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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)

CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE ADVERTISING AGENCY AGREEMENT

SUMMARY

As disclosed in the Company's circular dated 26th June, 2002, Chengdu Advertising MPI (a subsidiary of the Company) and the Bus JV entered into the Advertising Agency Agreement in relation to the provision of advertising agency and management services to the Bus JV. MPI Transportation contributed 64% to the registered capital of the Bus JV and MPI Transportation is ultimately owned by the trustee of a trust established by the Chan family. MSCV, the controlling shareholder of the Company is wholly-owned by Verrall Limited, which is a trustee of another trust established by the Chan family. Both MSCV and MPI Transportation are part of the Morningside group. The Bus JV is considered to be a connected person of the Company under the GEM Listing Rules. Hence, the transactions contemplated under the Advertising Agency Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. The Company has complied with the relevant reporting, disclosure and shareholders' approval requirements under the GEM Listing Rules in relation to the continuing connected transactions as contemplated in the Advertising Agency Agreement with the annual caps under the Existing On-going Connected Transactions having been approved by the Independent Shareholders at the extraordinary general meeting held on 12th July, 2002 for each of the financial periods ending 31st December, 2004.

In respect of the Post 2004 Continuing Connected Transactions, the Company is required to comply with the reporting, announcement and Independent Shareholders' approval requirements under the Rules 20.18, 20.35, 20.37 to 20.40 and 20.45 to 20.51 of the GEM Listing Rules.

In view of the interests of the Morningside group in the Bus JV, the transactions contemplated in the Post 2004 Continuing Connected Transactions (which shall be subject to proposed Caps) constitute connected transactions 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 transaction under the GEM Listing Rules.

* *for identification purpose only*

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.

ADVERTISING AGENCY AGREEMENT

As disclosed in the Company's circular dated 26th June, 2002, Chengdu Advertising MPI (a subsidiary of the Company) and the Bus JV entered into the Advertising Agency Agreement in relation to the provision of advertising agency and management services to the Bus JV. Pursuant to the Advertising Agency Agreement, Chengdu Advertising MPI was appointed as the exclusive advertising agent of the Bus JV in Chengdu to provide the following services:

(a) Agency services

Chengdu Advertising MPI will introduce advertisers to advertise on the bodies of the buses run by the Bus JV (the "Bus Bodies"). Chengdu Advertising MPI will, pursuant to the Advertising Agency Agreement, retain 15% of the amount received by it for the placement of advertisements on the bodies of the buses run by the Bus JV as the fee for the advertising agency services (the "Agency Fee").

(b) Management services

Chengdu Advertising MPI will also provide management services to the Bus JV. Such management services include cleaning, removal and repair of advertisements. Chengdu Advertising MPI will, pursuant to the Advertising Agency Agreement, retain 15% of the amount received by it for the placement of advertisements on Bus Bodies as the fee for the management services (the "Management Fee").

Chengdu Advertising MPI shall pay the Bus JV 70% of the amount received by it for the placement of advertisements on the Bus Bodies and shall retain the remaining 30% to cover the Agency Fee and the Management Fee.

The Advertising Agency Agreement is coterminous with the term of establishment of the Bus JV, which unless extended, expires on 19th July, 2029. Chengdu Advertising MPI will only be under a contractual obligation to pay the Bus JV if it successfully refers advertisers to place advertisements on its bus bodies. Chengdu Advertising MPI has not guaranteed any minimum fee to the Bus JV. At anytime during the term of the Advertising Agency Agreement, the contract can be terminated by mutual agreement.

Having regard to the Morningside group's interest in the Bus JV, the Bus JV is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Hence, the transactions contemplated under the Advertising Agency Agreement constitute continuing connected transactions of the Company under the GEM Listing Rules. The Company has complied with the relevant reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules in relation to the continuing connected transactions as contemplated in the Advertising Agency Agreement. The existing Caps (as mentioned below) under the Existing On-

going Connected Transactions having been approved by the Independent Shareholders of the Company at the extraordinary general meeting of the Company held on 12th July, 2002 for each of the financial periods ending 31st December, 2004.

In respect of the Post 2004 Continuing Connected Transactions, the Company is required to comply with the reporting, announcement and Independent Shareholders' approval requirement under Rules 20.18, 20.35, 20.37 to 20.40 and 20.45 to 20.51 of the GEM Listing Rules.

Existing Caps

Under the existing Caps approved by the independent shareholders at an extraordinary general meeting of the Company held on 12th July, 2002, the amount received by Chengdu Advertising MPI and paid to the Bus JV for the placement of advertisements on the bodies of buses run by the Bus JV for each of the two years ended 31st December, 2003 are set out below:–

	Year ended	
	31st December 2002	31st December 2003
The total amount paid by Chengdu Advertising MPI to Bus JV ¹	HK\$3,491,000.00	HK\$7,413,450.00
Existing Caps	HK\$15,000,000.00	HK\$21,000,000.00

The Cap for the year ending 31st December, 2004 is HK\$29,000,000.00.

Note 1: the information is extracted from the published annual reports of the Company for the year ended 31st December, 2002 and 31st December, 2003 respectively.

Proposed Caps

The proposed Caps for the three financial years ending 31st December, 2005, 2006 and 2007 respectively are as follows:–

	Year ending		
	31st December 2005	31st December 2006	31st December 2007
Proposed Caps for the total amount paid by Chengdu Advertising MPI to Bus JV	HK\$15,000,000.00	HK\$19,000,000.00	HK\$25,000,000.00

The above proposed Caps have been determined by reference to (i) the projected increase in the advertising media rates, (ii) the projected growth in the occupancy rate, (iii) the projected increase in the number of buses run by the Bus JV and (iv) the historical performance, recent trend and prospects of the advertising market in Chengdu.

Reasons for the Continuing Connected Transactions

The Group is principally engaged in the management and operation of a prominent network of outdoor advertising media in Hong Kong and the Mainland China. The objective of the Group is to

become a leading provider of outdoor advertising media network in Mainland China through offering a range of media services to satisfy the advertising communication needs of advertisers.

The Bus JV is principally engaged in the provision of bus transportation services in Chengdu. Under these circumstances, the Continuing Connected Transactions are considered to be the Group's ordinary and usual course of business and being in the interests of the Group as it enables the Group to secure exclusive rights over an important transport media in Chengdu, thereby allowing the Group to expand its nationwide outdoor advertising media network in Mainland China.

The executive Directors are of the view that the Continuing Connected Transactions have been and will be conducted in the ordinary and usual course of business of the Group and on an arm's length basis, in normal commercial terms or in terms no less favourable than those available from or to independent third parties (as the case may be), and are fair and reasonable as far as the Shareholders as a whole are concerned. 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 despatched by the Company and after taking into account the advice from the independent financial adviser.

Relationship between the parties in the Continuing Connected Transactions

The Bus JV is a PRC sino-foreign co-operative joint venture in which MPI Transportation contributed 64% of the registered capital of the Bus JV.

MPI Transportation is ultimately owned by the trustee of a trust established by the Chan family. MSCV, the controlling shareholder of the Company, is wholly-owned by Verrall Limited, which is the trustee of another trust established by the Chan family. Both MSCV and MPI Transportation are part of the Morningside group which comprises, collectively, private companies controlled by the Chan family excluding listed companies and their respective subsidiaries. It is acknowledged by the Company that MPI Transportation is a connected person of the Company as it is ultimately controlled by the Chan family who, as stated above, is also interested in MSCV. As MPI Transportation owns more than 30% of the registered capital of the Bus JV, the Bus JV is an Associate of MPI Transportation. The Bus JV is therefore an Associate of a connected person of the Company, namely MPI Transportation, under the GEM Listing Rules.

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 interest of the Morningside group in the Bus JV, the transaction contemplated under the Post 2004 Continuing Connected Transactions (which shall be subject to proposed Caps) constitute connected transactions of the Company under the GEM Listing Rules. In accordance with the requirements of the GEM Listing Rules, the above transactions are 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 related Caps for the Post 2004 Continuing Connected Transactions for each of the financial years ending 31st December, 2007.

The Independent Board Committee has been established to advise the Independent Shareholders on whether or not the terms of the relevant Caps for the Post 2004 Continuing Connected Transactions for each of the three financial years ending 31st December, 2007 are 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 Continuing Connected 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 :

“Advertising Agency Agreement”	an agreement dated 31st May, 2002 whereby Chengdu Advertising MPI was appointed as the exclusive advertising agent of the Bus JV in Chengdu, the PRC
“Associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	board of Directors
“Bus JV”	成都運興公交有限公司, a sino-foreign co-operative joint venture established in the PRC between MPI Transportation, which has contributed 64% of the registered capital of the Bus JV, and 成都市公共交通集團公司 (informally translated for the present purpose as “Chengdu Public Transport Group Company”)
“Cap(s)”	the maximum aggregate annual value of the Continuing Connected Transactions
“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
“Chengdu Advertising MPI”	成都媒體伯樂公交廣告有限公司 (Chengdu MPI Public Transport Advertising Co. Ltd.), a sino-foreign co-operative joint venture established in the PRC between 成都市公共交通集團公司 (informally translated for the present purpose as “Chengdu Public Transport Group Company”) and a subsidiary of the Company

“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Advertising Agency Agreement
“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 matter referred to in this announcement
“Existing Ongoing Connected Transactions”	the ongoing connected transactions as contemplated under the Advertising Agency Agreement
“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
“MPI Transportation”	MPI Transportation Company Limited, a private company incorporated in Hong Kong with limited liability. It is an investment holding company and is ultimately owned by the trustee of a trust established by the Chan family and part of the Morningside group.

“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
“Post 2004 Continuing Connected Transactions”	the continuing connected transactions contemplated under the Advertising Agency Agreement for the period after 31st December, 2004 up to 31st December, 2007
“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, 5th November, 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.

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