
IMPORTANT

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ming Pao Enterprise Corporation Limited, you should at once hand this circular and the enclosed proxy form of the Company to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares of Ming Pao Enterprise Corporation Limited.

明報

MING PAO ENTERPRISE CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 685)

DISCLOSEABLE TRANSACTION

**Material dilution in a major subsidiary
relating to the merger of
the HK Magazines and the Media2U Group**

Financial Adviser to Ming Pao Enterprise Corporation Limited



G.K. Goh Securities (H.K.) Limited

A letter from the board of directors of the Company is set out on pages 6 to 22 of this circular.

The notice convening the special general meeting of the Company to be held at 10:00 a.m., on Tuesday, 20 April 2004 at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong is set out on pages 27 to 28 of this circular. Shareholders are advised to read the notice and to complete and return the form of proxy for use at the special general meeting of the Company enclosed herewith in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the principal place of business of the Company at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof (as the case may be) should you so wish.

Hong Kong, 3 April 2004

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DEFINITIONS

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

“Adjustment”	the adjustment to be made, either by way of cash payment or, in lieu thereof, a transfer of Winmax Shares (depending on the then financial resources of the Redgate Group), as a result of the difference between Media2U Actual Pre-tax Profits and Media2U Targeted Pre-tax Profits
“Agreements”	the Subscription Agreement, the Media2U Profit Target Agreement, the Winmax Option Agreement, the Shareholders’ Agreement, Richtop 1st Option Agreement and Richtop 2nd Option Agreement
“AMC”	Alpha Media Consultants Limited, a company incorporated in the British Virgin Islands and is wholly owned by an independent third party not connected to the Company, the directors, chief executive officer, substantial shareholders of the Company, or any of its subsidiaries or any of their respective associates, and a party to the Richtop 2nd Option Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“business day(s)”	a day (other than Saturday) on which licensed banks in Hong Kong are generally open for business
“Company”	Ming Pao Enterprise Corporation Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Conch”	Conch Company Limited, a company incorporated in the British Virgin Islands, being the controlling Shareholder interested in approximately 63.54% in the issued share capital of the Company. Conch is owned as to 40.0% by Seaview Global Company Limited, a company jointly owned by two executive Directors, Tan Sri Datuk Tiong Hiew King and Dr. Tiong Ik King, and in addition, Tan Sri Datuk Tiong Hiew King and Dr. Tiong Ik King directly hold 25% and 22% of the interest in Conch respectively. The remaining 13% interest in Conch is held by five associates of these two executive Directors
“Directors”	the directors of the Company
“Enlarged Winmax Group”	Winmax Group and Media2U Group
“Force Majeure”	means any circumstances not foreseeable at the date of the Media2U Profit Target Agreement and not within the reasonable control of the party in question including, without prejudice to the generality of the foregoing, strikes, lockouts, shortages of labour or raw materials, civil commotion, riot, invasion, act of terror, war, fire, explosion, storm, flood, earthquake, subsidence, epidemic (including but not limited to avian influenza, SARS or other related diseases) and/or any other natural physical disaster

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Magazines”	Chinese language weekly magazines published by the Group in Hong Kong namely, <i>Ming Pao Weekly</i> , <i>HI-TECH WEEKLY</i> and <i>City Children’s Weekly</i>
“HK Magazines Reorganization”	the reorganization effected by the Group which resulted in: <ul style="list-style-type: none">— Richtop becoming the immediate holding company of the principal operating subsidiaries of the Group which operate the HK Magazines;— Winmax becoming the immediate holding company of Richtop; and— the declaration and payment of dividends by the Winmax Group to other members of the Group of approximately HK\$31.8 million
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	2 April 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listco”	a subsidiary of Winmax which will hold all the companies and assets of the Enlarged Winmax Group, the shares of which are proposed to be listed on the Stock Exchange or a recognized stock exchange under the Proposed Spin-off
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange in force as at 9 March 2004, being the date of the Agreements
“Media2U”	Media2U (BVI) Company Limited, a company incorporated in the British Virgin Islands on 2 January 2004, a direct subsidiary of Redgate and an indirect wholly owned subsidiary of Redgate Media Inc. as at the date of the Subscription Agreement
“Media2U Actual Pre-tax Profits”	the aggregate audited profit before taxation of the Media2U Group for the Target Years as shown on the audited financial statements of Media2U
“Media2U Group”	Media2U, its subsidiaries and associates in the PRC, which are held through nominees who are relatives of Ms. Julia Ying Zhu, a director and substantial shareholder of Redgate Media Inc. and from whom Media2U (HK) has an option to acquire the entire equity interest in the associates from such nominees at a nominal value of RMB1 or such higher amount as required by the PRC laws, at such time as Media2U (HK) sees fits, and when and where permissible under the PRC laws
“Media2U (HK)”	Media2U Company Limited, a company incorporated on 29 September 1994 in Hong Kong and a wholly owned subsidiary of Media2U
“Media2U Profit Target Agreement”	the agreement dated 9 March 2004 entered into between Redgate and Starsome relating to the Media2U Targeted Pre-tax Profits and the Adjustment

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“Media2U Targeted Pre-tax Profits”	the aggregate targeted profit before taxation of Media2U Group for the Target Years of not less than HK\$30,592,000
“PRC”	the People’s Republic of China which for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Spin-off”	the proposed separate listing of Listco which will hold all the companies and assets of the Enlarged Winmax Group
“recognized stock exchange”	as defined in the Listing Rules
“Redgate”	Redgate Media (HK) Limited, a company incorporated on 5 March 2003 in Hong Kong and a wholly owned subsidiary of Redgate Media Inc.
“Redgate Group”	Redgate Media Inc. and its subsidiaries
“Redgate Media Inc.”	Redgate Media Inc., a company incorporated in January 2003 in the Cayman Islands, which is beneficially owned as to approximately 25.14% by Mr. Peter Brack and his associates and approximately 13.06% by Mr. Robert William Hong-San Yung, both of whom are the key management of the Redgate Group, whilst all the other shareholders are all independent third parties not connected to the Company, the directors, chief executive officer, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Richtop”	Richtop Resources Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of Winmax
“Richtop 1st Call Option”	the call option granted by Winmax to VLI entitling VLI the right to request Winmax to transfer to it 1% of the issued share capital of Richtop pursuant to the Richtop 1st Option Agreement
“Richtop 1st Option Agreement”	the agreement dated 9 March 2004 entered into between Winmax and VLI in relation to the granting by Winmax to VLI of the Richtop 1st Call Option
“Richtop 2nd Call Option”	the call option granted by Winmax to AMC entitling AMC the right to request Winmax to transfer to it 0.5% of the issued share capital of Richtop pursuant to the Richtop 2nd Option Agreement
“Richtop 2nd Option Agreement”	the agreement dated 9 March 2004 entered into between Winmax and AMC in relation to the granting by Winmax to AMC of the Richtop 2nd Call Option

DEFINITIONS

“Richtop Option Period”	the period commencing on the date of the Richtop 1st Option Agreement and the Richtop 2nd Option Agreement and ending on (i) the last day of the twenty four (24) calendar months thereof; or (ii) the second business day from the date of grant by the Stock Exchange or a recognized stock exchange of the approval in principle of a listing of shares in Listco, whichever is earlier
“Richtop Option Shares”	such number of shares in Richtop as shall equal 1.5% of the total number of shares of Richtop in issue as at the date of completion of such transfer by Winmax under the Richtop 1st Option Agreement and the Richtop 2nd Option Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be convened by the Company to approve the Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	shares of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 9 March 2004 entered into between Starsome, Redgate and Winmax relating to the rights and obligations of each of the shareholders of Winmax in Winmax
“Starsome”	Starsome Limited, a company incorporated in the British Virgin Islands with limited liability and the immediate holding company of Winmax and an indirect wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of Winmax Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 9 March 2004 (as amended by the supplemental agreement dated 11 March 2004) entered into between the Company, Winmax, Redgate and Redgate Media Inc. in relation to the Subscription
“Target Years”	being the two financial years commencing from 1 April 2004 till 31 March 2005; and from 1 April 2005 till 31 March 2006
“US\$”	United States dollars, the lawful currency of the United States

DEFINITIONS

“VLI”	Venture Logic Investments Limited, a company incorporated in the British Virgin Islands and is wholly owned by an independent third party not connected to the Company, the directors, chief executive officer, substantial shareholders of the Company, or any of its subsidiaries or any of their respective associates, and a party to the Richtop 1st Option Agreement
“Winmax”	Winmax Resources Limited, a company incorporated on 16 January 2004 in the British Virgin Islands and an indirect wholly owned subsidiary of the Company
“Winmax Call Option”	a call option entitling Redgate to require Starsome to sell all or part of the Winmax Option Shares to Redgate at the Winmax Call Price at any time during the Winmax Option Period
“Winmax Call Price”	the price per share payable by Redgate to Starsome for the Winmax Option Shares which shall be equal to 95% of the average closing price of shares in Listco for the ten trading days immediately preceding the date on which the exercise notice is delivered to Starsome multiplied by the number of shares of Listco held by Winmax as at the date of completion of the transfer of shares pursuant to the exercise notice divided by the total number of issued shares of Winmax as at the said completion date (representing the value per Winmax Share after the Proposed Spin-off)
“Winmax Group”	Winmax and its subsidiaries
“Winmax Option Agreement”	the agreement dated 9 March 2004 entered into between Starsome and Redgate in relation to the granting of the Winmax Call Option by Starsome to Redgate
“Winmax Option Period”	the 12-month period commencing on the date on which the shares in Winmax can be transferred pursuant to the rules of the relevant stock exchange or any relevant underwriting agreement to which Listco is a party provided that if the earliest date occurs prior to 30 September 2006, then the commencement date of the Winmax Option Period shall be the date of completion of the Adjustment
“Winmax Option Shares”	such number of Winmax Shares as shall equal 7.87% of the total number of issued Winmax Shares as at the date of completion of the transfer of the Winmax Option Shares
“Winmax Share(s)”	shares of US\$0.01 each in the issued share capital of Winmax
“Winmax Subscription Shares”	40,000 new Winmax Shares to be issued to Redgate under the Subscription



MING PAO ENTERPRISE CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

Tan Sri Datuk Tiong Hiew King (*Chairman*)

Mr. Tiong Kiu King

Dr. Tiong Ik King

Mr. Tiong Kiew Chiong

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Independent Non-Executive Directors:

Mr. Tang Ying Yu

Mr. David Yu Hon To

Head Office and Principal

Place of Business:

15th Floor, Block A

Ming Pao Industrial Centre

18 Ka Yip Street

Chai Wan

Hong Kong

Hong Kong, 3 April 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

**Material dilution in a major subsidiary
relating to the merger of
the HK Magazines and the Media2U Group**

INTRODUCTION

The Board has announced that on 9 March 2004, members of the Group have entered into the following agreements:

- The Subscription Agreement
- The Media2U Profit Target Agreement
- The Winmax Option Agreement
- The Shareholders' Agreement
- Richtop 1st Option Agreement
- Richtop 2nd Option Agreement

LETTER FROM THE BOARD

None of the above Agreements is inter-conditional with each other. Although the Media2U Profit Target Agreement and the Shareholders' Agreement do not contain any condition, they will take effect upon Completion respectively.

The Board has also announced that, following Completion, it is considering a possible spin-off of Listco and the listing of its securities on the Stock Exchange or a recognized stock exchange. However, no final decision or any concrete plan has yet been made as to whether or not the Proposed Spin-off will be effected and the timing thereof. Further announcement will be made by the Company with regard to the plan and progress of the implementation of the Proposed Spin-off as and when required by the Listing Rules.

The Subscription constitutes a discloseable transaction for the Company under Rule 14.12(1) of the Listing Rules. Pursuant to paragraph 5 of Practice Note 13 of the Listing Rules, Winmax is a major subsidiary of the Company and the Subscription constitutes a material dilution in Winmax, which requires the approval of Shareholders in a general meeting.

A SGM will be convened to approve the Subscription Agreement and the transactions contemplated thereunder (including the Winmax Option Agreement and the Media2U Profit Target Agreement). Conch, the controlling Shareholder interested in 252,487,700 Shares, representing approximately 63.54% of the issued share capital of the Company, has indicated to the Company to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

G.K. Goh Securities (H.K.) Limited has been appointed as the financial adviser to the Company for the Subscription Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with details of the Agreements and to give you the notice of the SGM and other information required by the Listing Rules.

THE SUBSCRIPTION AGREEMENT DATED 9 MARCH 2004

Subscriber:

Redgate

Redgate is a wholly owned subsidiary of Redgate Media Inc., the shareholding of which is as follows:

- approximately 25.14% by Mr. Peter Brack and his associates and approximately 13.06% by Mr. Robert William Hong-San Yung, both of whom are the key management of the Redgate Group;
- approximately 13.06% by Ms. Julia Ying Zhu, an executive director of Redgate Media Inc.;
- approximately 9.67% by Mr. Lau Yat Fan, the ex-shareholder of Media2U (HK);
- approximately 14.89% by six individuals with shareholding percentage ranging from approximately 0.09% to 7.25%; and
- approximately 24.18% by a corporation registered in the United States.

LETTER FROM THE BOARD

All of Redgate Media Inc., Redgate and their respective shareholders are independent third parties not connected to the Company, the directors, chief executive officer, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. Furthermore, neither Redgate Media Inc., Redgate nor any of their respective shareholders or their respective associates hold any Shares as at the Latest Practicable Date.

Issuer:

Winmax

Guarantors:

The Company
Redgate Media Inc.

Shares to be subscribed, allotted and issued:

The Winmax Subscription Shares, representing approximately 66.7% of the existing issued share capital of Winmax and 40.0% of the enlarged issued share capital of Winmax.

Consideration and payment terms:

The consideration for the Winmax Subscription Shares comprises:

- (i) the transfer of the entire issued share capital of Media2U by Redgate to Winmax or its nominee on the date of Completion; and
- (ii) the payment of a cash amount of HK\$8,921,000 by Redgate to Winmax within 21 days from the date of Completion.

The Subscription is, in effect, a disposal of 40.0% interest in Winmax in return for 60.0% attributable interest in the entire issued share capital of Media2U and the cash amount of HK\$8,921,000. In terms of net asset value, 40.0% attributable interest in the pro forma net tangible asset value of the Winmax Group as at 29 February 2004 (of approximately HK\$697,000) amounts to approximately HK\$278,800 whilst 60.0% attributable interest in (i) the unaudited net deficit of the Media2U Group (of approximately HK\$418,000 as at 31 December 2003); and (ii) the cash amount of HK\$8,921,000, in aggregate amounts to approximately HK\$5.1 million. Thus the Company would record an unaudited profit of approximately HK\$4.8 million as a result of the deemed disposal of the 40.0% interest in Winmax and the unaudited profit will be recorded in the financial year ending 31 March 2005.

The basis of determining the consideration payable for the Subscription has been arrived at after arm's length commercial negotiations between the parties taking into consideration the business and earnings prospects of the Winmax Group and the Media2U Group, particularly the unaudited pro forma profit before taxation of the Winmax Group for the year ended 31 March 2003 of approximately HK\$24.3 million and the average Media2U Targeted Pre-tax Profits for each of the Target Years of approximately HK\$15.3 million. The pro forma results of the Winmax Group has been prepared based on the audited accounts of the principal operating subsidiaries of the Company which operate the HK Magazines for the year ended 31 March 2003 and as if the HK Magazines Reorganization had been completed on 1 April 2002. On this basis, the aggregate theoretical targeted pre-tax profits of the Enlarged Winmax Group would have amounted to approximately HK\$39.6 million (being the sum of HK\$24.3 million and HK\$15.3 million), whilst the shareholding ratio in Winmax as represented by the average Media2U Targeted Pre-tax Profits (HK\$15.3

LETTER FROM THE BOARD

million) would be approximately 40%, which is, in principle, equivalent to the shareholding percentage as represented by the Winmax Subscription Shares. Given the implementation of the HK Magazines Reorganization in February 2004, whereby the existing Winmax Group was being reorganized, no audited figures were available for the existing Winmax Group for the last two financial years. The Directors consider the use of the pro forma financial results of the Winmax Group would be more appropriate in reflecting the performance of the existing members of the Winmax Group. The pro forma results of the Winmax Group was principally prepared for illustrative purposes and due to its nature, it may not give a true picture of the financial results or position of the Winmax Group.

The Directors consider that the shareholding structure of Winmax upon Completion and the consideration for the Subscription is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Other terms:

Each of the Company and Redgate Media Inc. has agreed to guarantee the due performance by Winmax and Redgate of their respective obligations under the Subscription Agreement.

The maximum aggregate liability of each of Winmax and Redgate for all claims for breach of warranties under the Subscription Agreement shall not exceed the sum of HK\$9,000,000, which is principally equivalent to the cash portion of the consideration payable under the Subscription Agreement.

Conditions:

Completion of the Subscription Agreement is subject to the following conditions being fulfilled and remaining satisfied as at Completion (or waived by Winmax):

- (a) the audited consolidated balance sheet of Media2U (HK) as at 31 December 2003 and the audited consolidated profit and loss account of Media2U (HK) for the period between 1 April 2003 and 31 December 2003 being delivered by Redgate to Winmax;
- (b) a legal opinion being issued by a firm of PRC lawyers relating to the legality of the operations and businesses of the Media2U Group in a form to the reasonable satisfaction of Winmax;
- (c) all of the short term borrowings of Media2U Group in an aggregate amount of approximately HK\$4 million being either repaid in full and/or novated entirely to Redgate Media Inc.; and
- (d) the passing by the Shareholders at the SGM of ordinary resolutions approving, inter alia, the Subscription Agreement and the transactions contemplated thereunder (including the Winmax Option Agreement and the Media2U Profit Target Agreement).

Winmax may at its absolute discretion at any time waive in writing the conditions (save for condition (d) or any part thereof). In the event that the conditions shall not have been fulfilled or waived by 30 April 2004 (or such later date(s) as the parties may agree in writing), the Subscription Agreement shall lapse and be of no further effect and no party shall have any claim against any other parties under or in connection with the Subscription Agreement, save in respect of any antecedent breaches of the Subscription Agreement.

Completion:

Completion shall take place within two business days after the fulfillment and/or waiver of the aforesaid conditions.

LETTER FROM THE BOARD

THE WINMAX OPTION AGREEMENT DATED 9 MARCH 2004

Parties:

Starsome, an indirect wholly owned subsidiary of the Company

Redgate, an independent third party not connected to the Company or any of its connected persons

Winmax Call Option:

Starsome has granted to Redgate the Winmax Call Option, entitling Redgate the right exercisable on one occasion within the Winmax Option Period to require Starsome to sell all or part of the Winmax Option Shares, representing 7.87% of the issued share capital of Winmax as at the date of completion of such transfer of the Winmax Option Shares, to Redgate at the Winmax Call Price. The Company is considering the Proposed Spin-off whereby Listco will become a subsidiary of Winmax. The Winmax Call Price refers to the price per Winmax Option Share payable by Redgate to Starsome for the Winmax Option Shares which shall be equal to 95% of the average closing price of shares in Listco for the ten trading days immediately preceding the date on which the exercise notice is delivered to Starsome multiplied by the number of shares of Listco held by Winmax as at the date of completion of the transfer of shares pursuant to the exercise notice divided by the total number of issued shares of Winmax as at the said completion date (representing the value of each Winmax Share after the Proposed Spin-off).

The Winmax Call Option can only be exercised if the shares of Listco are listed and commence trading on the Stock Exchange or a recognized stock exchange and during the Winmax Option Period. The Winmax Option Period refers to the 12-month period commencing on the date on which the shares in Winmax can be transferred pursuant to the rules of the relevant stock exchange or any relevant underwriting agreement to which Listco is a party provided that, if the earliest date occurs prior to 30 September 2006, then the commencement date of the Winmax Option Period shall be the date of completion of the Adjustment pursuant to the Media2U Profit Target Agreement described below.

The Winmax Call Option is an incentive for Redgate to expand the Media2U Group in the PRC market, and the basis for the 7.87% interest in Winmax has been determined based on arm's length negotiations whilst ensuring that Starsome will have at least over 50% interest in Winmax. Based on Redgate's 40.0% interest in Winmax immediately after Completion, upon full exercise of the Winmax Call Option, Redgate's interest in Winmax will increase to approximately 47.87% (subject to the share offer structure of the Proposed Spin-off), whilst Starsome's interest in Winmax will adjust to approximately 52.13%. The Directors consider that the terms of the Winmax Option Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

The Winmax Option Agreement shall take effect upon Completion.

Notwithstanding the full exercise of the Winmax Call Option, subject to the share offer structure of the Proposed Spin-off, it is the intention of the Board to have Winmax continue to be an indirect non-wholly owned subsidiary of the Company.

LETTER FROM THE BOARD

THE MEDIA2U PROFIT TARGET AGREEMENT DATED 9 MARCH 2004

Parties:

Starsome

Redgate

The Adjustment:

As a condition of Winmax and Redgate agreeing to enter into the Subscription Agreement, Redgate has undertaken to Starsome that if the Media2U Targeted Pre-tax Profits (of HK\$30,592,000 for the Target Years, being the two financial years ending 31 March 2006) cannot be achieved, Redgate shall pay to Starsome a pre-determined cash amount or, at the discretion of Redgate and in lieu of payment of such cash payment, reduce its shareholding in Winmax by transferring relevant Winmax Subscription Shares to Starsome in accordance with the following schedule:

Level of achievement of the Media2U Actual Pre-tax Profits as a percentage of the Media2U Targeted Pre-tax Profits	Cash amount (HK\$'000)		Redgate's shareholding in Winmax		Starsome's shareholding in Winmax
96% or above	—	40.000%	40,000	60.000%	60,000
81% to 95%	11,472	38.075%	38,075	61.925%	61,925
66% to 80%	45,888	32.299%	32,299	67.701%	67,701
51% to 65%	80,304	26.524%	26,524	73.476%	73,476
36% to 50%	114,720	20.748%	20,748	79.252%	79,252
below 35%	149,136	14.973%	14,973	85.027%	85,027

The terms of the Adjustment under the Media2U Profit Target Agreement were determined with reference to the implied attributable market value of Winmax (in terms of its profit contribution to the Group) as compared to the prevailing market capitalization of the Group. The Directors consider that the entering into of the Media2U Profit Target Agreement is in the interests of the Company and the Shareholders as a whole and that the terms thereof are fair and reasonable so far as the Company and the Shareholders are concerned. For illustration purposes, based on the pro forma pre-tax profits of the Winmax Group for the year ended 31 March 2003 of approximately HK\$24.3 million, the Group's existing pre-tax profit for the same year of approximately HK\$43.8 million, and the existing market capitalization of the Group of approximately HK\$1,066 million, the implied market value of Winmax would amount to approximately HK\$591 million. Assuming the Media2U Actual Pre-tax Profits only accounts for 90% of the Media2U Targeted Pre-tax Profits for the Target Years, Redgate's shareholding in Winmax may reduce by 1.925% (40.0%–38.075% as noted from the table above). Thus based on the implied market value of Winmax as derived from the prevailing market capitalization of the Group, the value of this 1.925% would be equivalent to approximately HK\$11.4 million.

In the event that the Media2U Actual Pre-tax Profits as shown in Media2U's audited financial statements for the Target Years shall be equal to or in excess of 96% of the Media2U Targeted Pre-tax Profits (of HK\$30,592,000) then no Adjustment shall be made. The Media2U Actual Pre-tax Profits will be finalized upon completion of auditing the results of the Media2U Group for the financial year ending 31 March 2006, which is expected to be not more than three months after the year end date as required by the Listing Rules. The Media2U Targeted Pre-tax Profits have been principally determined by the management of Media2U based on the estimated advertising revenues to be generated from the licensed magazine titles as well as the estimated cost structure of the Media2U Group.

LETTER FROM THE BOARD

Moreover, if and to the extent that the business of the Media2U Group is affected by any event of Force Majeure during the Target Years, then the requirement of Media2U to achieve the Media2U Targeted Pre-tax Profits shall be extended for such period as the Force Majeure shall subsist.

The sole purpose of having the Media2U Targeted Pre-tax Profits is to minimize uncertainty for the Company in terms of determining the shareholding percentage of the Subscription. For the avoidance of doubt, the Directors confirm that the Media2U Targeted Pre-tax Profits is not a profit forecast of the Media2U Group in any form.

The Company will make further announcements if the Media2U Targeted Pre-tax Profits cannot be achieved.

THE SHAREHOLDERS' AGREEMENT DATED 9 MARCH 2004

- Parties** : Winmax
- : Starsome, the immediate holding company of Winmax and an indirect wholly owned subsidiary of the Company
- : Redgate
- Board of directors** : The maximum number of directors holding office on the board of Winmax at any time shall be five unless otherwise agreed by each of the shareholders of Winmax in writing.
- Starsome shall have the right to appoint up to three directors, and Redgate may appoint up to two directors to the board of Winmax. The Chairman and the Deputy Chairman of Winmax (both will initially be appointed by Starsome) shall have no casting vote.
- Scope of business** : The sole business of Winmax and its subsidiaries shall be the publication, distribution, operation of advertising rights and licensing of intellectual property rights in respect of licensed or self-created Chinese language magazines.
- Funding** : Shareholders of Winmax agree that future additional working capital requirements of Winmax and its subsidiaries will be met by internal resources and/or through the use of credit.
- Restrictions on transfer, rights of first refusal and rights of co-sale** : No transfer of the legal and beneficial ownership of any of the Winmax Shares (other than pursuant to the Media2U Profit Target Agreement and/or the Winmax Option Agreement) can be effected by the shareholders of Winmax for a period of 30 months from the date of the Shareholders' Agreement. Redgate, however, shall be permitted to dispose of up to 14.973% of the issued share capital of Winmax at the prevailing time in the period between the commencement date of the Winmax Option Period and the expiry of the said 30-month period.
- Each shareholder of Winmax will have a right of first refusal over the Winmax Shares held by the other shareholder.

LETTER FROM THE BOARD

If a shareholder of Winmax receives an offer for purchase of its Winmax Shares from a third party, the other shareholder of Winmax shall have, in addition to the right of refusal over such Winmax Shares, a right of co-sale to the third party.

Non-competition : Each of Starsome and Redgate agrees that it shall not do and shall procure that none of the respective member of the Group and of the Redgate Group shall at any time during the continuance of the Shareholders' Agreement and for a period of one year after any termination of the Shareholders' Agreement, without first obtaining the written consent of the other party to directly or indirectly carry on (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in any business competitive with the business of any member of the Enlarged Winmax Group in any countries where such member of the Enlarged Winmax Group carries on business provided that:

- (i) the Group shall be entitled to continue to publish and distribute those magazines which are currently published and distributed by the Group including, without limitation *Ming Pao Monthly* and *Yazhou Zhoukan*, and other new magazines which are converted from publications currently distributed in conjunction with newspapers; and
- (ii) Starsome and the Group or Redgate and the Redgate Group, as the case may be, may hold shares up to 5% in the issued share capital of a listed public company which carries on business similar to or in competition with that of the Enlarged Winmax Group (such restrictions shall not apply to the shareholders of Redgate Media Inc. as well as directors of any member of the Redgate Group).

Shareholders of Winmax agree that during the term of the Shareholders' Agreement, in respect of any opportunity that either of them or any of its holding companies, subsidiaries and fellow subsidiaries of such holding companies shall have in respect of any business competing with the business of Winmax then such new business shall first be offered to Winmax for consideration.

Save for the Media2U Group, the beneficial owners of Redgate Media Inc., Redgate or their respective associates do not have any other business or interests that competes with those of the Winmax Group or the Group.

Termination : When an event of default occurs whereby Starsome is the defaulting party, Starsome will acquire from Redgate all the Winmax Shares held or beneficially owned by Redgate at a price to be determined by reference to the fair value of the Media2U Group. However, if the defaulting party is Redgate, Redgate will sell to Starsome all Winmax Shares held or beneficially owned by Redgate at a price representing 75% of the fair value of the Media2U Group.

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The fair value shall be determined by the auditors of Winmax or by an independent investment bank of international repute selected by Winmax if the auditors will not act.

Effective date : The Shareholders' Agreement shall take effect upon Completion.

RICHTOP 1ST OPTION AGREEMENT DATED 9 MARCH 2004

Parties : Winmax

: VLI, VLI and its beneficial owner are independent third parties not connected to the Company, the directors, chief executive officer, substantial shareholders of the Company, or any of its subsidiaries or any of their respective associates. VLI and its beneficial owner are not connected to AMC or its beneficial owner

Richtop 1st Call Option:

Winmax has granted to VLI, for a nominal consideration of HK\$1.00, the Richtop 1st Call Option as arranger's fees for structuring and negotiating, on Winmax's behalf, with Redgate as to the terms and conditions of the Subscription Agreement. The Richtop 1st Call Option can be exercised on one occasion during the Richtop Option Period entitling VLI to require Winmax to transfer to VLI and/or its nominees such number of the Richtop Option Shares as constituting 1% of the issued share capital of Richtop as at the date of completion of such transfer of shares in Richtop. The subscription price for each of the Richtop Option Shares to be issued under the Richtop 1st Call Option shall be equal to the par value of such Richtop Option Shares. The Richtop Option Period commences on the date of the Richtop 1st Option Agreement and ends on (i) the last day of the twenty four (24) calendar months thereof; or (ii) the second business day from the date of grant by the Stock Exchange or a recognized stock exchange of the approval in principle of a listing of shares in Listco, whichever is earlier.

The Richtop 1st Option Agreement is unconditional.

RICHTOP 2ND OPTION AGREEMENT DATED 9 MARCH 2004

Parties : Winmax

: AMC, AMC and its beneficial owner are independent third parties not connected to the Company, the directors, chief executive officer, substantial shareholders of the Company, or any of its subsidiaries or any of their respective associates. AMC and its beneficial owner are not connected to VLI or its beneficial owner

Richtop 2nd Call Option:

Winmax has granted to AMC, for a nominal consideration of HK\$1.00, the Richtop 2nd Call Option as arranger's fees for introducing Winmax to Redgate Media Inc. to enter into the Subscription Agreement. The Richtop 2nd Call Option can be exercised on one occasion during the Richtop Option Period entitling AMC to require Winmax to transfer to AMC and/or its nominees such number of the Richtop Option Shares as constituting 0.5% of the issued share capital of Richtop as at the date of completion of such transfer of shares in Richtop. The subscription price for each of the Richtop Option Shares to be issued under the Richtop 2nd Call Option shall be equal to the par value of such Richtop Option Shares. The Richtop Option Period commences on the date of the Richtop 2nd Option Agreement and ends on (i) the last day of the

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twenty four (24) calendar months thereof; or (ii) the second business day from the date of grant by the Stock Exchange or a recognized stock exchange of the approval in principle of a listing of shares in Listco, whichever is earlier.

The Richtop 2nd Option Agreement is unconditional.

INFORMATION ON REDGATE GROUP AND MEDIA2U GROUP

Redgate Group

Prior to the entering into of the Subscription Agreement, all of the shareholders of Redgate Media Inc. and Redgate and their respective associates were independent third parties not connected to the Company, the directors, chief executive officer, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. Upon Completion, Redgate Media Inc., Redgate and their respective associates will become connected persons of the Company by virtue of Redgate's 40.0% shareholding interest in Winmax.

Redgate Group is principally engaged in the business of investing (without pre-defined shareholding percentage target) in advertising and publishing companies in the PRC and providing capital and management expertise to them. Advertising companies refer to companies engage in a diverse array of media including, but not limited to, television, print, radio, and Internet. Key management of the Redgate Group are as follows:

Peter Brack, was a senior executive at Time Warner for 10 years. Mr. Brack's latest role at Time Warner was Senior Vice President of Time Inc. Asia (*TIME & Fortune Magazines*), where he was responsible for all Asia-Pacific revenue operations. Prior to this, Mr. Brack held positions as president of Asiaweek Magazine, and Vice President of Advertising Sales at Turner Broadcasting Asia Pacific (CNN, TCM and Cartoon Network).

Robert William Hong-San Yung, was the founder and CEO of One Studio, a venture capital backed Chinese software development and consultancy business with operations in China, Japan, and the U.S. Previously, Mr. Yung founded OSMEDIA, an advertising-supported cable television business in Guangdong Province. Mr. Yung was also General Manager of Metromedia Asia, sourcing and executing wireless telecom acquisitions in China and Indonesia. Mr. Yung holds a Bachelor's Degree in Arts from the University of Chicago and a Master's Degree in Arts from New York University.

Media2U Group

Media2U (HK) was originally founded by Mr. Lau Yat Fan in Hong Kong in September 1994, an existing shareholder of Redgate Media Inc., holding approximately 9.67% therein, but is an independent third party not connected to the Company, the directors, chief executive officer, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. Following Redgate's acquisition of Media2U (HK) from Mr. Lau Yat Fan in October 2003, Media2U (HK) then became an indirect wholly owned subsidiary of Redgate. Upon the incorporation of Media2U in January 2004, Media2U became the immediate holding company of Media2U (HK), and a direct wholly owned subsidiary of Redgate. Prior to its acquisition by Redgate in October 2003, Media2U (HK) was principally dormant since its inception. Media2U Group includes subsidiaries and associates in the PRC, which are currently held through nominees who are relatives of Ms. Julia Ying Zhu, a director and substantial shareholder of Redgate Media Inc., and from whom Media2U (HK) has an option to acquire the entire equity interest in these associates from such nominees at a nominal value of RMB1, or such higher amount as required by the PRC laws, at such time as Media2U (HK) sees fits, and when and where it is permissible under the PRC laws. Furthermore, Media2U

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(HK) has the right to request the respective associates of Ms. Julia Ying Zhu to enter into a sino-foreign equity joint venture with Media2U (HK), when it is permissible under the PRC laws. As confirmed with the auditors of Media2U (HK), based on the existing nominees' arrangements, the results of the associates of the Media2U Group in the PRC can be consolidated into the results of the Media2U Group. It should be noted that it is a condition precedent to Completion that a legal opinion (in a form to the reasonable satisfaction of Winmax) is issued by a PRC legal adviser opining on the legality of the operations and businesses of the Media2U Group under all applicable laws, rules and regulations in the PRC, and the validity and enforceability of the aforesaid contractual arrangements whereby the Media2U Group controls the subsidiaries and associates in the PRC (the "Contractual Arrangements"). Based on the PRC legal opinion which has been provided by the PRC legal adviser, the PRC legal adviser is of the view that the Contractual Arrangements are valid and legally enforceable under the relevant PRC laws, rules and regulations.

The Media2U Group acquired the license for *Popular Science* in August 2000 from Times Mirror Magazines, Inc. ("Time Mirror"), a subsidiary of Time Inc. In August 2000, a license to publish and distribute the Chinese edition of *Popular Science* was issued by Times Mirror to Globe Everbright PTE Ltd. ("Globe"), a company owned by Mr. Lau Yat Fan, with the right on the part of Globe to sub-license the same to a company in the PRC which was and still is a member of the Media2U Group by virtue of the Contractual Arrangements. The benefit of the license has therefore rested with the Media2U Group since August 2000. Media2U Group and Globe have recently requested permission from Time4 Media Inc. (the successor in interest to substantially all of the assets of Times Mirror) the assignment of the license by Globe to the Media2U Group. Time4 Media Inc. has indicated its agreement in-principle to such assignment in March 2004. Additional licenses for *Digital Camera*, *T3*, and *Top Gear* were obtained by Media2U (HK) in January 2004. Media2U Group is a fast growing print media company concentrating on acquiring international magazine licenses and advertising businesses in China.

The turnover of the Media2U Group for the nine months ended 31 December 2003 was principally derived from the advertising sales and the licensing rights of *Popular Science* during the period from October 2003 to December 2003.

The board of directors of Media2U comprises Mr. Peter Brack and Mr. Robert William Hong-San Yung and has remained unchanged since its formation. Messrs. Peter Brack and Robert William Hong-San Yung are also the only existing directors of Media2U (HK).

Media2U Group through Media2U (HK) and associates in the PRC currently has the exclusive rights to sell all advertising space in the Chinese language publications that incorporate content from these four titles in the PRC. Media2U Group intends to use these titles as a base from which to expand its role as a leading advertising and publishing group focusing on lifestyle print media in China.

The subsidiaries of the Media2U Group are holders of the respective exclusive licenses granted by major overseas publishers on their international magazine titles in the Chinese language whilst the associates of the Media2U Group in the PRC are principally engaged in the advertising sales and publication of magazines in the PRC.

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At present, Media2U (HK) has been granted four exclusive licenses (one of which, *Popular Science*, is currently ultimately held by Mr. Lau Yat Fan and is in the process of being assigned to Media2U and, though completion of such assignment is not a condition precedent of the Subscription Agreement, it is expected that such assignment will be completed by May 2004) from major overseas publishers, such as Time Warner, the BBC and Future Networks, to sub-license content and trademarks from their international magazines in the Chinese language in the PRC. Particulars of these international magazines for which Media2U is the exclusive advertising operator are as follows:

Popular Science — Launched in China in 1996: Founded in 1872, *Popular Science* is the world's largest science and technology magazine with a circulation of 1.45 million subscribers and a readership of more than 7 million people. A Time Warner publication, *Popular Science* was one of the first foreign magazines adapted for the China market, and is the most successful in its category. The Chinese version of *Popular Science* is published in conjunction with *Digital Camera*, with content licensed under the two relevant licenses entered into with overseas publishers appearing alternately in different issues of the Chinese publication.

T3 — Tomorrow's Technology Today — Launched in China in January 2004 — *T3* offers the best-of-the-best in gadgets, personal electronics, computers, and home theatre and audio. "Tomorrow's Technology Today" from Future Networks in the UK, is a must-have guide for China's early adopters and technology-savvy consumers. *T3* is particularly popular among advertisers most desirable target market: urban professionals in China for whom the latest mobile telephone and personal electronic device are a necessity.

Digital Camera — Launched in China in January 2004 — With reviews, tutorials, and guides to the latest in the world of digital photography, including cameras, software, and techniques, *Digital Camera* helps novices and professionals alike get the most out of the next generation of photography. The first magazine in its category in China, *Digital Camera* is already popular among readers and advertisers in key cities across the country.

Top Gear — Launched in China in January 2004 — The U.K.'s most popular automotive magazine from BBC publishing. Based on the acclaimed television series of the same name, *Top Gear* covers the best of the automotive world. Packed with reviews, road tests, automotive news, and some of the best automotive photography, the BBC's flagship magazine puts the readers behind the wheel of some of the world's greatest automobiles.

The table below sets out the unaudited profit/(loss) before and after taxation for the Media2U Group for the year ended 31 March 2003 and the nine months ended 31 December 2003:

	For the year ended 31 March 2003	For the nine months ended 31 December 2003
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Turnover	—	1,177
Other income (<i>note</i>)	28	—
Profit/(loss) before taxation	28	(417)
Profit/(loss) after taxation	28	(418)

Note: Other income represented a waiver of a loan.

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The unaudited net deficit of the Media2U Group as at 31 December 2003 amounted to approximately HK\$418,000.

INFORMATION ON THE GROUP (INCLUDING WINMAX)

The Group is principally engaged in the publication of Chinese language newspapers, magazines and books, as well as the provision of travel and travel related services. Through its various portals it also provides advertising, Internet content and travel related services.

The Group's magazine titles can be sub-divided into two separate groups comprising (i) the HK Magazines, which are customer-focused weekly magazine titles predominantly targeting the Hong Kong market and sold through newsstands and via news agents; and (ii) the current affairs and education focused weekly and monthly magazine titles such as *Yazhou Zhoukan* and *Ming Pao Monthly* which target regional and global Chinese readers, are sold primarily through subscription.

In February 2004, the Group effected the HK Magazines Reorganization whereby Winmax, through its wholly owned subsidiary, Richtop, became the indirect holding company of the principal operating subsidiaries of the Company which operate the HK Magazines. The principal business of the Winmax Group is the publication, distribution and advertising of the Chinese language magazines whose content is relatively apolitical in nature and is orientated towards the entertainment, fashion, consumer electronics and other domestic consumption sectors. Particulars of the HK Magazines are as follows:

Ming Pao Weekly

A three-part photo-journalist led weekly magazine covering HK based entertainment, lifestyle, fashion, beauty and listings targeting a female readership between the ages of 16 to 35. *Ming Pao Weekly* is one of the leading entertainment and lifestyle weekly magazines in Hong Kong with a history of over 35 years.

HI-TECH WEEKLY

A three-part technology and consumer gadgets magazine that offers the readers product reviews, price comparisons, technical guidance and user guide information. *HI-TECH WEEKLY* is one of the leading technology consumer magazines in Hong Kong.

City Children's Weekly

A children magazine with an educational flavour, also containing comics and cartoon elements targeting 6 to 12 year olds students, their parents as well as teachers. *City Children's Weekly* has a high penetration rate in primary schools due to the brand name loyalty of Ming Pao.

The table below sets out the unaudited pro forma combined profit before and after taxation of the Winmax Group for the two years ended 31 March 2002 and 31 March 2003 and the six months ended 30 September 2003. The unaudited pro forma financial information has been prepared based on the audited accounts of the principal operating subsidiaries of the Company which operate the HK

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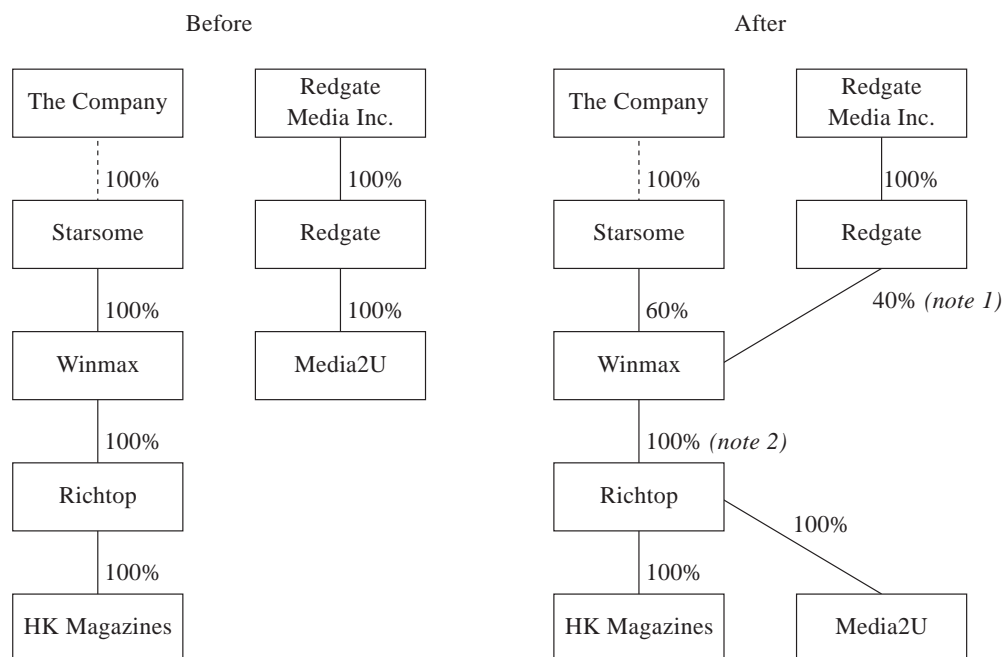
Magazines, for the two years ended 31 March 2002 and 31 March 2003 and the unaudited management accounts for the six months ended 30 September 2003, respectively, and as if the group structure of Winmax as shown below had been in existence throughout such periods:

	For the year ended 31 March 2002 (HK\$'000)	For the year ended 31 March 2003 (HK\$'000)	For the six months ended 30 September 2003 (HK\$'000)
Pro forma combined profit before taxation	12,807	24,315	2,776
Pro forma combined profit after taxation	11,065	20,600	1,731

As at 30 September 2003, the unaudited pro forma combined net tangible asset value of the Winmax Group amounted to approximately HK\$20.7 million. As a result of the HK Magazines Reorganization which effected in February 2004 including the dividend payment by the Winmax Group to other members of the Group of approximately HK\$31.8 million, and taking into account the operating results of the Winmax Group during the period from 1 October 2003 to 29 February 2004, the unaudited pro forma combined net tangible asset value of the Winmax Group as at 29 February 2004 amounted to approximately HK\$697,000. The pro forma results of the Winmax Group was principally prepared for illustrative purposes and due to its nature, it may not give a true picture of the financial results or position of the Winmax Group.

Shareholding structure

The shareholding structure of the Group and the Winmax Group before and after Completion are as follows:



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Notes:

1. *Shareholding percentage is subject to the Adjustment and the Winmax Call Option.*
2. *Shareholding percentage is subject to the exercise of the Richtop 1st Call Option and the Richtop 2nd Call Option.*

The Group will continue to consolidate its 60% attributable interest in the Winmax Group following Completion. The Company intends to treat its interest in the Winmax Group as long-term investment.

REASONS FOR ENTERING INTO THE SUBSCRIPTION AGREEMENT

To prepare for expansion and fortify its competitive strengths, the Group has re-focused the HK Magazines target demographic to a younger, urban mass market whereby content is less dependent on opinion, is relatively apolitical in nature, and is oriented towards the entertainment, fashion, consumer electronics and other domestic consumption sectors, which is in line with those magazines licensed by the Media2U Group.

The Board considers that with the Subscription and the formation of a business alliance with the Redgate Group, the Group can achieve business synergies for the HK Magazines and other publications of the Group in, among other things, the extent of content supply and the advertising client base. More importantly, the future strategy for the HK Magazines' operations is to continue to develop their early mover status in the PRC, together with the Media2U Group and the Redgate Group, where the consumer magazine sector is at a relatively early stage of development and experiencing significant growth. As stated in *BusinessWeek (10 November 2003 edition)*, the Board notes that print media advertising revenue in the PRC was approximately US\$5.5 billion in 2002 and is growing at approximately 37% annually, surpassing the PRC's already staggering economic growth. The media market is highly fragmented, providing a significant opportunity for a focused consolidator to emerge. Despite impressive growth in advertising expenditures, Chinese media companies and advertisers find that the current media buying landscape is chaotic and cost-inefficient. With tens of thousands of media choices, a company that can offer more efficient ways to place advertisements and exploit cross-media opportunities will create significant value.

In view of the fact that the Group has yet to establish its presence in the PRC, the Board considers that with the Subscription, the Group would gain invaluable experience from the Redgate Group in the PRC magazine and advertising industry, including the advertising client base, audience preferences and magazine networking and database resources, all of which would add value to the Group's business endeavours in expanding into the PRC magazine market in a more effective and efficient manner and with minimal capital commitments.

Following Completion, the future strategic direction of the Group will be to continue to develop and cross promote the HK Magazines, through the networking and expertise of the Redgate Group, into new and existing markets with significant Chinese communities. In addition, the Board will continue enhancing the profile of Winmax, with both the HK Magazines and Media2U Group's businesses penetrating into the PRC magazine and advertising market.

As a result of the Subscription, Winmax will become a 60% non-wholly owned subsidiary of the Company and the Company would record an unaudited profit of approximately HK\$4.8 million based on the latest management accounts of the Group. The gross proceeds of the Subscription will be used as general working capital of the Enlarged Winmax Group with no other specific usage.

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With the aforesaid potential business synergies and strategic values to be gained from the Subscription, the Board considers that the Subscription would enhance the earnings base of the Group and enable the Group to be in an advantageous position in expanding into the consumer magazine market in the PRC.

SGM

The Subscription Agreement constitutes a discloseable transaction of the Company under Rule 14.12(1) of the Listing Rules. As the Subscription Agreement was entered into on 9 March 2004, which was prior to 31 March 2004, it was subject to the old Listing Rules (before taking into account new amendments which take effect on 31 March 2004). Pursuant to paragraph 5 of Practice Note 13 of the Listing Rules, Winmax is a major subsidiary of the Company and the Subscription constitutes a material dilution in Winmax, which requires the consent of Shareholders in a general meeting.

The SGM will be convened at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, on Tuesday, 20 April 2004 at 10:00 a.m.. A notice of the SGM is set out on pages 27 to 28 of this circular at which ordinary resolutions will be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the Winmax Option Agreement and the Media2U Profit Target Agreement). Conch, the controlling Shareholder interested in 252,487,700 Shares, representing approximately 63.54% of the issued share capital of the Company, has indicated to the Company to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the principal place of business of the Company at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong as soon as practicable, and in any event not less than 48 hours before the time fixed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

PROPOSED SPIN-OFF

The Board is pleased to announce that it is considering a possible spin-off of Listco and the listing of its securities on the Stock Exchange or a recognized stock exchange. However, no final decision has yet been made as to whether or not the Proposed Spin-off will be effected and the timing thereof. **There can be no assurance that the Proposed Spin-off will proceed.** Further announcement will be made in relation to the Proposed Spin-off if and when appropriate.

Any listing of the shares of Listco pursuant to the Proposed Spin-off are subject to, among other things, the state of the equity markets, the approvals of the relevant regulatory authorities, and the final decision of the Board and the Shareholders. Shareholders and prospective investors of the Company are reminded to exercise caution when dealing in the Shares.

CONTINUING CONNECTED TRANSACTIONS

The Winmax Group and other members of the Group have entered into and, following Completion, will continue to enter into the continuing services transactions relating to the licensing of intellectual property rights and sharing of services by other members of the Group to the Winmax Group for the operations of the HK Magazines, based on normal commercial terms.

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Redgate Media Inc. and Redgate will become connected persons of the Company upon Completion by virtue of Redgate's 40.0% interest in the issued share capital of Winmax, an indirect non-wholly owned subsidiary of the Company. Winmax will become an associate of Redgate and Redgate Media Inc. and thus is also a connected person of the Company. The continuing services transactions between the Winmax Group and other members of the Group will then constitute continuing connected transactions for the Company upon Completion.

Further details of these continuing connected transactions will be contained in a separate announcement to be made by the Company in due course.

RECOMMENDATIONS

The Directors consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions as set out in the notice of the SGM.

Your attention is hereby drawn to the information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Ming Pao Enterprise Corporation Limited
Tiong Kiew Chiong
Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

(a) Disclosure of interests by the Directors

As at the Latest Practicable Date, the interests of each Director and chief executives of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

(i) *Interests in Shares*

Name of Director	Number of Shares held			Total interests in Shares	Percentage of issued Shares
	Personal interests	Family interests	Corporate interests (note)		
Tan Sri Datuk Tiong Hiew King	150,000	—	252,487,700	252,637,700	63.58%
Dr. Tiong Ik King	—	—	252,487,700	252,487,700	63.54%
Mr. Tiong Kiu King	611,000	147,000	—	758,000	0.19%
Mr. Tiong Kiew Chiong	1,200,000	—	—	1,200,000	0.30%

Note: The corporate interests of Tan Sri Datuk Tiong Hiew King and Dr. Tiong Ik King in the Company are jointly held through Conch which owns 252,487,700 Shares. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk Tiong Hiew King and Dr. Tiong Ik King. In addition, Tan Sri Datuk Tiong Hiew King and Dr. Tiong Ik King directly hold 25% and 22% of the interest in Conch respectively.

(ii) *Interests in share options granted by the Company*

Name of Director	Underlying Shares granted pursuant to the share options	Percentage of issued Shares	Exercise price per share HK\$	Date of grant	Exercisable period
Tan Sri Datuk Tiong Hiew King	300,000	0.075%	1.592	31/08/2001	01/09/2001–20/08/2011
Tan Sri Datuk Tiong Hiew King	300,000	0.075%	1.800	15/09/2003	16/09/2003–20/08/2011
Mr. Tiong Kiu King	300,000	0.075%	1.592	31/08/2001	01/09/2001–20/08/2011
Mr. Tiong Kiu King	300,000	0.075%	1.800	15/09/2003	16/09/2003–20/08/2011
Dr. Tiong Ik King	300,000	0.075%	1.592	31/08/2001	01/09/2001–20/08/2011
Dr. Tiong Ik King	300,000	0.075%	1.800	15/09/2003	16/09/2003–20/08/2011
Mr. Tiong Kiew Chiong	300,000	0.075%	1.592	31/08/2001	01/09/2001–20/08/2011
Mr. Tiong Kiew Chiong	300,000	0.075%	1.800	15/09/2003	16/09/2003–20/08/2011
	<u>2,400,000</u>	<u>0.600%</u>			

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company was interested in the equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

- (b) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group or is competing with the Group.
- (c) As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.
- (d) As at the Latest Practicable Date, G.K. Goh Securities (H.K.) Limited did not have any shareholding in any member of the Group or any right or option to subscribe for or nominate persons to subscribe for shares in any member of the Group.
- (e) As at the Latest Practicable Date, neither the Directors nor G.K. Goh Securities (H.K.) Limited had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company, or was proposed to be acquired, or disposed of by, or leased to the Company, since 31 March 2003, the date to which the latest published audited accounts of the Company were made up.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, the persons, other than a Director or chief executives of the Company, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Number of Shares held	Percentage of issued Shares
Conch	252,487,700	63.54%
Dr. Louis Cha (<i>note</i>)	40,463,400	10.18%

All the interests stated above represent long positions in the Shares.

Note: Dr. Louis Cha beneficially owns 38,798,400 Shares and Snowdrop Limited, a company wholly owned by Dr. Louis Cha, owns 1,665,000 Shares.

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

According to Bye-Law 70 of the Company's Bye-Laws, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the Chairman of such meeting; or
- (ii) by at least three shareholders present in person or by a duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or
- (iv) by a shareholder or shareholders present in person or by a duly authorized corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a shareholder or in the case of a shareholder being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a shareholder.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2003 (being the date of which the latest published audited accounts of the Company were made up).

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries.

QUALIFICATION AND CONSENT

LLinks Law Office is the PRC legal adviser. LLinks Law Office has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, LLinks Law Office did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

GENERAL

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (b) The principal registrars and transfer office of the Company is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke, Bermuda.
- (c) The Hong Kong branch registrars of the Company is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The secretary of the Company is Ms. Law Yuk Kuen, an associate of the Hong Kong Society of Accountants and a fellow of the Association of Chartered Certified Accountants.
- (e) The English text of this circular shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of Heller Ehrman White & McAuliffe at 35th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong up to and including 20 April 2004 and at the SGM:

- (a) the Subscription Agreement;
- (b) the Winmax Option Agreement;
- (c) the Media2U Profit Target Agreement;
- (d) the Shareholders' Agreement;
- (e) Richtop 1st Option Agreement;
- (f) Richtop 2nd Option Agreement; and
- (g) the legal opinion prepared by LLinks Law Office dated 1 April 2004 in relation to the Contractual Arrangements.



MING PAO ENTERPRISE CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Ming Pao Enterprise Corporation Limited (the “**Company**”) will be held at 10:00 a.m., on Tuesday, 20 April 2004 at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong for the purpose of considering and, if thought fit, passing (with or without modifications) each of the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the conditional subscription agreement (a copy of which marked “A” has been produced to the meeting and signed by the Chairman for the purpose of identification) made between Winmax Resources Limited (“**Winmax**”), Redgate Media (HK) Limited (“**Redgate**”), the Company and Redgate Media Inc. dated 9 March 2004, as amended by a supplemental agreement dated 11 March 2004 (the “**Subscription Agreement**”), in relation to the subscription by Redgate of 40,000 shares of US\$0.01 each in the issued share capital of Winmax (“**Winmax Shares**”) (details of which are set out in the circular of the Company dated 3 April 2004 to its shareholders (the “**Circular**”)) and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed, and **THAT** the entering into of the Subscription Agreement and all other agreements, deeds and any other documents in relation thereto by the Company and its subsidiaries be approved, ratified and confirmed.”
2. “**THAT** the option agreement (a copy of which marked “B” has been produced to the meeting and signed by the Chairman for the purpose of identification) made between Starsome Limited (“**Starsome**”) and Redgate dated 9 March 2004 (the “**Winmax Option Agreement**”) in relation to the granting of a call option entitling Redgate to require Starsome to sell up to 7.87% of the total number of Winmax Shares to Redgate (details of which are set out in the Circular) and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed, and **THAT** the entering into of the Winmax Option Agreement and all other agreements, deeds and any other documents in relation thereto by the Company and its subsidiaries be approved, ratified and confirmed.”
3. “**THAT** the profit target agreement (a copy of which marked “C” has been produced to the meeting and signed by the Chairman for the purpose of identification) made between Starsome and Redgate dated 9 March 2004 (the “**Media2U Profit Target Agreement**”) in relation to the aggregate targeted profit to be achieved by Media2U (BVI) Company Limited and its subsidiaries (details of which are set out in the Circular) and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed, and **THAT** the entering into of the Media2U Profit Target Agreement and all other agreements, deeds and any other documents in relation thereto by the Company and its subsidiaries be approved, ratified and confirmed.”

NOTICE OF SGM

4. “**THAT** the shareholders’ agreement (a copy of which marked “D” has been produced to the meeting and signed by the Chairman for the purpose of identification) made between Starsome, Redgate and Winmax dated 9 March 2004 (the “**Shareholders’ Agreement**”) in relation to the rights and obligations of each of the shareholders of Winmax in Winmax (details of which are set out in the Circular) and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed, and **THAT** the entering into of the Shareholders’ Agreement and all other agreements, deeds and any other documents in relation thereto by the Company and its subsidiaries be approved, ratified and confirmed.”
5. “**THAT** the directors of the Company be and are hereby authorized to do all such things and execute all such documents as they in their absolute discretion deem fit or appropriate to give effect to the Subscription Agreement, Winmax Option Agreement, Media2U Profit Target Agreement and the Shareholders’ Agreement and the implementation of all transactions contemplated thereunder.”

By Order of the Board
Ming Pao Enterprise Corporation Limited
Law Yuk Kuen
Company Secretary

Hong Kong, 3 April 2004

NOTES:

1. A member of the Company entitled to attend and vote at the Special General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company’s Bye-Laws. A proxy need not be a member of the Company.
2. A form of proxy for use at the Special General Meeting is enclosed herewith.
3. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged at the principal place of business of the Company in Hong Kong at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong, not less than 48 hours before the appointed time for holding the Special General Meeting or any adjournment thereof (as the case may be) and in default thereof the form of proxy and such power or authority shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Special General Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.



MING PAO ENTERPRISE CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

Proxy Form for use at the Special General Meeting to be held on Tuesday, 20 April 2004 at 10:00 a.m.

I/We^(note 1) _____
of _____
being the registered holder(s) of ^(note 2) _____
shares of HK\$0.10 each in the capital of MING PAO ENTERPRISE CORPORATION LIMITED (the
“Company”) hereby appoint ^(note 3) _____
of _____
or failing him _____
of _____
or failing him, the Chairman of the meeting to act as my/our proxy to attend and vote for me/us at the special
general meeting of the Company to be held at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street,
Chai Wan, Hong Kong on Tuesday, 20 April 2004 at 10:00 a.m. and at any adjournment thereof as indicated
below or, if no such indication is given, as my/our proxy thinks fit.

	For ^(note 4)	Against ^(note 4)
Ordinary Resolution No. 1		
Ordinary Resolution No. 2		
Ordinary Resolution No. 3		
Ordinary Resolution No. 4		
Ordinary Resolution No. 5		

Dated: _____ 2004 Shareholder’s Signature^(note 5): _____

- Notes:
1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
 2. Please insert the number of shares of HK\$0.10 each registered in your name(s). If no number is inserted, this proxy form will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
 3. Please insert the name and address of the proxy desired. **IF NO NAME IS INSERTED, THE CHAIRMAN OF THE MEETING WILL ACT AS YOUR PROXY.**
 4. **IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, PLEASE PLACE A “√” IN THE RELEVANT BOX MARKED “FOR” BESIDE THE APPROPRIATE RESOLUTION, IF YOU WISH TO VOTE AGAINST A RESOLUTION, PLEASE PLACE A “√” IN THE RELEVANT BOX MARKED “AGAINST” BESIDE THE APPROPRIATE RESOLUTION.** Failure to complete the boxes will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those referred to in the notice convening the meeting.
 5. This proxy form must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, this proxy form must be under its common seal or under the hand of an officer or attorney duly authorized.
 6. If more than one of the joint holders are present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members in respect of the relevant shares will alone be entitled to vote in respect of them.
 7. To be valid, this proxy form, together with any power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be lodged with the head office and principal place of business of the Company at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
 8. A proxy need not be a member of the Company, but must attend the meeting in person to represent you.
 9. Any alterations made in this form should be initialled by the person who signs it.
 10. Completion and deposit of the proxy form will not preclude you from attending and voting at the meeting if you so wish.