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Third Quarterly Report 2003

二零零三年第三季度業績報告



Media Partners International Holdings Inc.
媒體伯樂集團有限公司



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HIGHLIGHTS:

The Group has recovered from SARS. The Group's Mainland China operations, Hong Kong operations as well as the overall results reverted to a profit for the third quarter and surpassed the third quarter of 2002.

- *Mainland China operations
 - *Turnover for the third quarter improved by 33% compared with the second quarter of 2003, and represented growth of 20% compared with the third quarter of 2002.*
 - *Metro advertising business continues to grow. Turnover growth in the second quarter was 28% compared with the first quarter and there was further growth of 10% in the third quarter. Turnover in the third quarter also recorded a growth of 34% compared with the third quarter of 2002.*
 - *Profit before taxation and interest for the third quarter amounted to HK\$9.4 million, a growth of 98% compared with the second quarter of 2003 and of 22% compared with the third quarter of 2002.*
 - *Mainland China operations reverted to a net profit of HK\$1.3 million for the third quarter, an improvement of HK\$4.4 million compared with the second quarter and of HK\$11.8 million compared with the first quarter of 2003.**
- *Hong Kong operations
 - *Hong Kong operations reverted to a net profit of HK\$0.6 million for the third quarter, an improvement of HK\$4.6 million compared with the second quarter of 2003 and of HK\$6.5 million compared with the third quarter of 2002.**
- *The Group's profit before taxation and interest for the third quarter amounted to HK\$9.2 million, an improvement of HK\$9.3 million compared with the second quarter of 2003 and of HK\$8.2 million compared with the third quarter of 2002.*
- *The Group's financial position remains healthy with cash and cash equivalents of HK\$157.1 million and net cash inflow from operations amounted to HK\$12.3 million for the third quarter.*
- *The Group through its Shanghai Metro Joint Venture secured the advertising rights to Xin Min Line, an extension line of Shanghai Metro, for a term of 10 years.*
- *The Group signed two agency agreements with Oricom and Poster Publicity to further broaden the Group's multinational client portfolios.*



MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

In the first half of the year, the outbreak of the war in Iraq and the Severe Acute Respiratory Syndrome ("SARS") had an adverse effect on and caused uncertainties to the global economy. These unfavourable conditions hampered the rebound of the Hong Kong economy and slowed down the economic growth in Mainland China, hindering the progress of the Group's business development. However, in the second half of 2003, the spread of SARS was controlled and the economies of both Mainland China and Hong Kong have been recovering gradually. The Group's outdoor advertising business in the third quarter showed an improvement as a result of the improving market sentiment and its advertising business in Mainland China recorded growth of 33% compared with the second quarter. The Group's Mainland China operations, Hong Kong operations and the overall results reverted to a quarterly profit in the third quarter. The recovery post-SARS was in line with the Group's anticipation in the first half of the year that the impact of the SARS outbreak was only temporary.

The growing economy in Mainland China and strong growth in consumer markets have stimulated the advertising industry, bringing rapid growth to the outdoor advertising industry. According to industry research, total advertising spending in Mainland China has been growing at double-digit rates since the early 1990s and is expected to reach approximately US\$10 billion this year. The Mainland China operations have always been the Group's growth driver and now account for approximately 80% of total turnover. In view of the market potential in the region, the Group has strengthened its solid foundation. The Group has recorded growth in the third quarter in both revenue and profit from its Mainland China operations.

In Hong Kong, the recent and anticipated continuing influx of mainland tourists and the conclusion of the Mainland/Hong Kong Closer Economic Partnership Arrangement ("CEPA") has helped boost economic recovery. Market sentiment has picked up and has stimulated consumer confidence. The recovery of the overall economy has encouraged advertisers to spend more on advertising which should benefit the Group. On the other hand, the Group's cost control measures adopted during the economic downturn have paved the way for a business turnaround in the third quarter on top of the improvement in the market environment. For the three months ended 30 September 2003, the Group recorded a quarterly profit from its Hong Kong operations.



Major New Business Developments

To capture the market potential within the outdoor advertising industry, the Group has taken an active but cautious approach in media expansion, especially in the transit advertising media arena where the Group's core business lies.

Metro advertising is the Group's major business focus. The Group's metro advertising business continues to grow. The growth in the second quarter was 28% compared with the first quarter and there was further growth of 10% in the third quarter. Leveraging its prevailing strong foothold in metro advertising, the Group secured exclusive advertising rights to the Extension Line ("Xin Min Line") of Shanghai Metro Line 1 for a term of 10 years through the Group's Shanghai Metro Joint Venture in July 2003. The award of this advertising concession demonstrates the strong reputation enjoyed by the Group in addition to the Group's professional management of existing advertising within the current metro system. Such exclusive advertising rights to the Xin Min Line are expected to create synergies with the Group's present metro media within Shanghai Metro Line 1, enabling it to provide comprehensive metro advertising packages for the Group's clients.

It is noted that Japanese car manufacturers, electrical appliance and beauty product manufacturers are increasing their interest in advertising in mass transit systems in Mainland China's main cities to boost their popularity. In September this year, the Group entered into an advertising agency agreement with Oricom Company Limited ("Oricom"), a leading metro advertising corporation in Japan. The Group and Oricom are now advertising agents for each other's metro advertising networks, allowing both companies to refer clients to each other, thus establishing a new channel for extending the Group's client base. Oricom, which has many years' experience in the metro advertising industry in Japan, will bring its experience to the Group to enable the Group to enhance further its metro advertising management system.

In the period under review, the Group also entered into an advertising agency agreement with Poster Publicity Limited, a leading European out-of-home advertising specialist. This move is aimed to help the Group further broaden its multinational client base and enrich its client portfolio.



As at 30 September 2003, the Group had over 55,200 advertising spaces in Mainland China and Hong Kong.

Types of media	Location	Advertising spaces At 30th September, 2003
Transport		
Bus bodies	Mainland China	Over 16,100
Metro lines	Mainland China and Hong Kong	Over 35,300
Taxis	Hong Kong	Over 800
Billboards and street furniture		
	Mainland China and Hong Kong	Over 3,000
Total:		Over 55,200

Financial Review

For the three months ended

	Mainland China			Hong Kong			Unallocated			Total		
	30 Sep 2003	30 Jun 2003	31 Mar 2003	30 Sep 2003	30 Jun 2003	31 Mar 2003	30 Sep 2003	30 Jun 2003	31 Mar 2003	30 Sep 2003	30 Jun 2003	31 Mar 2003
<i>HK\$ '000</i>												
Turnover	63,208	47,588	46,314	13,166	13,561	17,227	-	-	-	76,374	61,149	63,541
EBITDA ¹	13,729	8,072	2,457	276	(3,919)	(3,983)	(985)	(1,059)	(809)	13,020	3,094	(2,335)
Adjusted EBITDA ²	17,896	12,852	4,037	841	(3,827)	(3,850)	(985)	(1,059)	(809)	17,752	7,966	(622)
Profit/(loss) attributable to shareholders	1,313	(3,054)	(10,531)	629	(3,965)	(4,281)	(1,253)	(1,347)	(1,071)	689	(8,366)	(15,883)

For the three months ended 30 September,

	Mainland China		Hong Kong		Unallocated		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
<i>HK\$ '000</i>								
Turnover	63,208	52,463	13,166	18,446	-	-	76,374	70,909
EBITDA ¹	13,729	9,293	276	(6,126)	(985)	(1,197)	13,020	1,970
Adjusted EBITDA ²	17,896	12,733	841	(5,426)	(985)	(1,197)	17,752	6,110
Profit/(loss) attributable to shareholders	1,313	1,380	629	(5,825)	(1,253)	(1,733)	689	(6,178)

Notes:

- EBITDA is defined as earnings before interest expense, tax, depreciation and amortization.
- Adjusted EBITDA is defined as earnings before interest expenses, tax, depreciation and amortization, minority interests and including the Group's share of profits of jointly controlled entities and associates.



Turnover

The Group's turnover for the nine months ended 30 September 2003 amounted to HK\$201.1 million, representing a drop of 5% compared with the corresponding period of 2002. The Group's turnover for the post-SARS third quarter of 2003 amounted to HK\$76.4 million, representing an increase of 25% compared with the second quarter of 2003 and an increase of 8% compared with the corresponding quarter of 2002.

Turnover from the Mainland China operations for the third quarter of 2003 amounted to HK\$63.2 million which represented an increase of 33% compared with the second quarter of 2003 and an increase of 20% compared with the corresponding quarter of 2002. The turnover from the Mainland China operations for the nine months ended 30 September 2003 was maintained at the same level of the corresponding period in 2002 at HK\$157.1 million.

Turnover from the Hong Kong operations for the third quarter of 2003 amounted to HK\$13.2 million which represented a decrease of 3% compared with the second quarter of 2003 and a decrease of 29% compared with corresponding quarter of 2002. The decrease was mainly due to a decreasing number of media spaces upon expiry of certain site rental contracts.

The Mainland China operations continued to be the focus of the Group and the turnover from the Mainland China operations for the third quarter of 2003 accounted for 83% of the Group's turnover (the third quarter of 2002: 74%).

Combined turnover of the Group, including the turnover of the three jointly controlled entities (Shanghai Metro JV, Guangzhou Metro JV and Shanghai Production JV) and the associate (POAD), for the third quarter of 2003 amounted to HK\$144.9 million and represented an increase of 22% compared with the second quarter of 2003 and an increase of 26% compared with corresponding quarter of 2002.

Advertising on bus bodies and in metro systems for the third quarter of 2003 together represented 54% of the combined turnover, which is slightly less than the 56% for the corresponding quarter of 2002. This is because the Group's revenues from billboard media has increased to 28% (the third quarter of 2002: 24%) as a result of the Group's strategic alliance with Shanghai Tulip Advertising Co., Ltd ("STA") to expand the billboard outdoor advertising business in Shanghai.



Operating expenses

Site rentals, being the largest component of the Group's operating expenses, amounted to HK\$77.7 million for the nine months ended 30 September 2003, representing an increase of 13% compared with the corresponding period of 2002. The increase was mainly due to certain advertising concessions from new media, including the Beijing Light Rail advertising concession and bus bodies advertising concessions, which commenced operations this year. Site rentals for the third quarter of 2003 amounted to HK\$23.8 million, maintained at similar level to the first and second quarters of 2003. Other direct costs are mainly variable costs and comprised media buying, business tax and production costs.

Staff costs, including directors' fees, of the Group for the nine months ended 30 September 2003 amounted to HK\$22.4 million, representing a decrease of 8% compared with the corresponding period of 2002. Such decrease was mainly due to a decrease in the number of employees as a result of redundancies in the Hong Kong office and an adjustment made for the over-provision of staff social welfare insurance.

The total number of employees in September 2003 was 271 (September 2002: 273). The number of employees in Hong Kong decreased by 10 from 30 in September 2002 to 20 in September 2003. The decrease in number of employees in Hong Kong was due to redundancies in the Hong Kong office as a result of the downsizing of the Hong Kong operations. The number of employees in Mainland China increased by 8 from 243 in September 2002 to 251 in September 2003. All the new recruits were sales professionals for development of National Key Accounts and new media, including the Beijing Light Rail System which commenced operations this year.

Other operating expenses of the Group for the nine months ended 30 September 2003 amounted to HK\$25.0 million (nine months ended 30 September 2002: HK\$18.3 million), including a provision for bad and doubtful debts of HK\$3.9 million (nine months ended 30 September 2002: HK\$1.2 million). The provision for bad and doubtful debts for the nine months ended 30 September 2003 as a percentage to turnover was maintained at less than 2%. Other operating expenses, excluding the provision for bad and doubtful debts for the nine months ended 30 September 2003, amounted to HK\$21.1 million, representing an increase of HK\$4.0 million compared with the nine months ended 30 September 2002. Higher operating expenses were mainly due to increases in office rentals for offices established after the first quarter of 2002 and an increase in marketing expenses for advertising surveys in order to enhance the Group's forward planning of the outdoor advertising market in Mainland China. Other operating expenses, excluding the provision for bad and doubtful debts for the third quarter of 2003, were maintained at the same level as for the second quarter of 2003.



Results from operations

Results from operations for the third quarter reverted to a profit of HK\$2.3 million, an improvement of HK\$8.8 million compared with the second quarter of 2003 and an improvement of HK\$7.7 million compared with the corresponding quarter of 2002. Taking into account the Group's attributable share of profits from the jointly controlled entities and the associate, the profit before taxation and interest for the third quarter amounted to HK\$9.2 million, an improvement of HK\$9.3 million compared with the second quarter of 2003 and an improvement of HK\$8.2 million compared with the corresponding quarter of 2002.

Finance costs

Finance costs for the nine months ended 30 September 2003 increased by HK\$2.3 million to HK\$10.0 million compared with the corresponding period of 2002. The increase was mainly due to interest in respect of bank loans of HK\$35.8 million for the strategic alliance with STA and HK\$74.8 million reserved for the Beijing Light Rail advertising concession. The bank loan for the Beijing Light Rail advertising concession is a short term arrangement and upon the increase of registered capital of Shanghai MPI, such bank loan will no longer be required.

EBITDA and profit/loss attributable to shareholders

EBITDA and adjusted EBITDA of the Group for the nine months ended 30 September 2003 were HK\$13.8 million (nine months ended 30 September 2002: HK\$23.8 million) and HK\$25.1 million (nine months ended 30 September 2002: HK\$34.2 million) respectively. The decrease was mainly due to the decrease in the Group's turnover as a result of the outbreak of SARS in the first half of 2003.

EBITDA and adjusted EBITDA of the Group for the third quarter of 2003 were HK\$13.0 million and HK\$17.8 million respectively, represented approximately four-fold growth and two-fold growth respectively compared with the second quarter of 2003 and represented approximately six-fold growth and three-fold growth respectively compared with the corresponding quarter of 2002.

The profit attributable to shareholders for the third quarter of 2003 was HK\$0.7 million, representing an improvement of HK\$9.1 million compared with the second quarter of 2003. The improvement was the result of overall improvement in turnover post-SARS and the implementation of cost control measures.



Segment Analysis

Mainland China operations

Turnover from the Mainland China operations for the third quarter of 2003 amounted to HK\$63.2 million which represented an increase of 33% compared with the second quarter of 2003 and an increase of 20% compared with the corresponding quarter of 2002. The turnover from the Mainland China operations for the nine months ended 30 September 2003 was maintained at the same level of the corresponding period in 2002 at HK\$157.1 million.

Combined turnover, including the turnover of the two metro joint ventures and the production joint venture, for the third quarter of 2003 increased by 23% to HK\$105.0 million, compared with the second quarter of 2003 and increased by 33% compared with the corresponding quarter of 2002. Of the combined turnover, advertising on bus bodies and metro systems, in aggregate, accounted for 72% (the third quarter of 2002: 77%) and advertising on billboards accounted for 6% (the third quarter of 2002: 2%).

Bus advertising

Turnover from bus advertising for the nine months ended 30 September 2003 amounted to HK\$94.9 million, representing a decrease of 13% compared with the corresponding period of 2002. The decrease was due to the effect of SARS in the first half of 2003 when services of certain air-conditioned buses were suspended. Post-SARS, turnover of the Group's bus advertising business has improved. Turnover from bus advertising for the third quarter amounted to HK\$38.7 million, representing an increase of 37% compared with the second quarter of 2003 and an increase of 14% compared with the corresponding quarter of 2002.

The Group's operating profit from Mainland China operations, which was mainly from the bus advertising business, reverted to a profit of HK\$3.2 million for the third quarter of 2003. This represented an improvement of HK\$4.7 million compared with the second quarter of 2003 and represented an improvement of HK\$1.0 million compared with the corresponding quarter of 2002.

Metro advertising

Turnover from the two metro joint ventures continued to grow and amounted to HK\$35.9 million for the third quarter of 2003 and HK\$93.8 million for the nine months ended 30 September 2003, increased by 34% and 22% respectively compared with the corresponding period of 2002. Turnover from the two metro joint ventures for the third quarter also represented 10% growth compared with the second quarter of 2003.



The Group's share of profits from these two metro joint ventures for the nine months ended 30 September 2003 amounted to HK\$13.7 million, an increase of 24% compared with HK\$11.0 million for the corresponding period of 2002. The share of profits from these two metro joint ventures for the third quarter amounted to HK\$6.2 million and represented an increase of 12% compared with the corresponding quarter of 2002.

Billboard advertising

Turnover from billboards for the nine months ended 30 September 2003 amounted to HK\$19.9 million (nine months ended 30 September 2002: HK\$7.1 million), an increase of HK\$12.8 million. The increase was principally as a result of the Group's alliance with STA, a major outdoor advertising operator in the billboard sector. The strategic alliance with STA does not only demonstrate the Group's commitment to enriching its media portfolio and strengthening its presence outside its extensive transport media network in Shanghai, but also provides a more comprehensive outdoor advertising media package for the Group's clients. This diversification into other outdoor media formats beyond the transport sector will both expand the clientele of the two companies and maximize synergies.

Operating expenses

Staff costs for the Mainland China operations for the nine months ended 30 September 2003 amounted to HK\$16.9 million and were maintained at the same level as for the corresponding period of 2002.

Other operating expenses for the nine months ended 30 September 2003 amounted to HK\$21.0 million, including a provision for bad and doubtful debts of HK\$3.5 million. Other operating expenses, excluding the provision for bad and doubtful debts for the nine months ended 30 September 2003, increased by HK\$4.7 million compared with the nine months ended 30 September 2002. Higher operating expenses were mainly due to increases in office rental for offices established after the first quarter of 2002 and an increase in marketing expenses. Other operating expenses, excluding the provision for bad and doubtful debts for the third quarter of 2003, were maintained at the same level as for the second quarter of 2003 and represented a decrease of 16% compared with the first quarter of 2003. The decrease was mainly a result of the adoption of cost control measurements.



Results from operations

With the implementation of cost control measures by the Group and containment of SARS outbreak, the Group's Mainland China operations reverted to a net profit of HK\$1.3 million for the third quarter, which represented an improvement of HK\$4.4 million compared with the second quarter and an improvement of HK\$11.8 million compared with the first quarter of 2003. EBITDA and adjusted EBITDA for the third quarter were HK\$13.7 million and HK\$17.9 million respectively, represented an increase of 70% and 39% respectively compared with the second quarter of 2003, and represented an increase of 48% and 41% respectively compared with the corresponding quarter of 2002.

Hong Kong operations

Turnover from the Hong Kong operations for the nine months ended 30 September 2003 amounted to HK\$44.0 million, a decrease of 18% compared with the nine months ended 30 September 2002. The decrease was mainly due to the outbreak of SARS and a decreasing number of media spaces upon expiry of certain site rental contracts. Turnover from the Hong Kong operations for the third quarter of 2003 amounted to HK\$13.2 million, a decrease of 3% compared with the second quarter of 2003. The slight decrease was due to a decreasing number of media spaces upon expiry of certain site rental contracts offset by the post-SARS improvement in turnover.

Despite the decrease in turnover, the Hong Kong operations generated a net profit of HK\$0.6 million in the third quarter, representing an improvement of HK\$4.6 million compared with the second quarter of 2003 and an improvement of HK\$6.5 million compared with the corresponding quarter of 2002. This was the result of expiry of certain loss-making site rental contracts and the implementation of cost reduction measures, including redundancies carried out in the Hong Kong office during the second quarter. The number of employees in the Hong Kong office was reduced by 33% from 30 employees in the first half of 2003 to 20 employees in the third quarter. Staff costs for the third quarter of 2003, therefore, reduced to HK\$1.3 million, a decrease of 26% compared with the second quarter of 2003.

The Group considers that the lowering guaranteed payments for advertising sites and overheads has helped it to maintain its competitive edge in Hong Kong and to improve the returns in the future.



OUTLOOK

With the containment of the SARS outbreak and with the continuing growth of the Mainland China market, it is expected that the Group's newly acquired portfolio of advertising media will become more mature and increasingly accepted by advertisers. With further efforts from the sales teams, the Group expects further improvement in revenues in the forthcoming quarters.

Mainland China

Following the accession to the World Trade Organization and increasing momentum driven by the 2008 Olympic Games in Beijing and the 2010 World Expo in Shanghai, numerous foreign brands have already identified Mainland China as the ideal market with enormous potential. This positive perception is based on the fact that China has successfully weathered the global recession compared to other markets, in view of its persistent GDP growth which remains at around 8% per annum. With nearly 10 years experience in the outdoor advertising industry, the Group is poised to benefit from the influx of these foreign brands, many of which are seeking veterans to work with them in exploring this immense market. At the same time, local brands require the assistance of professional industry players to enable them to compete against the overseas players.

In view of the encouraging performance of the Group's metro joint ventures, the Group recently secured exclusive advertising rights to the Xin Min Line. The Xin Min Line is expected to be in full operation by end of this year. The Group considers securing exclusive advertising rights to the Xin Min Line will create synergy with the Group's present metro advertising media within Shanghai Metro Line 1. As the focus of the Group's strategy will continue to be on transport advertising (especially metro advertising), the Group intends to participate in the bidding for the advertising rights for more metro lines, by leveraging the Group's extensive advertising experience gained with the Shanghai, Beijing and Guangzhou metro lines, thereby expanding the Group's nationwide coverage of transport systems.

Metro systems have proven to be one of the most powerful mass market advertising channels as they allow advertisers to present highly visible and attention grabbing marketing campaigns to hundreds of thousands of potential customers. As such, the Group will continue to evaluate and secure exclusive advertising rights to metro advertising media in major cities, such as Nanjing and Shenzhen, as and when such opportunities arise, provided they meet with the Group's prevailing investment criteria.



The Group's bus advertising media network already covers the major cities in Mainland China. As such, the Group will be cautious in further expansion of its bus advertising media network and will only consider those bus media in cities with high advertising potential, such as Shanghai.

Leveraging its existing extensive advertising media network and its advertising experience in the Greater China region, the Group will be active, yet cautious, in seeking opportunities to expand its advertising media network into other forms of outdoor advertising media. The Group will also continue to seek strategic alliances with leading overseas outdoor advertising operators, so that the Group will become their preferred outdoor advertising agency in Mainland China. These relationships will also facilitate the Group's overseas media placement which will extend the Group's services to its clients in Mainland China.

Hong Kong

The economy in Hong Kong has gradually been recovering after the SARS crisis. Following the signing of the CEPA and Mainland China government's easing of individual travel restrictions this year, the overall market sentiment has been improving in recent months. With the improved market sentiment and the lowering of site rental commitments, the Group considers its Hong Kong operations should enhance its competitiveness.

Financial Position

The Group continues to be in a stable and healthy financial position. Despite sustaining a loss for the nine months ended 30 September 2003, the Group generated a net cashflow of HK\$30.6 million from operating activities for the nine months ended 30 September 2003. Cash and bank balances at 30 September 2003 amounted to HK\$157.1 million (30 June 2003: HK\$141.7 million). Pledged deposits with banks for banking facilities made available to the Group as at 30 September, 2003 amounted to HK\$203.5 million (30 June 2003: HK\$203.4 million).

As at 30 September 2003, the Group had bank loans of HK\$257.4 million and a long-term Convertible Bond of HK\$85.0 million issued to the majority shareholder. The cash balance net of bank loans amounted to HK\$103.2 million as at 30 September 2003. As at 30 September 2003, the Group had a net cash balance of HK\$18.2 million which was calculated as the cash and cash equivalents plus pledged bank deposits less bank loans and the Convertible Bond. The current ratio was 125% with HK\$502.1 million of current assets against HK\$402.1 million of current liabilities and net assets per share amounted to HK\$0.5 per share.



The Group's assets, liabilities, revenues and expenses are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The exchange rate between Hong Kong dollars and United States dollars is pegged and the exchange rate between Renminbi and Hong Kong dollars has been very steady in the past few years. During the nine months ended 30 September 2003, the Group normally used the receipts from customers and bank loans to pay its suppliers and meet its capital requirements. These are denominated in the local currency of the place in which its joint ventures operate. The Group does not currently engage in hedging to manage possible exchange risk as the Group considers the cost associated with such hedging arrangements would exceed the benefits. However, the management will continue to monitor the relevant circumstances and will take such measures as it deems prudent.

The Group expects that internal reserves and cash flows from future operating activities and its available banking facilities will be sufficient to cover its future business operations.

The debt maturity profile of the Group as at 30 September 2003 was unchanged from 30 June 2003 and is analysed as follows:

Type of debt	Debt maturity	HK\$ Million	%
Short term bank loans	Repayable within 1 year	257.4	75
Convertible Bond	Repayable over 1 year to 3 years	85.0	25
Total:		342.4	100

Out of the total borrowings of HK\$342.4 million, HK\$251.6 million was denominated in Renminbi and HK\$90.8 million was denominated in Hong Kong dollars. Bank loans of HK\$257.4 million as at 30 September 2003, were secured by cash deposits of HK\$199.6 million. Interest rates for bank borrowings denominated in Hong Kong dollars were at 0.75% over the bank's funding rate and interest rates for bank borrowings denominated in Renminbi ranged from 90% of the lending rate of the People's Bank of China ("PBOC") to 120% of the lending rate of the PBOC.

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial condition of its customers. To manage liquidity risk, the Finance Committee closely monitors the Group's liquidity position to ensure the liquidity structure of the Group's assets, liabilities and commitments and to ensure that the Group can meet its funding requirements.



Employee information

The Group had a total of 271 (30 September 2002: 273) employees, of which 251 (30 September 2002: 243) were located in Mainland China and 20 (30 September 2002: 30) in Hong Kong, at 30 September 2003. Total salaries and related costs incurred in the nine months ended 30 September 2003 including directors' emoluments, amounted to HK\$22.4 million (nine months ended 30 September 2002: HK\$24.4 million).

The salary and benefit levels of the Group's employees are kept at a market competitive level and employees are rewarded on a performance related basis. Staff benefits, including medical coverage and provident funds are also provided to employees. In addition, training and development programmes are provided on an ongoing basis. Social, sporting and recreational activities were arranged during the year for employees.

The Group has adopted a share option scheme whereby selected employees of the Group may be granted share options to subscribe for shares of the Company for the purpose of recognizing the contribution made by such employees and retaining the services of the employees who will continue to make a valuable contribution to the Group.

Significant investments and acquisitions

Since 30 June 2003, the Group had no significant investments nor acquisitions.



QUARTERLY RESULTS FOR THE PERIOD ENDED 30TH SEPTEMBER, 2003 – UNAUDITED

The Board of Directors (the “Board”) of Media Partners International Holdings Inc. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three and nine months ended 30th September, 2003 together with the comparative figures for the corresponding period in 2002 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three and nine months ended 30th September, 2003 – UNAUDITED

	Note	For the three months ended 30th September,		For the nine months ended 30th September,	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Operating revenue					
Turnover	2	76,374	70,909	201,064	210,952
Other revenue		2,857	2,789	11,544	12,737
Other net income		40	-	40	205
Operating expenses					
Site rental		(23,754)	(24,898)	(77,746)	(68,706)
Other direct costs		(27,317)	(31,846)	(73,684)	(88,669)
Staff costs		(6,714)	(8,000)	(22,438)	(24,396)
Depreciation and amortization		(10,715)	(7,413)	(29,536)	(26,253)
Other operating expenses		(8,466)	(6,984)	(25,001)	(18,301)
Profit/(loss) from operations		2,305	(5,443)	(15,757)	(2,431)
Finance costs		(3,239)	(2,866)	(10,002)	(7,672)
Share of profits less losses of associates		684	908	1,038	1,559
Share of profits less losses of jointly controlled entities		6,189	5,536	13,657	10,970
Profit/(loss) from ordinary activities before taxation		5,939	(1,865)	(11,064)	2,426
Taxation	3	(4,453)	(3,778)	(10,571)	(10,097)
Profit/(loss) from ordinary activities after taxation		1,486	(5,643)	(21,635)	(7,671)
Minority interests		(797)	(535)	(1,925)	(2,368)
Profit/(loss) attributable to shareholders		689	(6,178)	(23,560)	(10,039)
Earnings/(loss) per share – Basic	4	0.1 cents	(0.8 cents)	(2.8 cents)	(1.2 cents)



NOTES TO THE QUARTERLY FINANCIAL STATEMENTS – UNAUDITED:

1. Principal accounting policies and basis of presentation

The consolidated profit and loss account for the nine months ended 30th September, 2003 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

The financial information presented has been prepared in accordance with accounting policies which conform with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules of the Hong Kong Stock Exchange as applicable to quarterly reports.

All significant intra-group transactions and balances have been eliminated on consolidation.

The same accounting policies adopted in the consolidated financial statements of the Group for the year ended 31st December, 2002 have been applied to the quarterly report.

The Group has adopted the revised Statement of Standard Accounting Practice 12 "Income taxes" ("SSAP12") which became effective on 1st January, 2003. The adoption of the revised SSAP12 has no material effect on the Group's financial results for the nine months ended 30th September, 2003.

2. Turnover

Turnover represents income from advertising and other advertising-related services rendered to customers during the period, net of returns and discounts allowed, after eliminating intra-group transactions.

3. Taxation

	For the three months ended 30th September,		For the nine months ended 30th September,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for Hong Kong profits tax	-	-	-	-
Overprovision for Hong Kong profits tax relating to prior periods	(38)	-	(38)	-
PRC taxation	2,271	1,839	5,506	5,560
Deferred taxation	-	-	45	-
Share of taxation of jointly controlled entities	2,102	1,730	4,811	4,187
Share of taxation of associates	118	209	247	350
	<u>4,453</u>	<u>3,778</u>	<u>10,571</u>	<u>10,097</u>



In March 2003, the Hong Kong SAR Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16.0% to 17.5%. This increase is taken into account in the preparation of the Group's 2003 financial statements.

Taxation for subsidiaries and jointly controlled entities operating in the People's Republic of China ("the PRC"), except noted hereinafter, is calculated at 33% (2002: 33%) of the estimated assessable profits of these entities for the nine months ended 30th September, 2003.

Pursuant to the relevant laws and regulations in the PRC, Chongqing MPI Public Transportation Advertising Co., Ltd. ("CQMPI"), a non-wholly owned subsidiary of the Group is entitled to a reduction in the applicable rate of PRC Foreign Enterprises Income Tax ("PRC FEIT") from 33% to 30% for two years commencing from its first profit-making year of operations (i.e. for the years ended 31st December, 2001 and 2002) and, thereafter, it is entitled to a reduction in the applicable rate of PRC FEIT from 33% to 31.5% for the following three years, with effect from the year ending 31st December, 2003.

The Group has not accounted for the deferred taxation assets attributable to the future benefit of tax losses in respect of the Hong Kong operations as the availability of future taxable profits from the Hong Kong operations against which the assets can be utilized is uncertain at 30th September, 2003.

The Group has not accounted for the deferred taxation assets attributable to the future benefit of tax losses in respect of the Mainland China operations as it is not certain that the relevant Mainland China operations will generate future taxable profits before the accumulated tax losses expire.

4. Earnings/(loss) per share

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the loss attributable to shareholders of HK\$23,560,000 (30th September, 2002: loss of HK\$10,039,000) and the weighted average of 853,800,000 ordinary shares (30th September, 2002: 811,580,220 ordinary shares) outstanding.

Diluted loss per share for the nine months ended 30th September, 2003 and 2002 are the same as the basic loss per share because there was no dilutive effect during the respective periods.



5. Reserves

	Share premium HK\$'000	Merger reserves HK\$'000	Other capital reserves HK\$'000	Exchange reserves HK\$'000	Revenue reserves HK\$'000	Total HK\$'000
At 1st January, 2002	-	255,466	(61,518)	-	(33,998)	159,950
Capitalization of shareholders' loans	42,078	-	-	-	-	42,078
Share premium arising on issue of Placing shares	213,800	-	-	-	-	213,800
Share issue expenses	(22,855)	-	-	-	-	(22,855)
Movements arising from the Reorganization	-	(100)	-	-	-	(100)
Loss for the period	-	-	-	-	(10,039)	(10,039)
At 30th September, 2002	<u>233,023</u>	<u>255,366</u>	<u>(61,518)</u>	<u>-</u>	<u>(44,037)</u>	<u>382,834</u>
At 1st January, 2003	233,715	255,366	(61,518)	-	(63,939)	363,624
Movements arising from changes in exchange rate	-	-	-	1,065	-	1,065
Loss for the period	-	-	-	-	(23,560)	(23,560)
At 30th September, 2003	<u>233,715</u>	<u>255,366</u>	<u>(61,518)</u>	<u>1,065</u>	<u>(87,499)</u>	<u>341,129</u>

Other capital reserves represent the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the net tangible assets acquired by the Group at the date of acquisition.

Merger reserves represent the amount of reserves of subsidiaries that have been capitalized as a result of share-for-share exchanges.

	For the three months ended 30th September,		For the nine months ended 30th September,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the period is retained/(absorbed) by:				
- The Company and its subsidiaries	(3,964)	(10,683)	(33,197)	(18,031)
- Associates	566	699	791	1,209
- Jointly controlled entities	4,087	3,806	8,846	6,783
Total	<u>689</u>	<u>(6,178)</u>	<u>(23,560)</u>	<u>(10,039)</u>

Included in the figure for revenue reserves at 30th September, 2003 are reserves of HK\$3,207,000 (31st December, 2002: HK\$2,416,000) attributable to associates and reserves of HK\$6,776,000 (31st December, 2002: HK\$9,372,000) attributable to the jointly controlled entities.



DIVIDEND

The Board do not recommend the payment of a dividend for the nine months ended 30th September, 2003 (30th September, 2002: Nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2003, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:-

(1) Long positions in the shares of the Company

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate percentage of shareholding in issue
		Personal Interests	Family Interests	Corporate Interests	Others Interests		
To Pik Shan, Winnie	Beneficial Owner shares	12,800,000 ordinary	-	-	-	12,800,000 ordinary shares	1.5%

(2) Long positions in the underlying shares of the Company

The interests in the underlying shares of the Company arise from unlisted share options (physically settled equity derivatives) granted to the Directors of the Company under the Company's Share Option Scheme, details of which are as follows:-

Name of Director	Date of Grant	Aggregate long position in underlying Subscription price per share	Approximate percentage of shares of the Company	shareholding in issue
To Pik Shan, Winnie	14th Aug, 2002	HK\$0.62	8,538,000 (Notes)	1%



Notes:

1. The above interest constitutes a long position of the Director in a physically settled equity derivative for the purposes of the SFO.
 2. As at 1st January, 2003 (being the beginning of the Company's current financial year) and 30th September, 2003 (being the most recent period ended), the outstanding options held by Ms To Pik Shan, Winnie under the Company's Share Option Scheme were options for 8,538,000 shares and 8,538,000 shares in the Company respectively. These options were granted on 14th August, 2002 and, subject to the terms of the Company's Share Option Scheme, vest over four years and may be exercised from 14th August, 2003 to 13th August, 2012 at an subscription price of HK\$0.62 per share.
- (3) Aggregate long position in the shares and underlying shares of the Company

Name of Director	Aggregate number in shares	Aggregate number in underlying shares	Total	Approximate percentage of shareholding in issue
To Pik Shan, Winnie	12,800,000	8,538,000	21,338,000	2.5%

Save as disclosed herein and as at 30th September, 2003, none of the Directors or chief executive or their respective associates of the Company had any other interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 or Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2003, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company 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 was expected, directly or indirectly, to be 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 member of the Group and set out below are details of the amount of each of such person's interest in such securities:-

Name	Types of interests held	Approximate percentage of shares to be issued as a percentage of the Company's issued share capital as at 30/9/2003
MSCV (Note a)	1. 626,550,000 shares in the Company;	73.38%
	2. HK\$85,000,000 convertible bond exercisable at HK\$1.21 per share. When fully converted, a total of 70,247,933 shares in the Company will be issued.	8.23%
Verrall Limited via MSCV (Note b)	same as MSCV	same as MSCV
Mdm Chan Tan Ching Fen (Note c)	same as MSCV	same as MSCV

All of the above interests of MSCV, Verrall Limited and Mdm Chan Tan Ching Fen constitute long positions under the SFO. The abovementioned convertible bond represents an interest in physically settled equity derivatives.

Notes:

- (a) Morningside CyberVentures Holdings Limited ("MSCV") is wholly-owned by Verrall Limited.
- (b) Verrall Limited, is the trustee of a discretionary trust established by Mdm Chan Tan Ching Fen, the mother of Gerald Lokchung Chan. None of the discretionary objects of this trust are Directors nor are they otherwise involved in the management of the Group.
- (c) Mdm Chan Tan Ching Fen is interested in the shares of the Company in her capacity as founder of the trust (as that term is defined in the SFO) referred to in note (b) above.



Save as disclosed above and as at 30th September, 2003, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company 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 was expected, directly or indirectly, to be 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 member of the Group.

SHARE OPTION SCHEME

Options to subscribe for an aggregate of 15,938,000 ordinary shares of the Company (which include the options granted to Ms. To Pik Shan, Winnie as disclosed above) were outstanding as at 30th September, 2003, details of which are as follows:-

No. of options Outstanding	Subscription price per share of the Company	Option period
15,938,000	HK\$0.62	14/8/2002 to 13/8/2012

Save as disclosed above, no share options under the Share Option Scheme have been granted, exercised, or cancelled during the nine months ended 30th September, 2003. An aggregate of 700,000 options lapsed upon the termination of employment of certain employees of the Group during the nine months ended 30th September, 2003.

MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, other than MSCV and Verrall Limited as disclosed above, there is no other person who is directly or indirectly, interested in 5% or more of the issued share capital of the Company and who is able, as a practical matter, to direct or influence the management of the Company.

SPONSOR'S INTEREST

As at 30th September, 2003, as notified by BNP Paribas Peregrine Capital Limited (the "Sponsor") neither the Sponsor nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules), had any interest in the securities of the Company.

Pursuant to the agreement dated 15th January, 2002 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's sponsor for the period from 31st January, 2002 to 31st December, 2004.



COMPETING INTERESTS

None of the Directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, have engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 30th September, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee on 7th January, 2002 with written terms of reference in compliance with the requirements as set out in Rule 5.23 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and financial statements, half-yearly reports and quarterly reports and to provide advice and comments to the Board of Directors. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising the three independent non-executive directors, Mr. Li Kwok Wing, Meocre, Professor Lau Juen Yee, Lawrence and Mr. Paul Laurence Saffo.

The audit committee has reviewed this unaudited quarterly report for the period ended 30th September, 2003.

BOARD PRACTICES AND PROCEDURES

During the nine months ended 30th September, 2003, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

By order of the Board
Winnie Pik Shan To
Chief Executive Officer

Hong Kong, 12th November, 2003