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## **Media Partners International Holdings Inc.**

**(媒體伯樂集團有限公司) \***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8072)**

### **CONNECTED TRANSACTION IN RESPECT OF THE ISSUANCE OF CONVERTIBLE BOND**

#### **PROPOSAL TO INCREASE AUTHORISED SHARE CAPITAL**

##### **SUMMARY**

The Company proposes the following:–

- (a) the issue of the Convertible Bond pursuant to the Convertible Bond Agreement entered into with MSCV, a controlling shareholder of the Company; and
- (b) an increase in the authorized share capital of the Company.

The above proposals are independent of each other but as they all involve shareholders approval, details of which are set out below, the Company proposes to put all such proposals to shareholders at the same EGM. For that reason, this announcement and the circular following will also deal with the two proposals.

##### **Convertible Bond**

The Board announces that on 13th October, 2004, the Company entered into a Convertible Bond Agreement with MSCV pursuant to which the Company agreed to issue the Convertible Bond in the principal amount of HK\$85,000,000 to MSCV. MSCV is a controlling shareholder currently holding 73.38% shareholding interest in the Company.

The initial Conversion Price is HK\$0.5 per Conversion Share (subject to adjustment) which represents a premium of approximately 33.33% to the last closing price of HK\$0.375 per Share quoted on the Stock Exchange on 12th October, 2004, being the last trading day prior to the signing of the Convertible Bond Agreement, and 32.45% to the average closing price of HK\$0.3775 per Share quoted on the Stock Exchange for the ten consecutive trading days up to and including 12th October, 2004. No application will be made for the listing of the Convertible Bond on any stock exchange. However, application would be made to the Stock Exchange for the listing of and permission to deal in any Shares which fall to be issued upon exercise of the Convertible Bond. The Convertible Bond will be issued upon the expiry of the Existing Convertible Bond on 31st December, 2004.

In view of the interests of the Morningside group in the Convertible Bond, the transaction contemplated in the Convertible Bond Agreement constitutes connected transaction of the Company under GEM Listing Rules. Hence, the Company is required to comply with the reporting, announcement and Independent Shareholders' approval requirements relating to the above transactions under the GEM Listing Rules.

### **Increase in authorised share capital**

In addition, the Board also proposes to increase the authorised share capital of the Company from HK\$100,000,000 to HK\$150,000,000. Based on its current issued share capital of approximately HK\$85.4 million, in order to take advantage of the general mandate to issue Shares to the fullest extent and the issue of Shares under outstanding options granted under the Company's share option scheme, the Company would have to increase its authorised capital.

### **General**

A circular containing, amongst other things, further information about the matters set out herein, the recommendations of the Independent Board Committee and, the advice of the independent financial adviser will be despatched to the shareholders of the Company as soon as practicable together with a notice convening the EGM.

## **CONVERTIBLE BOND**

On 13th October, 2004 the Company entered into a Convertible Bond Agreement with MSCV pursuant to which the Company agreed to issue the Convertible Bond to MSCV. The principal terms of the Convertible Bond are set out below:–

### **PRINCIPAL TERMS OF THE CONVERTIBLE BOND**

#### **Principal amount of the Convertible Bond**

HK\$85,000,000.

#### **Term**

3 years from 1st January, 2005 to 31st December, 2007.

## **Voting**

The holder of the Convertible Bond will not be entitled to attend or vote at any general meeting of the Company.

## **Interest**

No interest is payable.

## **Conversion Period**

During the period from 1st January, 2005 and up to 31st December, 2007.

## **Repayment**

On 31st December, 2007, the Company shall repay, unless previously converted or repaid, 103% of the outstanding principal amount under the Convertible Bond to holder(s) of the Convertible Bond. Accordingly, the outstanding principal amount at maturity shall be repaid together with a redemption premium. The Company is entitled to prepay prior to maturity, without penalty, the outstanding principal amount under the Convertible Bond from time to time.

## **Conversion Price**

HK\$0.5 per Conversion Share (subject to adjustment), determined on an arm's length basis between the Company and MSCV, and representing a premium of approximately 33.33% to the last closing price of HK\$0.375 per Share quoted on the Stock Exchange on 12th October, 2004, being the last trading day prior to the signing of the Convertible Bond Agreement, and 32.45% to the average closing price of HK\$0.3775 per Share quoted on the Stock Exchange for the ten consecutive trading days up to and including 12th October, 2004.

## **Conversion Rights**

MSCV or any subsequent transferee of the Convertible Bond may exercise its rights to convert the Convertible Bond into Shares prior to the maturity of the Convertible Bond.

The Convertible Bond may be converted in full or in part (in an amount or an integral multiple of HK\$1,000,000) of the principal amount outstanding thereof, and any new Shares issued as a result of the exercise of the conversion rights attached to the Convertible Bond shall rank pari passu in all respects with the then existing Shares. MSCV has in accordance with the terms of the Convertible Bond undertaken to the Company and the Stock Exchange that it will not exercise the conversion rights attached to the Convertible Bond which may result in the public holding of Shares falling below 25% or such other percentage as required under the GEM Listing Rules from time to time.

## **Transfer**

The Convertible Bond may be assigned or transferred in whole or in part subject to compliance with all relevant laws, regulations and approvals.

## **Security**

Unsecured and ranking pari passu with all other present and future unsecured and other general obligations of the Company, except for obligations accorded preference by mandatory provisions of all applicable laws.

## **Listing of the Convertible Bond**

No application will be made for the listing of the Convertible Bond on any stock exchange. However, application would be made to the Stock Exchange for the listing of and permission to deal in any Shares which fall to be issued upon exercise of the Convertible Bond.

## **Relationship between the Company and MSCV**

As at the date of this announcement, MSCV owns 626,550,000 Shares representing approximately 73.38% of the entire issued share capital of the Company. Hence, MSCV is therefore a controlling shareholder of the Company. As such, MSCV and its associates are considered to be connected persons of the Company under the GEM Listing Rules.

Therefore, any transactions between MSCV and the Company constitute connected transactions under the GEM Listing Rules. The issue of the Convertible Bond constitutes a connected transaction for the Company under the GEM Listing Rules. Hence, the above transaction is subject to reporting, announcement and the Independent Shareholders' approval requirements under Rules 20.18 to 20.20 of the GEM Listing Rules.

## **Conditions of the Convertible Bond**

Subject to the conditions referred to below, completion of the issue of the Convertible Bond will take place on 31st December, 2004:–

1. The Independent Shareholders approving the Convertible Bond Agreement and issue of the Convertible Bond thereunder; and
2. The Stock Exchange granting listing of and permission to deal in all the Conversion Shares which may fall to be issued by the Company upon conversion of the Convertible Bond.

If the abovementioned conditions are not fulfilled on or before 31st December, 2004, the Convertible Bond Agreement shall lapse.

## **Effect on the share capital of the Company as a result of conversion**

Upon full conversion of the Convertible Bond at the initial conversion price (subject to adjustment as described below), 170,000,000 Conversion Shares, representing approximately 19.91% of the issued share capital of the Company as at the date of this announcement, and approximately 16.60% of the issued share capital of the Company as enlarged solely by the issue of the Conversion Shares following full conversion of the Convertible Bond and assuming no further issue of Shares and/or

repurchase of Shares after this announcement. The terms of the Convertible Bond provide for the usual adjustments to the Conversion Price in the event of, among others, a consolidation or subdivision of the Shares and reduction of share capital, if any.

The following table summarizes the potential effects on the shareholding structure of the Company as a result of the issue of the Convertible Bond (with reference to the current shareholdings):–

Shareholder	Existing (as at the date of this announcement)		Assuming the Convertible Bond is fully converted into Shares at the conversion price of HK\$0.5 each	
	No. of Shares	% of issued share capital of the Company	No. of Shares	% of enlarged share capital of the Company
MSCV	626,550,000	73.38%	796,550,000	77.80%
Winnie Pik Shan To (a Director)	12,800,000	1.5%	12,800,000	1.25%
Public Shareholders	<u>214,450,000</u>	<u>25.12%</u>	<u>214,450,000</u>	<u>20.95%</u>
Total	<u><u>853,800,000</u></u>	<u><u>100%</u></u>	<u><u>1,023,800,000</u></u>	<u><u>100%</u></u>

MSCV has in accordance with the terms of the Convertible Bond undertaken to the Company and the Stock Exchange that it will not exercise the conversion rights attached to the Convertible Bond which may result in the public holding of the Shares falling below 25% or such other percentage as required under the GEM Listing Rules from time to time.

### **Purpose of Convertible Bond**

The issue of the Convertible Bond of HK\$85 million will be in return for the cancellation of the Existing Convertible Bond which is due to expire on 31st December, 2004. Any interest payable under the Existing Convertible Bond should be paid upon expiry.

### **Reasons for entering into the Convertible Bond Agreement**

The terms and conditions of the Convertible Bond Agreement have been negotiated between the Company and MSCV on an arm's length basis and are on normal commercial terms. The Board considers that the issue of the Convertible Bond in return for the cancellation of the Existing Convertible Bond is in the interests of the Company and Shareholders as a whole.

Further to the announcement dated 23rd July, 2004, the Group has also secured the exclusive advertising rights within Nanjing Metro Line 1 (Phase I) for 18 years. The Directors consider that the issue of the Convertible Bond in return for the cancellation of the Existing Convertible Bond will maintain the Group's financial resources and enable the Group to use such resources to fund the existing business commitment and is therefore in the best interests of the Company.

The executive Directors are of the view that the terms of the Convertible Bond Agreement are fair and reasonable and in the best interests of the Company. All of the Independent Directors who comprise the Independent Board Committee will give their views and make their recommendation to Independent Shareholders in the circular to be dispatched by the Company and after taking into account the advice from the independent financial adviser.

## **PROPOSAL TO INCREASE AUTHORISED SHARE CAPITAL**

In addition, as the Company proposes to convene the EGM to approve the matters referred to above, it will also take the opportunity to increase its authorised share capital from HK\$100,000,000 to HK\$150,000,000. Based on its current issued share capital of approximately HK\$85.4 million, in order to take advantage of the usual general mandate to the fullest extent and the issue of Shares under outstanding options granted under the Company's share option scheme, the Company would have to increase its authorized share capital.

## **INFORMATION OF THE COMPANY**

The Company was incorporated in the Cayman Islands on 14th May, 2001 and its shares are listed on GEM. The Group is principally engaged in the management and operation of a prominent network of outdoor advertising media in the Mainland China and Hong Kong.

## **GENERAL**

In view of the interests of the Morningside group in the Convertible Bond, the transaction contemplated under the Convertible Bond Agreement constitute connected transaction of the Company under the GEM Listing Rules. In accordance with the requirements of the GEM Listing Rules, the above transaction is subject to reporting, announcement and the Independent Shareholders' approval requirements. MSCV and its associates are required to abstain from voting on the resolutions regarding the resolutions which will be proposed to Independent Shareholders to approve the Convertible Bond Agreement (including the issue of the Convertible Bond thereunder).

The Independent Board Committee has been established to advise the Independent Shareholders on whether or not the terms of the Convertible Bond Agreement is in the interests of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

An independent financial adviser has been appointed to advise the Independent Board Committee in respect of the terms of the aforesaid Transactions.

A circular containing, amongst other things, further information about the matters set out herein, the recommendation from the Independent Board Committee and the advice of the independent financial adviser to the Independent Board Committee will be despatched to the shareholders of the Company as soon as practicable together with a notice convening the EGM.

## DEFINITIONS

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

“Board”	board of Directors
“Chan family”	the late Mr. Chan Tseng Hsi, his wife Mdm. Chan Tan Ching Fen, the mother of Mr. Gerald Lokchung Chan and various trusts established by Mdm. Chan Tan Ching Fen for the benefit of certain members of her family and other charitable objects
“Convertible Bond”	the convertible bond of the principal amount of HK\$85,000,000 to be convertible into Shares (at the Conversion Price) proposed to be issued by the Company, and which terms are set out in the section headed “Convertible Bond” in this announcement
“Convertible Bond Agreement”	the conditional convertible bond agreement entered into between the Company and MSCV on 13th October, 2004 in relation to the proposed issue of the Convertible Bond
“Conversion Price”	HK\$0.5 (subject to adjustment) per Conversion Share
“Conversion Share(s)”	the new Shares issuable upon the conversion of any part of the Convertible Bond
“Directors”	the directors of the Company, unless the context otherwise requires, include the independent non-executive directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving the matters referred to in this announcement
“Existing Convertible Bond”	the existing convertible bond with a principal amount of HK\$85,000,000 issued to MSCV at the conversion price of HK\$1.21 per share (subject to adjustment) which will expire on 31st December, 2004 with the principal amount and accrued and unpaid interest at 2.5% per annum being repayable on expiry
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising the Independent Directors
“Independent Directors”	the independent non executive directors of the Company presently being Mr. Philip Tit Hon Hung, Mr. Paul Laurence Saffo and Mr. Meocre Kwok Wing Li
“Independent Shareholders”	shareholders other than MSCV and its associates (as that term is defined in the GEM Listing Rules)
“Mainland China”	The PRC, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Morningside group”	collectively, private companies controlled by the Chan family and exclude listed companies and their respective subsidiaries
“MSCV”	Morningside CyberVentures Holdings Limited, a private company incorporated in the British Virgin Islands with limited liability. It is an investment holding company and is the controlling shareholder of the Company. It is a wholly-owned subsidiary of Verrall Limited and part of the Morningside group.
“PRC”	The People’s Republic of China
“Shares”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Verrall Limited”	Verrall Limited, a company incorporated in the Isle of Man, is the trustee of a trust established by the Chan family

By Order of the Board  
**Stephen Cheuk Kin Law**  
*Company Secretary*

Hong Kong, 13th October, 2004



*As at the date hereof, the executive Directors of the Company are Mr. George Ka Ki Chang, Ms. Winnie Pik Shan To and Mr. Tony Cheung Kin Au-Yeung; the non-executive Director is Mr. Gerald Lokchung Chan; the independent non-executive Directors are Mr. Philip Tit Hon Hung, Mr. Meocre Kwok Wing Li and Mr. Paul Laurence Saffo.*

*This announcement, for which the Directors 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, 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](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting.*