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M CHANNEL CORPORATION LIMITED **流動廣告有限公司***

(Incorporated in Bermuda with limited liability)

(Stock Code: 8036)

UPDATE OF LEGAL PROCEEDINGS

The Board wishes to announce that all proceedings in the action brought by the Plaintiff have been stayed upon the Plaintiff and the Company having reached a written agreement on the terms of settlement which were embodied in a consent order issued by the District Court of the HKSAR on 5 May 2004. Subject to the fulfillment of the terms of settlement by the Company, the Plaintiff's claim will be discontinued with no costs against one another.

Reference is made to the announcement made by the Company on 26 March 2004 relating to a Writ of Summons served on the Company by the Plaintiff who is an independent third party not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules")) (the "Announcement"). Unless otherwise defined, terms used herein shall have the same meaning as in the Announcement.

The Board is pleased to announce that the proceedings in the action brought by the Plaintiff have been stayed upon the Plaintiff and the Company having reached a written agreement on the terms of settlement, including payment by the Company of a settlement sum representing a discounted amount to the Plaintiff's claim, which were embodied in a consent order issued by the District Court of the HKSAR on 5 May 2004. The terms of settlement were arrived at after arm's length negotiations between the Plaintiff and the Company for which the Board considered to be fair and reasonable and in the interests of the Company as a whole. Subject to the fulfillment of the terms of settlement by the Company, the Plaintiff's claim will be discontinued with no costs against one another. The estimated costs and expenses incurred by the Company as a result of the legal proceedings are approximately HK\$104,000. The Board considers that the fulfillment of the terms of settlement and incurring of the costs and expenses in relation to the legal proceedings do not have any material profit and loss effect on the Company.

* For identification purpose only

The Board expects that the Company to be able to fully fulfill the terms of settlement and will make a further announcement if the terms of settlement are not fully implemented.

By Order of the Board
M CHANNEL CORPORATION LIMITED
Wong Kun To
Chairman

Hong Kong, 12 May 2004

As at the date of this announcement, the Board is comprised of four directors, of which two are executive directors, namely Mr. Wong Kun To and Mr. Tong Chin Shing; and two are independent non-executive directors, namely Mr. Pang Hong and Miss Fung Wan Yiu, Agnes.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.

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