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**星 美 國 際**  
**SMI CORPORATION LIMITED**  
**星美國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**Stock Code: 198**



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

*(Incorporated in Bermuda with limited liability)*

**Stock Code: 8036**



**SMI Publishing Group Limited**  
**星美出版集團有限公司\***

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

**Stock Code: 8010**

**CLARIFICATION ANNOUNCEMENT  
IN RELATION TO CERTAIN PRESS ARTICLES REPORTING  
ON MATTERS RELATING TO AN INTENDED ACQUISITION  
OF EQUITY INTEREST IN STRATEGIC MEDIA INTERNATIONAL LIMITED  
AND  
OTHER MATTERS IN RELATION TO MR. QIN HUI**

This announcement is to clarify statements in certain press articles appeared in two newspapers on 22 December 2005 in relation to an intended acquisition of equity interests in Strategic Media International Limited (“SMIL”), a company wholly owned by Mr. Qin Hui (“Mr. Qin”), by Starwin Media Holdings Inc., a company the securities of which are quoted on the other-OTC of the United States of America (“Starwin”).

This announcement is jointly made by SMI Corporation Limited (“SMI”), M Channel Corporation Limited (“M Channel”) and SMI Publishing Group Limited (“SMI Publishing”) (the “Companies”) at the request of The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

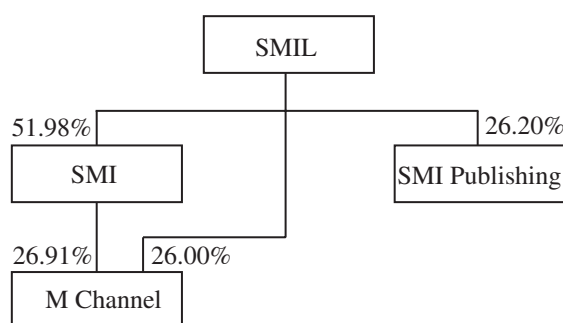
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## CERTAIN PRESS ARTICLES REPORTING ON MATTERS RELATING TO AN INTENDED ACQUISITION OF EQUITY INTEREST IN STRATEGIC MEDIA INTERNATIONAL LIMITED

The boards of directors (the “Boards”) of the Companies noted that there were certain press articles appeared in two newspapers, namely Hong Kong Daily News and Ming Pao, on 22 December 2005 reporting that, amongst others, Starwin intended to invest US\$200 million for the acquisition of equity interest in SMIL (the “Articles”).

Upon enquiring into and as confirmed by SMIL, the Boards would like to clarify the following:

- (a) a letter of intent in connection with the acquisition as reported in the Articles was entered into between SMIL and Starwin (the “Two Parties”) on 19 August 2005 (the “Letter of Intent”). Following the Letter of Intent, a definitive agreement was entered into between the Two Parties on 4 October 2005 (the “Definitive Agreement”) relating to the acquisition of SMIL and other companies related to it (the “SMIL Group of Companies”) (the “Acquisition”). Subsequently, an addendum to the Definitive Agreement was entered into between the Two Parties on 29 December 2005 (the “Addendum”);
- (b) pursuant to the Definitive Agreement, Starwin had agreed to inject capital of not less than US\$190 million as working capital for the SMIL Group of Companies. However, no percentage of interest in SMIL Group of Companies to be acquired was included in the Definitive Agreement;
- (c) pursuant to the Addendum, the closing date of the Definitive Agreement was extended to a date to be agreed by the Two Parties, upon the completion of due diligence process and review of financial statements by Starwin;
- (d) as at the date of this announcement, the Acquisition is still undergoing due diligence process and the Two Parties are also negotiating on matters relating to fund raising and debt repayment;
- (e) as the Two Parties are still in the course of negotiation, the Companies are not in the position to announce whether Starwin would take over the control of SMIL and the Companies. In addition, the completion date of the Acquisition has not been confirmed, and the Acquisition is not expected to be completed by early 2006. Investing public should note that the Acquisition may or may not be completed;
- (f) as at the date of this announcement, the total number of issued shares of SMI, M Channel and SMI Publishing are 314,068,757 shares, 1,060,903,300 shares and 991,685,971 shares respectively, and the respective shareholding structure of the Companies held by SMIL is as follows:



- (g) in the event that the Acquisition materializes, Starwin and parties acting in concert with it will hold 163,239,981 shares of SMI, representing approximately 51.98% of the total issued share capital of SMI and 561,364,280 shares of M Channel, representing approximately 52.91% of the total issued share capital of M Channel as at the date of this announcement. Accordingly, Starwin and parties acting in concert with it may be required to make mandatory general offers pursuant to the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”) for all the issued shares of SMI and M Channel not already owned by or agreed to be acquired by Starwin and parties acting in concert with it. Further announcement in respect of the said possible mandatory general offers will be made as required and when necessary.

As at the date of this announcement, save and except for the Definitive Agreement and the Addendum, neither SMI, M Channel nor any of their associates have dealt with the relevant securities as described in note 4 to Rule 22 of the Takeovers Code. The associates of SMI and M Channel are reminded to disclose their dealings in any relevant securities of SMI and M Channel under Rule 22 of the Takeovers Code.

As at the date of this announcement, there is no arrangement (whether by way of option indemnity or otherwise) of the kind referred to in note 8 to Rule 22 of the Takeovers Code in relation to shares of SMI and M Channel which might be material to the aforementioned possible mandatory general offers.

Save as the information disclosed herein, there is no other information relevant to the Articles that is discloseable under Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange (the “GEM Listing Rules”).

Based on the information as provided in the internet website of Starwin as of the date of this announcement, the total issued common stock of Starwin is 33,123,640 shares.

## **RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES**

Stockbrokers, banks and others who deal in relevant securities of SMI and M Channel on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive (as defined under the Takeovers Code) in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

## **OTHER MATTERS IN RELATION TO MR. QIN HUI**

The Boards also wish to take this opportunity to update the status regarding the Companies' enquiries into SMIL on the accuracy of the statements as reported in various press articles on 15 April 2005 and also the press article of Oriental Press Daily on 28 April 2005, both in relation to the investigation of Mr. Qin by a Beijing regulatory body on certain problematic loans.

In reply to the Companies' enquiries on 10 January 2006 in regards to (1) whether Mr. Qin had been detained for investigation by the regulatory body; and (2) if so, the progress and/or result of the investigation, SMIL considered that the aforesaid enquired matters were not related to any aspect of the Companies and that no verification on the accuracy of the matters is necessary to be made in the Companies' announcement. However, SMIL confirmed that, as at the date of this announcement, neither Mr. Qin nor SMIL has pledged any of their equity interests in the Companies to any third parties.

At the request of the Companies, trading in the shares of the Companies was suspended from 11:04 a.m. on 28 April 2005 and will remain suspended until further notice.

By the Order of the Board  
**SMI Corporation Limited**  
**Ko Hiu Fung**  
*Company Secretary*

By the Order of the Board  
**M Channel Corporation Limited**  
**Pang Hong**  
*Independent Non-executive Director*

By the Order of the Board  
**SMI Publishing Group Limited**  
**Li Kai**  
*Executive Director*

Hong Kong, 20 February 2006

*The board of SMI is comprised of seven directors, of which (i) four are executive directors, namely, Mr. Qin Hong, Mr. Li Kai, Mr. Tsang Chi Wai, Eric and Mr. Hao Bin; and (ii) three are independent non-executive directors, namely, Mr. Lam Tak Shing, Mr. Pang Hong and Mr. Qiao Zhen Pu.*

*The board of M Channel is comprised of two directors, of which one is executive director, namely, Mr. Sun Ling and one is independent non-executive director, namely, Mr. Pang Hong.*

*The board of SMI Publishing is comprised of seven directors, of which three are executive directors, namely, Mr. Xing Jing, Mr. Li Kai and Mr. Hao Bin; one is the non-executive director, namely, Mr. Kwok Yat Ming and three are independent non-executive directors, namely, Mr. Shi Bin Hai, Mr. Yan Chun and Mr. Chan Ngai Sang, Kenny.*

*The directors of SMI jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to M Channel and SMI Publishing, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to M Channel and SMI Publishing, have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission which would make any statements in this announcement misleading.*

*The directors of M Channel and SMI Publishing jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to SMI, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to SMI, have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission which would make any statements in this announcement misleading.*

*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 of M Channel and SMI Publishing. The directors of M Channel and SMI Publishing, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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 with the domain name of [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least seven days from the date of its posting.*