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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8072)

First Quarter Results Announcement
For the three months ended 31 March 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by The Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM Website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors (the "Directors") of Media Partners International Holdings Inc. ("MPI" or the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to MPI. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification only*

HIGHLIGHTS:

The Group has continued the profitability trend in the first quarter of 2004 and achieved a positive free cash flow of HK$10.2 million.

- *The Group's turnover was HK$68.5 million increased by 8% comparing with the first quarter of 2003.*

- *The Group's profit attributable to shareholders was HK$1.4 million, representing a significant improvement of HK$17.3 million compared with the first quarter of 2003.*

- *The Group continues to be in a healthy financial position with cash and cash equivalents of HK$185.9 million and positive free cash flow of HK$10.2 million.*

- *Mainland China operations*

  – *Turnover was HK$56.4 million increased by 22% comparing with the first quarter of 2003.*

  – *Turnover of the two metro joint ventures was HK$36.0 million, an increase of 42% compared with the first quarter of 2003 and the profits shared was HK$5.3 million, an increase of 346% compared with the first quarter of 2003.*

  – *Net profit was HK$2.4 million, a significant improvement compared with the first quarter of 2003 and surpassed the fourth quarter of 2003.*

- *Hong Kong operations*

  – *Continue the profitability trend with net profit of HK$0.7 million.*

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The Group is a leading outdoor advertising media network provider in Mainland China and Hong Kong offering comprehensive services in a wide range of billboard, street furniture and transport advertising. The Group continued its focus on Mainland China and the revenue generated from its Mainland China operations accounted for 82% of the Group's turnover for the three months ended 31 March 2004. In Mainland China, the Group continued its focus on the transport advertising sector, in particular advertising on bus bodies and in metro systems, which, in aggregate, accounted for 79% of the Group's combined turnover of its Mainland China operations.

The Group dominates the bus advertising market in Shanghai, Nanjing, Chengdu and Chongqing, and also covers prime routes in Beijing, Guangzhou, Dalian and Wuhan. In 2004, the Group secured advertising rights to some further 4,000 bus bodies in Shanghai. Together with these newly secured bus media, the Group now dominates the bus advertising market in Shanghai with advertising rights to over 5,000 bus bodies. Throughout the first quarter of 2004, the Group has paid special attention towards integrating the existing bus media with these newly secured larger fleets of bus media in order to generate synergies with its existing advertising network. This is being achieved through updating the related media information in the Group's media management system, realignment of the sales teams, repackaging the sales packages, marketing and promotion. The Group expects such efforts will extend to the second quarter.

As the leading metro advertising operator, the Group has a network of metro advertising rights in Shanghai, Guangzhou, Beijing and Hong Kong. The Group is at an advanced stage of discussions with a view to securing the advertising rights for the first Nanjing metro system, once again highlighting the Group's leadership in the metro advertising industry and the Group's commitment to operating a comprehensive metro network throughout Mainland China. Based on information presently available, the Nanjing metro system will have 16 stations running through the centre of Nanjing city and is expected to commence operations in the third quarter of 2005. The Group expects the terms of such advertising concession to be finalized in the second half of 2004.

In Hong Kong, the Group focuses on billboard advertising at tunnels, coliseums, neons and metro advertising on the Airport Express Line. In the first quarter of 2004, the Group successfully renewed a number of profitable prime sites.

Financial Review

	For the three months ended 31st March, 2004			
	Mainland China *HK$'000*	**Hong Kong** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Turnover	56,407	12,095	–	68,502
EBITDA[1]	15,015	(209)	(1,227)	13,579
Adjusted EBITDA[2]	19,026	864	(1,227)	18,663
Profit/(loss) attributable to shareholders	2,421	726	(1,732)	1,415

	For the three months ended 31st March, 2003			
	Mainland China *HK$'000*	**Hong Kong** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Turnover	46,314	17,227	–	63,541
EBITDA	2,457	(3,983)	(809)	(2,335)
Adjusted EBITDA	4,037	(3,850)	(809)	(622)
Profit/(loss) attributable to shareholders	(10,531)	(4,281)	(1,071)	(15,883)

Notes:

1. EBITDA is defined as earnings before interest expenses, tax, depreciation and amortisation.

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

The first quarter is generally a slack period for outdoor advertising. The Group's outdoor advertising business in the first quarter of 2004 achieved a level of net profit similar to the fourth quarter of 2003. In the first quarter of 2004, the Mainland China operations generated a net profit of HK$2.4 million (fourth quarter of 2003: HK$2.3 million) and the net profit from Hong Kong operations was HK$0.7 million (fourth quarter of 2003: HK$0.9 million).

Turnover

The Group's turnover for the first quarter of 2004 amounted to HK$68.5 million, representing an increase of 8% compared with the first quarter of 2003. Turnover from the Mainland China operations amounted to HK$56.4 million, representing an increase of 22% compared with the first quarter of 2003. Turnover from the Hong Kong operations amounted to HK$12.1 million, representing a decrease of 30% compared with the first quarter of 2003. The decrease in turnover from the Hong Kong operations was mainly due to the decreasing number of media sites upon expiry and non renewal of certain less-profitable sites.

The Mainland China operations continued to be the focus of the Group and the turnover from the Mainland China operations for the first quarter of 2004 accounted for 82% of the Group's turnover (first quarter of 2003: 73%).

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 first quarter of 2004 amounted to HK$135.1 million, represented an increase of 22% compared with the first quarter of 2003.

Advertising on bus bodies and in metro systems for the first quarter of 2004 together represented 58% of the combined turnover, which was slightly higher than the 55% for the full year of 2003.

Gross profit

Gross profit, being turnover less direct costs, site rentals and amortisation of advertising rights, of the Group amounted to HK$15.6 million for the first quarter of 2004 (first quarter of 2003: HK$4.4 million), representing a three-fold improvement. The improvement was mainly due to the expiry and non renewal of certain less-profitable sites in Hong Kong during 2003 and the improvement in turnover from the Mainland China operations.

Operating expenses

Site rentals, being the single largest component of the Group's operating expenses, amounted to HK$22.8 million for the first quarter of 2004, representing a decrease of 19% compared with the first quarter of 2003 and a decrease of 9% compared with the fourth quarter of 2003. Site rentals for the Hong Kong operations decreased by 21% compared with the fourth quarter of 2003 as a result of the gradual expiry of some site rental contracts last year. Site rentals for the Mainland China operations for the first quarter of 2004 were HK$14.4 million and were maintained at the same level of the fourth quarter of 2003.

Other direct costs are mainly variable and comprise media buying, business tax and production costs. Other direct costs for the first quarter of 2004 were HK$20.6 million, representing a decrease of about 12% compared with both the first and the fourth quarters of 2003. As a percentage of turnover, other direct costs were maintained at about 30% of turnover in both the first quarter of 2004 and the fourth quarter of 2003.

Staff costs, including directors' fees, of the Group for the first quarter of 2004 amounted to HK$7.4 million, maintained at a similar level compared with the fourth quarter of 2003 and represented a decrease of 25% compared with the first quarter of 2003. Such decrease was mainly due to a reduced number of employees in the Hong Kong office and the office re-alignment in Mainland China in 2003.

The total number of employees at 31 March 2004 was 276 (31 March 2003: 280), of which 255 (31 March 2003: 253) were in Mainland China and 21 (31 March 2003: 27) were in Hong Kong. As a percentage of turnover, staff costs were maintained at about 11% for both the first quarter of 2004 and the fourth quarter of 2003.

Depreciation and amortisation for the first quarter of 2004 amounted to HK$10.7 million, maintained at a similar level to the fourth quarter of 2003 and increased by 16% compared with the first quarter of 2003.

Other operating expenses of the Group for the first quarter of 2004 totalled HK$7.2 million, representing a decrease of 5% compared with that in the first quarter of 2003. Such decrease was a result of effective control of overheads implemented from the second quarter of 2003. Other operating expenses (excluding the provision for bad and doubtful debts) for the first quarter of 2004 were maintained at the same level as the fourth quarter of 2003.

Finance costs

Finance costs for the first quarter of 2004 increased by HK$0.6 million to HK$3.7 million compared with HK$3.1 million for the first quarter of last year. The increase was mainly due to a waiver of 50% of the bond interest in 2003 and the increase in bank loans in the first quarter of 2004 by HK$18.9 million compared with the first quarter of 2003. The bank loans are intended to be a temporary arrangement and upon the formal approval of the proposed increase in registered capital of Shanghai MPI, the bank loans will be reduced substantially.

EBITDA and profit/loss attributable to shareholders

EBITDA and adjusted EBITDA of the Group for the first quarter of 2004 were HK$13.6 million (first quarter of 2003: EBITDA loss of HK$2.3 million) and HK$18.7 million (first quarter of 2003: adjusted EBITDA loss of HK$0.6 million) respectively. The improvement was the result of overall improvement in turnover and the implementation of cost control measures.

The profit attributable to shareholders for the first quarter of 2004 amounted to HK$1.4 million, representing a significant improvement compared with a loss of HK$15.9 million for the first quarter of 2003 but a slight decrease compared with a profit of HK$1.8 million for the fourth quarter of 2003. Such decrease was mainly due to corporate expenses for the first quarter of 2004 being HK$0.3 million higher than the fourth quarter of 2003. The corporate expenses in the first quarter of 2004 were higher because the majority shareholder waived 50% of the bond interest and some directors waived their fees in 2003. The Group's post-SARS recovery enabled the Group's results to revert to an overall quarterly profit in both the third and the fourth quarters of 2003. The profitability trend has continued in the first quarter of 2004 despite the first quarter traditionally being the weakest period in the outdoor advertising industry.

Segmental Analysis

Mainland China operations

The turnover from the Mainland China operations for the first quarter of 2004 was HK$56.4 million, representing an increase of 22% compared with HK$46.3 million for first quarter of 2003. The increase was partly the result of the strengthened sales team and partly due to the SARS outbreak in 2003.

Combined turnover, including the turnover of the two metro joint ventures and the production joint venture, for the first quarter of 2004 amounted to HK$95.3 million (first quarter of 2003: HK$74.6 million), representing an increase of 28% compared with the first quarter of 2003. Of the combined turnover, advertising on bus bodies and in metro systems, in aggregate, accounted for 79% (first quarter of 2003: 74%).

Billboard and street furniture advertising

Turnover from billboards and street furniture for the first quarter of 2004 amounted to HK$9.4 million (first quarter of 2003: HK$11.7 million), a decrease of HK$2.3 million.

Bus advertising

Turnover from bus advertising for the first quarter of 2004 amounted to HK$37.3 million, representing an increase of 33% compared with HK$28.0 million for the first quarter of 2003. In 2004, the Group secured advertising rights to some further 4,000 bus bodies in Shanghai. Together with these newly secured bus media, the Group now dominates the bus advertising market in Shanghai with advertising rights to over 5,000 bus bodies. Throughout the first quarter of 2004, the Group was committed to consolidate the existing bus media with these newly secured larger fleets of bus media in order to generate synergies with its existing advertising network. This is being achieved through updating the related media information in the Group's media management system, realignment of the sales teams, repackaging the sales packages, marketing and promotion. The Group expects such efforts will extend to the second quarter.

The gross profit from the Mainland China operations, which was mainly from the bus advertising business, for the first quarter of 2004 was HK$14.3 million, increased by 130% compared with that in the first quarter of 2003. The percentage increase in gross profit was much higher than the percentage increase in turnover as more revenue was generated from the Group's higher profit margin own media.

The Group's operating profit from the Mainland China operations, which was mainly from the bus advertising business, was HK$4.4 million for the first quarter of 2004 which represented an improvement of HK$10.8 million compared with an operating loss of HK$6.4 million for the first quarter of 2003 and represented an improvement of 15% compared with the fourth quarter of 2003.

Metro advertising

Turnover from the two metro joint ventures for the first quarter of 2004 amounted to HK$36.0 million, representing an increase of 42% compared with the first quarter of 2003. The increase was mainly due to a higher occupancy from the exclusive metro advertising spaces in Beijing, Shanghai and Guangzhou in the first quarter of 2004 compared with the first quarter of 2003. The Group's share of profits from the two metro joint ventures for the first quarter of 2004 amounted to HK$5.3 million, an increase of 346% compared with HK$1.2 million for first quarter of 2003.

Operating expenses

Staff costs, depreciation and other operating expenses for the Mainland China operations for the first quarter of 2004 amounted to HK$13.0 million, representing a decrease of 16% compared with HK$15.5 million for the first quarter of 2003. The decrease was mainly a result of the cost control measures implemented since the second quarter of 2003.

EBITDA, adjusted EBITDA and net profits

The net profit for the Mainland China operations was HK$2.4 million for the first quarter of 2004, representing an improvement of HK$13.0 million compared with the first quarter of 2003 and surpassing the net profit of HK$2.3 million for the fourth quarter of 2003. EBITDA and adjusted EBITDA for the first quarter of 2004 were HK$15.0 million and HK$19.0 million respectively, representing an improvement of HK$12.6 million and HK$15.0 million respectively compared with the first quarter of 2003, and were maintained at the same level as for the fourth quarter of 2003.

Hong Kong operations

Turnover from the Hong Kong operations for the first quarter of 2004 amounted to HK$12.1 million, a decrease of 30% compared with HK$17.2 million for the first quarter of 2003. The decrease was mainly due to a decreasing number of media spaces upon contract expiry and the fact that the first quarter of every year is historically the weakest for the outdoor advertising industry in Hong Kong. Upon expiry and non renewal of certain less-profitable sites, the gross profit from the Hong Kong operations for the first quarter of 2004 was HK$1.3 million, an improvement of HK$3.3 million, despite the decrease in turnover, compared with the first quarter of 2003.

The Hong Kong operations achieved a net profit of HK$0.7 million in the first quarter of 2004, representing an improvement of HK$5.0 million compared with the first quarter of 2003. This was the result of expiry and non renewal of certain less-profitable sites and the implementation of cost reduction measures since the second quarter of 2003. Staff costs for the first quarter of 2004 were reduced to HK$1.1 million, a decrease of 33% compared with the first quarter of 2003. The decrease was mainly due to a decrease in the number of employees for the Hong Kong operations from 27 employees in the first quarter of 2003 to 21 employees in the first quarter of 2004.

The Group considers that lower guaranteed payments for advertising sites and overheads have helped it to maintain its competitive edge in Hong Kong.

Outlook

Recent market research (*CTR Research on Advertising 2003*) has forecast double-digit growth in advertising expenditure in Mainland China and a rebound in Hong Kong's economy. Hence, the Group remains optimistic about the outdoor advertising market in the Greater China region for 2004. The Group will capitalize on its experience and strong industry foothold to provide a comprehensive range of outdoor advertising solutions to its customers.

Mainland China

The Group's main growth driver remains within the transport sector in Mainland China. Securing long term exclusive advertising rights in metro systems will continue to be its first priority. The Group expects to finalise terms for the advertising rights to the Nanjing metro system in 2004 and the Group will continue to evaluate and secure further exclusive advertising rights to metro systems in other major cities.

The Group's bus advertising media network already covers major cities in Mainland China and the Group now dominates the bus advertising market in many cities in Mainland China. However, 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. The Group will consolidate its efforts to build up its newly secured bus media in Shanghai and to improve overall utilisation of media spaces in 2004.

Hong Kong

As most of the less profitable site contracts have expired, coupled with the opportunities brought about by the improving Hong Kong economy, management expects the performance of the Hong Kong operations to continue to improve. In addition, the introduction of CEPA and the influx of tourists is also likely to have a positive impact on the Hong Kong business. In the meantime, the Group is cautiously seeking further prime advertising sites with potentially better margins which will bring in better returns.

Liquidity and Financial Position

	For the three months ended 31 March	
	2004	2003
	HK$'000	*HK$'000*
Cash generated from operations	**25,061**	11,276
Tax paid	**(1,427)**	(431)
Net cash from operating activities	**23,634**	10,845
Interest paid net of interest received	**(3,025)**	(2,155)
Investment in Group company	**597**	–
Acquisition of fixed assets, advertising rights and deposits paid	**(11,033)**	(31,392)
Increase in bank loans	**–**	6,381
Decrease/(increase) in pledged deposits	**35,397**	(3,912)
Net cash inflow/(outflow) from financing and investing activities	**21,936**	(31,078)
Increase/(decrease) in cash and cash equivalents	**45,570**	(20,233)
Cash and cash equivalents at 1 January	**140,288**	161,409
Effect of foreign exchange rate change	**–**	(540)
Cash and cash equivalents at 31 March	**185,858**	140,636

The Group continues to be in a healthy financial position. The Group generated cash of HK$25.1 million from operations and positive free cash flow of HK$10.2 million (i.e. cash from operations net of tax, interest, capital expenditure and investments) for the first quarter of 2004. Cash and bank balances at 31 March 2004 amounted to HK$185.9 million. Pledged deposits with banks for banking facilities made available to the Group as at 31 March 2004 amounted to HK$166.8 million. As at 31 March 2004, the Group had bank loans of HK$257.4 million and a convertible bond of HK$85.0 million issued to the majority shareholder. At 31 March 2004, the Group's net cash balance being cash and cash equivalents plus pledged bank deposits less bank loans amounted to HK$95.3 million.

As at 31 March 2004, the current ratio was 128% with HK$494.5 million of current assets against HK$385.3 million of current liabilities. The consolidated net asset value of the Group as at 31 March 2004 was HK$429.7 million or HK$0.5 per share.

Additions to fixed assets, mainly for office renovation for the Shanghai and Chengdu offices and computer equipment, for the three months ended 31 March 2004 amounted to HK$1.0 million and addition to advertising rights, mainly for advertising media in the Beijing Light Rail System, amounted to HK$1.1 million.

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 31 March 2004 (no change since 31 December 2003) 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 after 1 year but within 2 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 31 March 2004, were secured by cash deposits of HK$164.5 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 105% of the lending rate of the PBOC.

Interest is payable on the Convertible Bond, which was due to expire on 31 December 2004, at a rate of 2.5% per annum. Morningside CyberVentures Holdings Limited, the majority shareholder, has issued a letter to the Company undertaking not to demand repayment of the principal sum of HK$85.0 million due under the Convertible Bond for a period of twelve months from 31 December 2004.

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.

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 period ended 31 March 2004, 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 subsidiaries and joint ventures operate. The Group does not currently engage in hedging to manage possible exchange rate 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 average outstanding days of the Group's accounts receivable was maintained at below 60 days.

Contingent Liabilities

At 31 March 2004, the Group had contingent liabilities totalling HK$4.5 million (31 December 2003: HK$4.5 million) in respect of bank guarantees given to independent third parties in the ordinary course of business to ensure the due performance of a subsidiary and observance of the obligations of the subsidiary to certain agreements.

At 31 March 2004, corporate guarantees given by the Company to banks to secure banking facilities made available to certain subsidiaries amounted to HK$232.2 million (31 December 2003: HK$132.2 million).

Employee Information

At 31 March 2004, the Group had a total of 276 (31 March 2003: 280) employees, of which 255 (31 March 2003: 253) were located in Mainland China and 21 (31 March 2003: 27) in Hong Kong. Total salaries and related costs incurred in the first quarter of 2004, including directors' emoluments, amounted to HK$7.4 million (first quarter of 2003: HK$9.9 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 recognising 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 31 December 2003, the Group had made no significant investments nor acquisitions.

QUARTERLY RESULTS FOR THE PERIOD ENDED 31ST MARCH, 2004 - 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 months ended 31st March, 2004 together with the comparative figures for the corresponding period in 2003 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months ended 31st March, 2004 – UNAUDITED

		For the three months ended 31st March,	
		2004	2003
	Note	***HK$'000***	*HK$'000*
Operating revenue			
Turnover	2	**68,502**	63,541
Other revenue		**3,123**	3,065
Operating expenses			
Site rental		**(22,831)**	(28,075)
Other direct costs		**(20,561)**	(23,307)
Staff costs		**(7,418)**	(9,943)
Depreciation and amortization		**(10,744)**	(9,234)
Other operating expenses		**(7,236)**	(7,616)
Profit/(loss) from operations		**2,835**	(11,569)
Finance costs		**(3,664)**	(3,089)
Share of profits less losses of associates		**1,322**	170
Share of profits less losses of jointly controlled entities		**5,158**	1,252
Profit/(loss) from ordinary activities before taxation		**5,651**	(13,236)
Taxation	3	**(3,754)**	(1,918)
Profit/(loss) from ordinary activities after taxation		**1,897**	(15,154)
Minority interests		**(482)**	(729)
Profit/(loss) attributable to shareholders		**1,415**	(15,883)
Earnings/(loss) per share – Basis	4	**0.2 cents**	(1.9 cents)

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS – UNAUDITED:

1. Principal accounting policies and basis of presentation

The consolidated profit and loss account for the three months ended 31st March, 2004 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 accounting policies adopted in the preparation of the quarterly report are consistent with those used in the preparation of the consolidated financial statements of the Group for the year ended 31st December, 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 31st March	
	2004	2003
	HK$'000	*HK$'000*
People's Republic of China (the "PRC") taxation	**1,442**	1,092
Share of taxation of jointly controlled entities	**2,063**	789
Share of taxation of associates	**249**	37
	3,754	1,918

The provision for Hong Kong profits tax has been calculated separately at 17.5% (2003: 17.5%) of the estimated assessable profits for the three months ended 31st March, 2004 of each subsidiary and associate of the Group with operations subject to Hong Kong profits tax.

No provision for Hong Kong profits tax has been made as the subsidiaries with operations in Hong Kong sustained taxable losses for the three months ended 31st March, 2004.

Taxation for subsidiaries and jointly controlled entities operating in the PRC, except noted hereinafter, is calculated at 33% (2003: 33%) of the estimated assessable profits of these entities for the three months ended 31st March, 2004.

Pursuant to the relevant laws and regulations in the PRC, Chongqing MPI Public Transportation Advertising Co., Ltd., a non-wholly owned subsidiary of the Group, is entitled to a reduction in the applicable rate of PRC Foreign Enterprises Income Tax from 33% to 31.5% for the three years from the year ended 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 31st March, 2004.

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 profit attributable to shareholders of HK$1,415,000 for the three months ended 31st March, 2004 (31st March, 2003: loss attributable to shareholders of HK$15,883,000) and the weighted average of 853,800,000 ordinary shares (31st March, 2003: 853,800,000) outstanding during the three months ended 31st March, 2004.

No diluted earnings/(loss) per share for the periods ended 31st March, 2003 and 2004 have been presented, as there were no dilutive potential ordinary shares during these periods.

5. Reserves

	Share premium	**Merger reserves**	**Other capital reserves**	**Exchange reserves**	**Revenue reserves**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2003	233,715	255,366	(61,518)	–	(63,939)	363,624
Exchange difference on translation of the financial statements of PRC subsidiaries and jointly controlled entities	–	–	–	1,090	–	1,090
Loss for the period	–	–	–	–	(15,883)	(15,883)
At 31st March, 2003	233,715	255,366	(61,518)	1,090	(79,822)	348,831
At 1st January, 2004	233,715	255,366	(61,518)	1,064	(85,713)	342,914
Profit for the period	–	–	–	–	1,415	1,415
At 31st March, 2004	233,715	255,366	(61,518)	1,064	(84,298)	344,329

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 31st March	
	2004	2003
	HK$'000	*HK$'000*
Profit/(loss) for the period is retained by:		
– The Company and its subsidiaries	**(2,753)**	(16,479)
– Associates	**1,073**	133
– Jointly controlled entities	**3,095**	463
Total	**1,415**	(15,883)

Included in the figure for revenue reserves at 31st March, 2004 are reserves of HK$5,130,000 (31st December, 2003: HK$4,057,000) attributable to associates and reserves of HK$14,134,000 (31st December, 2003: HK$11,039,000) attributable to the jointly controlled entities.

DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31st March, 2004 (31st March, 2003: Nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2004, 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 Rule 5.46 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

		Number of ordinary shares					Approximate
Name of Director	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Others interests**	**Total**	**percentage of shares in issue**
Winnie Pik Shan To	Beneficial owner	12,800,000 ordinary shares	–	–	–	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	Subscription price per share	Aggregate long position in underlying shares of the Company	Approximate percentage of shares in issue
Winnie Pik Shan To	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, 2004 (being the beginning of the Company's current financial year) and 31st March, 2004 (being the most recent period end), the outstanding options held by Ms. Winnie Pik Shan To under the Company's Share Option Scheme represented options to subscribe for 8,538,000 shares in the Company. 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 exercise 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	Percentage of shares in issue
Winnie Pik Shan To	12,800,000	8,538,000	21,338,000	2.5%

Save as disclosed herein and as at 31st March, 2004, 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 Rule 5.46 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 31st March, 2004, 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 in issue as at 31st March, 2004**
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 31st March, 2004, 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. Winnie Pik Shan To as disclosed above) were outstanding as at 31st March, 2004, 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	14/08/2002 to 13/08/2012

Save as disclosed above, no share options under the Share Option Scheme had been granted, exercised, cancelled or lapsed during the three months ended 31st March, 2004.

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 31st March, 2004, 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 three months ended 31st March, 2004, 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 Rules 5.28 to 5.33 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 three independent non-executive directors, Mr. Philip Tit Hon Hung, Mr. Meocre Kwok Wing Li and Mr. Paul Laurence Saffo.

The audit committee has reviewed with the management this unaudited quarterly report for the period ended 31st March, 2004.

BOARD PRACTICES AND PROCEDURES

During the three months ended 31st March, 2004, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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

Hong Kong, 13th May, 2004

As at the date hereof, the executive directors of the Company are Mr. George Ka Ki Chang, Ms. Winnie Pik Shan To and Mr. Tony Cheung Kin Au-Yeung; the non-executive director is Mr. Gerald Lokchung Chan; the independent non-executive directors are Mr. Philip Tit Hon Hung, Mr. Meocre Kwok Wing Li and Mr. Paul Laurence Saffo.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the day of its posting.