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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)

JUDGMENT OF THE HIGH COURT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION IN RELATION TO THE LEGAL PROCEEDINGS AGAINST THE COMPANY

The board of directors (the “Board”) of M Channel Corporation Limited (the “Company”) is pleased to announce that the judgment dated 13 May 2005 and given by the High Court of the Hong Kong Special Administrative Region in which the Court found in favour of the Company and the claim against the Company by the Plaintiff was dismissed.

Trading in shares of the Company was suspended effective from 11:04 a.m. on 28 April 2005 and remains suspended until further announcement.

THE BACKGROUND

Reference is made to page 4 of the Company’s Third Quarterly Report 2004/2005 dated 7 February 2005 in relation to legal proceedings against the Company. A supplier, Toppan Printing Company (Hong Kong) Limited (the “Plaintiff”), initiated legal proceedings against a former subsidiary of the Group (the “First Defendant”) as first defendant in July 2002 in respect of a claim for payment of printing services fees of approximately HK\$6.6 million. In September 2002, the Plaintiff amended its claim against and joined the Company as second defendant alleging that the Company had made a verbal guarantee to pay any outstanding sum owed by such former subsidiary. By its Re-Amended Statement of Claim filed in January 2004, the Plaintiff amended the basis for its claim against the Company from the alleged guarantee to a written agreement or confirmation by a former director of the Company on its behalf. The parties have exchanged witness statements and the trial has been held from 26 April 2005 to 29 April 2005.

THE JUDGMENT

On 13 May 2005, a judgment was issued by the High Court of the Hong Kong Special Administrative Region which held that there was no contract which bound the Company to meet the unpaid debt due by the First Defendant to the Plaintiff and dismissed the Plaintiff’s claim against the Company with costs (the “Judgment”). As at the date of this announcement, the Company has not received any appeal from the Plaintiff in respect of the Judgment.

Trading in shares of the Company was suspended effective from 11:04 a.m. on 28 April 2005 and remains suspended until further announcement.

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

Hong Kong, 7 June 2005

* *For identification purpose only*

As at the date of this announcement, the Board comprised of five directors, of which two are executive directors, namely Mr. Xing Jing and Mr. Wong Kun To; and three are independent non-executive directors, namely Mr. Pang Hong, Mr. Li Chi Sing Gary and Miss Ng Yuen Shan Mona.

This announcement, 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 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.