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If you are in any 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 M Channel Corporation Limited (the "Company"), you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular, 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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular 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 circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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

(Incorporated in Bermuda with limited liability)
(Stock Code: 8036)

**PROPOSALS FOR RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES
AND
AMENDMENTS TO BYE-LAWS
AND
NOTICE OF ANNUAL GENERAL MEETING**

The notice for convening the annual general meeting of the Company (the "AGM") is set out on pages 11 to 21 of this circular. A form of proxy for the AGM is also enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of the Company at 29/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or any adjourned meeting thereof should you so desire.

This circular and the form of proxy 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.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the annual general meeting of the Company to be held at the Conference Room at 11/F, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on 30 July 2004 at 11:00 a.m.
“AGM Notice”	the notice for convening the AGM, a copy of which is set out at the end of this circular
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company from time to time
“Company”	M Channel Corporation Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	23 June 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“PRC ”	the People’s Republic of China
“Share(s)”	fully-paid ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“USA”	the United States of America

LETTER FROM THE BOARD



M CHANNEL CORPORATION LIMITED

流動廣告有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8036)

Executive Directors:

Mr. Li Kai (*Chairman*)

Mr. Xing Jing (*Deputy Chairman*)

Mr. Wong Kun To (*Deputy Chairman*)

Mr. Tong Chin Shing

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Independent Non-Executive Directors:

Mr. Pang Hong

Ms. Fung Wan Yiu, Agnes

Head office and

principal place of business:

29/F., Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

30 June 2004

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR RE-ELECTION OF DIRECTORS,
GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES,
AND
AMENDMENTS TO BYE-LAWS**

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the AGM relating to (i) the re-election of Directors; (ii) the granting to the Directors of general mandates for the issue and the repurchase of the Company's securities up to 20 per cent. and 10 per cent. respectively of the aggregate nominal amount of the Company's issued share capital as at the date of passing of such resolutions; and (iii) the proposed adoption of the New Bye-Laws in substitution for the existing Bye-Laws.

* For identification purpose only

LETTER FROM THE BOARD

RE-ELECTION OF DIRECTORS

The Board currently consists of six Directors, namely Mr. Li Kai, Mr. Xing Jing, Mr. Wong Kun To, Mr. Tong Chin Shing, Mr. Pang Hong and Ms. Fung Wan Yiu, Agnes. According to Bye-Law 99 of the existing Bye-Laws, at each annual general meeting, one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office by rotation. The Director(s) to retire in every year shall be those who have been longest in office since their last election (save the Chairman or Managing Director) but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Director(s) shall be eligible for re-election.

Bye-Law 103 of the existing Bye-Laws provides that no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged to the Company at least seven days before the date of the general meeting.

If a Shareholder wishes to nominate a person to stand for election as a Director at the AGM, notice of his intention to propose such person for election as a Director and the notice in writing by that person of his willingness to be elected must be validly served at the head office and principal place of business of the Company on or before 23 July 2004.

Brief biographical and other details of the Directors for re-election are set out in Appendix I of this circular. If a valid notice from a Shareholder to propose a person to stand for election as a Director at the AGM is received after the printing of this circular, the Company will issue an announcement and/or a supplementary circular to inform Shareholders of the details of the additional candidate proposed.

GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES

New general mandates to allot, issue and deal with the securities of the Company up to 20 per cent. and to repurchase securities up to 10 per cent. respectively of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolutions as set out in resolutions numbered 4(A) and 4(B) respectively of the AGM Notice will be proposed at the AGM. A resolution authorising the extension of the general mandate to the Directors to issue securities to include the aggregate nominal amount of such securities (if any) repurchased under the repurchase mandate as set out in resolution numbered 4(C) of the AGM Notice will be proposed at the AGM.

With reference to the proposed new general mandates, the Directors wish to state that they have no immediate plans to issue or repurchase any securities pursuant to the relevant mandates.

LETTER FROM THE BOARD

An explanatory statement containing the particulars as required by the GEM Listing Rules to enable the Shareholders to make an informed view on whether to vote for or against resolutions numbered 4(A), 4(B) and 4(C) to be proposed at the AGM in relation to the proposed general mandates to issue and repurchase securities are set out in the Appendix II to this circular.

AMENDMENTS TO THE EXISTING BYE-LAWS

With the coming into effect of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) on 1 April 2003, the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong) (the "Repealed Ordinance") was repealed. As the existing Bye-Laws make reference to the Repealed Ordinance, the Directors propose to amend the existing Bye-Laws so as to bring them in line with the changes brought upon by the enactment of the Securities and Futures Ordinance.

In addition, with effect from 31 March 2004 amendments have been made to the GEM Listing Rules in relation to corporate governance issues, initial listing criteria and continuing listing obligations. These amendments are required to be incorporated into the Bye-laws at the earliest opportunity and in any event no later than the conclusion of a listed company's next annual general meeting.

The amendments proposed to be made to the existing Bye-Laws include, among other things, disclosure of information on proposed Directors before election at general meeting and notices to be given in relation thereto and voting of members at general meeting and of Directors' capacity to vote and form part of the quorum in board meetings on any matter in which their respective associates have a material interest.

Furthermore, the Board also proposes to make amendments to the existing Bye-Laws to reflect the changes to the laws of Bermuda and the GEM Listing Rules since the existing Bye-Laws were adopted on 12 July 2000, which include the following:

- (a) Amendments to permit the Company to distribute summary financial reports instead of complete annual reports and accounts; and
- (b) Amendments to enable the Company to send or otherwise make available corporate communications to the members, with such members' express consent, by electronic means.

Under the existing Bye-Laws, the Company may by special resolution in general meeting at any time alter or amend its memorandum of association and bye-laws in whole or in part. Details of the proposed amendments to be made to the Existing Bye-Laws are set out in the AGM Notice included in this circular. A copy of the draft amended Bye-Laws (together with another marked-up copy to show the proposed amendments) is available for inspection during normal business hours at the head office and principal place of business of the Company at 29/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong during normal business hours from the date of this circular up to and including the date of the AGM and at the AGM.

LETTER FROM THE BOARD

AGM

The notice for convening the AGM is set out at the end of this circular. Ordinary resolutions in respect of the general mandates to issue and repurchase securities and special resolution in respect of the amendment of the existing Bye-Laws will be proposed at the AGM. A form of proxy for the AGM is also enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the head office and principal place of business of the Company at 29/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or any adjourned meeting thereof should you so desire.

Pursuant to the existing Bye-Laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded (i) by the Chairman of the meeting; or (ii) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or (iii) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or (iv) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

RECOMMENDATION

The Directors consider that the re-election of the Directors, the grant of general mandates to issue and repurchase securities, and to add the aggregate nominal amount of securities that may be repurchased to the aggregate nominal amount of securities that may be allotted pursuant to the general mandate to issue securities, and the adoption of the New Bye-Laws are each in the best interests of the Company and the Shareholders as a whole, and accordingly, recommend all Shareholders to vote in favour of the resolutions to be proposed at the AGM.

Yours faithfully,
For and on behalf of the Board
M CHANNEL CORPORATION LIMITED
Li Kai
Chairman

PARTICULARS OF DIRECTORS FOR RE-ELECTION

The biographical and other details of the Directors for re-election at the AGM are set out below.

Mr. Pang Hong, aged 50, was appointed as an independent non-executive Director on 30 April 2002. He has over 20 years of working experience in enterprises as well as government authorities of the PRC. Mr. Pang was the deputy general manager of Beijing Electrical Industry Corporation and worked with the Liaison Office of Taiwan, Hong Kong, Macao Compatriot and Overseas Chinese Affairs of the National Committee of the Chinese People's Political Consultative Conference as deputy director. After completion of studies for three years in the USA, he moved to, and started his career in Hong Kong in 1991. Mr. Pang is well versed with the investment environments in the PRC and has extensive experience in the management of PRC corporations. He has been a director of numerous Sino-foreign joint venture companies in the PRC. Mr. Pang is also an executive director of PacMOS Technologies Holdings Limited, the securities of which are listed on the Main Board of the Stock Exchange. There is no service contract between the Company and Mr. Pang. The director's fee of Mr. Pang as an independent non-executive director of the Company is HK\$50,000 for the year ended 31 March 2004. He has no relationships with any directors, senior management or substantial shareholders of the Company. Mr. Pang does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO").

Ms. Fung Wan Yiu, Agnes, aged 39, was appointed as an independent non-executive Director on 21 July 2003. She is an independent non-executive director of China Strategic Holdings Limited ("China Strategic"), the securities of which are listed on the Main Board of the Stock Exchange. China Strategic is an associated corporation of ITC Corporation Limited, a substantial shareholder of the Company. Ms. Fung graduated from the University of Hong Kong with a Bachelor of Law Degree and was admitted as a solicitor in Hong Kong and Singapore. She is a partner of Messrs. Vincent T.K. Cheung, Yap & Co. and has been practising in the legal field for nearly 15 years. There is no service contract between the Company and Ms. Fung. The director's fee of Ms. Fung as an independent non-executive director of the Company is HK\$50,000 for the year ended 31 March 2004. She has no relationships with any directors, senior management or substantial shareholders of the Company. Ms. Fung does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. LI Kai, aged 42, was appointed as the Chairman and an executive Director on 15 June 2004. He graduated from the Post-graduate School of Commerce and Economics of the Chinese Institute of Social Science. Mr. Li has over 15 years of experience in corporate management both in the PRC and in the USA. Prior to joining the Company, he was the President of 東方泓泰投資控股有限公司 (Dongfeng Hongtai Investments Holdings Limited), a property investment company in Beijing, the PRC. Mr. Li was nominated by Strategic Media International Limited ("SMI"), a substantial shareholder of the Company, to the Board. There is no service contract between the Company and Mr. Li. He does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. XING Jing, aged 46, was appointed as the Deputy Chairman and an executive Director on 15 June 2004. He is also the Chairman of SMI Corporation Limited (“SMI Corporation”) and an executive director of Leadership Publishing Group Limited (“Leadership Publishing”). The securities of SMI Corporation and Leadership Publishing are listed on the Main Board and the GEM of the Stock Exchange respectively. SMI Corporation is a substantial shareholder of the Company. Mr. Xing holds a Master’s degree in Computer Programming with the Graduate School of Peking University and has over 15 years’ experience in investment and operation of enterprises in information technology industry in the Greater China Region. He is currently the President of SMI. Mr. Xing joined SMI Corporation as an executive director in July 2003 and became the Chairman of SMI Corporation in February 2004. He joined Leadership Publishing as a non-executive director in March 2004 and was re-designated as an executive director of Leadership Publishing in May 2004. Mr. Xing was nominated by SMI to the Board. There is no service contract between the Company and Mr. Xing. He does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

This Appendix contains the particulars that are required by the GEM Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the AGM in relation to the proposed repurchase mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$2,121,802.60, consisting of 1,060,901,300 fully paid Shares. A new general mandate to repurchase securities up to 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution, if passed, as set out in the AGM Notice will be proposed at the AGM. Subject to the passing of the resolution granting the proposed mandate to repurchase securities and on the basis that no further Shares are issued or repurchased before the AGM, the Company will be allowed to repurchase a maximum of 106,090,130 Shares during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by the existing Bye-Laws or any applicable laws or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASES

The Board believes that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Company to repurchase its securities in the market. Any repurchase of securities of the Company may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value or earnings per Share or both and will only be made when the Board believes that a repurchase of securities will benefit the Company and the Shareholders.

FUNDING OF REPURCHASES

Any repurchase of securities of the Company would be funded entirely from the cash flow or working capital facilities available to the Company, and will, in any event be made out of funds legally available for the purpose in accordance with the memorandum of association of the Company, the existing Bye-Laws, the applicable laws of Bermuda and the GEM Listing Rules. Such funds include, but are not limited to, profits available for distribution.

The Directors have no present intention to repurchase any securities of the Company and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company and in circumstances where they consider that the securities of the Company can be repurchased on terms favourable to the Company. The Directors anticipate that if the general mandate to repurchase securities of the Company was to be exercised in full at the currently prevailing market value, it might have an adverse impact on the working capital and gearing level of the Company. The Directors do not propose to exercise the mandate to repurchase securities of the Company to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing level which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICE

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the last twelve months:

	Shares	
	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2003		
June	0.030	0.018
July	0.020	0.014
August	0.028	0.015
September	0.030	0.020
October	0.030	0.017
November	0.028	0.018
December	0.021	0.013
2004		
January	0.024	0.016
February	0.049	0.023
March	0.028	0.021
April	0.026	0.020
May	0.026	0.020
1-23 June	0.024	0.020

GENERAL

None of the Directors, to the best of their knowledge and having made all reasonable enquiries, nor any of their associates as defined in the GEM Listing Rules currently intend to sell any securities to the Company or its subsidiaries. The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the proposed mandate to repurchase securities of the Company in accordance with the GEM Listing Rules and applicable laws of Bermuda.

No connected persons as defined in the GEM Listing Rules of the Company, have notified the Company that they have a present intention to sell any securities of the Company held by them to the Company, or has undertaken not to sell any of the securities of the Company in the event that the Company is authorised to make repurchases of its securities.

TAKEOVERS CODE

If as a result of a repurchase of securities of the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, each of Mr. Qin Hui and Strategic Media International Limited was directly and/or indirectly interested in an aggregate of 561,364,280 Shares, representing approximately 52.91 per cent. of the issued share capital of the Company. Based on such interests and assuming that no further Shares are issued or repurchased prior to the AGM and in the event that the Directors exercise in full the power to repurchase securities of the Company under the proposed repurchase mandate, the interests of each of Mr. Qin Hui and Strategic Media International Limited will be increased to approximately 58.79 per cent. of the issued share capital of the Company and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. Save as aforesaid and as at the Latest Practicable Date, the Directors are not aware of any consequence which the exercise in full of the proposed repurchase mandate would have under the Takeovers Code. In any event, the Directors have no present intention to repurchase securities of the Company to the extent that it will trigger the obligations under the Takeovers Code to make a mandatory offer. In the event that the repurchase mandate is exercised in full, the number of the relevant class of securities of the Company held by the public will not fall below 20 per cent. of the total number of that class of securities then in issue.

In the six months preceding the Latest Practicable Date, the Company had not repurchased any Shares on the Stock Exchange.

NOTICE OF ANNUAL GENERAL MEETING



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8036)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of M Channel Corporation Limited (the "Company") will be held at the Conference Room at 11/F, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Friday, 30 July 2004 at 11:00 a.m. for the following purposes:

1. To receive and adopt the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2004 together with the reports of the directors and auditors thereon;
2. To re-elect directors and to authorise the board of directors to fix the directors' remuneration;
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration;
4. By way of special business, to consider, and if thought fit, to pass each of the following resolutions, with or without modification, as ordinary resolutions:

ORDINARY RESOLUTIONS

A. "THAT:

- (a) subject to paragraph (c) of this resolution and the requirements of 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 exercise by the directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company (the "Shares") or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval given in paragraph (a) of this resolution, which shall be in addition to any other authorisations given to the Directors, shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval given in paragraph (a) of this resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to the eligible persons prescribed thereunder of Shares or rights to acquire Shares; or
 - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly;

- (d) subject to the passing of each of the paragraphs (a), (b) and (c) of this resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and
- (e) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; or

NOTICE OF ANNUAL GENERAL MEETING

- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or stock exchange in any territory outside Hong Kong).”

B. “THAT:

- (a) subject to paragraph (b) of this resolution and the requirements of the GEM Listing Rules, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases and, subject to and in accordance with all applicable laws and regulations, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the securities which may be repurchased by the Company pursuant to paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the relevant class of securities of the Company in issue at the date of passing of this resolution and the approval granted under paragraph (a) of this resolution shall be limited accordingly;
- (c) subject to the passing of each of the paragraphs (a) and (b) of this resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

NOTICE OF ANNUAL GENERAL MEETING

(d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C. **“THAT** conditional upon the passing of resolutions 4A and 4B as set out in the notice convening this meeting, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with the Shares of the Company pursuant to resolution numbered 4A above be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution numbered 4B above, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution.”

5. By way of special business, to consider, and if thought fit, to pass the following resolution, as a special resolution:

SPECIAL RESOLUTION

“THAT the bye-laws of the Company adopted on 12 July 2000 be and are hereby amended in the following manner:

- (i) by deleting the existing definitions of “associates”, “Clearing House”, “the Company” or “this Company”, “holding company” and “subsidiary” and “writing” or “printing” in bye-law 1(A) and inserting the following new definitions in bye-law 1(A):-

““associate” shall have the meaning attributed to it in the rules of the stock exchange of the Relevant Territory on which the shares of the Company are listed;

“clearing house” shall mean a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

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“the Company” or “this Company” shall mean M Channel Corporation Limited (formerly known as 36.com Holdings Limited) incorporated in Bermuda on the 8th day of May 2000;

“electronic communication” shall mean a communication sent by electronic transmission in any form through any medium;

“subsidiary” and “holding company” shall have the meanings attributed to them in the rules of the stock exchange of the Relevant Territory; and

“writing” or “printing” shall mean lithography, photography and other modes of representing words or figures in a visible form, and including electronic communication, provided that both the mode of service of the relevant document or notice and the shareholder’s election comply with all applicable Statutes, rules and regulations.

- (ii) by adding the following new definition of “summarized financial statements” in bye-law 1(A):-

“summarized financial statements” shall have the meaning ascribed to them in section 87A(3) of the Companies Act;

- (iii) by adding the following sentence immediately after the end of bye-law 3:-

“Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all shareholders alike.”;

- (iv) by adding the following immediately after the end of bye-law 59(A)(iii):-

“or restriction which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;

- (v) by adding the words “or by proxy” in the fourth line of bye-law 76 after the words “by a duly authorised corporate representative”;

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- (vi) by adding the following immediately after the end of bye-law 76:–

“Where any shareholder is, under the rules of the stock exchange of the Relevant Territory, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”;

- (vii) by deleting the word “only” in the fourth line of bye-law 81;

- (viii) by adding the words “or by proxy” in the fifth line of bye-law 81 after the words “by a duly authorised corporate representative”;

- (ix) By deleting the words “notwithstanding the provisions of Bye-laws 76 and 81” in bye-law 87(B);

- (x) by substituting bye-law 98H with the following new bye-law 98H:–

“(H) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board approving any contract or arrangement or proposal in which he or any of his associate(s) has a material interest nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:–

- (i) the giving of any security or indemnity either:–

(a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in the shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5 per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:–
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or
 - (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in the shares or debentures or other securities of the Company.”
- (xi) by substituting bye-law 103 with the following new bye-law 103:–

“103. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Head Office or at the Registered Office provided that the minimum length of the period, during

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which such notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”;

(xii) by inserting the following words at the beginning of bye-law 162(B):–

“Subject to paragraph (C) below,”

(xiii) by inserting the following sub-paragraphs (C) and (D) immediately after bye-law 162(B):–

“(C) The Company may send summarized financial statements to the shareholders of the Company who have, in accordance with the Statutes and any applicable laws or rules prescribed by the stock exchange in the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements required under paragraph (B) above. The summarized financial statements must be accompanied by an auditor’s report and notice informing the shareholder how to notify the Company that he elects to receive the full financial statements required under paragraph (B) above. The summarized financial statements, notice and auditor’s report must be sent not less than twenty-one (21) days before the general meeting to those shareholders that consented and elected to receive the summarized financial statements.

(D) Subject to Section 88 of the Companies Act, the Company shall send the full financial statements to a shareholder within seven (7) days of receipt of the shareholder’s election to receive the full financial statements.”;

(xiv) by deleting bye-law 167 and substituting therefor the following new bye-law 167:–

“167.(A) (1) Except where otherwise expressly stated, any notice to be given to or by any person pursuant to these Bye-laws shall be in writing or, to the extent permitted by the Statutes and any applicable rules prescribed by the stock exchange in the Relevant Territory from time to time and subject to this Bye-law, contained in an electronic communication. A notice calling a meeting of the Directors need not be in writing.

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- (2) A notice in respect of any document (including a share certificate) may be served on or delivered to any shareholder of the Company either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such shareholder at his registered address as appearing in the register or by leaving it at that address addressed to the shareholder or by any other means authorised in writing by the shareholder concerned or by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating generally in the Relevant Territory. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Without limiting the generality of the foregoing but subject to the Statutes and any rules prescribed by the Stock Exchange in the Relevant Territory from time to time, a notice or document may be served or delivered by the Company to any shareholder by electronic means to such address as may from time to time be authorised by the shareholder concerned or by publishing it on a computer network and notifying the shareholder concerned, in such manner as he may from time to time authorise, that it has been so published.
 - (3) Any such notice or document may be served or delivered by the Company by reference to the register as it stands at any time not more than fifteen days before the date of service or delivery. No change in the register after that time shall invalidate that service or delivery. Where any notice or document is served or delivered to any person in respect of a share in accordance with these Bye-laws, no person deriving any title or interest in that share shall be entitled to any further service or delivery of that notice or document.
- (B) (1) Any notice or document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid envelope or wrapper addressed to the Company or to such officer at the Head Office or Registered Office.
- (2) The Board may from time to time specify the form and manner in which a notice may be given to the Company

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by electronic means, including one or more addresses for the receipt of an electronic communication, and may prescribe such procedures as they fit for verifying the authenticity or integrity of any such electronic communication. Any notice may be given to the Company by electronic means only if it is given in accordance with the requirements specified by the Board.”

- (xv) by deleting bye-law 169 and substituting therefor the following new bye-law 169:–

“169. Any notice or document, if sent by mail, postage prepaid, shall be deemed to have been served or delivered on the day following that on which the letter, envelope, or wrapper containing the same is put into the post. In proving such service it shall be sufficient to prove that the letter, envelope or wrapper containing the notice or document was properly addressed and put into the post as prepaid mail. Any notice or document not sent by post but left by the Company at the address of a shareholder noted on the register shall be deemed to have been served or delivered on the day it was so left. Any notice or document, if sent by electronic means (including through any relevant system), shall be deemed to be have been given on the day following that on which the electronic communication was sent by or on behalf of the Company. Any notice or document served or delivered by the Company by any other means authorised in writing by the shareholder concerned shall be deemed to have been served when the Company has carried out the action it has been authorised to take for that purpose. Any notice or document published by way of advertisement in the Newspapers or in an appointed newspaper or posted on a computer network shall be to have been served or delivered on the day it was so published or posted.”

By order of the Board of
M CHANNEL CORPORATION LIMITED
Li Kai
Chairman

Hong Kong, 30 June 2004

As at the date of this notice, the Board comprised of six directors, of which four are executive Directors, namely, Mr. Li Kai, Mr. Xing Jing, Mr. Wong Kun To and Mr. Tong Chin Shing; and two are independent non-executive Directors, namely, Mr. Pang Hong and Ms. Fung Wan Yiu, Agnes.

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Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, and in the event of a poll, vote in his/her stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any Share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the head office and principal place of business of the Company at 29/F, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. The completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting if you so wish.
4. Concerning resolution 4A above, the Directors wish to state that in respect of this general mandate, they have no immediate plans to issue any new securities of the Company. Approval is being sought from members as a general mandate in compliance with the GEM Listing Rules in order to allow flexibility and discretion to the Directors in the event that it becomes desirable to issue any securities of the Company up to 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution.
5. The general purpose of the authority to be conferred on the Directors by resolution 4B above is to increase flexibility and to provide discretion to the Directors in the event that it becomes desirable to repurchase securities of the Company up to 10 per cent. of the aggregate nominal amount of the relevant class of securities of the Company in issue at the date of passing of this resolution.