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MEDIANATION
INC.

MediaNation Inc.

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

BUS ADVERTISING AGREEMENTS IN SHANGHAI

The board of directors of the Company would like to announce that on 26 December 2003, the Beijing Joint Venture entered into the New Advertising Agreement and the Termination Agreement with Shanghai Bus and Shanghai Advertising, respectively. This announcement is issued on the date hereof as time is required to collate information for inclusion in this announcement. The New Advertising Agreement is only a variation of the Original Advertising Agreement which in substance results in a reduction of the original concession fee instead of a new commitment of concession fee.

Pursuant to paragraph 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the board of directors of the Company would like to announce that on 26 December 2003, 北京通成推廣公交廣告有限公司 (Beijing Top Result Public Transportation Advertising Co., Ltd.), a cooperative joint venture established in the People’s Republic of China (the “**PRC**”) and a subsidiary of the Company (the “**Beijing Joint Venture**”), entered into (i) the advertising agreement (the “**New Advertising Agreement**”) with 上海巴士電車有限公司 (Shanghai Bus & Electric Bus Company), an entity which is independent of and not connected with the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates (“**Shanghai Bus**”) and (ii) the termination agreement (the “**Termination Agreement**”) with 上海市公共交通廣告有限公司 (Shanghai Public Bus Advertising Company) (“**Shanghai Advertising**”) to terminate the advertising agreement dated 1 November 1999 (as amended) entered into between the Beijing Joint Venture and Shanghai Advertising (the “**Original Advertising Agreement**”). This announcement is issued on the date hereof as time is required to collate information for inclusion in this announcement.

Insofar as the Company is aware, Shanghai Bus and Shanghai Advertising belong to the same group of companies (the “**Shanghai Bus Group**”). Bus advertising operations of the Shanghai Bus Group have been restructured. Advertising operations on certain bus routes which were originally operated by Shanghai Advertising will be transferred to Shanghai Bus.

The arrangements under the New Advertising Agreement and the Termination Agreement are interconnected. If the Beijing Joint Venture does not enter into the Termination Agreement to terminate the Original Advertising Agreement, it would not enter into the New Advertising Agreement. The New Advertising Agreement is only a variation of the Original Advertising Agreement which in substance results in a reduction of the original concession fee instead of a new commitment of concession fee.

BACKGROUND

In the beginning of 2003, the Company and its subsidiaries (collectively, the “**Group**”) started to renegotiate bus contracts in some key cities in the PRC such as Wuhan to ensure that best rates could be secured and to reduce the number of unprofitable assets. As a result of such contract restructuring, the Group aims to continue to reduce the bus fleet on less popular routes (i.e., those that usually run in the outskirts and not in city centres and are less demanded by the advertisers) and lower the total concession cost, and through which the Group would achieve better financial results. As part of such contract restructuring, the Beijing Joint Venture entered into the Termination Agreement and the New Advertising Agreement. For the financial years ended 31 December 2001 and 2002, and for the nine months ended 30 September 2003, the turnover attributable to the Original Advertising Agreement amounted to approximately 2%, 4% and 3% of the total turnover of the Group, respectively. Since the bus advertising business attributable to the Original Advertising Agreement has been loss making and the percentage of the Group’s turnover attributable to the Original Advertising Agreement was relatively small, all the directors of the Company believe that the termination of this agreement will not have any adverse impact on the financial position of the Group. Save for the annual fixed concession fee payable by the Beijing Joint Venture to Shanghai Bus under the New Advertising Agreement, there is no financial implication on the Group regarding the arrangements under the New Advertising Agreement and the Termination Agreement.

THE NEW ADVERTISING AGREEMENT

On 26 December 2003, the Beijing Joint Venture and Shanghai Bus entered into the New Advertising Agreement with effect from 1 January 2004 for a term of 10 years. Pursuant to the New Advertising Agreement, the Beijing Joint Venture will pay an annual fixed concession fee in an amount of less than RMB10 million (approximately HK\$9.4 million) to Shanghai Bus in exchange for the exclusive whole bus advertising rights to 278 buses of Shanghai Bus. Save for the annual fixed concession fee, there is no other consideration payable by the Beijing Joint Venture to Shanghai Bus under the New

Advertising Agreement. The parties have the right to amend the terms of the New Advertising Agreement every three years in accordance with the then market conditions. If the parties fail to agree on the terms, each party has the right to terminate the New Advertising Agreement. There is no penalty clause on early termination in the New Advertising Agreement. On early termination of the New Advertising Agreement, there would not be any outstanding advanced concession fee which has been paid by the Beijing Joint Venture. Subject to the foregoing, during the term of the New Advertising Agreement, a party has a right to terminate the agreement upon receipt of a written consent from the other party. The Beijing Joint Venture has a right of first refusal to renew the New Advertising Agreement upon the expiry of the New Advertising Agreement.

THE TERMINATION AGREEMENT

Reference is made to the prospectus of the Company dated 14 January 2002 (the “**Prospectus**”). Under the paragraph headed “Bus Advertising” in the section headed “Business” on page 56 of the Prospectus, it has been disclosed that the Beijing Joint Venture had an exclusive agency model concession with Shanghai Advertising. On 26 December 2003, the Beijing Joint Venture and Shanghai Advertising entered into the Termination Agreement to terminate such concession under the Original Advertising Agreement with effect from 1 January 2004 by mutual agreement mainly due to reasons set out under the paragraph headed “Background” above.

The Group has not incurred and will not incur any penalty or liability in respect of the early termination of the Original Advertising Agreement. Under the Termination Agreement, no compensation is payable by the Beijing Joint Venture.

As described above, insofar as the Company is aware, Shanghai Bus and Shanghai Advertising belong to the same group of companies. Bus advertising operations of the Shanghai Bus Group have been restructured. Advertising operations on certain bus routes which were originally operated by Shanghai Advertising will be transferred to Shanghai Bus. Pursuant to the Termination Agreement, with effect from 1 January 2004, all terms under the Original Advertising Agreement will terminate except that for buses which still have advertising spaces running under the Original Advertising Agreement:

- (i) if such buses are not covered by the New Advertising Agreement, the Beijing Joint Venture shall continue to operate such advertising spaces until the end of the respective contractual advertising periods; and
- (ii) if such buses are covered by the New Advertising Agreement, the operation of such advertising spaces shall be governed by the New Advertising Agreement.

GENERAL

The Group operates bus advertising business in the PRC and Hong Kong. It also operates metro advertising business in Beijing and Shanghai through its joint ventures, through which the Group offers customers with advertising spaces on various formats within the Beijing metro system and Line 2 and Line 3 of the Shanghai metro system. The Group has also expanded into street furniture advertising in the PRC. Prior to the entering into of the Termination Agreement and the New Advertising Agreement, the Group had exclusive advertising concession rights to provide bus advertising services in respect of approximately 18,600 and 2,500 buses in the PRC and Shanghai, respectively. After the entering into of the Termination Agreement and the New Advertising Agreement, the Group has exclusive advertising concession rights to provide bus advertising services in respect of approximately 16,900 and 1,200 buses in the PRC and Shanghai, respectively. In addition, prior to and after the entering into of the Termination Agreement and the New Advertising Agreement, the Group had/has the exclusive advertising concession rights to provide bus advertising services on an aggregate of approximately 22,700 and 21,000 buses, respectively, in the PRC and Hong Kong.

By Order of the Board
Yuen Kam Sun
Company Secretary

Hong Kong, 2 January 2004

This announcement, for which the directors of the Company 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 the Company. The directors, 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 respects 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.

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