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MEDIA NATION
INC.

MediaNation Inc.

(incorporated in the Cayman Islands with limited liability)

Major and connected transaction

**Proposed open offer of
1,202,325,990 new shares of HK\$0.10 each
on the basis of
two new shares for every existing share held at a subscription
price of HK\$0.10 per share
payable in full on application**

General mandates to issue and repurchase shares

Financial adviser to MediaNation Inc.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

Summary

MediaNation Inc. (“MediaNation”) proposes to raise approximately HK\$120 million, before expenses, by way of an issue of new shares through an open offer.

The open offer will be made to shareholders of MediaNation, in the proportion of two new shares for every share held by the shareholders on the record date. The subscription price is HK\$0.10 per share.

Subject to the fulfilment of the conditions of the open offer, it is expected that MediaNation will receive the subscription monies totalling HK\$120 million by 23 July, 2003.

The open offer is conditional. In particular, it is conditional upon obtaining independent shareholders’ approval at a shareholders’ extraordinary general meeting, and the GEM listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the open offer shares.

The open offer is a major transaction for MediaNation under the GEM listing rules and requires the approval of shareholders other than SMI Investors (PAPE II) Limited and Warburg Pincus Ventures, L.P. who are deemed controlling shareholders under the GEM listing rules. An independent financial adviser has been appointed to advise the independent board committee of MediaNation on the terms of the open offer and the connected transaction.

A circular containing further information on the open offer will be posted to shareholders of MediaNation as soon as practicable.

To qualify for the open offer, any transfer of shares in MediaNation must be lodged for registration by 4:00 p.m. on 7 July, 2003.

The open offer is conditional and may or may not proceed. Shareholders of MediaNation and interested investors are reminded to exercise caution when dealing in the shares in MediaNation. In the event that the open offer does not become unconditional, MediaNation believes that it will have difficulties in meeting its maturing and past due obligations and this may in turn adversely affect the business operations and prospects of MediaNation.

OPEN OFFER

Further to the announcement dated 10 February, 2003 made by MediaNation, MediaNation proposes to raise approximately HK\$120 million, before expenses, by way of an issue of new shares through an open offer. The open offer will be made to qualifying shareholders of MediaNation in the proportion of two new shares (the “open offer shares”) for every share held by the shareholders on the record date (as described in the timetable below) at a subscription price of HK\$0.10 per share which is their par value.

Subject to the fulfilment of the conditions of the open offer, it is expected that MediaNation will receive the subscription monies totalling HK\$120 million by 23 July, 2003. Each of the deemed controlling shareholders of MediaNation, SMI Investors (PAPE II) Limited (“SMI”) and Warburg Pincus Ventures, L.P. (“Warburg”) has undertaken to accept the open offer in respect of the shares in MediaNation held by them, and apply for all excess open offer shares not taken up by other qualifying shareholders. Therefore, the total subscription monies from the open offer are a fixed amount that is receivable by MediaNation upon it becoming unconditional, and do not vary with the level of acceptance under the open offer. MediaNation has been advised by its legal adviser that there is no statutory requirements regarding minimum subscription level under Cayman Islands law.

Issue statistics

Basis of the open offer	two new shares for every share held by the shareholders of MediaNation on the record date (as described in the timetable below) at a subscription price of HK\$0.10 per share, payable in full on application
Number of shares in MediaNation in issue	601,162,995 as at the date of this announcement
Number of open offer shares to be issued	1,202,325,990
Subscription price	HK\$0.10 per share in MediaNation

As at the date of this announcement, there are 61,171,630 outstanding options granted under the pre-IPO share option plans and the share option scheme adopted by MediaNation on 8 January, 2002, of which 51,349,508 are exercisable pursuant to their respective terms. If all of the subscription rights attaching to the outstanding options are exercised on or before the record date,

the number of issued shares will be increased to 652,512,503 and the number of new shares to be issued pursuant to the open offer will be increased to 1,305,025,006. Save as disclosed above, MediaNation does not have in issue any outstanding options, warrants, convertible bonds or preference shares which entitle such security holder to convert such securities into shares prior to the record date. MediaNation has confirmed that it does not intend to issue any securities on or before the record date. Pursuant to the terms of the pre-IPO share option plans and the share option scheme, the open offer may constitute an event giving rise to an adjustment to the subscription price of and/or the number of shares comprised in the outstanding options. Further details on the adjustments will be set out in the circular to be despatched to the shareholders. MediaNation will give notification to all holders of the outstanding options of any such adjustments.

Qualifying shareholders

MediaNation will send a prospectus containing details of the open offer, the form of application in respect of the assured allotment and the form of application for excess open offer shares (collectively known as the “prospectus documents”) to the qualifying shareholders only.

To qualify for the open offer, a shareholder must be registered as a member of MediaNation on the record date (as defined in the timetable below), and have an address in Hong Kong which appears on the register of members of MediaNation on the record date.

In order to be registered as members of MediaNation on the record date, shareholders of MediaNation must lodge any transfers of shares (together with the relevant share certificates) with the branch share registrar and transfer office of MediaNation in Hong Kong at Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:00 p.m. (Hong Kong time) on 7 July, 2003 pursuant to the expected timetable.

The entitlement to apply for the open offer shares under the open offer is not transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the open offer shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited.

Closure of register of members

The register of members of MediaNation will be closed from 8 July, 2003 to 9 July, 2003, both dates inclusive, pursuant to the expected timetable. No transfer of shares in MediaNation will be registered during this period.

Subscription price

HK\$0.10 per share, payable in full upon acceptance of the assured allotments and, where applicable, application for excess open offer shares under the open offer.

The subscription price of HK\$0.10 per share is equivalent to the par value of the shares in MediaNation and represents:

- a premium of approximately 25% to the closing price of HK\$0.075 per share in MediaNation as quoted on the Stock Exchange on 3 June, 2003, being the last trading date prior to the date of this announcement;
- a premium of approximately 27% to the average closing price of HK\$0.073 per share in MediaNation for the ten trading days up to and including 3 June, 2003; and
- a premium of approximately 31% to the average closing price of HK\$0.069 per share in MediaNation for the three months up to and including 3 June, 2003.

The subscription price of HK\$0.10 per share was based on arm's length negotiation between MediaNation, SMI and Warburg, and after taking into account the historical market prices of the shares in MediaNation since its listing on GEM in January 2002 and the current financial position of MediaNation. The executive director of MediaNation is of the view that the open offer will provide MediaNation the funds needed and the terms of the open offer are fair and reasonable and in the interest of MediaNation.

Status of the open offer shares

The open offer shares, when allotted and fully paid, will rank pari passu with the then existing shares in MediaNation in all respects. Qualified holders who have successfully applied for the open offer shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date on which the open offer becomes unconditional.

Expected timetable

2003

Despatch of the circular containing information on the open offer together with notices convening the extraordinary general meeting	Tuesday, 24 June
Last day of dealings in shares in MediaNation on a cum-entitlement basis	Thursday, 3 July
First day of dealings in shares in MediaNation on an ex-entitlement basis	Friday, 4 July
Latest time for lodging transfers of shares in MediaNation in order to qualify for the open offer	4:00 p.m. on Monday, 7 July
Register of members closed	Tuesday, 8 July to Wednesday, 9 July
Extraordinary general meeting	10:00 a.m. on Wednesday, 9 July
Record date	Wednesday, 9 July
Despatch of the prospectus and application forms in relation to the open offer	Wednesday, 9 July
Open offer commences	Wednesday, 9 July
Register of members re-opens	Thursday, 10 July
Open offer closes	4:00 p.m. on Wednesday, 23 July
Latest time for payment and acceptance of the open offer shares (including application for excess open offer shares) under the open offer	4:00 p.m. on Wednesday, 23 July
Open offer expected to become unconditional	Friday, 1 August
Announcement of results of the open offer	Monday, 4 August

Shares certificates for the open offer shares expected
to be posted by mail on or beforeMonday, 4 August

Posting by mail of refund cheques in respect of wholly
or partly unsuccessful excess applications.....Monday, 4 August

Dealings in fully paid open offer shares
expected to commence onWednesday, 6 August

Note: Any reference to time in this announcement is in respect of Hong Kong time.

In the event that there is any change on the expected timetable, further announcement will be made.

Rights of overseas shareholders

As the prospectus documents to be issued in connection with the open offer will not be registered or filed under the applicable securities legislation of any jurisdictions other than Hong Kong, the overseas shareholders of MediaNation (being those shareholders whose names appear on the register of members of MediaNation on the record date and whose addresses as shown on such register are outside Hong Kong) will not be entitled to take part in the open offer. MediaNation will send the prospectus containing details of the open offer to overseas shareholders for their information only. However, the overseas shareholders of MediaNation are entitled to vote at the extraordinary general meeting for the approval of the open offer.

Fractional entitlements

No fractional entitlements will result from the open offer.

Application for excess open offer shares

Under the open offer, qualifying shareholders of MediaNation are entitled to apply for any number of open offer shares but they are only assured of the allotment of open offer shares comprised in their assured entitlements. The excess open offer shares shall comprise any entitlements of the overseas shareholders of MediaNation and any open offer shares not applied for by the qualifying shareholders. In addition, SMI and Warburg have undertaken to apply for all the open offer shares not applied for by the qualifying shareholders.

Application for excess open offer shares may be made by completing the form of application for excess open offer shares. If the number of open offer

shares applied for pursuant to the form of application for excess open offer shares exceeds the number of open offer shares which have not been taken up by the qualifying shareholders under their assured entitlements, the board of MediaNation shall ensure that the excess open offer shares shall be allocated at its discretion on a fair and equitable basis.

Application for listing

MediaNation has applied to the GEM listing committee of the Stock Exchange for the listing of, and permission to deal in, the open offer shares on GEM.

Dealings in the open offer shares on GEM will be subject to the payment of the applicable stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy or any other applicable fees and charges in Hong Kong.

OTHER TERMS AND CONDITIONS OF THE OPEN OFFER

Completion of the open offer is conditional upon:

- a. the passing by the shareholders of MediaNation, other than SMI, Warburg and their respective associates, at the extraordinary general meeting of an ordinary resolution to approve the open offer;
- b. the GEM listing committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having revoked, the listing of, and permission to deal in the open offer shares to be issued;
- c. the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong, respectively, of one duly signed copy of each of the prospectus documents, and otherwise in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM listing rules”) and the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); and
- d. the posting of the prospectus documents to the qualifying shareholders and the posting of the prospectus containing details of the open offer to the overseas shareholders of MediaNation for information only.

MediaNation may not waive any of the conditions of the open offer stated above.

The open offer is not underwritten.

IMPLICATIONS UNDER THE GEM LISTING RULES AND THE CODES ON TAKEOVERS AND MERGERS AND SHARE REPURCHASES

The open offer constitutes a major transaction for MediaNation under the GEM listing rules. In accordance with rule 10.39 of the GEM listing rules, the fund raising proposal requires the approval of shareholders and any controlling shareholder within the meaning of the GEM listing rules must abstain from voting. Accordingly, SMI, Warburg and their respective associates will abstain from voting on the ordinary resolutions to approve the open offer at the extraordinary general meeting. Further, the undertaking given by SMI and Warburg to accept the open offer in respect of the shares in MediaNation held by them, and apply for all excess open offer shares not taken up by other qualifying shareholders is treated as a non-exempt connected transaction under the GEM listing rules.

At the request of the Stock Exchange, MediaNation has appointed an independent financial adviser to advise the independent board committee of MediaNation on the terms of the open offer and the connected transaction. An independent board committee which comprises Mr. Johannes Schöter has been formed to advise the independent shareholders of MediaNation. The other directors of MediaNation are not members of the independent board committee because either they are board representatives of SMI or Warburg, or shareholders of MediaNation. Mr. Liu Hong Ru, an independent non executive director of MediaNation, is excluded from the independent board committee as he intends to resign and will, by the time of the extraordinary general meeting, have resigned from the board of MediaNation due to personal reasons not relating to the open offer.

Each of SMI and Warburg holds 26.47% of the voting rights attached to the shares in MediaNation and are thus associated companies as defined under The Codes on Takeovers and Mergers and Share Repurchases, and as such are presumed to be parties acting in concert within the definition in the codes. The Executive under the Codes has waived the obligation of SMI and Warburg to make a general offer for the shares in MediaNation pursuant to note 6(b) under rule 26.1 of the Codes. In reaching this decision, the Executive has stated that it has placed reliance, amongst other things, on the fact that SMI and Warburg have confirmed that they are parties acting in concert, they have maintained the same percentage of voting rights and (save for a brief period in 1998) equal

board representation in MediaNation since 1998, the balance of shareholdings within the concert group will not change as a result of the open offer, and the price paid for the open offer shares will be the same as that offered to all shareholders of MediaNation under the open offer.

EFFECT ON THE SHAREHOLDING STRUCTURE

The table below shows the existing shareholding structure of MediaNation, and the effects on the shareholding structure upon completion of the open offer:

	Existing shareholdings		Upon completion of the open offer (assuming all shareholders take up their assured entitlements) (Note 1)		Upon completion of the open offer (assuming no minority shareholders take up their assured entitlements) (Note 2)	
	Shares	Approximate %	Shares	Approximate %	Shares	Approximate %
SMI	159,130,088	26.47%	477,390,264	26.47%	760,293,083	42.16%
Warburg	159,130,088	26.47%	477,390,264	26.47%	760,293,083	42.16%
Ms. Chan Sim Ngor, Summerine	26,252,118	4.37%	78,756,354	4.37%	26,252,118	1.45%
Mr. Hui Yick Hun, Patrick (Note 4)	13,126,059	2.18%	39,378,177	2.18%	13,126,059	0.73%
Public shareholders	243,524,642	40.51%	730,573,926	40.51%	243,524,642	13.50% (Note 2 & 3)
Total	601,162,995	100.00%	1,803,488,985	100.00%	1,803,488,985	100.00%

Notes: .

1. This assumes no shareholder applies for any excess open offer shares and there are no overseas shareholders.
2. This assumes only SMI and Warburg apply for excess open offer shares.
3. Shareholders of MediaNation should note that in the event that no minority shareholders take up their assured entitlements under the open offer, MediaNation will have a public float that falls below the minimum threshold of 25% as prescribed by the GEM listing rules. In the event that the public float of MediaNation falls below the 25% threshold, trading in the shares in MediaNation may be suspended and MediaNation will take appropriate actions to restore the public float.

4. The shareholding interest of Mr. Hui Yick Hun, Patrick shown above is based on the disclosure of interest made by Mr. Hui to MediaNation prior to his removal as a director of MediaNation on 19 December, 2002.

If all of the minority shareholders of MediaNation elect to subscribe in full for their entitlements under the open offer, the respective percentage shareholdings in MediaNation held by SMI and Warburg will remain unchanged, that is, each of them will hold 26.47% of the issued share capital of MediaNation as enlarged by the issue of the open offer shares. The shareholding interest of Ms. Chan Sim Ngor, Summerine and Mr. Hui Yick Hun, Patrick will also remain unchanged.

If no minority shareholders elect to subscribe for their entitlements under the open offer, each of SMI and Warburg will hold approximately 42.16% (or in aggregate approximately 84.32%) of the issued share capital of MediaNation as enlarged by the issue of the open offer shares. Ms. Chan Sim Ngor, Summerine and Mr. Hui Yick Hun, Patrick will hold 1.45% and 0.73% of the enlarged issued share capital of MediaNation, respectively.

USE OF PROCEEDS

The net proceeds of the open offer are expected to be approximately HK\$120.0 million. The board of MediaNation intends to use the proceeds of (i) approximately HK\$51.2 million for the payment of outstanding liabilities due to independent third parties including overdue media rental fees (also called concession fees) to various bus and metro companies in China of approximately HK\$7.0 million and HK\$44.2 million, respectively; (ii) approximately HK\$5.7 million for payment of outstanding investment commitments for 100 investment buses in China acquired during 2001; (iii) approximately HK\$60.0 million for repayment of the shareholders' loans advanced by SMI and Warburg of which approximately HK\$34.8 million was used for the payment of outstanding liabilities to third parties including overdue media rental fees (also called concession fees) to various bus and metro companies in China of approximately HK\$23.3 million and HK\$8.0 million, respectively, approximately HK\$12.5 million for the payment of outstanding investment commitments for investment buses and upfront payments for agency bus contracts in China acquired in prior years, and approximately HK\$12.7 million for financing operating losses and working capital of the Group during the first quarter of 2003; and (iv) approximately HK\$3.1 million as working capital of the group. The directors of MediaNation expect that all overdue payables of MediaNation mentioned above will be fully repaid with the net proceeds of the open offer of approximately HK\$120.0 million.

PROGRESS IN ACHIEVING THE BUSINESS OBJECTIVES

The group's progress in achieving its business objectives as stated in the listing prospectus dated 14 January, 2002 is set out below.

Business objectives as stated in the listing prospectus

Current progress to date

Maintain and strengthen market leadership position

Expand the bus-advertising network in China by acquiring additional concession in new cities or our existing cities.

In June 2002, the group entered into a new bus advertising concession contract in respect of about 2,800 buses under exclusive agency arrangement. As contemplated in the supplementary prospectus of MediaNation dated 22 January, 2002, expansion of the bus advertising business had been funded from internally generated funds of MediaNation.

Install additional advertising displays in metro position in metro advertising systems.

The group has largely completed the media assets development in Shanghai Metro Line 2, and the media assets development in the platforms and ticketing halls of Shanghai Metro Line 3. As contemplated in the supplementary prospectus of MediaNation dated 22 January, 2002, expansion of the metro advertising business had been funded from internally generated funds of MediaNation.

Invest in new digital printing machine.

In view of the decrease in media sales that resulted in a decrease in production volume, the project has been put on hold. As a result, none of the listing proceeds have been used for this purpose. The group will further reassess the feasibility of the investment. Any future investment in new digital printing machine, if any, will be funded from internally generated funds of MediaNation.

Develop and implement proprietary Enterprise Resource Planning software, named Media Inventory Management System to enhance ability to accumulate and analyse data relating to the business.

Introduce new media formats

Roll out the street furniture project - newspaper kiosks in China.

Instead of engaging external vendors, the group used in-house resources to develop the software and, as at the latest practicable date, had largely completed the programming. Trial runs have been implemented on different media assets. None of the listing proceeds have been used for this purpose because the software is being developed in-house.

In September 2002, the group launched a pilot campaign to promote the advertising panels on about 200 kiosks and received reasonable response from interested advertisers. As at the latest practicable date, the group had installed approximately 700 newspaper kiosks, of which approximately 400 are equipped with advertising display panels. The group experienced certain delay with implementation and location selection of the remaining 300 kiosks in the first phase of the project and the management is taking steps to resolve the outstanding issues. The group decided to focus on the installation of the remaining 300 kiosks and proposes to finance the same with a further amount of HK\$5.9 million out of the remaining listing proceeds. As for the implementation of an additional 1,000 kiosks in the second stage of the project, the group will reassess the expansion plan based on the success of the first phase of the project and proposes to finance such expansion plan, if any, using cash flow generated from the successful implementation of the first phase of the project and internally generated cash flow of the group.

Install and market first aid light boxes in shopping malls in China.

As at the latest practicable date, the group had installed approximately 1,500 advertising light boxes across China. The design of the first aid light box has been modified so that the appearance is more appealing and less bulky. However, implementation during 2002 was slower than expected due to higher priority given by management to the implementation of the kiosk project. The group decided to focus on outlets that are not populated by other advertising media, and the major cities of Beijing, Shanghai, Guangzhou and Shenzhen. It is intended that a network of approximately 4,000 advertising light boxes in aggregate will be completed by the end of 2003. A further amount of HK\$5.4 million out of the remaining listing proceeds is proposed to be used for the implementation of this project. If this project is successful, the group will consider further expansion plans using cash flow generated from the successful implementation of this project and internally generated cash flow of the group.

Upgrade and begin marketing New World First Bus Services Limited's bus shelters.

The group continued to market the New World First Bus Services Limited's bus shelters to advertisers.

Begin development of new mobile broadcasting display units such as LEDs and LCDs in existing bus and metro media portfolio in China.

This project has been put on hold. The group will reassess the feasibility of the project when its financial position has improved.

Provide integrated outdoor advertising

Further develop and improve the outdoor services media database for i-Result.

The group decided to discontinue this operation. (Please refer to the announcement dated 10 February, 2003 issued by MediaNation for further details.)

Selectively pursue acquisitions

Selectively pursue acquisitions of high quality assets and outdoor advertising related business.

The group has no current plan to pursue this objective until its financial resources allow and until it can identify suitable acquisition targets.

USE OF PROCEEDS FROM THE LISTING OF MEDIANATION

The net listing proceeds raised from the listing of the shares on GEM on 24 January, 2002 was approximately HK\$394.0 million. The actual use of such net proceeds for the period up to 31 March, 2003, as compared to the proposed use as set out in the listing prospectus are as follows:

	As stated in the listing prospectus HK\$' million	Actual amount used up to 31st March, 2003 HK\$' million	Further amount to be used in 2003 HK\$' million
Development of printing and Media Inventory Management System	7.0	0.0	0.0
Expansion of street furniture business:			
- newspaper kiosks	120.0	67.8	5.9
- other new media formats, including "in-mall" advertising displays, such as first aid light boxes as well as other multimedia displays for bus and metro advertising	100.0	20.6	5.4

	As stated in the listing prospectus HK\$' million	Actual amount used up to 31st March, 2003 HK\$' million	Further amount to be used in 2003 HK\$' million
Expansion of the i-Result database (<i>Note 1</i>)	5.0	1.4	0.0
Repayment of certain existing debts to Gavast Estates (<i>Note 2</i>)	120.0	117.0	0.0
Repayment of certain existing debts to Everpower and E2-Capital (<i>Note 2</i>)	39.0	39.8	0.0
Operating losses and others	<u>3.0</u>	<u>136.1</u>	<u>0.0</u>
	<u>394.0</u>	<u>382.7</u>	<u>11.3</u>

As disclosed in the group's interim results announcement in 2002, the announcements dated 29 November, 2002 and 10 February, 2003, and the annual report 2002, a substantial portion of the listing proceeds had been used to finance the group's operating losses and in this connection, this deviates from the original plan stated in the listing prospectus. As set out above, the group will use the remaining listing proceeds of HK\$11.3 million for expansion of its street furniture business.

Notes:

1. MediaNation has ceased its i-Result operations. Please refer to the announcement dated 10 February, 2003 issued by MediaNation for further details.
2. These debts have been fully repaid in 2002.

MAINTENANCE OF THE LISTING STATUS OF MEDIANATION

The Stock Exchange has stated that, in the event that less than 25% of the issued shares in MediaNation are in public hands following completion of the open offer, or if the Stock Exchange believes that a false market exists or may exist in the trading of the shares in MediaNation, or that there are insufficient shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the shares.

It is the intention of the directors of MediaNation to maintain the listing of MediaNation on the GEM of the Stock Exchange after completion of the open offer. After the open offer, should there be less than 25% of the shares in MediaNation in public hands, SMI and Warburg will make arrangements to place sufficient shares, subject to terms and market conditions, so that the shares held by the public will not be less than 25% of the issued share capital of MediaNation.

REASONS FOR AND BENEFITS OF THE OPEN OFFER

MediaNation and its subsidiaries operate in two main business lines: bus advertising in Mainland China and Hong Kong and metro system advertising through joint ventures in Beijing and Shanghai, Mainland China. The group recently expanded into street furniture advertising business in Mainland China.

MediaNation has incurred continuing operating losses since the financial year ended 31st December, 2002 and requires additional funding to improve its liquidity position and finance the future development of the business of MediaNation and its subsidiaries. The cash and cash equivalents held by MediaNation and its subsidiaries as at 31 December, 2002 (based on the audited financial statements of the group) were approximately HK\$28.7 million. For the year ended 31 December, 2002 MediaNation and its subsidiaries recorded an audited net loss of approximately HK\$252.8 million. As at 31 December, 2002, MediaNation had total liabilities of approximately HK\$230.0 million, comprising accounts payable of approximately HK\$81.8 million, long-term payables of approximately HK\$11.9 million, accrued liabilities and other payables of approximately HK\$68.8 million, deferred income of approximately HK\$32.9 million and other current liabilities of approximately HK\$34.6 million.

An unaudited net loss of approximately HK\$46.2 million was recorded for the three-month period ended 31 March, 2003. As at 31 March, 2003, the cash

and cash equivalents held by MediaNation and its subsidiaries were approximately HK\$48.5 million, based on the unaudited management accounts of the group. As at 31 March, 2003, MediaNation had total liabilities of approximately HK\$234.4 million, comprising accounts payable of approximately HK\$79.8 million, long-term payables of approximately HK\$11.9 million, accrued liabilities and other payables of approximately HK\$45.5 million, deferred income of approximately HK\$49.7 million, short term loans from shareholders of approximately HK\$40 million and other current liabilities of approximately HK\$7.5 million.

Part of the proceeds raised from the open offer will be applied to meet maturing and past due obligations of MediaNation. The reason for proceeding with the fund raising proposal via an open offer is that it will provide MediaNation the funds needed in a timely manner. The current proposal has been formulated so that all shareholders of MediaNation are treated fairly and equally.

In the event that the open offer does not become unconditional, MediaNation believes that it will have difficulties in meeting its maturing and past due obligations and this may in turn adversely affect the business operations and prospects of MediaNation.

It is not expected that there will be any further changes to the composition of the board of directors of MediaNation (other than those stated in the announcement dated 10 February, 2003) by reason of the open offer. Other changes to the composition of the board is that Mr. Liu Hong Ru, an independent non-executive director of MediaNation, intends to resign and will, by the time of the extraordinary general meeting, have resigned from the board for personal reasons not relating to the open offer.

SMI and Warburg, which will continue to be involved in MediaNation through their respective nominated non-executive directors, do not intend to introduce any new business or inject any assets into MediaNation after completion of the open offer. The board of directors of MediaNation do not expect any material change to the general character or nature of the business of MediaNation following the open offer.

WARNING OF THE RISKS OF DEALING IN THE SHARES

Existing shares in MediaNation will be dealt with on an ex-entitlement basis from 4 July, 2003. If the conditions of the open offer are not fulfilled, the open offer will not proceed. Any person dealing in the ex-entitlement shares in MediaNation will accordingly bear the risk that the open offer may not become unconditional and may not proceed.

Any shareholders of MediaNation or other persons contemplating selling or purchasing shares in MediaNation during such period who is in any doubt about his or her position is recommended to consult his or her own professional adviser(s).

The open offer is conditional and may or may not proceed. Shareholders of MediaNation and interested investors are reminded to exercise caution when dealing in the shares in MediaNation. MediaNation will make an appropriate announcement in the event that the open offer does not proceed.

INFORMATION ON SMI AND WARBURG

SMI is a company incorporated under the laws of the British Virgin Islands with limited liability and owns shares of MediaNation on behalf of PAMA Private Equity Limited Partnership II, PICA Limited Partnership and Dutch Parallel Fund C.V.. These three funds are managed by PAMA Group Inc (“PAMA”), which was originally the Asian private equity investment unit of Prudential Insurance Company of America (“Prudential”) and operated under the name of Prudential Asset Management Asia Limited. On 28 November, 2000, senior management of PAMA completed a management buy-out transaction with Prudential and PAMA became an independent entity. Warburg is an established private equity and venture capital firm and operates in nine countries covering North America, Europe, Asia, and Latin America. Warburg invested in MediaNation in 1996, and SMI became a shareholder of MediaNation in 1998. SMI and Warburg are management shareholders of MediaNation within the meaning of the GEM listing rules.

GENERAL MANDATE TO ISSUE AND REPURCHASE SECURITIES

MediaNation also proposes to renew the general mandate to the directors to issue shares, at the extraordinary general meeting, up to a maximum of 20% of the aggregate nominal amount of the issued share capital as at the date of the relevant resolution as enlarged by the shares to be issued under the open offer in order to assist in the future expansion of MediaNation as the directors consider appropriate.

It is also intended that a resolution will be put to the shareholders of MediaNation at the extraordinary general meeting granting the directors a general mandate authorising the repurchase by MediaNation on the Stock Exchange of up to 10% of the issued share capital as enlarged by the open offer

shares to be issued (the “repurchase mandate”). The repurchase mandate will remain effective until the conclusion of MediaNation’s next annual general meeting or until revoked or varied by an ordinary resolution of the shareholders that may occur earlier.

GENERAL

A circular containing, among other matters, details of the open offer, a letter of advice from an independent financial adviser to the independent board committee of MediaNation and a letter of advice from the independent board committee of MediaNation relating to the terms of the open offer and the connected transaction, and the notice for the extraordinary general meeting to be convened on 9 July, 2003, at 10:00 a.m. will be posted to the shareholders of MediaNation as soon as practicable and in any event, within 21 days from the date of this announcement. SMI and Warburg will abstain from voting at the extraordinary general meeting.

By order of the board
Sun Qiang, Chang
Chairman

Hong Kong, 3 June, 2003

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

This announcement, for which the directors of MediaNation collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to MediaNation. The directors of MediaNation, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.