGuang, the Company agreed to sell advertising space in the BYD Papers to Gehua YangGuang based on the following framework terms set out in the agreement. The advertising fee charged by the Company will be calculated based on an unit price agreed between the parties from time to time in accordance with the provisions of the agreement and taking into account the actual amount of advertisements placed, the size of the advertisements and the pages on which the advertisements will be published. The fee is payable before the publication of the advertisements. The term of this agreement will end on 31 December 2006.

During the years ended 31 December 2004, 31 December 2005 and the six-month period ended 30 June 2006, sales fees paid by Gehua YangGuang to the Company were approximately RMB26,842,000, RMB8,043,000 and RMB1,382,000, respectively.

The Company expects that the transactions under the Gehua YangGuang Advertising Agreement will be required after 31 December 2006 and has, therefore, extended the term of agreement for a further 3 years expiring on 31 December 2009 pursuant to a supplemental agreement dated 29 November 2006. Other provisions of the agreement have remained unchanged.

(iii) Beiqing Advertising Agreement

Under the Beiqing Advertising Agreement entered into between the Company and Beiqing Advertising, Beiqing Advertising is engaged by the Company to act as one of the advertising agents pursuant to which Beiqing Advertising is required to arrange for placement of advertisements in the Beijing Youth Daily with the Company. The advertising fee charged by the Company is calculated based on a unit price set out in the standard advertising price list, which price list is also issued to the relevant customers of the Company, subject to applicable discount. Different prices will be applicable depending on the size of the advertisements and the pages on which the advertisements

LETTER FROM THE CHAIRMAN

will be published. Payment of the advertising fees will be settled on the date of making the relevant booking of the advertising space. The Beijing Advertising Agreement will expire on 31 December 2006.

In consideration for the agency services provided, Beijing Advertising is allocated complementary advertising space on the Beijing Youth Daily. The volume of the complementary advertising space allocated is determined based on the amount of advertising fee arranged by Beijing Advertising throughout the year. The volume of the complementary advertising space provided to Beijing Advertising is comparable with that allocated to independent third party advertising agents engaged by the Company.

During the year ended 31 December 2005 and the six-month period ended 30 June 2006, the total amount of advertisements arranged by Beijing Advertising on Beijing Youth Daily was approximately RMB23,610,000 and RMB11,268,000, respectively. An equivalent of approximately 26 and 2 full pages of complementary advertising space was allocated to Beijing Advertising during the year ended 31 December 2005 and the six-month period ended 30 June 2006, respectively. The main reason for the discrepancy in the number of pages of complementary advertising spaces is because the complimentary advertising spaces, which is offered to agency as one of the incentives, are calculated based on the accumulated advertising placement volume on a progressive basis. The more advertising volume placed, the more complimentary spaces are offered. Hence, normally, most of the complimentary advertising spaces will be incurred and offered in the second half of the year.

The Company expects that the transactions under the Beijing Advertising Agreement will be required after 31 December 2006 and has, therefore, extended the term of agreement for a further 3 years expiring on 31 December 2009. Other provisions of the agreement have remained unchanged.

To ensuing that transactions under each of the Today YangGuang Advertising Agreement, Gehua YangGuang Advertising Agreement and the Beijing Advertising Agreement will be conducted on normal commercial terms, each of the agreements stipulates that the fees charged by the Company thereunder shall be:

1. based on the price stipulated by the government;
2. if there is no government stipulated price, based on market price; and
3. if there is no governmental stipulated price or market price, price which is favourable to the Company.

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It is proposed that the annual caps for transactions under the Today YangGuang Advertising Agreement, Gehua YangGuang Advertising Agreement and Beiqing Advertising Agreement for each of the three years ending on 31 December 2007, 2008 and 2009 will be RMB28,000,000, RMB31,000,000 and RMB32,100,000, respectively. The annual caps for the transactions under the aforementioned agreements are aggregated pursuant to rules 14A.25 and 14A.26 of the Listing Rules. The estimates have been arrived at taking into account the amount of transactions conducted in the past 3 years (where applicable), the fact that advertising sales were negatively affected in the years 2005 and 2006 due to macro-economic measures implemented in the PRC and the latest advertising volume forecast for 2007 with mild annual upward adjustments of approximately 10 percent.

The annual caps for 2007, 2008 and 2009 are summarised below:

| | Annual cap for 2007 (RMB) | Annual cap for 2008 (RMB) | Annual cap for 2009 (RMB) |
|---|--|--|--|
| Today YangGuang Advertising Agreement, Gehua YangGuang Advertising Agreement and Beiqing Advertising Agreement | 28,000,000 | 31,000,000 | 32,100,000 |
| Advertising Business Agreement | 127,050,000 | 145,200,000 | 145,200,000 |
| Printing Agreement | 150,000,000 | 190,000,000 | 220,000,000 |

LETTER FROM THE CHAIRMAN

2.2 Historical data

The annual caps applicable for 2005 and 2006, representing the two years after listing, and the value of the transactions for 2004, 2005 and 2006 are summarised below.

| | Annual cap for 2005 (RMB) | Annual cap for 2006 (RMB) | Value for 2004 (RMB) approximately | Value for 2005 (RMB) approximately | Value for first six months of 2006 (RMB) approximately |
|--|---------------------------------|---------------------------------|---|---|--|
| Today YangGuang Advertising Agreement | 7,200,000 | 8,700,000 | 2,244,000 | 108,800 | 338,000 |
| Gehua YangGuang Advertising Agreement | 33,120,000 | 39,750,000 | 26,842,000 | 8,043,000 | 1,382,000 |
| Beiqing Advertising Agreement | N/A ¹ | 21,000,000 | N/A | 23,610,000 | 11,268,000 |
| Sub-total for Today YangGuang Advertising Agreement, Gehua YangGuang Advertising Agreement and Beiqing Advertising Agreement | 40,320,000 | 69,450,000 | 29,086,000 | 31,761,800 | 12,988,000 |
| Advertising Business Agreement | 188,000,000 | 230,000,000 | 138,116,000 ² | 96,582,000 | 37,696,000 |
| Printing Agreement | 53,800,000 ³ | 125,000,000 | 31,400,000 | 79,795,000 | 43,176,000 |

¹ There was no cap for 2005. Please refer to the announcement of the Company made on 25 April 2006.

² For illustration purposes only. In deriving the figure for the year ended 31 December 2004, it is assumed that the provisions of the Advertising Business Agreement were effectively from 1 January 2004.

³ The initial cap for 2005 was exceeded and the cap for 2006 was revised with the approval of independent shareholders. An announcement was made on 25 April 2006.

LETTER FROM THE CHAIRMAN

3. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

As BYD and/or its associates have operated with the Company as an integrated organisation prior to the restructuring of BYD and the establishment of the Company, and in particular owing to PRC legal restrictions on non-PRC wholly-owned enterprises in engaging in newspaper editorial business, a number of internal transactions are being conducted every year. After the restructuring and the listing of the shares of the Company on the Stock Exchange, a number of transactions conducted or to be conducted between the Company and BYD and/or its associates will constitute continuing connected transactions under the Listing Rules.

The Continuing Connected Transactions of the Company are conducted in the ordinary and usual course of business of the Company. Such transactions will continue to be conducted on an arm's length basis and on terms that are fair and reasonable to the Company. Owing to the long-term co-operation relationship between the Company and BYD and the need for quality editorial content for the BYD Papers, the Board is of the opinion that the entering into of such transactions on a continuing basis is essential to the continuation of the Company's business and will be beneficial to the Company as the Continuing Connected Transactions facilitate and will facilitate the business operation and growth of the Company and reduce the unnecessary risks which might incur during the course of operation.

4. IMPLICATIONS UNDER THE LISTING RULES

As BYD is the controlling shareholder of the Company; and Gehua YangGuang, Today YangGuang and Beiqing Advertising are subsidiaries of BYD, each of the above entities is, accordingly, a connected person to the Company under rule 14A.11 of the Listing Rules. Accordingly, the transactions referred to in 2 above will constitute continuing connected transactions for the Company.

The transactions under 2.1 above will be subject to the reporting, announcement and Independent Shareholders' approval requirements in accordance with rule 14A.35 of the Listing Rules.

5. GENERAL INFORMATION

The Company is a PRC media company principally engaged in the sale of advertising space, production of newspapers and trading of print-related materials. The Company has the exclusive right to operate the advertising business of a number of leading newspapers in the PRC, including the Beijing Youth Daily.

BYD Logistics is a subsidiary of the Company, in which the Company is the holder of 50.5 percent of its equity interest. BYD Logistics is involved in the business of providing storage, transportation, logistics and printing services and trading of print related material.

BYD is the holder of approximately 63.27 percent of the total issued share capital of the Company. BYD is a newspaper agency in the PRC and publishes, amongst others, the Beijing Youth Daily and the Legal Evening Post.

LETTER FROM THE CHAIRMAN

Beiqing Advertising is a PRC incorporated company which business includes the provision of advertising agency services. Beiqing Advertising is a subsidiary of BYD.

Gehua YangGuang is a jointly controlled entity of BYD owned as to, directly and indirectly, 50%. Gehua YangGuang is engaged in outdoor billboard advertising.

Today YangGuang is a subsidiary of BYD owned as to 55%. Today YangGuang is engaged in outdoor billboard advertising.

6. RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board considers that the terms of each of the Continuing Connected Transactions are based on normal commercial terms, are fair and reasonable to its Independent Shareholders and are in the interests of the Company and the shareholders as a whole.

7. RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Kingsway Capital Limited has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the extension of and the caps for the Continuing Connected Transactions. The members of the Independent Board Committee are Messrs. Tsang Hing Lun, Wu Changqi and Liao Li.

The Independent Board Committee, having taken into account the advice of Kingsway Capital Limited, considers that the extension of and the caps for the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders vote in favour of the ordinary resolutions in relation to the above which will be proposed at the Extraordinary General Meeting.

The text of the letter from Independent Board Committee is set out on pages 14 to 15 of this Circular and the text of the letter from Kingsway Capital Limited containing its advice is set out on pages 16 to 31 of this Circular.

8. EXTRAORDINARY GENERAL MEETING

You will find on pages 37 to 39 of this Circular a notice of the Extraordinary General Meeting to be held at 10th Floor, Beijing Youth Daily Agency Building, Beijing, The People's Republic of China on Friday, 29 December 2006 at 2 p.m.

A form of proxy for use in connection with the Extraordinary General Meeting has already been provided to the shareholders. Whether or not you are able to attend the meeting, please complete and return the 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 holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

LETTER FROM THE CHAIRMAN

BYD and its associates will abstain from voting at the Extraordinary General Meeting in respect of the resolution relating to the matters set out in this Circular.

9. GENERAL INFORMATION

Your attention is drawn to the texts of the letter from the Independent Board Committee and from Kingsway Capital Limited containing their recommendations regarding the extension of and the caps for the Continuing Connected Transactions.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



BEIJING MEDIA CORPORATION LIMITED

北青傳媒股份有限公司

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

(Stock Code: 1000)

Members of the Independent Board Committee

Tsang Hing Lun

Wu Changqi

Liao Li

19 December 2006

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular (the "Circular") dated 19 December 2006 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We are writing to you to set out our recommendation whether or not the extension of and the caps for the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. Details, including the reasons, relating to the above are summarised in the letter from the Chairman set out on pages 3 to 13 of the Circular. In considering the fairness and reasonableness, the Independent Board Committee have been advised by Kingsway Capital Limited. You are strongly urged to read Kingsway Capital Limited's letter to the Independent Board Committee which is set out on pages 16 to 31 of this Circular.

RECOMMENDATION

We have discussed with the management of the Company the reasons for the extension of and the caps for the Continuing Connected Transactions and the basis upon which the caps for the Continuing Connected Transactions have been determined. We have also considered the key factors taken into account by Kingsway Capital Limited in arriving at its opinion as set out in their letter on pages 16 to 31 of the Circular, which we urge you to read carefully.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee concurs with the views of Kingsway Capital Limited and consider that the extension of and the caps for the Continuing Connected Transactions to be in the best interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee unanimously recommends the Independent Shareholders vote in favour of the ordinary resolution in relation to the above which is set out in the notice of the Extraordinary General Meeting at the end of the Circular.

Yours faithfully

Tsang Hing Lun Wu Changqi Liao Li

Independent Non-Executive Directors

LETTER FROM KINGSWAY CAPITAL LIMITED

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Kingsway Capital Limited prepared for incorporation in this circular.



5/F, Hutchison House,
10 Harcourt Road,
Central, Hong Kong

19 December 2006

To: *The Independent Board Committee and
the Independent Shareholders*

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions, details of which are set out in the “Letter from the Chairman” contained in the circular issued by the Company to its shareholders dated 19 December 2006 (the “Circular”) of which this letter forms part. Our role as the independent financial adviser is to give our opinion as to whether the terms of the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 4 December 2006, the Board announced that the Company expects that the Continuing Connected Transactions will continue after 31 December 2006. Since BYD is the controlling shareholder of the Company holding approximately 63.27% of the share capital of the Company and accordingly, a connected person to the Company under rule 14A.11 of the Listing Rules. Pursuant to rule 14A.35 of the Listing Rules, the annual amount of each of the transactions under the Continuing Connected Transactions is more than 2.5% of the applicable percentage ratios of the Group, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company which will be subject to the reporting, announcement and independent shareholders’ approval requirements in accordance with rule 14A.35 of the Listing Rules. BYD and its associates will abstain from voting in the Extraordinary General Meeting to approve the Continuing Connected Transactions.

LETTER FROM KINGSWAY CAPITAL LIMITED

The Independent Board Committee, comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether (i) the entering into of the Advertising Business Agreement, the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beiqing Advertising Agreement are in the interest of the Company and the Shareholders as a whole; (ii) the terms of the Advertising Business Agreement and the respective new annual caps are fair and reasonable; (iii) the respective aggregate new annual caps of the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beiqing Advertising Agreement are fair and reasonable; (iv) the annual cap for the year ending 2009 in respect of the Printing Agreement is fair and reasonable; and (v) as to whether the Independent Shareholders should vote in favour of the ordinary resolutions to approve the Continuing Connected Transactions at the Extraordinary General Meeting.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, we have relied on the information and representations provided to us by the Directors, which the Directors consider to be complete and relevant.

We have also relied on the information and representations contained in the Circular and have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were true, accurate and complete at the time they were made and continue to be true and accurate on the date of the Circular. We have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view and have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided by the management of the Company and the Directors, nor have we conducted any independent investigation into the business and affairs of the Group, BYD and its subsidiaries.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, we have considered the principal factors and reasons set out below:

I. Background of the Continuing Connected Transactions

BYD is a newspaper agency in the PRC and publishes, amongst others, the Beijing Youth Daily and the Legal Evening Post circulated mainly in Beijing.

LETTER FROM KINGSWAY CAPITAL LIMITED

The Company is a PRC media company principally engaged in the sale of advertising space, production of newspapers and trading of print-related materials. The Company has the exclusive right to operate the advertising business of a number of leading newspapers in the PRC, including the Beijing Youth Daily.

BYD Logistics is a subsidiary of the Company, in which the Company is the holder of 50.5% of its equity interest. BYD Logistics is involved in the business of providing storage, transportation, logistics and printing services and trading of print related material.

Today YangGuang, and Beiqing Advertising are subsidiaries of BYD of which BYD owned as to, directly and indirectly, approximately 55% and 55% respectively. Gehua YangGuang is a jointly controlled entity of BYD owned as to, directly and indirectly, 50%. Today YangGuang and Gehua YangGuang are both engaged in outdoor billboard advertising business whereas Beiqing Advertising's business includes the provision of advertising agency services.

By virtue of the Advertising Business Agreement entered into between the Company and BYD on 7 December 2004, BYD has agreed to grant an exclusive right to the Company to operate the Advertising Business in respect of the BYD Papers, including editions on other media such as the Internet. The advertising business is one of the Company's core businesses and derives a substantial portion of the Company's income.

Under the Advertising Business Agreement, the Company was granted the exclusive right to operate the advertisement business in respect of the BYD Papers for a duration of 30 years from 1 October 2004 to 30 September 2033, which duration will automatically be extended upon expiry. The right granted includes the right to sell all of the advertising space in the BYD Papers, and the Company is entitled to all revenue derived from such sales. In consideration, the Company will (a) be responsible for the printing, including printing costs and the choice of newsprint, of the BYD Papers, (b) pay BYD a fee representing 16.5% of the total advertising revenue generated from the BYD Papers or such figure or formula as the parties may agree in the future and (c) allocate up to 360 pages per year of advertising space in respect of each of the BYD Papers to BYD for publicity announcements and notices (provided that the advertising space allocated will not exceed 9% of the total advertising space of each paper per issue), for which no fee will be payable. The fee payable by the Company will be settled on a monthly basis. The Company has been granted the right to operate the advertising business since its incorporation.

Under the Printing Agreement entered into between BYD Logistics and BYD on 7 December 2004, BYD Logistics agreed to provide printing services in respect of 北京科技報 ("Beijing Sci-Tech Report"), 中學生科學報 ("Middleschool Science Post") and 法制晚報 ("Legal Evening Post") and other newspaper and magazines of BYD which may be introduced by BYD. However, the terms of the Printing Agreement shall not be applicable to the BYD Papers. Under this agreement, BYD Logistics is responsible for the printing of the three newspapers and the provision of paper for the printing.

LETTER FROM KINGSWAY CAPITAL LIMITED

At the Company's annual general meeting held on 20 June 2006, the Independent Shareholders approved the extension of the terms of the Printing Agreement from 31 December 2006 for a further 3 years expiring on 31 December 2009 and the annual caps for 2006, 2007 and 2008 in respect of the Printing Agreement.

Pursuant to the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beiqing Advertising Agreement, Today YangGuang, Gehua YangGuang and Beiqing Advertising has been engaged as the advertising agents of the Company for arranging placement of advertisements in the BYD Papers. In particular, the Company has been engaging Today YangGuang and Gehua YangGuang as its advertising agents since its incorporation and prior to its listing.

Prior to the Listing of the Company on the Stock Exchange in December 2004, the Company applied for and was granted by the Stock Exchange the existing waiver from strict compliance with the Listing Rules in respect of the Company's Continuing Connected Transactions. The existing waiver is for a term of three financial years expiring on 31 December 2006. The existing waiver specifies, among other things, the annual caps which each of the Continuing Connected Transactions shall not exceed for the three financial years ending 31 December 2006.

As stated in the Letter from the Chairman, the Directors consider that the terms of the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

II. Terms of the Advertising Business Agreement, the Printing Agreement, the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beiqing Advertising Agreement

1. Advertising Business Agreement

As the terms of the Advertising Business Agreement will expire in 2033, the Directors confirm that all the terms of the Advertising Business Agreement will remain the same for the three years ending 31 December 2009.

We noted the Advertising Business Agreement has a term of more than three years which does not comply with the requirement under rule 14A.35(1) of the Listing Rules. We believe that it is an acceptable business practice to enter into agreement of prolonged duration when it is essential to the businesses of parties to the agreement. These circumstances and relevant justifications are as follows:

- (i) the Advertising Business Agreement provide the important legal framework for the Group to implement its business model which are the core business of the Company since its establishment and has been contributing a substantial portion to both the turnover

and net profits. The extended duration gives assurance to the Group's position to maintain its long term revenue stream which is crucial to the smooth operation and performance of the Group and in turn enhance Shareholders' value;

- (ii) this duration is consistent to the call option granted under the Advertising Business Agreement, details of which have been disclosed in the prospectus of the Company dated 13 December 2004, and which, among other things, allows the Company to acquire the publishing, operation and editorial rights in respect of the BYD Papers, exercisable from such date it become permissible under PRC law and regulation for the Company to acquire and operate the BYD Papers up to 30 years (subject to automatic renewal) from the date of the Advertising Business Agreement or the date of its termination, if earlier; and
- (iii) the Advertising Business Agreement can only be terminated by the Company by giving no less than six month's prior written notice or upon the exercise of the call option as mentioned earlier, the Advertising Business Agreement will be terminated automatically. These give appropriate rights and protection to the Company and its shareholders as a whole.

In our assessment on the fairness of the terms of the Advertising Business Agreement, we noted that it is stipulated in the Advertising Business Agreement that the 16.5% fixed fee rate payable to BYD was agreed between the Company and BYD on the principle to compensate BYD's expenses in issuing the BYD Papers. Since BYD has only engaged the Company to perform the roles under the Advertising Business Agreement and the Company only paid the 16.5% fee to BYD, their mutual relationship is unique in the industry. The Advertising Business Agreement has mapped out a co-operative environment for both the Company and BYD and is consistent with the strategic rationale of listing the Company. We also considered that the provisions in the Advertising Business Agreement have been implemented since the listing of the Company and will remain in force for the three years ending 2009 and in the future, which are important and crucial to the prospects of the Group. We noted that there is a provision in the Advertising Business Agreement allowing both parties to mutually agree on other payment amounts or computation methodology. This serve a fair platform for both the Company and BYD to negotiate should there be a variation in the business environment of the Company or BYD which may affect the fairness of the 16.5% fixed fee payment term.

LETTER FROM KINGSWAY CAPITAL LIMITED

Based on the aforementioned, we are of the view that the terms of the Advertising Business Agreement are reasonably determined and are fair and reasonable so far as the interests of the Company and the Shareholders are concerned as a whole.

2. *Printing Agreement*

Pursuant to the Printing Agreement, details of printing fee to be charged by BYD Logistics has been specified in the Printing Agreement, which depends on the actual volume of papers printed, quality of the printing and the type of paper used. The quality of printing and paper will be pre-agreed between the parties. The fee payable will be settled on a monthly basis.

The Printing Agreement stipulated that BYD Logistics may only provide the printing services to BYD on the basis that the fees payable under the Printing Agreement are settled on normal commercial terms, that being on terms which a party could obtain if the transaction were on arm's length basis or on terms no less favourable to BYD Logistics than terms available to or from third parties.

The renewal of the terms of the Printing Agreement for the three years ending 31 December 2009 was approved by the Independent Shareholders at the Company's annual general meeting held on 20 June 2006.

3. *Today YangGuang Advertising Agreement, Gehua YangGuang Advertising Agreement and Beiqing Advertising Agreement*

The terms of the Today YangGuang Advertising Agreement and the Gehua YangGuang Advertising Agreement are similar. Pursuant to their framework terms, the advertising fee charged by the Company will be calculated based on an unit price agreed between the parties from time to time in accordance with the provisions of the agreements, taking into account the actual amount of the advertisements placed, the size of the advertisements and the page on which the advertisements will be published. The fee is payable before publication of the advertisements. Pursuant to the Beiqing Advertising Agreement, Beiqing Advertising is required to arrange for placement of advertisements in the Beijing Youth Daily with the Company. The advertising fee charged by the Company is calculated principally based on an unit price set out in the standard advertising price list, subject to applicable discount. In consideration for the agency services provided, Today YangGuang, Gehua YangGuang and Beiqing Advertising will be allocated complementary advertising space on the Beijing Youth Daily, such volume will be determined based on the amount of advertising fee arranged by them throughout the year.

LETTER FROM KINGSWAY CAPITAL LIMITED

To ensure that the transactions contemplated under the respective agreements above will be conducted on normal commercial terms, the fee payable under the agreements shall be:

- (i) based on the price stipulated by the government;
- (ii) if there is no government stipulated price, based on market price; and
- (iii) if there is no governmental stipulated price or market price, price which is favourable to the Company.

The Directors confirm that the terms of the respective renewal agreements for the three years ending 31 December 2009 will be the same as those of the original agreements.

For the purpose of evaluating the fairness and reasonableness of the transactions under the various agreements, we have carried out a review on the terms of agreements with other advertising agents who are independent third party of the Company and found that the terms were similar to those of the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beiqing Advertising Agreement. All the pricing terms stipulated in the agreements with those advertising agents were referenced to the standard advertising price list determined and issued by the Company periodically.

Furthermore, we have been advised by the management of the Company that payments are generally settled before placing of advertisements with no credit terms, which is the universal credit policy adopted by the Group towards all its advertising agents. As advised by the Company, there will be incentive schemes in the form of discounts and complementary advertising space to all advertising agents (including connected advertising agents) based on their respective business volume with the Company and also the market share of the advertisements placed with the BYD Papers. Given the terms of the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beiqing Advertising Agreement have been agreed on commercial terms and fees payable under the agreements were on an arm's length basis or on terms no less favourable to the Company than terms available to or from independent third parties, we are of the view that the terms of the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beiqing Advertising Agreement are fair and reasonable so far as the Company and Shareholders are concerned.

LETTER FROM KINGSWAY CAPITAL LIMITED

III. The Annual Caps

Sets out below the proposed new annual caps for the Continuing Connected Transactions and reasons thereof:

1. *Advertising Business Agreement*

As set out in the Letter from the Chairman, we summarise the actual annual caps for the years 2004 to 2006, the proposed annual caps for the years 2007 to 2009 and the audited historical transactions amounts for the years 2004 to 2005 and the latest available unaudited transaction amount for 1st half of 2006 in the following table:

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------|---------|---------|------------------------------|---------|---------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Annual cap | 156,000 | 188,000 | 230,000 | 127,050 | 145,200 | 145,200 |
| Historical value | 138,116 | 96,582 | 37,696 (up to 30 June) | n/a | n/a | n/a |

We noted that the actual transaction amounts for the years ended 2004 and 2005 were lower than the respective anticipated annual cap.

As far as the Group's advertising business is concerned, we noted that there has been a consistent uptrend for the growth of such business segment for the three years ended 31 December 2004 in terms of the revenue figure despite the keen competition environment and an average growth rate of approximately 14.1% was achieved over the three years ended 31 December 2004. As set out in the 2005 annual report of the Company, the management explained that the lower revenue in 2005 was mainly due to the shrinkage in newspaper advertisements placed by real estate business customers, which has a result of the implementation of certain austerity measures by the PRC government geared to cool the surging PRC property markets. With the further austerity measures announced and implemented by the PRC government in May 2006 to regulate the PRC property markets, the slowing down of advertising sales in newspapers and magazines continued in 2006. As stated in the 2005 annual report and the 2006 interim report of the Company, the advertising revenue from the real estate advertising received by Beijing Youth Daily decreased by approximately 38.3% in 2005 from the corresponding period of 2004 and decreased by approximately by 18.3% in 1st half of 2006 from the corresponding period of 2005, respectively. As the fee to be paid to BYD under the Advertising Business Agreement is fixed at 16.5% of the advertisement revenue generated by the BYD Papers, the moving trend of the advertising business of the Group is directly linked to the fee cap amounts proposed in the table above.

LETTER FROM KINGSWAY CAPITAL LIMITED

We have analysed the historical value of advertising business revenue and advertising fee paid to BYD for the years ended 2004 and 2005 and the six months period ended June 2006, and the notional advertising business revenue for the three years ending 2009 as set out below:

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------------------------|---------|---------|--------------------|----------|----------|----------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | (up to 30 June) | | | |
| Advertisement business turnover | 898,843 | 590,203 | 235,072 | 770,000* | 880,000* | 880,000* |
| Advertising fee | 138,116 | 96,582 | 37,696 | 127,050 | 145,200 | 145,200 |
| %** | 15.4% | 16.4% | 16.0% | 16.5% | 16.5% | 16.5% |

* notional turnover based on the advertising fee cap amounts and the fixed 16.5% fee payable to BYD

** the effective rates for the years ended 2004 and 2005 and the six months ended June 2006 do not exactly equal to 16.5% as stipulated in the Advertising Business Agreement. As explained by the management of the Company, the Advertising Business Agreement was effective from 1 October 2004 onwards and the 16.5% fixed fee therefore became effective on the same date while the average rate adopted in conducting this transaction prior to October 2004 was approximately 15%, the different rates occurred during 2004 created the difference in 2004. For 2005 and the six months ended June 2006, the total advertising business turnover included turnover which are not subject to the 16.5% fee and distorted the rate thus calculated.

We understand from the Company that commercial advertisements traditionally accounted for approximately 90% of the total advertising turnover of the Group during the past few years. Among the various advertiser industry category of advertising income, real estate market and automobiles market together accounted for more than 50% of the total advertising revenue of the Group. As advised by the management of the Company and stated in the Letter from the Chairman, the estimation of the proposed annual caps was determined primarily based on the advertising revenue to be generated by the BYD Papers, principally the Beijing Youth Daily, with reference to the historical advertising revenue level in 2004 and the anticipated recovery of the major advertiser industry of the Group.

As stated in the Letter from the Chairman, the advertising business right vested under this agreement form the core part of the Company's business, the Company believes flexibility should be built into the annual caps to minimize disruption to the Company's day-to-day operation. As 2005 and 2006 have been quiet years for newspaper advertising, the Company believes the usage of the 2004 level is an appropriate starting point for determining the annual caps for the three years ending 31 December 2009.

LETTER FROM KINGSWAY CAPITAL LIMITED

In our assessment of the Company's rationale in determining the cap amounts for the three years ending 31 December 2009, we have taken into consideration of the following factors:

- (i) Macro environment on development of real estate and automobiles industry

The austerity measures implemented by the PRC government during the past two years in cooling the property markets have shown results in 2006; according to the analysis by the Beijing Municipal Commission of Development and Reform on the results of such austerity measures, for the first nine months in 2006, fixed assets investments in Beijing increased by a moderate rate, ranking 21st in 31 major provinces and cities in the PRC and showed an explicitly lower rate than the country's average rate. Moreover, the increase in number and investment amount of newly commenced fixed assets investment projects recorded a decrease of about 24.8% and 31.8% as compared to the first half of 2006 respectively. It is therefore logical to expect that the property markets in Beijing will continue to develop on a healthy pace and more projects will complete before the commencement of 2008 Olympic Game. With the leading position of Beijing Youth Daily in attracting commercial advertisements from real estates and property sector, the Group is set to recover its advertising revenue from this sector.

Under the eleventh five-years plan of the Beijing Municipal Government, Beijing will implement a large scale infrastructure plan to raise the city status and improve the traffic networks of Beijing in anticipation for the Olympic Game in 2008, more places further from the city center will be assessable and this will bring about a positive impact to both pillar advertising revenue industry category of the Group, the property development projects and automobile business is expected to move in line with the development pace of infrastructure.

According to the statistics of the 中國汽車工業協會 (China Association of Automobile Manufacturers), the number of automobiles sold in the PRC amounted to approximately 5.9 million in 2005 and the number of automobiles sold is projected to reach the range of 6.4 million to 6.6 million and in 2010 whereas the number of automobiles manufactured will reach the range of 8 million to 10 million. With the rising disposable income and a better infrastructure, the sale of automobiles in the PRC will continue to proliferate, this will likely raise the advertisement expenditure for automobiles sector which benefits the Group.

(ii) Leading position of Beijing Youth Daily

According to the monthly reports compiled by 北京慧聰國際資訊有限公司 (Beijing Hui Cong International Information Co., Ltd.) (the "HC") which is an independent industrial market research consultancy company in China, for the 10 months period ended October 2006, Beijing Youth Daily, being the newspaper that generate advertising revenue to the Group, was ranked the top newspaper in attracting real estate market and automobiles market industry category advertising revenue. Besides, according to the HC, Beijing Youth Daily was ranked the second top newspaper in Beijing in 2005 in terms of advertising revenue generated.

The Company is optimistic to maintain its competitive position in Beijing through the alliance with BYD group and the historical high ranking circulation position of Beijing Youth Daily.

(iii) Advertising through newspaper

Newspaper advertising is and will continue to be a traditional advertising medium in view of its information dissemination power to the general population, its relatively low cost and low technology requirements to gain access, its steady and variety target audience, its retainable physical nature and a more affluent readers base.

(iv) Cap amounts determination

The proposed annual cap for 2007 represents advertising turnover generated from BYD Papers amounting to RMB770 million based on 16.5% fee payable to BYD. This turnover amount is slightly higher than the average annual advertising turnover of approximately RMB745 million for 2004 and 2005. We consider that the downtrend experienced by the Group and the whole advertising industry since 2005 distorted the performance of the Group in 2005 and 2006. By comparing the average advertising revenue of for 2004 and 2005 to the proposed cap in 2007 the fluctuation effect in these years will be average out. In particular, the austerity measures announced in the 1st half of 2006 has adversely affected the supply of new residential units in Beijing during the 2nd half of 2006. It is expected that residential projects approved after June 2006 had to be altered in order to comply with the austerity measures and will only be able to launch during the 2nd half of 2007, thereby boosting the overall supply of residential units in 2007. We consider that in the absence of contrary evidence that the PRC government will implement new or strengthen austerity measures in the future, the assumption taken by the Group to forecast a recovery in the advertising revenue from the real estate industry is reasonable. Moreover, the Company has based on the 2004 transaction amount to forecast the new annual caps for the three years ending 2009 which is consistent with the assumption of a real estate advertising recovery.

LETTER FROM KINGSWAY CAPITAL LIMITED

As illustrated in the table above, the projected notional advertising revenue in 2007 actually represents around 86% of that in 2004 and the caps for 2008 and 2009 has not exceeded the actual amount in 2004. In view of the unprecedented challenges experienced in 2005 and 2006 and the assumptions made by the Company and subjective information we have assessed, we consider this basis of projection is reasonable. The proposed annual cap in 2008 represents a mild increment of approximately 14% from 2007 and the 2009 proposed annual cap maintains at the 2008 level. We consider that since the advertising revenue forms a substantial part of the Group's revenue, flexible annual caps for the three years ending 2009 would minimize possible operation disruption to the business of the Group.

Taking into account the factors as discussed above during the review of the assumptions for and calculation of the corresponding annual caps and our assessment on the basis considered by the Company giving rise to the annual caps for 2007 to 2009, we are of the view that the new annual caps are fair and reasonable.

2. *Printing Agreement*

As set out in the Letter from the Chairman, we summarise the actual annual caps for the years 2004 to 2006, the proposed annual caps for the years 2007 to 2009 and the audited historical transactions amounts for the years 2004 to 2005 and the latest available unaudited transaction amount for 1st half of 2006 in the following table:

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------|---------|---------|------------------------------|---------|---------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Annual cap | 33,200 | 53,800 | 125,000 | 150,000 | 190,000 | 220,000 |
| Historical value | 31,400 | 79,795 | 43,176 (up to 30 June) | n/a | n/a | n/a |

As addressed in the circular of the Company dated 17 May 2006, the exceeding of the 2005 cap was primarily due to the significant growth of circulation of the Legal Evening Post in 2005, which accounted for approximately 96% of the total value of printing transactions under the Printing Agreement in 2005. In anticipation of the upward circulation level of relevant publications, in particular the Legal Evening Post, the 2006 cap was revised upward and new caps for 2007 and 2008 were proposed accordingly. The renewal of the Printing Agreement for a further 3 years expiring on 31 December 2009 and the annual caps for 2006, 2007 and 2008 were approved by the Independent Shareholders at the Company's annual general meeting held on 20 June 2006.

We noted that the Company has assumed a growth rate of approximately 15.8% in the annual cap for 2009 as compared to the annual cap for 2008, this growth rate is lower than the average growth rate of around 23.4% anticipated in 2007 and 2008. Moreover, according to the breakdown of the proposed cap provided by the Company, around 94% of the printing transactions cap is contributed by printing transactions of Legal Evening Post, this composition is consistent with that for 2007 and 2008 and comparable to the actual result in 2005. According to our discussion with the management of the Company, the 2009 annual cap has been projected principally based on (i) the historical growth rates of the printing transactions under the Printing Agreement; (ii) a forward assessment of the publication market and the 2009 annual circulation projection of the relevant publications (including inter alia, the Legal Evening Post, the Beijing Sci-Tech Report and the Middleschool Science Post) made by the management of BYD and provided to the Company. From information provided by the Company, we observed that there is a trend for circulation of relevant publications to be higher in the second half of the year and this has been taken into account in the projections made by management of BYD. Moreover, the actual circulation in 2006 has also shown a continuous growing trend as compared to that of 2005; and (iii) the Company's assumption on the total number of sheets per edition, the number of print pages and the average printing charge each page for the year ending 2009, which is referenced to the historical figures and a moderate growth pace.

According to the National Bureau of Statistics of China, the gross domestic product ("GDP") and disposable income of citizen in Beijing has shown a sustained growth during the past few years ended 2005. In addition, according to the Beijing Municipal Commission of Development and Reform, GDP in Beijing recorded a 12.2% growth in the first three quarters in 2006, up by approximately 1.5% to the national average rate during the same period. The increase in disposable income stimulates the demand for reading materials, including newspapers in Beijing.

Taken into account of the nature of the transaction and our assessment on the above during the review of the assumptions for and calculation of the corresponding annual cap, we are of the view that the proposed annual cap for 2009 is reasonably determined and is fair and reasonable so far as the Company and the Shareholders are concerned as a whole.

3. *Today YangGuang Advertising Agreement, Gehua YangGuang Advertising Agreement and Beiqing Advertising Agreement*

The annual caps for the transactions under the abovementioned agreements are aggregated pursuant to rules 14A.25 and 14A.26 of the Listing Rules.

LETTER FROM KINGSWAY CAPITAL LIMITED

The composition of the annual caps for the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beiqing Advertising Agreement are basically constituted by aggregating the individual caps for the individual agreements for the three years ending 31 December 2009.

As set out in the Letter from the Chairman, we summarise the audited historical transactions amounts for the years 2004 to 2005, the latest available unaudited transaction amount for 1st half of 2006 and the proposed annual caps for the years 2007 to 2009 in the following table:

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------------|---------------|---------------|--------------------|------------|------------|------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | (up to 30 June) | | | |
| Historical value | | | | | | |
| Today YangGuang | 2,244 | 109 | 338 | n/a | n/a | n/a |
| Gehua YangGuang | 26,842 | 8,043 | 1,382 | n/a | n/a | n/a |
| Beiqing Advertising | – | 23,610 | 11,268 | n/a | n/a | n/a |
| | <u>29,086</u> | <u>31,762</u> | <u>12,988</u> | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> |
| Total | <u>29,086</u> | <u>31,762</u> | <u>12,988</u> | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> |
| Aggregate annual cap | 33,600 | 40,320 | 69,450 | 28,000 | 31,000 | 32,100 |

As unveiled in the table above, the actual transaction amounts for the years ended 2004 and 2005 were mainly derived from the Gehua YangGuang Agreement and the Beiqing Advertising Agreement respectively.

As stated in the Letter from the Chairman, the estimates of the annual caps for the three years ending 2009 have been arrived at taking into account the amount of transactions conducted in the past 3 years (where applicable), the fact that advertising sales were negatively affected in the years 2005 and 2006 due to macro-economic measures implemented in the PRC and the latest advertising volume forecast for 2007 with mild annual upward adjustments. We have assessed the rationale and underlying assumptions considered by the Company.

In our assessment of the proposed aggregate annual caps for the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beiqing Advertising Agreement, we have utilized the average of the aggregate historical transaction values for 2004 and 2005, instead of the latest financial year's figures, as by doing so the fluctuation in a particular year can be evened out. As indicated in the above table, the transaction amounts for the Today YangGuang Advertising Agreement and the Gehua YangGuang Advertising Agreement have experienced a sharp decline

since 2004. As explained by the management of the Company, the main operation of Today YangGuang and Gehua YangGuang are outdoor billboard advertising business, acting as advertising agents for the Company is just an ancillary business stemmed from their established customers network. Moreover, the clientele of Today YangGuang and Gehua YangGuang in placing advertisements to the BYD Papers are mainly from the real estate industry, which has been dampened by the austerity measures of the PRC government in this period. Nevertheless, the advertising income arising from the Beijing Advertising Agreement will form a majority part of the proposed annual caps. The historical transaction value for this transaction in 2005 represented approximately 74% of the aggregate transaction value for 2005; we understand from the management of the Company that projected annual transaction amount for the Beijing Advertising Agreement will be around RMB20 million for each of the three years ending 2009.

On the basis that (i) the proposed annual caps for the three years ending 2009 will be close to the average aggregate historical transaction value of approximately RMB30.4 million and fairly reflect the anticipated transaction volume in the three years ending 2009; (ii) transaction value for the Beijing Advertising Agreement has accounted for a substantial portion of the aggregate historical transaction value in 2005 and will continue to be the largest constituent in the proposed annual caps as expected by the Directors; (iii) taken into account the average annual cap amount of around RMB30 million and the composition of the annual caps, any significant unexpected deviation in the transaction amount of Today YangGuang Advertising Agreement and the Gehua YangGuang Advertising Agreement would have a material impact on the annual caps, a moderate approach has been adopted by the Company in allowing an average increment of about 7% in the 2008 and 2009 proposed annual caps as compared to their respective previous year proposed annual cap amount which allows flexibility to the Company and minimize disruption to the Company's operation ; and (iv) the terms of the Today YangGuang Advertising Agreement, the Gehua YangGuang Advertising Agreement and the Beijing Advertising Agreement are no less favourable to those offered by the Company to independent third party advertising agents, we are of the view that the proposed annual caps for the three years ending 2009 are fair and reasonable.

IV. Reasons for and benefits of the Continuing Connected Transactions

As set out in the 2005 annual report of the Company, advertising business and printing business accounted for approximately 68.8% and 10.5% of the total turnover of the Group. For the six months ended 30 June 2006, the Company reported that advertising business and printing business accounted for approximately 64.1% and 12.5% of the total turnover of the Group. Historically both business segments contributed to the net profits of the Group and enhanced Shareholders' value.

LETTER FROM KINGSWAY CAPITAL LIMITED

As stated in the prospectus of the Company when it was listed in December 2004, prior to the establishment of the Company and the restructuring of BYD, the advertising, printing and distribution business of BYD Papers were carried out by departments within BYD. The establishment of the Company is an aim to enhance the overall efficiency and profitability of the business and enables more effective use of resources as the listing structure maximizes the commercial awareness and strategic flexibility in expansion and development. After the restructuring and the listing of the shares of the Company on the Stock Exchange, a number of transactions conducted or to be conducted between the Company and BYD and/or its associates will constitute continuing connected transactions under the Listing Rules.

The Continuing Connected Transactions of the Company are conducted in the ordinary and usual course of business of the Company. Such transactions will continue to be conducted on an arm's length basis and on terms based on the principle of fairness and reasonableness to the Company. As stated in the Letter from the Chairman, owing to the long-term co-operation relationship between the Company and BYD and the need for quality editorial content for the BYD Papers, the Board is of the opinion that the entering into of such transactions on a continuing basis is essential to the continuation of the Company's business and will be beneficial to the Company as the Continuing Connected Transactions facilitate and will facilitate the business operation and growth of the Company and reduce the unnecessary risks which might incur during the course of operation. We concur with such view.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Continuing Connected Transactions are fair and reasonable so far as the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the Continuing Connected Transactions.

Your faithfully
For and on behalf of
Kingsway Capital Limited
Chu Tat Hoi
Director

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As of the Latest Practicable Date:

- (i) none of the directors, supervisors or senior management of the Company had any interest in any shares of the Company;
- (ii) none of the directors, supervisors and senior management of the Company had any interests or short positions in the shares, underlying shares of the Company or any associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”)) which was recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies;
- (iii) the Company has not granted its Directors, chief executives or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities;
- (iv) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Company and which was significant in relation to the business of the Company taken as a whole;
- (v) the Directors do not have had any direct or indirect interest in any assets which have been, since 31 December 2005, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (vi) the Directors are not aware that any Director had, as at the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests or short positions of substantial shareholders who are entitled to exercise or control the exercise of 10% or more of the voting power at any of the Company's general meetings and other persons who are required to disclose their interests pursuant to Part XV of the SFO (including those who are entitled to exercise or control the exercise of 5% or more of the voting power at any of the Company's general meetings, but excluding the Directors and Supervisors) in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Information disclosed by the shareholders of H share according to the SFO.

| Name of shareholders | Nature | Number of share interests held or regarded as held | Approximate percentage of the Company's interests (H share) (%) |
|---|--------|--|--|
| MIH (BVI) Limited | Long | 19,533,000 | 35.58 |
| MIH Holdings Limited | Long | 19,533,000 | 35.58 |
| MIH Investments (PTY) Limited | Long | 19,533,000 | 35.58 |
| MIH Print Media Holdings Limited | Long | 19,533,000 | 35.58 |
| MIH QQ (BVI) Limited | Long | 19,533,000 | 35.58 |
| Naspers Limited | Long | 19,533,000 | 35.58 |
| Beijing Beida Founder Group Corporation | Long | 4,939,000 | 8.99 |
| Beijing University | Long | 4,939,000 | 8.99 |
| Beijing University Founder Investment Co., Ltd. | Long | 4,939,000 | 8.99 |
| Beijing University New Technology Corporation | Long | 4,939,000 | 8.99 |
| Cao Yawen | Long | 4,939,000 | 8.99 |

| Name of shareholders | Nature | Number of share interests held or regarded as held | Approximate percentage of the Company's interests (H share) (%) |
|--|--------|--|--|
| CITICITI Ltd. | Long | 4,939,000 | 8.99 |
| Founder Investment (HK) Ltd. | Long | 4,939,000 | 8.99 |
| Xia Jie | Long | 4,939,000 | 8.99 |
| Yue Shan International Limited | Long | 4,939,000 | 8.99 |
| Government of Singapore Investment Corporation Pte Ltd | Long | 3,802,402 | 6.93 |
| Wellington Management Company, LLP | Long | 2,761,000 | 5.03 |

Note: (L): Long position, (S): Short position (P): Lending pool

4. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

None of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Subject to the Listing Rules, a poll may be demanded before or after a show of hands as follows:

- (1) by the Chairman of the meeting; or
- (2) by at least two Shareholders in person or by at least two proxies being entitled to vote; or

- (3) by Shareholder(s) (including their authorized proxies) jointly or individually representing not less than 10% (inclusive) of the total voting rights of all the Shareholders having the right to vote at the meeting.

Unless a poll is demanded, the Chairman of the meeting shall declare the passing of a proposal based on the results of show of hands. A demand for poll may be revoked by the person(s) who proposed so.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 December 2005, being the date of the latest published audited financial statements of the Company.

8. CONSENT

Kingsway Capital Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter of advice, and references to its name in the form and context in which it appear.

As at the Latest Practicable Date, Kingsway Capital Limited has no shareholding interest in any member of the Group nor any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any member of the Group.

9. QUALIFICATIONS OF EXPERT

The following are the qualifications of the professional adviser who has given an opinion or advice contained in this Circular:

| Names | Qualifications |
|--------------------------|---|
| Kingsway Capital Limited | a corporation licensed under the Securities and Futures Ordinance to carry out Type 6 (advising on corporate finance) regulated activity. |

10. MISCELLANEOUS

- (a) The Company Secretary and Qualified Accountant is Mr. Lau Wing Kee, who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is Building A, No. 23, Baijiazhuang Dongli, Chaoyang District, Beijing 100026, PRC.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company at Building A, No. 23, Baijiazhuang Dongli, Chaoyang District, Beijing 100029, PRC and the offices of Herbert Smith, 23rd Floor, Gloucester Tower, 15 Queen's Road, Central, Hong Kong during normal business hours on any business day from the date of this Circular until 29 December 2006:

1. The Advertising Business Agreement
2. The Printing Agreement
3. The Today YangGuang Advertising Agreement and its supplemental agreement
4. The Gehua YangGuang Advertising Agreement and its supplemental agreement
5. The Beiqing Advertising Agreement
6. The letter from Kingsway Capital Limited to the Independent Board Committee dated 19 December 2006
7. The letter from the Independent Board Committee to the Independent Shareholders dated 19 December 2006

NOTICE OF EXTRAORDINARY GENERAL MEETING



BEIJING MEDIA CORPORATION LIMITED

北青傳媒股份有限公司

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

(Stock Code: 1000)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting ("Extraordinary General Meeting") of BEIJING MEDIA CORPORATION LIMITED ("Beijing Media" or the "Company") will be held at the 10th floor, Beijing Youth Daily Agency Building, Beijing, the PRC on Friday, 29 December 2006 at 2:00 p.m. for the following purposes:

Ordinary Resolutions:

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

By order of the Board

Chairman

Zhang Yanping

Beijing, the PRC, 18 December 2006

Notes:

1. Eligibility to Attend the Extraordinary General Meeting

Holders of H Shares whose names appear on the register of the Beijing Media maintained by Computershare Hong Kong Investor Services Limited at the close of business of Monday, 4 December 2006 shall be entitled to attend the Extraordinary General Meeting.

Shareholders intending to attend and vote at the Extraordinary General Meeting of Beijing Media to be held on Friday, 29 December 2006 shall lodge all the transfer documents for H Shares with the relevant share certificates to the H Share transfer registrar of Beijing Media in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at or before 16:00 on Wednesday, 29 November 2006.

2. Proxy

- (1) Shareholders entitled to attend and vote at the Extraordinary General Meeting are entitled to 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 Beijing Media.
- (2) A proxy should be appointed by shareholders by written instrument signed by the appointor or his attorney duly authorized in writing. If the written instrument is signed by the attorney of the appointor, the written authorization or other authorization documents of such attorney should be notarized.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) To be valid, the notarized power of attorney or other authorization documents and the form of proxy shall be deposited in the registered address of Beijing Media no less than 24 hours before the time of holding the Extraordinary General Meeting. Holders of Domestic Shares shall deliver relevant documents to Beijing Media while the holders of H Shares lodge relevant documents with Computershare Hong Kong Investor Services Limited.
- (4) A proxy may exercise his voting right by a show of hands or by a poll. If a Shareholder appoints more than one proxy the proxies can only exercise their voting rights by a poll.

3. Registration Procedures for Attending the Extraordinary General Meeting

- (1) A Shareholder or his proxy shall produce his identification document when attending the Extraordinary General Meeting. Where a Shareholder is a legal person, the legal representative of that shareholder or persons authorized by its board of directors or other decision-making bodies shall produce a copy of the resolution stating the authorization granted by the Board or other decision-making bodies of the legal person.
- (2) Shareholders intending to attend the meeting shall deliver to Beijing Media the reply slip stating their attendance on or before Friday, 8 December 2006.
- (3) A Shareholder may deliver the above reply slip to Beijing Media in person, or by mail or by fax.

4. Registration of Share Register

The register of share transfers of Beijing Media will be closed from Thursday, 30 November 2006 to Friday, 29 December 2006 (both dates inclusive).

5. Procedures for Demanding a Poll by Shareholders

Subject to the listing rules of the securities exchange on which the shares in Beijing Media are listed, a poll may be demanded before or after a show of hands as follows:

- (1) by the Chairman of the meeting; or
- (2) by at least two Shareholders in person or by at least two proxies being entitled to vote; or
- (3) by Shareholder(s) (including their authorized proxies) jointly or individually representing not less than 10% (inclusive) of the total voting rights of all the Shareholders having the right to vote at the meeting.

Unless a poll is demanded, the Chairman of the meeting shall declare the passing of a proposal based on the results of show of hands. A demand for poll may be revoked by the person(s) who proposed so.

6. Independent shareholders' approval

Beijing Youth Daily Press Agency and its associates will abstain from voting on resolution number 2.

7. Miscellaneous

- (1) The Extraordinary General Meeting will be concluded within a half day. Shareholders attending the Extraordinary General Meeting shall be responsible for their own travel and accommodation expenses.
- (2) The Company's Register of Member will be closed from Thursday, 30 November 2006 to Friday, 29 December 2006 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the meeting must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 16:00 on Wednesday, 29 November 2006 for completion of the registration of the relevant transfer in accordance with the Articles of Association of Beijing Media.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) The address of the Computershare Hong Kong Investor Services Limited the share registrar of H Shares of Beijing Media is Room 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (4) The registered address of Beijing Media is:

Building A
Beijing Youth Daily Agency
Building No. 23 Baijiazhuang Dongli
Chaoyang District
Beijing
PRC
Zip Code: 100026
Tel: (+86) 10 6590 2630
Fax: (+86) 10 6590 2630