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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)

WRIT AGAINST THE COMPANY AND SUBSIDIARY

The Board wishes to announce that a Writ of Summons has been issued against the Company and its Subsidiary by Composers and Authors Society of Hong Kong Limited regarding royalty fees in the sum of approximately HK\$1,247,000.00 in respect of musical works allegedly performed in public by the Company. The Writ was issued out of the Registry of the High Court on 30 September 2004. The Company has sought legal advice on the Claim and intends to dispute both liability and quantum in the proceedings.

Shareholders and potential investors of the shares of the Company are advised to exercise caution in dealing in the shares of the Company.

The board of directors of the Company (the “Board”) wishes to announce that M Channel Corporation Limited (the “Company”) and Mobile Media Management Limited (the “Subsidiary”), an indirect wholly owned subsidiary of the Company (together the “Group”), has been served with a Writ of Summons (the “Claim”) issued out of the Registry of the High Court on 30 September 2004. The Plaintiff is Composers and Authors Society of Hong Kong Limited (“CASH”) and the Claim is for royalty fees in the sum of approximately HK\$1,247,000.00 (the “Claimed Amount”) in respect of musical works allegedly performed in public by the Company between October 2001 and February 2004.

The Company disputes the royalty fees claimed by CASH and is still in the course of seeking to resolve the dispute with CASH. The Company has sought legal advice on the Claim and intends to dispute both liability and quantum in the proceedings. In particular, the Company denies the agency and contractual relationship alleged by the Plaintiff and intends to vigorously defend the Claim in this respect. Nevertheless, the Company is seeking to resolve the Claim in an amicable way with the Plaintiff, which, if successful, will result in minor impact on the financial position of the Group. If the Company is liable for the full Claimed Amount, which the Company does not envisage will happen at the moment, there will be an adverse effect on the financial position of the Group.

The Company will make a further announcement in the event of material developments in the proceedings.

Shareholders and potential investors of the shares of the Company are advised to exercise caution in dealing in the shares of the Company.

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

Hong Kong, 7 October, 2004

* *For identification purpose only*

As at the date of this announcement, the Board comprised of four directors, of which three are executive directors, namely Mr. Li Kai, Mr. Xing Jing and Mr. Wong Kun To; and one is independent non-executive director, namely Mr. Pang Hong.

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.