

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 company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1000)

CONNECTED TRANSACTIONS

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



**WALLBANCK BROTHERS
Securities (Hong Kong) Limited**

A letter from the independent board committee of Beijing Media Corporation Limited is set out on pages 13 to 14 of this Circular. A letter from Wallbanck Brothers containing its advice to the Independent Board Committee is set out on pages 15 to 34 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 Monday, 16 July 2007 at 2:00 p.m. is set out on pages 40 to 42 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.

30 May 2007

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DEFINITIONS

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

“associates”	has the meaning ascribed to it in the Listing Rules
“ATP”	the Association of Tennis Professionals
“Authorisation Agreement”	the authorisation agreement as referred to in the Company’s announcement dated 20 March 2006
“Board”	the board of Directors
“BYD”	Beijing Youth Daily Agency (北京青年報社), a state-owned enterprise incorporated in PRC
“COL”	China Open Promotion Company Limited (北京中國網球公開賽體育推廣有限公司), a Sino-foreign equity joint venture enterprise established under PRC laws
“Champion”	Champion Will International Limited, a limited liability company incorporated in the British Virgin Islands
“Champion SPA”	the share purchase agreement in respect of BYD’s purchase of Champion’s 100% share interest entered into by BYD, TOM and TML on 18 March 2007
“Champion Supplementary Agreement”	the supplementary agreement of the Champion SPA entered into by COL, BYD, TOM and TML on 11 May 2007
“Company”	Beijing Media Corporation Limited
“Connected Transactions”	the transactions under the Supplementary Agreements and the Guarantee Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held for Independent Shareholders to consider and, if thought fit, approve the Supplementary Agreements and the Guarantee Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 18 March 2007 in respect of the transfer of the 49% equity interest in COL entered into between BYD and TTHL
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guarantee Agreement”	the guarantee agreement entered into between the Company and COL on 10 April 2007
“Independent Board Committee”	an independent committee of the Board comprising Messrs. Tsang Hing Lun, Wu Changqi and Liao Li
“Independent Shareholders”	shareholders of the Company who are not required under the Listing Rules to abstain from voting in respect of the Supplementary Agreements or the Guarantee Agreement
“Latest Practicable Date”	30 May 2007, 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 People’s Republic of China (for the purpose of this Circular, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan)
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplementary Agreements”	the Champion Supplementary Agreement and the Swidon Supplementary Agreement
“Swidon”	Swidon Enterprises Limited, a limited liability company incorporated in the British Virgin Islands
“Swidon SPA”	the share purchase agreement in respect of BYD’s purchase of Swidon’s 100% share interest entered into by BYD, TOM and TML on 18 March 2007
“Swidon Supplementary Agreement”	the supplementary agreement of the Swidon SPA entered into by COL, BYD, TOM and TML on 11 May 2007
“Termination Agreement”	the Termination Agreement of the Authorisation Agreement entered into by the Company, COL, TOM, TTHL, Champion and Swidon on 10 April 2007

DEFINITIONS

“TML”	Tennis Management Limited, a limited liability company incorporated in the British Virgin Islands
“TOM”	TOM Group Limited, a limited liability company incorporated in the Cayman Islands
“TTHL”	Tennis Tournament Holding Limited, a limited liability company incorporated in the British Virgin Islands
“Wallbanck Brothers”	Wallbanck Brothers Securities (Hong Kong) Limited, a licensed corporation under the SFO to carry on types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management)
“WTA”	the Women’s Tennis Association
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	the lawful currency of the People’s Republic of China
“%”	per cent

LETTER FROM THE CHAIRMAN



BEIJING MEDIA CORPORATION LIMITED

北青傳媒股份有限公司

(A joint stock 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

30 May 2007

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

Reference is made to the announcements of the Company dated 10 April 2007 and 11 May 2007.

Since 2003, COL has been engaged in the marketing and organising of China Open tennis tournaments which, since the execution of the Authorisation Agreement, has been pursuant to an authorisation granted by Champion and Swidon to COL under the Authorisation Agreement. Champion and Swidon are the relevant ATP and WTA membership holders, respectively. Under an agreement entered into by the WTA, Swidon and BYD on 18 March 2007 ("**Upgrade Agreement**"), Swidon will become a Tier I WTA Tournament Class Member (as defined under WTA's by-laws) which will entitle Swidon to organise and stage a top level WTA Tournament in Beijing from 2009 onwards.

LETTER FROM THE CHAIRMAN

On 18 March 2007, BYD, TOM and TML entered into the Champion SPA and the Swidon SPA regarding BYD's acquisition of TML's 100% interest in Champion and Swidon, respectively. On the same date, BYD and TTHL entered into the Equity Transfer Agreement pursuant to which BYD agreed to acquire TTHL's 49% equity interest in COL.

On 11 May 2007, COL entered into the Champion Supplementary Agreement and the Swidon Supplementary Agreement, respectively, with BYD, TOM and TML pursuant to which the rights and obligations of BYD under the Champion SPA and the Swidon SPA would be respectively transferred to and assumed by COL when Independent Shareholders' approvals on the Champion Supplementary Agreement and the Swidon Supplementary Agreement are obtained, as detailed in section 2(A) of this Circular. The transactions thereunder constitute discloseable and connected transactions for the Company under the Listing Rules and are subject to, among other things, the Independent Shareholders' approval. The Company believes the proposed acquisitions of the respective 100% interest in Champion and Swidon will result in COL's paying reduced licence fees and greater certainty for COL's hosting future China Open tennis tournaments. The Company also believes that through the Upgrade Agreement, the China Open WTA tennis tournament, run by COL, has potential to become one of the world's leading tennis events and therefore provide improved returns to the Company. Upon completion of the Supplementary Agreements, Champion and Swidon will become wholly owned subsidiaries of COL and the Authorisation Agreement will be terminated pursuant to the Termination Agreement entered into on 10 April 2007 between the Company, COL, TOM, TTHL, Champion and Swidon. Thereafter, the arrangements under the Authorisation Agreement will be replaced by new arrangements among Champion, Swidon and COL without involving TOM or any of its associates.

Under the Equity Transfer Agreement, BYD agreed to acquire a 49% equity interest in COL from TTHL. Upon completion of the Equity Transfer Agreement, COL will be jointly held by the Company and BYD as to 51% and 49%, respectively. Therefore, COL will become a connected person of the Company (pursuant to Rule 14A.11(5) of the Listing Rules) and the guarantees provided by the Company for the benefit of COL will become connected transactions. The Guarantee Agreement, entered into between the Company and COL for the purpose of future provision of guarantees by the Company, will constitute a continuing connected transaction of the Company and details are set out in section 2(B) of this Circular.

It is currently intended that the Supplementary Agreements, the Termination Agreement and the Equity Transfer Agreement will complete at the same time, subject to the approval of the Supplementary Agreements by the Independent Shareholders at the EGM and the approval granted by Board of the WTA of the Upgrade Agreement, which was obtained on 27 March 2007.

LETTER FROM THE CHAIRMAN

2. THE CONNECTED TRANSACTIONS

The following transactions are connected transactions which must comply in full with the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.63 of the Listing Rules:

(A) CHAMPION SUPPLEMENTARY AGREEMENT AND SWIDON SUPPLEMENTARY AGREEMENT

Date: 11 May 2007

Contracting Parties: COL,
BYD,
TOM, and
TML

Under the Champion SPA and the Swidon SPA, BYD agreed to acquire TML's 100% interest in the entire issued share capital in Champion and Swidon for the consideration of US\$6,201,550 and US\$9,302,325 (equivalent to approximately HK\$48,478,756.66 and HK\$72,718,134.99), respectively.

Under the Supplementary Agreements, the rights and obligations of BYD under the Champion SPA and the Swidon SPA would be transferred to and assumed by COL when Independent Shareholders' approvals on the Champion Supplementary Agreement and the Swidon Supplementary Agreement are obtained. No consideration is payable by COL to BYD in connection with such transfer. Under the Champion SPA and the Swidon SPA, COL will pay to TML US\$6,201,550 and US\$9,302,325 (equivalent to approximately HK\$48,478,756.66 and HK\$72,718,134.99) in consideration of COL's acquisition of the 100% interest in the entire issued share capital in Champion and Swidon, respectively. Such considerations were determined by reference to (i) the historical authorisation fees for ATP and WTA memberships paid to Champion and Swidon; and (ii) the market prices for the transfer of the beneficial ownership of ATP and WTA memberships. COL will fund the consideration through commercial bank loans which are to be guaranteed by COL's shareholders, the Company and BYD, in proportion to their respective shareholdings in COL (see section 2(B) below).

Under the Supplementary Agreements, BYD has undertaken to guarantee the due performance and observance by COL all of its obligations under the Champion SPA and the Swidon SPA and accept joint and several liability with COL for any failure by COL to perform and/or observe any of its obligations under the Champion SPA and the Swidon SPA.

The Supplementary Agreements were reached after arm's-length negotiations among parties thereto. Upon completion of Supplementary Agreements, COL will hold a 100% interest in Champion and Swidon, respectively.

LETTER FROM THE CHAIRMAN

The net profit for the year ended 31 December 2006 and the book value of total net asset of Champion as at 31 December 2006 were approximately HK\$4.45 million and HK\$4.44 million, respectively, and the net loss for the year ended 31 December 2006 and the book value of total net liability of Swidon as at 31 December 2006 were approximately HK\$2.11 million and HK\$2.16 million, respectively. To the knowledge of the Company, the relevant financial information of Champion and Swidon for the year ended 31 December 2005 is not available as those two companies did not have operations prior to March 2006 when the Authorisation Agreement was executed.

Conditions

The Supplementary Agreements are conditional upon, among other things:

- (i) relevant PRC governmental approvals of the share transfer thereunder;
- (ii) the approval of the Independent Shareholders of the Supplementary Agreements;
- (iii) the approval of the WTA on the Upgrade Agreement (which condition has already been satisfied); and
- (iv) relevant approvals from foreign exchange authorities in respect of the consideration contemplated under the Champion SPA and Swidon SPA having been obtained.

Completion

If for any reason the Authorisation Agreement has not been terminated at the completion of the Supplementary Agreements, all parties to the Authorisation Agreement will cease to have any rights or obligations under the Authorisation Agreement.

Listing Rules Implications

BYD holds an approximate 63.27% share interest in the Company. TOM is an ultimate controller of a substantial shareholder of one of the Company's subsidiary. TML is a subsidiary of TOM. Therefore, BYD, TOM and TML are all connected persons of the Company and are counterparties under the Supplementary Agreements. COL is a subsidiary of the Company. Accordingly, the transactions under the Supplementary Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE CHAIRMAN

As the relevant percentage ratios under the Listing Rules (other than the profit ratio) for the consideration payable under each of the Supplementary Agreements are expected to be more than 2.5%, the transactions under the Supplementary Agreements will be subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. BYD, TOM, TML and their respective associates (as defined in the Listing Rules) are required to abstain from voting at the EGM in relation to the resolutions approving the Supplementary Agreements.

As the acquisitions, in aggregate, under the Supplementary Agreements exceed 5% but less than 25% of the relevant percentage ratios (as defined in the Listing Rules), the acquisitions thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Reasons for entering into the Supplementary Agreements and the benefits to the Company

The Company believes the proposed acquisition of the 100% interest in Campion and Swidon may result in a reduction of licence fees paid by COL and greater certainty for COL's hosting future China Open tennis tournaments. The Company also believes that through the Upgrade Agreement, the China Open WTA tennis tournament, run by COL, has potential to become one of the world's leading tennis events and therefore provide improved returns to the Company. The Directors are of the view that the Supplementary Agreements were entered into and carried out in the ordinary and usual course of business of COL and the terms of the Supplementary Agreements are normal commercial terms which are fair and reasonable and are in the interests of the Shareholders as a whole.

(B) GUARANTEE AGREEMENT

Upon completion of the transfer of the 49% equity interest in COL from TTHL to BYD under the Equity Transfer Agreement, COL will become a joint venture between the Company and BYD as to 51% and 49%, respectively. BYD holds an approximate 63.27% share interest in the Company and is also entitled to exercise more than 10% of the voting power at any general meeting of COL, a non-wholly owned subsidiary of the Company. As such, COL will become a connected person of the Company pursuant to Rule 14A.11(5) of the Listing Rules upon completion of the Equity Transfer Agreement.

To regulate the relationship between the Company and COL in respect of the future provision of guarantees, the Company and COL entered into the Guarantee Agreement on 10 April 2007. Pursuant to the Guarantee Agreement, the Company will provide guarantees, upon request by COL, to banks for bank loans and facilities granted to COL in the aggregate amount of not exceeding RMB307.23 million

LETTER FROM THE CHAIRMAN

(equivalent to approximately HK\$310.67 million) for the purpose of allowing COL to utilise the bank loans and facilities guaranteed by the Company. The Directors expect that

- (i) the facilities amounting to RMB148.35 million (equivalent to approximately HK\$150.01 million) to be guaranteed under the Guarantee Agreement will be utilised for the renew of the six loans as detailed below which were mainly utilised by COL to repay loans and expenses incurred from the operation of the China Open tennis tournaments from 2004 to 2006:

Item	Interest (Note)	Term	Facility granted RMB
1	5.508%	1 June 2006 – 1 June 2007	12,500,000 (equivalent to approximately HK\$12,640,000)
2	5.508%	18 August 2006 – 18 August 2007	48,600,000 (equivalent to approximately HK\$49,144,320)
3	5.508%	18 August 2006 – 18 August 2007	8,200,000 (equivalent to approximately HK\$8,291,840)
4	5.508%	18 August 2006 – 18 August 2007	8,050,000 (equivalent to approximately HK\$8,140,160)
5	5.508%	21 March 2007 – 21 March 2008	12,000,000 (equivalent to approximately HK\$12,134,400)
6	5.508%	30 March 2007 – 30 March 2008	59,000,000 (equivalent to approximately HK\$59,660,800)
TOTAL			148,350,000 (equivalent to approximately HK\$150,011,520)

Note: the interest rates are subject to adjust in accordance with interest policy made by People's Bank at China.

- (ii) the remaining facilities amounting to RMB158.88 million (equivalent to approximately HK\$160.66 million) will be utilised to facilitate the operation of the China Open tennis tournaments in 2007 and pay consideration for COL's acquisition of the 100% equity interest in Champion and Swidon, respectively (as detailed in section 2(A) above), and the related upgrade fees payable to the WTA.

The term of the Guarantee Agreement will commence from the date of the completion of the Equity Transfer Agreement until 30 March 2008.

Listing Rules Implications

The guarantees to be provided by the Company under the Guarantee Agreement are in proportion to its equity interest in COL. BYD also issued a letter to the Company and COL on 18 March 2007 to confirm that it will provide guarantees for up to 49% of bank facilities and loans granted to COL from 18 March 2007.

LETTER FROM THE CHAIRMAN

As the total amount of the Guarantee Agreement is expected to be more than 2.5%, on an annual basis, of the relevant percentage ratios under the Listing Rules, the transactions under the Guarantee Agreement will constitute continuing connected transactions of the Company upon completion of the Equity Transfer Agreement and will be subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. BYD will hold 49% equity interest in COL when the Guarantee Agreement is effective. BYD and its associates (as defined in the Listing Rules) are required to abstain from voting at the EGM in relation to the resolution approving the Guarantee Agreement.

Reasons for the guarantees to be provided by the Company to COL

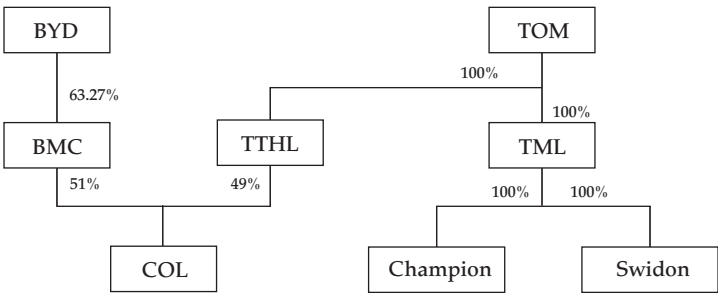
The Directors consider that the Company’s provision of guarantees for bank loans and facilities granted to COL is in the interests of the Company in that such financial support will facilitate COL’s business operations.

The Directors are of the view that the Guarantee Agreement was entered into on normal commercial terms following arm’s-length negotiations between the parties thereto and the terms thereof are fair and reasonable, and in the interests of the Shareholders as a whole.

3. CORPORATE CHARTS RELATING TO THE ACQUISITIONS

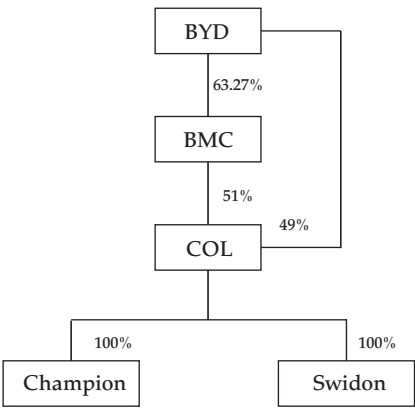
The following charts illustrate the shareholding structure of the relevant companies before and after the completion of the Supplementary Agreements and the Equity Transfer Agreement:

Before completion



LETTER FROM THE CHAIRMAN

After completion



4. INFORMATION ON THE COMPANY, COL, BYD, TOM AND TML

The Company is a leading media company in the PRC principally engaged in production of the newspapers, trading of print-related materials and organisation of large events.

COL is a 51%-owned subsidiary of the Company while TTHL holds the remaining 49% equity interest of COL. After completion of the Equity Transfer Agreement, BYD will hold the 49% interest of COL. COL is principally engaged in marketing and organising the China Open tennis tournaments.

BYD is a state-owned enterprise and ultimately controlled by the Beijing Municipal Government. BYD is principally engaged in the holding of eight newspapers, one magazine and two online media. BYD is a controlling shareholder of the Company.

TOM is a leading Chinese language media company in the great China region with diversified business interests and in five areas: internet, outdoor media, publishing, sports, television and entertainment across markets in mainland China, Taiwan and Hong Kong.

TML is a wholly owned subsidiary of TOM and the holding company of 100% interest in Champion and Swidon. TML is principally engaged in investment holding.

5. RECOMMENDATION OF THE BOARD OF DIRECTORS

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

LETTER FROM THE CHAIRMAN

6. RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Wallbanck Brothers has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 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 Wallbanck Brothers, considers that the 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 EGM.

The text of the letter from Independent Board Committee is set out on pages 13 to 14 of this Circular and the text of the letter from Wallbanck Brothers containing its advice is set out on pages 15 to 34 of this Circular.

7. EGM

You will find on pages 40 to 42 of this Circular a notice of the EGM to be held at 10th Floor, Beijing Youth Daily Agency Building, Beijing, the People's Republic of China on 16 July 2007 at 2:00 p.m.

A form of proxy for use in connection with the EGM 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. BYD, TOM, TML and their respective associates will abstain from voting at the EGM in respect of the resolutions numbered 1 and 2 as set out in the notice of the EGM. BYD and its associates will abstain from voting at the EGM in respect of the resolution numbered 3 as set out in the notice of the EGM.

8. GENERAL INFORMATION

Your attention is drawn to the texts of the letter from the Independent Board Committee and the letter from Wallbanck Brothers containing their recommendations regarding the 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 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

30 May 2007

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular (the "Circular") dated 30 May 2007 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 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 4 to 12 of the Circular. In considering the fairness and reasonableness, the Independent Board Committee have been advised by Wallbanck Brothers. You are strongly urged to read the letter from Wallbanck Brothers to the Independent Board Committee which is set out on pages 15 to 34 of the Circular.

RECOMMENDATION

We have discussed with the management of the Company the reasons for the Connected Transactions and the basis upon the Connected Transactions have been determined. We have also considered the key factors taken into account by Wallbanck Brothers in arriving at its opinion as set out in their letter on pages 15 to 34 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 Wallbanck Brothers and considers that the Connected Transactions are 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 resolutions in relation to the above which are set out in the notice of the EGM at the end of the Circular.

Yours faithfully,

Tsang Hing Lun

Wu Changqi

Liao Li

Independent Non-Executive Directors

LETTER FROM WALLBANCK BROTHERS

The following is the full text of a letter of advice from Wallbanck Brothers, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Connected Transactions, for the purpose of incorporation into this circular.



WALLBANCK BROTHERS Securities (Hong Kong) Limited

1005B, Tower 1, Lippo Centre,
89 Queensway, Central,
Hong Kong

30 May 2007

*To the Independent Board Committee and
the Independent Shareholders of
Beijing Media Corporation Limited*

Dear Sirs,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Transactions, details of which are set out in the "Letter from the Chairman" contained in the circular to the Shareholders dated 30 May 2007 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires the otherwise.

The Board has recently been informed by TOM that TOM now controls the board of TTHL which currently holds a 49% equity interest in COL. TTHL is a substantial shareholder (as defined in the Listing Rules) of one of the Company's subsidiaries and TOM is an associate of TTHL. TOM and its associates are therefore connected persons of the Company for the purposes of the Listing Rules.

On 11 May 2007, COL entered into the Champion Supplementary Agreement and the Swidon Supplementary Agreement (collectively, "Supplementary Agreements"), respectively with BYD, TOM and TML, pursuant to which the rights and obligations of BYD under the Champion SPA and the Swidon SPA would be transferred to and assumed by COL. The transactions thereunder constitute discloseable and connected transactions for the Company under the Listing Rules and are subject to the Independent Shareholders' approval.

LETTER FROM WALLBANCK BROTHERS

In addition, upon completion of the Equity Transfer Agreement, COL will become a connected person of the Company (pursuant to Rule 14A.11(5) of the Listing Rules) and the guarantees provided by the Company for the benefit of COL will become connected transactions. The Guarantee Agreement, entered into between the Company and COL for the purpose of future provision of guarantees by the Company, will constitute a continuing connected transaction of the Company.

The guarantees to be provided by the Company under the Guarantee Agreement are in proportion to its equity interest in COL. BYD also issued a letter to the Company and COL on 18 March 2007 to confirm that it will provide guarantees for up to 49% of bank facilities and loans granted to COL from 18 March 2007.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Supplementary Agreements and the Guarantee Agreement. We have been appointed by the Independent Board Committee to advise the Independent Board Committee as to whether the terms of the Supplementary Agreements and the Guarantee Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole, and further to give our opinions for the Independent Board Committee's consideration in making their recommendation to the Independent Shareholders as to whether or not the Independent Shareholders should approve the Supplementary Agreements and the Guarantee Agreement at the EGM.

Mr. Tsang Hing Lun, Mr. Wu Changqi and Mr. Liao Li, who are all independent non-executive Directors, have confirmed to the Company their nil interests in the Company and that they are independent with respect to the Supplementary Agreements and the Guarantee Agreement. Accordingly, the Independent Board Committee comprises Mr. Tsang Hing Lun, Mr. Wu Changqi and Mr. Liao Li.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Company, and have assumed that all information, opinions and representations contained or referred to in this circular were true and accurate at the time when they were made and will continue to be accurate at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in this circular were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this circular, including

LETTER FROM WALLBANCK BROTHERS

this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business, financial position and affairs of the Company.

In formulating our opinion, we have relied on the financial information provided by the Company, particularly, on the accuracy and reliability of financial statements and other financial data of the Company. We have not audited, compiled nor reviewed the said financial statements and financial data. We shall not express any opinion or any form of assurance on them. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. The Directors have also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld. We have not carried out any feasibility study on any past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company. Our opinion has been formed on the assumption that any analysis, estimation, forecast, anticipation, condition and assumption provided by the Company are valid and sustainable. Our opinions shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from the Supplementary Agreements and the Guarantee Agreement as these are particular to the individual circumstances of each Shareholder. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her decision to the Supplementary Agreements and the Guarantee Agreement. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention before and after the EGM.

Our opinions are formulated only and exclusively for the purpose of the Supplementary Agreements and the Guarantee Agreement and shall not be used for any other purpose in any circumstance nor for any comparable purpose with any other opinions.

LETTER FROM WALLBANCK BROTHERS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Supplementary Agreements and the Guarantee Agreement, we have taken into consideration the following principal factors and reasons:

A. The Supplementary Agreements

(a) Background of the Supplementary Agreements

According to the Letter from the Chairman, under the Supplementary Agreements, the rights and obligations of BYD under the Champion SPA and the Swidon SPA would be transferred to and assumed by COL when Independent Shareholders' approvals on the Champion Supplementary Agreement and the Swidon Supplementary Agreement are obtained. No consideration is payable by COL to BYD in connection with such transfer. Under the Champion SPA and the Swidon SPA, COL will pay to TML US\$6,201,550 and US\$9,302,325 (equivalent to approximately HK\$48,478,756.66 and HK\$72,718,134.99) in consideration of COL's acquisition of the 100% interest in the entire issued share capital in Champion and Swidon, respectively. Such considerations were determined by reference to (i) the historical authorization fees for ATP and WTA memberships paid to Champion and Swidon; and (ii) the market prices for the transfer of the beneficial ownership of ATP and WTA memberships. COL will fund the consideration through commercial bank loans which are to be guaranteed by COL's shareholders, the Company and BYD, in proportion to their respective shareholdings in COL.

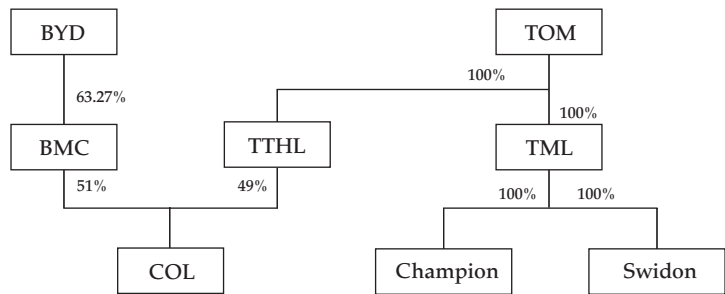
Under the Supplementary Agreements, BYD has undertaken to guarantee the due performance and observance by COL all of its obligations under the Champion SPA and the Swidon SPA and accept joint and several liability with COL for any failure by COL to perform and/or observe any of its obligations under the Champion SPA and the Swidon SPA.

LETTER FROM WALLBANCK BROTHERS

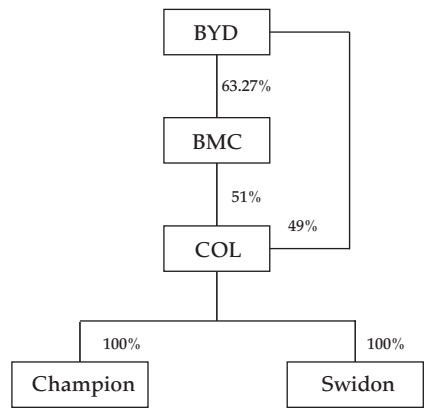
(b) Corporate structure before and after the completion of the Supplementary Agreements and the Equity Transfer Agreement

According to the Letter from the Chairman, the following charts illustrate the shareholding structure of the relevant companies before and after the completion of the Supplementary Agreements and the Equity Transfer Agreement:

Before completion



After completion



(c) Information on ATP and WTA memberships

The Association of Tennis Professionals, is also known as the ATP Tour. ATP was formed in 1972 to protect the interests of male professional tennis players. In 1990, the association became the organizer of the principal worldwide tennis tour, thereafter known as the ATP Tour. The ATP Tour at present has five categories of tennis tournaments belonging to its tour including (i) Tennis Master Cup (jointly with the International Tennis Federation); (ii) ATP Masters Series Tournaments; (iii) International Series Gold Tournaments; (iv) International Series Tournaments and (v) Challenger Tournaments.

The Women’s Tennis Association, is also known as the WTA Tour, and is to promote women’s tennis. In the year 2005, the WTA changed its name into “The Sony Ericsson WTA Tour”. The WTA divides the main women’s tournaments into several tiers which are (i) Grand Slam Events; (ii) Season-ending championships (Sony Ericsson Championships) and (iii) Tier tournaments.

LETTER FROM WALLBANCK BROTHERS

(d) i. The Champion Supplementary Agreement

Date:

11 May 2007

Contracting Parties:

COL, BYD, TOM and TML

BYD holds an approximate 63.27% share interest in the Company.

TOM is an ultimate controller of a substantial shareholder of one of the Company's subsidiary.

TML is a subsidiary of TOM.

Therefore, BYD, TOM and TML are all connected persons of the Company and are counterparties under the Champion Supplementary Agreement.

COL is a subsidiary of the Company.

Accordingly, the transactions under the Champion Supplementary Agreement constitute connected transactions of the Company under 14A of the Listing Rules.

Assets to be acquired:

100% interest in the entire issued share capital in Champion, a wholly owned subsidiary of TML and a holder of the Association of Tennis Professionals (ATP) membership. Champion is principally engaged in business relating to the ATP membership, currently holds the ATP tier III license.

Consideration:

US\$6,201,550 (equivalent to approximately HK\$48,478,756.66)

Reasons for entering into the Champion Supplementary Agreement:

As stated in the Letter from the Chairman, the Company believes the proposed acquisition of the 100% interest in Champion will result in COL's paying reduced licence fees and greater certainty for COL's hosting future China Open tennis tournaments. The Company also believes that through the Upgrade Agreement, the China Open tennis tournament, run by COL will become one of the world's leading tennis events and therefore provide improved returns to the Company. The Directors are

LETTER FROM WALLBANCK BROTHERS

of the view that the Champion Supplementary Agreement was entered into and carried out in the ordinary and usual course of business of COL and the terms of the Champion Supplementary Agreement are normal commercial terms which are fair and reasonable and are in the interests of the Shareholders as a whole.

Conditions of the Champion Supplementary Agreement:

The Champion Supplementary Agreement is conditional upon, among other things:

- a) relevant PRC governmental approvals of the share transfer thereunder;
- b) the approval of the Independent Shareholders of the Champion Supplementary Agreement;
- c) the approval of the WTA on the Upgrade Agreement (which condition has already been satisfied); and
- d) relevant approvals from foreign exchange authorities in respect of the consideration contemplated under the Champion SPA having been obtained.

Completion of the Champion Supplementary Agreement:

If for any reason the Authorization Agreement has not been terminated at the completion of the Champion Supplementary Agreement, all parties to the Authorization Agreement will cease to have any rights or obligations under the Authorization Agreement.

Basis of consideration for Champion:

Formula provided by the Company for the expected value of Champion and Swidon:

$$V_{C+S} = A + B + C + D$$

$$V_{C+S} = V_C + V_S$$

where

$$V_{C+S} = \text{Expected value of Champion and Swidon}$$

$$V_C = \text{Expected value of Champion}$$

LETTER FROM WALLBANCK BROTHERS

V_s	=	Expected value of Swidon
A	=	TOM's entitlement for license fee income (<i>Note 1</i>)
	=	Annual fee X 7 years
	=	US\$1.2 million X 7
	=	US\$8.4 million
B	=	TOM's entitlement for commission income (<i>Note 2</i>)
	=	US\$3.1 million
C	=	Value of WTA current tier II license for Swidon (<i>Note 3</i>)
	=	US\$4.0 million
D	=	Value of ATP current tier III license for Champion (<i>Note 4</i>)
	=	US\$2.78 million
V_{C+S}	=	$8.4 + 3.1 + 4.0 + 2.78$
	=	US\$18.28 million
Actual V_{C+S}	=	Consideration for Champion + Consideration for Swidon
	=	Consideration V_C + Consideration V_s
	=	$6.2 + 9.3$
	=	US\$15.5 million
Discount rate (<i>Note 5</i>)	=	$1 - \text{Actual } V_{C+S} / V_{C+S}$
	=	$1 - (15.5/18.28)$
	=	15.21%
Specific ratio (<i>Note 6</i>)	=	Consideration for Champion : Consideration for Swidon
	=	6.2:9.3
	=	40:60

(Note 1) Payment "A" as compensation for license fee income

Under the Authorisation Agreement announced by the Company on 20 March 2006, TOM is entitled to receive US\$1.2 million license fee income from COL through Champion and Swidon for eight years from 2006 to 2013. The license fee income for 2006 had already been received by TOM accordingly. Payment "A" is treated by the Directors as compensation to the said entitlement by TOM for the remaining seven years from 2007 to 2013 and is embedded in the consideration for Champion and Swidon.

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The Directors represented that the said US\$1.2 million license fee income was determined after arm's length negotiations between TOM and COL.

(Note 2) Payment "B" as compensation for commission income

Under the Authorisation Agreement, TOM would be entitled to 20 – 30% of the sponsorship contracts brought in by TOM and its subsidiaries from 2006 to 2013, as commission income. The Directors represented that TOM had signed up for six contracts, out of the said six contracts, one contract was signed up by COL as substitution for TOM. The total contracted sum of the six contracts was approximately US\$2 million and TOM would be entitled to US\$0.6 million according to its 30% commission rate entitlement. TOM is entitled to the said 30% commission income for the remaining seven years from 2007 to 2013 unless the Authorisation Agreement is terminated. Payment "B" is treated by the Directors as compensation for the said entitlement by TOM and is embedded in the consideration for Champion and Swidon.

The Directors represented that the said 30% commission rate was determined after arm's length negotiations between TOM and COL.

The Directors accepted TOM's assumption that the said entitlement by TOM for such income for a period of seven years from 2007 to 2013 is discounted at an annual rate of approximately 10%.

(Note 3) Payment "C" as compensation for WTA (Women's Tennis Association) current tier II license for Swidon

Under the WTA license upgrading criteria, the license holder is required to acquire from existing tier II license holder for upgrading at a consideration of US\$4.0 million, as indicated by WTA in its letter dated 13 February 2007.

Further, the Directors represented that with the application of the ratio of 2.22/1 to the prize money which is equivalent to approximately US\$1.8 million, the value of WTA current tier II license is approximately US\$4.0 million.

Due to the exclusivity and uniqueness of the tennis tournament license at issue, we are unable to identify any other comparables for the tournament license value.

(Note 4) Payment "D" as compensation for ATP (Association of Tennis Professionals) current tier III license for Champion

Further, the Directors represented that with the application of the said ratio of 2.22/1 to the prize money of Open 500 tournaments (equivalent to approximately US\$1.25 million) the value of ATP current tier III license is approximately US\$2.78 million.

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Due to the exclusivity and uniqueness of the tennis tournament license at issue, we are unable to identify any other comparables for the tournament license value.

(Note 5) Discount between the actual value and the expected value on Consideration for Champion and Swidon

From the above calculation, the total consideration represents a discount of approximately 15.21% to the expected value of Champion and Swidon. The Directors represented that such discount is one of the important incentives for the Company to enter into the Supplementary Agreements.

(Note 6) Specific ratio of 40:60

The Directors represented that the specific ratio is the direct application of the ratio of the value of ATP current tier III license to the value of WTA current tier II license, as US\$2.78 million/US\$4.0 million, equivalent to approximately 40:60.

Business review on Champion:

A summary of the unaudited financial statements of Champion for the three years ended 31 December 2006 is set out below:

	Year 2006 (HK\$'million)	Year 2005 (HK\$'million)	Year 2004 (HK\$'million)
Total assets	5.85	1.17	0
Total liabilities	1.41	1.18	0.01
Net assets/(liabilities)	4.44	(0.01)	(0.01)
Revenue	4.68	0	0
Profit/(loss) for the year	4.45	0	(0.01)

According to the Letter from the Chairman, Champion did not have operations prior to March 2006 when the Authorisation Agreement was executed. For the year ended 31 December 2006, the revenue of Champion was approximately HK\$4.68 million and the profit for the year after deducting the business tax was approximately HK\$4.45 million. The revenue during the year 2006 was solely the license fee income. The total assets as HK\$5.85 million were the license rights of approximately HK\$1.17 million and the trade receivables with COL of approximately HK\$4.68 million. The net assets of Champion were about HK\$4.44 million after deducting its liabilities to Group companies and business tax payable.

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(d) ii. The Swidon Supplementary Agreement

Date:

11 May 2007

Contracting Parties:

COL, BYD, TOM and TML

BYD holds an approximate 63.27% share interest in the Company.

TOM is an ultimate controller of a substantial shareholder of one of the Company's subsidiary.

TML is a subsidiary of TOM.

Therefore, BYD, TOM and TML are all connected persons of the Company and are counterparties under the Swidon Supplementary Agreement.

COL is a subsidiary of the Company.

Accordingly, the transactions under the Swidon Supplementary Agreement constitute connected transactions of the Company under 14A of the Listing Rules.

Assets to be acquired:

100% interest in the entire issued share capital in Swidon, a wholly owned subsidiary of TML and a holder of the Women's Tennis Association (WTA) membership. Swidon is principally engaged in business relating to the WTA membership.

According to the Letter from the Chairman, since 2003, COL has been engaged in the marketing and organizing of China Open tennis tournaments which, since the execution of the Authorisation Agreement, has been pursuant to an authorization granted by Swidon to COL under the Authorisation Agreement. Swidon is the relevant WTA membership holder. Under an agreement entered into by the WTA, Swidon and BYD on 18 March 2007 ("Upgrade Agreement"), Swidon will become a Tier I WTA Tournament Class Member (as defined under WTA's by laws) which will entitle Swidon to organize and stage a top level WTA Tournament in Beijing from 2009 onwards.

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Consideration:

US\$9,302,325 (equivalent to approximately HK\$72,718,134.99).

Reasons for entering into the Swidon Supplementary Agreement:

As stated in the Letter from the Chairman, the Company believes the proposed acquisition of the 100% interest in Swidon will result in COL's paying reduced license fees and greater certainty for COL's hosting future China Open tennis tournaments. The Company also believes that through the Upgrade Agreement, the China Open WTA tennis tournament, run by COL will become one of the world's leading tennis events and therefore provide improved returns to the Company. The Directors are of the view that the Swidon Supplementary Agreement was entered into and carried out in the ordinary and usual course of business of COL and the terms of the Swidon Supplementary Agreement are normal commercial terms which are fair and reasonable and are in the interests of the Shareholders as a whole.

Conditions of the Swidon Supplementary Agreement:

The Swidon Supplementary Agreement is conditional upon, among other things:

- a) relevant PRC governmental approvals of the share transfer thereunder;
- b) the approval of the Independent Shareholders of the Swidon Supplementary Agreement;
- c) the approval of the WTA on the Upgrade Agreement (which condition has already been satisfied); and
- d) relevant approvals from foreign exchange authorities in respect of the consideration contemplated under the Swidon SPA having been obtained.

Completion of the Swidon Supplementary Agreement:

If for any reason the Authorization Agreement has not been terminated at the completion of the Swidon Supplementary Agreement, all parties to the Authorization Agreement will cease to have any rights or obligations under the Authorization Agreement.

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Basis of consideration for Swidon:

Formula provided by the Company for the expected value of Champion and Swidon:

$$V_{C+S} = A + B + C + D$$

$$V_{C+S} = V_C + V_S$$

where

$$V_{C+S} = \text{Expected value of Champion and Swidon}$$

$$V_C = \text{Expected value of Champion}$$

$$V_S = \text{Expected value of Swidon}$$

$$\begin{aligned} A &= \text{TOM's entitlement for license fee income (Note 1)} \\ &= \text{Annual fee X 7 years} \\ &= \text{US\$1.2 million X 7} \\ &= \text{US\$8.4 million} \end{aligned}$$

$$\begin{aligned} B &= \text{TOM's entitlement for commission income (Note 2)} \\ &= \text{US\$3.1 million} \end{aligned}$$

$$\begin{aligned} C &= \text{Value of WTA current tier II license for Swidon} \\ &\quad \text{(Note 3)} \\ &= \text{US\$4.0 million} \end{aligned}$$

$$\begin{aligned} D &= \text{Value of ATP current tier III license for Champion} \\ &\quad \text{(Note 4)} \\ &= \text{US\$2.78 million} \end{aligned}$$

$$\begin{aligned} V_{C+S} &= 8.4 + 3.1 + 4.0 + 2.78 \\ &= \text{US\$18.28 million} \end{aligned}$$

$$\begin{aligned} \text{Actual } V_{C+S} &= \begin{array}{cc} \text{Consideration} & + & \text{Consideration} \\ & \text{for Champion} & \text{for Swidon} \end{array} \\ &= \text{Consideration } V_C + \text{Consideration } V_S \\ &= 6.2 + 9.3 \\ &= \text{US\$15.5 million} \end{aligned}$$

$$\begin{aligned} \text{Discount rate} &= 1 - \text{Actual } V_{C+S} / V_{C+S} \\ \text{(Note 5)} &= 1 - (15.5 / 18.28) \\ &= 15.21\% \end{aligned}$$

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Specific ratio	=	Consideration	:	Consideration
(Note 6)		for Champion		for Swidon
	=	6.2:9.3		
	=	40:60		

(Note 1) Payment "A" as compensation for license fee income

Under the Authorisation Agreement announced by the Company on 20 March 2006, TOM is entitled to receive US\$1.2 million license fee income from COL through Champion and Swidon for eight years from 2006 to 2013. The license fee income for 2006 had already been received by TOM accordingly. Payment "A" is treated by the Directors as compensation to the said entitlement by TOM for the remaining seven years from 2007 to 2013 and is embedded in the consideration for Champion and Swidon.

The Directors represented that the said US\$1.2 million license fee income was determined after arm's length negotiations between TOM and COL.

(Note 2) Payment "B" as compensation for commission income

Under the Authorisation Agreement, TOM would be entitled to 20 – 30% of the sponsorship contracts brought in by TOM and its subsidiaries from 2006 to 2013, as commission income. The Directors represented that TOM had signed up for six contracts, out of the said six contracts, one contract was signed up by COL as substitution for TOM. The total contracted sum of the six contracts was approximately US\$2 million and TOM would be entitled to US\$0.6 million according to its 30% commission rate entitlement. TOM is entitled to the said 30% commission income for the remaining seven years from 2007 to 2013 unless the Authorisation Agreement is terminated. Payment "B" is treated by the Directors as compensation for the said entitlement by TOM and is embedded in the consideration for Champion and Swidon.

The Directors represented that the said 30% commission rate was determined after arm's length negotiations between TOM and COL.

The Directors accepted TOM's assumption that the said entitlement by TOM for such income for a period of seven years from 2007 to 2013 is discounted at an annual rate of approximately 10%.

(Note 3) Payment "C" as compensation for WTA (Women's Tennis Association) current tier II license for Swidon

Under the WTA license upgrading criteria, the license holder is required to acquire from existing tier II license holder for upgrading at a consideration of US\$4.0 million, as indicated by WTA in its letter dated 13 February 2007.

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Further, the Directors represented that with the application of the ratio of 2.22/1 to the prize money which is equivalent to approximately US\$1.8 million, the value of WTA current tier II license is approximately US\$4.0 million.

Due to the exclusivity and uniqueness of the tennis tournament license at issue, we are unable to identify any other comparables for the tournament license value.

(Note 4) Payment "D" as compensation for ATP (Association of Tennis Professionals) current tier III license for Champion

Further, the Directors represented that with the application of the said ratio of 2.22/1 to the prize money of Open 500 tournaments (equivalent to approximately US\$1.25 million), the value of ATP current tier III license is approximately US\$2.78 million.

Due to the exclusivity and uniqueness of the tennis tournament license at issue, we are unable to identify any other comparables for the tournament license value.

(Note 5) Discount between the actual value and the expected value on Consideration for Champion and Swidon

From the above calculation, the total consideration represents a discount of approximately 15.21% to the expected value of Champion and Swidon. The Directors represented that such discount is one of the important incentives for the Company to enter into the Supplementary Agreements.

(Note 6) Specific ratio of 40:60

The Directors represented that the specific ratio is the direct application of the ratio of the value of ATP current tier III license to the value of WTA current tier II license, as US\$2.78 million/US\$4.0 million, equivalent to approximately 40:60.

Business review on Swidon:

A summary of the unaudited financial statements of Swidon for the three years ended 31 December 2006 is set out below:

	Year 2006 (HK\$'million)	Year 2005 (HK\$'million)	Year 2004 (HK\$'million)
Total assets	33.07	28.39	27.30
Total liabilities	35.23	28.45	27.36
Net assets/(liabilities)	(2.16)	(0.06)	(0.06)
Revenue	4.68	0	0
Profit/(loss) for the year	(2.11)	0	(0.06)

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According to the Letter from the Chairman, Swidon did not have operations prior to March 2006 when the Authorisation Agreement was executed. For the year ended 31 December 2006, the revenue of Swidon was approximately HK\$4.68 million and the loss for the year, after deducting the WTA marketing rights of approximately HK\$6.56 million and business tax of approximately HK\$0.23 million, was approximately HK\$2.11 million. The revenue during the year 2006 was solely the license fee income. The total assets as HK\$33.07 million were the license rights of approximately HK\$28.39 million and the trade receivables with COL of approximately HK\$4.68 million. The net liabilities of Swidon were about HK\$2.16 million after deducting its liabilities to Group companies and business tax payable.

RECOMMENDATION

In formulation our recommendation to the Independent Board Committees in respect of the terms of the Supplementary Agreements, we have taken into account all the factors, factors and Directors' representations set out above, in particular as follows:

- (i) the proposed acquisition of the 100% interest in Champion and Swidon will result in COL's paying reduced licence fees and greater certainty for COL's hosting future China Open tennis tournaments;
- (ii) Swidon will become a Tier I WTA Tournament Class Member (as defined under WTA's by laws) which will entitle Swidon to organize and stage a top level WTA Tournament in Beijing from 2009 onwards and therefore provide improved returns to the Company;
- (iii) the US\$1.2 million license fee income was stipulated under the Authorization Agreement;
- (iv) the application of the 30% commission rate in determining the consideration of Champion and Swidon is not unreasonable;
- (v) the value of WTA current tier II license as indicated by WTA is approximately US\$4.0 million;
- (vi) the application of the specific ratio of 40:60 is not unreasonable; and
- (vii) a discount of approximately 15.21% to the expected value of Champion and Swidon as one of the important incentives for the Company to enter into the Supplementary Agreements.

LETTER FROM WALLBANCK BROTHERS

Having considered the above factors and reasons and Directors' representations, on balance, we are of the opinion that in such circumstances of the Group, the terms of the Supplementary Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We also consider the Supplementary Agreements are on normal commercial terms and in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to approve the Supplementary Agreements and we recommend the Independent Shareholders to approve the Supplementary Agreements.

B. Background to and reasons for entering into the Guarantee Agreement

1. Background of the Guarantee Agreement

Upon completion of the transfer of the 49% equity interest in COL from TTHL to BYD under the Equity Transfer Agreement, COL will become a joint venture between the Company and BYD as to 51% and 49%, respectively. BYD holds an approximate 63.27% share interest in the Company and is also entitled to exercise more than 10% of the voting power at any general meeting of COL, a non-wholly owned subsidiary of the Company. As such, COL will become a connected person of the Company pursuant to Rule 14A.11(5) of the Listing Rules.

To regulate the relationship between the Company and COL in respect of the future provision of guarantees, the Company and COL entered into the Guarantee Agreement on 10 April 2007.

2. Terms of the Guarantee Agreement

Pursuant to the Guarantee Agreement, the Company will provide guarantees, upon request by COL, to banks for the bank loans and facilities granted to COL in the aggregate amount of not exceeding RMB307.23 million (equivalent to approximately HK\$310.67 million) for the purpose of allowing COL to utilise the bank loans and facilities guaranteed by the Company. The Directors expect that:

- (i) the facilities amounting to RMB148.35 million (equivalent to approximately HK\$150.01 million) to be guaranteed under the Guarantee Agreement will be utilised for the renewal of the six

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loans as detailed below which were mainly utilized by COL to repay loans and expenses incurred from the operation of the China Open tennis tournaments from 2004 to 2006:

Item	Interest	Term	Facility granted RMB
1	5.508%	1 June 2006 – June 2007	12,500,000 (equivalent to approximately HK\$12,640,000)
2	5.508%	18 August 2006 – 18 August 2007	48,600,000 (equivalent to approximately HK\$49,144,320)
3	5.508%	18 August 2006 – 18 August 2007	8,200,000 (equivalent to approximately HK\$8,291,840)
4	5.508%	18 August 2006 – 18 August 2007	8,050,000 (equivalent to approximately HK\$8,140,160)
5	5.508%	21 March 2007 – 21 March 2008	12,000,000 (equivalent to approximately HK\$12,134,400)
6	5.508%	30 March 2007 – 30 March 2008	59,000,000 (equivalent to approximately HK\$59,660,800)
TOTAL			148,350,000 (equivalent to approximately HK\$150,011,520)

- (ii) the remaining facilities amounting to RMB158.88 million (equivalent to approximately HK\$160.66 million) will be utilised to facilitate the operation of the China Open tennis tournaments in 2007 and pay as consideration for COL's acquisition of the 100% equity interest in Champion and Swidon respectively, as detailed in the Letter from the Chairman with section headed "Champion Supplementary Agreement and Swidon Supplementary Agreement", and the related upgrade fees payable to the WTA.

The term of the Guarantee Agreement will commence from the date of the completion of the Equity Transfer Agreement until 30 March 2008.

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The guarantees to be provided by the Company under the Guarantee Agreement are in proportion to its equity interest in COL. BYD also issued a letter to the Company and COL on 18 March 2007 to confirm that it will provide guarantees for up to the 49% of bank loans and facilities granted to COL from 18 March 2007.

3. *Reasons for entering into the Guarantee Agreement*

As mentioned in the Letter from the Chairman, the Directors consider that the Company's provision of guarantees for bank loans and facilities granted to COL is in the interests of the Company, as such financial support will facilitate COL's business operations.

The Directors are of the view that the Guarantee Agreement was entered into on normal commercial terms following arm's-length negotiations between the parties thereto and the terms thereof are fair and reasonable and in the interests of the Shareholders as a whole.

4. *Financial effects of the Guarantee Agreement*

The provision of guarantees for bank loans and facilities granted to COL will not have any direct impact on the profitability, liabilities or gearing of the Group but will constitute a contingent obligation to the Company. In the event that COL fails to meet its obligation to repay the bank loans and facilities granted together with the interest thereon, the Company shall, by virtue of the provision of the guarantees, assume the obligation thereof.

Based on the Company's annual report as at 31 December 2006, the Group's audited consolidated net assets and audited consolidated net tangible assets as at 31 December 2006 amounted to approximately RMB1.59 billion and RMB1.57 billion respectively. In the event that the entire amount of the guarantees are called upon, the Company will have to bear in full the liabilities relating to the relevant bank loan and facilities granted up to RMB307.23 million (before interest), representing approximately 19.32% and 19.57% of the Group's audited consolidated net assets and audited consolidated net tangible assets as at 31 December 2006 respectively. Accordingly, the Shareholders should note that any default by COL on the relevant bank loan and facilities granted would have a substantial negative impact on the financial position of the Group if the guarantees continue to be provided.

The Directors represents that notwithstanding such potential impact, they have considered that (i) the guarantees to be provided by the Company under the Guarantee Agreement are in proportion to its equity interest in COL; (ii) the provision of the guarantees does not involve any cash outflow of the Company unless the guarantee is enforced by the independent third party, we therefore consider that the benefits from the proposed provision of financial assistance to COL by way of provision of the guarantee is fair and reasonable

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and in the interests of the Company and Independent Shareholders as a whole; (iii) the relevant bank loan and facilities granted will facilitate COL's business operations; (iv) COL is owned as to 51% by the Company upon the completion of the aforementioned Supplementary Agreements and the use of the facilities is under the control of the Company for the benefit of COL; (v) it might be difficult for COL to give security over a part only of its fixed assets to match the size of the facilities, and giving security over all its assets may result in over-collateralization which may not be in the best interests of COL; and (vi) the Directors are confident that COL will be able to fulfill their repayment obligations when the relevant banking facilities become due. Therefore, it is reasonable to infer that the continued provision of the guarantees to COL is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above factors and reasons and Directors' representations, on balance, we are of the opinion that in such circumstances of the Group, the terms of the Guarantee Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We also consider the Guarantee Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to approve the Guarantee Agreement and we recommend the Independent Shareholders to approve the Guarantee Agreement.

Yours faithfully,
For and on behalf of
WALLBANCK BROTHERS
Securities (Hong Kong) Limited

Phil Chan
Chief Executive Officer

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the 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”) (Chapter 571 of the Laws of Hong Kong) 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 2006, 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 (Note)	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 (Note)	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
Wellington Management Company, LLP	Long	2,761,000	5.03

Note: (Long): Long position

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 authorised 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 2006, being the date of the latest published audited financial statements of the Company.

8. CONSENT

Wallbanck Brothers 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, Wallbanck Brothers 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:

Name	Qualifications
Wallbanck Brothers	a licensed corporation permitted to carry on business in types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO

10. MISCELLANEOUS

- (a) The Company Secretary and Qualified Accountant is Mr. Edmund SIT, who is a fellow 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 100026, 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 16 July 2007:

1. the Champion Supplementary Agreement;
2. the Swidon Supplementary Agreement;
3. the Guarantee Agreement;
4. the letter from Wallbanck Brothers to the Independent Board Committee dated 30 May 2007; and
5. the letter from the Independent Board Committee to the Independent Shareholders dated 30 May 2007.

NOTICE OF EXTRAORDINARY GENERAL MEETING



BEIJING MEDIA CORPORATION LIMITED

北青傳媒股份有限公司

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

(Stock Code: 1000)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting ("EGM") 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 Monday, 16 July 2007 at 2:00 p.m. for the following purposes:

Ordinary Resolutions:

1. to consider and, if thought fit, approve the Champion Supplementary Agreement (as defined in the circular to shareholders of the Company dated 30 May 2007 ("Circular"));
2. to consider and, if thought fit, approve the Swidon Supplementary Agreement (as defined in the Circular); and
3. to consider and, if thought fit, approve the Guarantee Agreement (as defined in the Circular).

By order of the Board

Chairman

Zhang Yanping

Beijing, the PRC, 30 May 2007

Notes:

1. Eligibility to Attend the EGM

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 Friday, 15 June 2007 shall be entitled to attend the EGM.

Shareholders intending to attend and vote at the EGM of Beijing Media to be held on Monday, 16 July 2007 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 46/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at or before 16:00 on Friday, 15 June 2007.

2. Proxy

- (1) Shareholders entitled to attend and vote at the EGM 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (2) A proxy should be appointed by shareholders of the Company ("Shareholders") by written instrument signed by the appointor or his attorney duly authorised in writing. If the written instrument is signed by the attorney of the appointor, the written authorisation or other authorization documents of such attorney should be notarised.
- (3) To be valid, the notarised power of attorney or other authorisation 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 EGM. 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 EGM

- (1) A Shareholder or his proxy shall produce his identification document when attending the EGM. Where a Shareholder is a legal person, the legal representative of that shareholder or persons authorised by its board of directors or other decision-making bodies shall produce a copy of the resolution stating the authorisation 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 Monday, 25 June 2007.
- (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 Monday, 18 June 2007 to Monday, 16 July 2007 (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 authorised 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 Agency and its associates will abstain from voting on resolutions numbered 1, 2 and 3. TOM Group Limited and its associates will abstain from voting on resolutions numbered 1 and 2.

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. Miscellaneous

- (1) The EGM will be concluded within a half day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
- (2) The Company's Register of Member will be closed from Monday, 18 June 2007 to Monday, 16 July 2007 (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 Friday, 15 June 2007 for completion of the registration of the relevant transfer in accordance with the Articles of Association of Beijing Media.
- (3) The address of the Computershare Hong Kong Investor Services Limited, the share registrar of H Shares of Beijing Media, is 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (4) The registered address of Beijing Media is:

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PRC
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Tel: (+86) 10 6590 2615
Fax: (+86) 10 6590 2614