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

If you have sold or transferred all your shares in Media Partners International Holdings Inc., you should at once hand this circular and the accompanying form to the purchaser or to the bank, a licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

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)

MAJOR TRANSACTION

IN RESPECT OF THE ESTABLISHMENT OF A SINO-FOREIGN CO-OPERATIVE JOINT VENTURE AND LONG TERM ADVERTISING RIGHTS EXCLUSIVELY SECURED WITHIN NANJING METRO LINE 1 (PHASE 1) IN THE PEOPLE'S REPUBLIC OF CHINA

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

16 August 2004

* *For identification purpose only*

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 high 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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

In this circular, the following expressions have the meanings set out below unless the content requires otherwise.

"Board"	Means the board of Directors
"Company"	Means Media Partners International Holdings Inc., a company incorporated in the Cayman Islands and whose shares are listed on GEM
"Director(s)"	Means the director(s) of the Company
"GEM"	Means the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	Means the rules governing the listing of securities on the GEM
"Group"	Means the Company and its subsidiaries (including Nanjing Metro MPI to be established)
"HK$"	Means Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Means the Hong Kong Special Administrative Region of the PRC
"Joint Venture Agreement"	Means a sino foreign co-operative joint venture agreement entered into between MPIL and Nanjing Metro Industrial Co. on 21 July 2004 for the establishment of Nanjing Metro MPI
"Latest Practicable Date"	12 August 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Mainland China"	The PRC, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"MPIL"	Means Media Partners International Limited 梅迪派勒廣告有限公司, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"MSCV"	Means Morningside CyberVentures Holdings Limited, a private company incorporated in the British Virgin Islands with limited liability

"Metro Media Agreement"	Means an agreement dated 21 July 2004 between Nanjing Metro MPI, MPIL and Nanjing Metro Co. relating to long term advertising rights within Nanjing Metro Line 1 (Phase 1) exclusively secured by Nanjing Metro MPI for a term of 18 years (becoming effective as to Nanjing Metro MPI upon its formal establishment)
"Nanjing Metro MPI"	Means Nanjing Metro Media Partners Advertising Co. Ltd. 南京地鐵媒體伯樂廣告有限公司, a sino-foreign co-operative joint venture enterprise with limited liability to be established in Mainland China pursuant to the Joint Venture Agreement
"Nanjing Metro Co."	Means 南京地下鐵道有限責任公司 (informally translated for present purpose as "Nanjing Metro Company Limited") a limited liability company established under the laws of the PRC which is independent from the Company, the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective subsidiaries or associates as defined under the GEM Listing Rules
"Nanjing Metro Industrial Co."	Means 南京城市地鐵實業有限公司 (informally translated for present purpose as "Nanjing Metro Transit Railway Industrial Company Limited") a limited liability company established under the laws of the PRC which is independent from the Company, the Directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective subsidiaries or associates as defined under the GEM Listing Rules
"PRC"	Means the People's Republic of China
"Prospectus"	Means the prospectus of the Company dated 15 January 2002
"RMB"	Means Renminbi, the lawful currency of the PRC
"Stock Exchange"	Means The Stock Exchange of Hong Kong Limited

In this circular, for information purposes only, amounts in RMB have been translated into HK$ at the following rate: HK$1.00 = RMB1.06

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)

Executive Directors:
Mr. George Ka Ki Chang *(Vice Chairman)*
Ms. Winnie Pik Shan To *(Chief Executive Officer)*
Mr. Tony Cheung Kin Au-Yeung

Non-executive Director:
Mr. Gerald Lokchung Chan *(Chairman)*

Independent non-executive Directors:
Mr. Philip Tit Hon Hung
Mr. Meocre Kwok Wing Li
Mr. Paul Laurence Saffo

Registered office:
Century Yard
Cricket Drive
Hutchins Drive
PO Box 2681 GT
George Town
Grand Cayman
British West Indies

Principal place of business in Hong Kong:
15th Floor, Rooms 1506-1510
Hang Lung Centre
2-20 Paterson Street
Causeway Bay
Hong Kong

16 August 2004

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RESPECT OF THE
ESTABLISHMENT OF A SINO-FOREIGN CO-OPERATIVE JOINT VENTURE
AND LONG TERM ADVERTISING RIGHTS EXCLUSIVELY SECURED
WITHIN NANJING METRO LINE 1 (PHASE 1)
IN THE PEOPLE'S REPUBLIC OF CHINA**

INTRODUCTION

The Board would like to refer you to the announcement of the Company dated 23 July 2004 in respect of the establishment of a sino-foreign co-operative joint venture and long term advertising rights exclusively secured within Nanjing Metro Line 1 (Phase 1) in the PRC. The purpose of this circular is to give you further information in relation to the matters set out in the aforementioned announcement.

* *For identification purpose only*

I. ESTABLISHMENT OF A SINO-FOREIGN JOINT VENTURE

The Board is pleased to announce that on 21 July 2004, MPIL, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Nanjing Metro Industrial Co. (which together with its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company as defined in the GEM Listing Rules), pursuant to which, inter alia, MPIL and Nanjing Metro Industrial Co. have agreed to establish a sino-foreign co-operative joint venture advertising agency in Mainland China.

Principal terms of the Joint Venture Agreement

Date

21 July 2004

Parties

(a) Nanjing Metro Industrial Co. (together with its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company as defined in the GEM Listing Rules)

(b) MPIL

Establishment of Nanjing Metro MPI

Pursuant to the Joint Venture Agreement and subject to relevant approvals from the related PRC regulatory authorities which may be subject to such conditions as they may consider appropriate, MPIL and Nanjing Metro Industrial Co. have agreed to jointly establish a sino-foreign co-operative joint venture enterprise tentatively named as "Nanjing Metro Media Partners Advertising Co., Ltd.. (南京地鐵媒體伯樂廣告有限公司)".

Business Scope of Nanjing Metro MPI

Nanjing Metro MPI would be engaged in the outdoor advertising agency business in Mainland China and upon its formal establishment, it is proposed that its principal business would relate to Metro Media Agreement for the long term advertising rights exclusively secured within Nanjing Metro Line 1 (Phase 1) and the marketing of associated advertising media.

Term of Nanjing Metro MPI

18 years from the date of issue of its business licence.

Capital contribution

(a)	Total investment:	RMB120,000,000 (approximately HK$113,207,547)
(b)	Registered capital:	RMB60,000,000 (approximately HK$56,603,773) of which RMB58,800,000 (approximately HK$55,471,698) would be contributed in cash by MPIL and RMB1,200,000 (approximately HK$1,132,075) would be contributed in cash by Nanjing Metro Industrial Co.

MPIL and Nanjing Metro Industrial Co. would pay up their portion of registered capital in phases as follows:

a) Within 90 days from the date of issue of the business licence, MPIL would pay RMB29,400,000 (approximately HK$27,735,849), and Nanjing Metro Industrial Co. would pay RMB600,000 (approximately HK$566,038)

b) In second year from the date of issue of the business licence, MPIL would pay RMB19,600,000 (approximately HK$18,490,566), and Nanjing Metro Industrial Co. would pay RMB400,000 (approximately HK$377,358)

c) In third year from the date of issue of the business licence, MPIL would pay the balance of RMB9,800,000 (approximately HK$9,245,283), and Nanjing Metro Industrial Co. would pay RMB200,000 (approximately HK$188,679)

The capital contribution by MPIL would be funded by internal resources of the Group. The proportions to be contributed by each party have been determined as a result of negotiations between them on arm's length basis and on normal commercial terms, taking into account their respective financial resources and the future development of the joint venture.

Profit sharing arrangements

MPIL and Nanjing Metro Industrial Co. would share the profits generated by Nanjing Metro MPI in proportion to their capital contributions to Nanjing Metro MPI (being 98% as to MPIL and 2% as to Nanjing Metro Industrial Co.)

Distribution upon liquidation

After settling all liabilities, the remaining assets of Nanjing Metro MPI would be distributed to the parties in proportion to their capital contributions to Nanjing Metro MPI upon liquidation (being 98% as to MPIL and 2% as to Nanjing Metro Industrial Co.)

Board of Directors and Senior Management

The board of directors of Nanjing Metro MPI would consist of 5 directors, of which 3 would be nominated by MPIL and 2 would be nominated by Nanjing Metro Industrial Co. The chairman of the board of Nanjing Metro MPI would be nominated by Nanjing Metro Industrial Co. and the deputy chairman would be nominated by MPIL respectively. Both the chairman and deputy chairman do not have any casting vote. The general manager (who would be responsible for overall operations of Nanjing Metro MPI) would be nominated by MPIL.

II. LONG TERM ADVERTISING RIGHTS EXCLUSIVELY SECURED BY NANJING METRO MPI

Pursuant to the Metro Media Agreement, Nanjing Metro MPI would, upon its formal approval by the relevant PRC regulatory authorities subject to such conditions as they may consider appropriate for its formal establishment, thereby secure long term advertising rights within Nanjing Metro Line 1 (Phase 1), to which Nanjing Metro MPI would be exclusively entitled for a period of 18 years commencing from "the official operation date" (which would be around September 2005 based on the present information provided to the Group by Nanjing Metro Industrial Co.) in consideration for payments as set out below. The consideration has been determined after arm's length negotiations, secured on normal commercial terms and being generally in line with the Group's present optimistic assessment of the future development and growth of the outdoor advertising market in Mainland China (determined after taking into account recent independent market research on advertising spending and expected continuous strong GDP growth within Mainland China amongst other relevant factors). Securing such advertising rights would be within the scope of Nanjing Metro MPI's proposed outdoor advertising agency business and would entitle the Group to market advertising media within Nanjing Metro Line 1 (Phase 1) to both domestic and international advertisers and advertising agencies.

Upfront payment for securing long term advertising rights

The Group would make a total payment of RMB120 million (equivalent to approximately HK$113.2 million) to Nanjing Metro Co. in respect of securing long term advertising rights. Such amount would be paid by quarterly instalments and fully paid within the first three years from the official operation date of Nanjing Metro Line 1 (Phase 1).

Recurring rental payment for advertising media

The Group would also make a total payment of RMB25 million (equivalent to approximately HK$23.6 million) to Nanjing Metro Co. for the use of the advertising media (such as light boxes and display panels) within Nanjing Metro Line 1 (Phase 1) for a term of 18 years commencing from the official operation date of the Nanjing Metro Line 1 (Phase 1). Such advertising media rental would be paid by quarterly equal instalments over the term of the Metro Media Agreement.

Revenue and profit allocation arrangements

From the fourth year after the official operation date of Nanjing Metro Line 1 (Phase 1), Nanjing Metro MPI would make annual payments to Nanjing Metro Co. equal to 25% of the revenue generated from the marketing of the abovementioned advertising media within Nanjing Metro Line 1 (Phase 1).

From the fourth year after the official operation date of Nanjing Metro Line 1 (Phase 1), Nanjing Metro Co. would be entitled to a certain specified percentage (averaging 40% over the term of the Metro Media Agreement) of operating profits generated from the marketing of the abovementioned advertising media within Nanjing Metro Line 1 (Phase 1).

The Directors presently considered that the above payment arrangements are generally comparable with prevailing market levels within Mainland China.

Preliminary Information on Nanjing Metro Line 1 (Phase 1) in Nanjing

The following information relating to Nanjing Metro Line 1 (Phase 1) in Nanjing has been recently provided to the Group by Nanjing Metro Industrial Co.:

From	:	Olympic Sports Centre, Nanjing City, PRC
To	:	Maigaoqiao, Nanjing City, PRC
Number of stations	:	16
Status	:	Basic construction work has been completed and Nanjing Metro Line 1 (Phase 1) is expected to be fully operational around September 2005

BACKGROUND OF NANJING METRO INDUSTRIAL CO. AND NANJING METRO CO.

Based on recent information made available to the Group:

(1) Nanjing Metro Industrial Co. is a limited liability company, organised and existing under the laws of the PRC, which is independent from the Company, its Directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates as defined under the GEM Listing Rules. It is engaged, inter alia, in civil engineering and railway engineering construction and associated activities such as civil engineering and highway construction technical consulting services. Nanjing Metro Industrial Co. is wholly held by Nanjing Metro Co.; and

(2) Nanjing Metro Co. is a limited liability company, organised and existing under the laws of the PRC which is independent from the Company, its Directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates as defined under the GEM Listing Rules. It is engaged, inter alia, in rail engineering construction, rail transport operation and associated activities such as engineering design and electrical and mechanical facilities and is the operator of Nanjing Metro Line 1 (Phase 1).

REASONS FOR ENTERING INTO THE ABOVE MENTIONED TRANSACTIONS

The Group manages and operates a prominent network of outdoor advertising media in the PRC and Hong Kong. The Group's objective is to become the leading provider of an outdoor advertising media network in Mainland China through offering a comprehensive range of media and related services to satisfy the advertising communication needs of advertisers.

The Directors consider that the establishment of Nanjing Metro MPI will strengthen the Group's existing outdoor media network in Mainland China, especially in the transport sector. With the successful entry into Nanjing Metro Line 1 (Phase 1) in Nanjing, the Group reaches another important milestone in its planned expansion within the PRC. This is a move contemplated in the statement of business objectives set out in the Prospectus. Together with its existing long term advertising rights in Shanghai Metro Line 1 and Guangzhou Metro Line 1 as disclosed in the Prospectus, Beijing Light Rail System and the Hong Kong Airport Express Line, the Group will have a presence in the metro and light rail systems in five major metropolitan cities in the PRC.

FINANCIAL EFFECTS OF THE TRANSACTIONS ON THE GROUP

Net asset and net tangible asset

The Group's audited consolidated net assets and audited consolidated net tangible assets amounted to HK$428.3 million and HK$134.2 million respectively at 31 December 2003 and the Group's unaudited consolidated net assets and unaudited consolidated net tangible assets amounted to approximately HK$434.9 million and HK$158.7 million respectively at 30 June 2004.

Nanjing Metro MPI would be accounted for as a subsidiary of the Group given that the Group would control the majority of the board of directors and would be able to exercise effective control over the day to day financial and operating decisions of Nanjing Metro MPI. Accordingly, the establishment of Nanjing Metro MPI and payment of the registered capital of RMB58.8 million (equivalent to approximately HK$55.5 million) by the Group and RMB1.2 million (equivalent to approximately HK$1.1 million) by Nanjing Metro Industrial Co. would not expected to have any material impact on the Group's net assets or the Group's net tangible assets on the basis that Nanjing Metro MPI will be consolidated as a subsidiary of the Group. The acquisition of the advertising rights for RMB120.0 million (equivalent to approximately HK$113.2 million) by Nanjing Metro MPI after its establishment would not be expected to have any material impact on the Group's net assets, but the Group's intangible assets would be increased by HK$113.2 million and the Group's net tangible assets would be reduced correspondingly.

Earnings

The Group recorded an audited consolidated net loss of approximately HK$21.8 million for the year ended 31 December 2003 and an unaudited consolidated net profit of approximately HK$6.7 million for the six months period ended 30 June 2004. Metro advertising media is well accepted as a powerful and effective advertising media by advertisers. The results of Nanjing Metro MPI will be included in the consolidated results of the Group. The Group considers that while the amortisation of the advertising rights and the payment of the recurring rental will be treated as the expenses of the Group, the establishment of Nanjing Metro MPI for operation of the advertising media within the Nanjing Metro Line 1 (Phase 1) would increase the turnover of the Group.

As Nanjing Metro MPI has not yet been established, no audited financial statements or management accounts of Nanjing Metro MPI have been prepared up to the date of this circular. Accordingly, the requirement per Rule 19.67(4) of the GEM Listing Rules is not applicable.

GENERAL

The Directors consider that the Joint Venture Agreement and the Metro Media Agreement have been secured on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of such agreements are fair and reasonable and in the interests of the Group so far as the shareholders of the Company are concerned.

The above transactions constitute a major transaction under Chapter 19 of the GEM Listing Rules. On 21 July 2004, the Company received a written approval from a shareholder, namely MSCV (which holds approximately 73.38% in nominal value of the Company giving the right to attend and vote at the general meetings of the Company), which have no interest in the above transactions other than through their equity interests in the Company. No shareholder is required to abstain from voting on the relevant resolution should an extraordinary general meeting be held. Accordingly, no extraordinary general meeting is required to be held to consider the above transactions pursuant to Rule 19.44 of the GEM Listing Rules.

FURTHER INFORMATION

Your attention is drawn to the general information set out in the Appendix of this circular.

Yours faithfully,
For and on behalf of the Board
George Ka Ki Chang
Vice Chairman

I. SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated profit and loss account and the consolidated balance sheet of the group for the last three financial years extracted from the annual report of the Group for the years ended 31 December 2003, 2002 and 2001 are set out below:

	Year ended 31 December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated profit and loss account			
Turnover	258,976	290,804	277,205
Profit/(loss) from operations	26,634	(20,829)	(13,024)
Profit/(loss) attributable to shareholders	23,387	(29,941)	(21,774)

	As at 31 December		
	2001	**2002**	**2003**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated balance sheet			
Non-current assets	358,522	354,942	430,208
Current assets	225,191	525,713	480,084
Current liabilities	210,299	326,318	375,961
Non-current liabilities	191,026	85,000	85,045
Minority interests	22,438	20,333	20,992
Total net assets	159,950	449,004	428,294

II. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated profit and loss account, audited consolidated balance sheet and notes to financial statements of the Group extracted from the annual report of the Group for the year ended 31 December 2003.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003
(Expressed in Hong Kong dollars)

	Note	**2003** *$'000*	**2002** *$'000*
Operating revenue			
Turnover	2	277,205	290,804
Other revenue	3	15,280	17,305
Other net income	3	31	205
Operating expenses			
Site rental		(102,852)	(94,266)
Other direct costs		(97,242)	(124,746)
Staff costs	4(b)	(30,054)	(33,691)
Depreciation and amortisation		(40,987)	(34,843)
Other operating expenses		(34,405)	(28,971)
Provision for onerous contracts	27(b)	–	(12,626)
Loss from operations		(13,024)	(20,829)
Finance costs	4(a)	(13,774)	(11,293)
Share of profits less losses of associates		2,155	2,276
Share of profits less losses of jointly controlled entities		20,080	15,847
Loss from ordinary activities before taxation	4	(4,563)	(13,999)
Income tax	5	(14,424)	(12,564)
Loss from ordinary activities after taxation		(18,987)	(26,563)
Minority interests		(2,787)	(3,378)
Loss attributable to shareholders	8 & 35(a)	(21,774)	(29,941)
Loss per share			
– Basic	10(a)	(2.6) cents	(3.6) cents

CONSOLIDATED BALANCE SHEET
at 31 December 2003
(Expressed in Hong Kong dollars)

	Note	2003 $'000	2002 $'000
Non-current assets			
Fixed assets	13	13,873	15,067
Interest in associates	15	4,427	2,786
Interest in jointly controlled entities	16	63,054	61,595
Amounts due from a jointly controlled entity	16	18,868	18,692
Advertising rights	17	291,583	253,929
Other investments	18	35,849	–
Goodwill	19	2,554	2,873
		430,208	354,942
Current assets			
Accounts receivable	20	32,841	46,475
Other receivables, deposits and prepayments	20	85,040	107,980
Amounts due from jointly controlled entities	21	13,866	9,198
Amounts due from minority shareholders	22	5,851	3,746
Amounts due from related companies	23	10	459
Pledged bank deposits	24	202,188	196,446
Cash and cash equivalents	25	140,288	161,409
		480,084	525,713
Current liabilities			
Bank loans	26	257,402	232,153
Accounts payable	27	49,948	22,507
Other payables, deposits and provisions	27	47,749	57,641
Amounts due to jointly controlled entities	28	9,650	10,340
Amounts due to related companies	23	9,825	3,074
Taxation payable	30	1,387	603
		375,961	326,318
Net current assets		104,123	199,395
Total assets less current liabilities		534,331	554,337

	Note	2003 $'000	2002 $'000
Non-current liabilities			
Convertible Bond	31	85,000	85,000
Deferred taxation	32	45	–
		85,045	85,000
Minority interests	33	20,992	20,333
		106,037	105,333
NET ASSETS		428,294	449,004
CAPITAL AND RESERVES			
Share capital	34	85,380	85,380
Reserves	35	342,914	363,624
		428,294	449,004

BALANCE SHEET
at 31 December 2003
(Expressed in Hong Kong dollars)

	Note	2003 $'000	2002 $'000
Non-current assets			
Investments in subsidiaries	14	361,464	340,748
Current assets			
Other receivables, deposits and prepayments	20	48	62
Amount due from a jointly controlled entity	21	130	–
Amount due from a related company	23	6	6
Cash and cash equivalents	25	33,687	59,346
		33,871	59,414
Current liabilities			
Other payables, deposits and provisions	27	1,353	1,786
Net current assets		32,518	57,628
Total assets less current liabilities		393,982	398,376
Non-current liabilities			
Convertible Bond	31	85,000	85,000
		85,000	85,000
NET ASSETS		308,982	313,376
CAPITAL AND RESERVES			
Share capital	34	85,380	85,380
Reserves	35	223,602	227,996
		308,982	313,376

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2003
(Expressed in Hong Kong dollars)

	Share capital	Share premium	Merger reserves	Other capital reserves	Exchange reserves	Revenue reserves	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2002	–	–	255,466	(61,518)	–	(33,998)	159,950
Capitalisation of shareholders' loans	63,900	42,078	–	–	–	–	105,978
Issue of placing shares	21,380	213,800	–	–	–	–	235,180
Share issue expenses	–	(22,163)	–	–	–	–	(22,163)
Movements arising from the Reorganisation	100	–	(100)	–	–	–	–
Net loss for the year	–	–	–	–	–	(29,941)	(29,941)
At 31 December 2002	85,380	233,715	255,366	(61,518)	–	(63,939)	449,004
At 1 January 2003	85,380	233,715	255,366	(61,518)	–	(63,939)	449,004
Movements arising from changes in exchange rate	–	–	–	–	1,064	–	1,064
Net loss for the year	–	–	–	–	–	(21,774)	(21,774)
At 31 December 2003	85,380	233,715	255,366	(61,518)	1,064	(85,713)	428,294

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2003
(Expressed in Hong Kong dollars)

	2003		2002	
	$'000	*$'000*	*$'000*	*$'000*
Operating activities				
Loss from operations	(13,024)		(20,829)	
Adjustments for:				
– Interest income	(3,545)		(4,614)	
– Depreciation and amortisation	40,987		34,843	
– Profit on sales of fixed assets	(31)		(205)	
– (utilisation of provision)/provision for onerous contracts	(11,121)		12,626	
Operating profit before changes in working capital	13,266		21,821	
Decrease/(increase) in accounts receivable	13,634		(3,579)	
Increase in other receivables, deposits and prepayments	(10,163)		(1,545)	
Increase in amounts due from jointly controlled entities	(4,668)		(6,815)	
Increase in amounts due from minority shareholders	(4,140)		(894)	
Decrease in amounts due from related companies	449		34	
Increase in accounts payable	6,516		4,461	
Increase in other payables, deposits and provisions	837		1,591	
(Decrease)/increase in amounts due to jointly controlled entities	(888)		3,730	
Increase in amounts due to related companies	6,751		3,074	
Cash generated from operations	21,594		21,878	
Tax paid				
– Hong Kong profits tax refunded	57		152	
– PRC tax paid	(5,776)		(7,319)	
Net cash generated from operating activities		15,875		14,711

		2003		2002	
	Note	*$'000*	*$'000*	*$'000*	*$'000*
Investing activities					
Increase in pledged deposits		(5,742)		(118,858)	
Payments for the purchase of fixed assets		(4,312)		(6,483)	
Proceeds from sales of fixed assets		236		239	
Payments for the purchase of advertising rights		(43,698)		(26,716)	
Decrease/(increase) in deposits in respect of acquisition/ use of advertising rights		19,957		(56,155)	
Payments for other investments		(29,307)		–	
Payment for the purchase of remaining shares in a subsidiary		–		(3,500)	
Share capital contributed to a jointly controlled entity		–		(936)	
Share capital contributed by minority shareholders		597		2,196	
Interest received		3,545		4,614	
Dividends received from an associate		–		3,920	
Dividends received from a jointly controlled entity		11,443		9,347	
Net cash used in investing activities			(47,281)		(192,332)
Financing activities					
Proceeds on issue of placing shares		–		235,180	
Share issue expenses		–		(22,163)	
Proceeds from new bank loans		25,249		95,845	
Interest paid		(13,774)		(11,293)	
Dividends paid to minority shareholders		(492)		(3,796)	
Net cash generated from financing activities			10,983		293,773
Net (decrease)/increase in cash and cash equivalents			(20,423)		116,152
Cash and cash equivalents at 1 January			161,409		45,257
Effect of changes in foreign exchange rates			(698)		–
Cash and cash equivalents at 31 December	25		140,288		161,409

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Significant accounting policies

(a) The Company

The Company was incorporated in the Cayman Islands on 14 May 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

The Company obtained a Listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 31 January 2002.

(b) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes 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 Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(c) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

The Company became the holding company of the Group on 9 January 2002 pursuant to a group Reorganisation. Details of the Reorganisation were set out in the Company's prospectus dated 15 January 2002. Accordingly, the consolidated financial statements have been prepared using the merger accounting methodology on the basis of historical costs and as if the subsidiaries had been part of the Group throughout the periods presented, except for any acquisitions or disposals subsequent to the Reorganisation, which are accounted for under the acquisition basis of accounting.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intra-group transactions and balances are eliminated on consolidation.

(e) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the consolidated profit and loss account.

Where losses attributable to the minority exceed the minority's interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(k)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise. The results of subsidiaries are accounted for by the Company on the basis of dividends declared or approved in the Company's accounting period.

(f) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or the Company and other parties, where the contractual arrangement establishes that the Group or the Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates and jointly controlled entities for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(g).

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

(g) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries and associates and jointly controlled entities:

– for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(k)); and

– for acquisitions on or after 1 January 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life which does not exceed 20 years. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(k)).

In respect of acquisitions of associates and jointly controlled entities, the cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(k)) is included in the carrying amount of the interest in associates or jointly controlled entities.

Negative goodwill arising on acquisitions of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

– for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

– for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

On disposal of a controlled subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses (see note 1(k)).

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	over the term of the lease
Advertising displays	over the term of the contract
Computer equipment	3 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 to 5 years

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing assets, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated profit and loss account on the date of retirement or disposal.

(i) Advertising rights

Advertising rights represent fees paid to secure exclusive rights to sell advertising space on certain specified assets or at certain specified locations for a specific period of time.

Advertising rights are stated at cost less accumulated amortisation and any impairment losses (see note 1(k)).

Amortisation is calculated on a straight-line basis over the agreed periods of use of the advertising rights, which range from 5 to 20 years, starting from the date of commencement of the commercial use of the advertising rights.

Subsequent expenditure on advertising rights after their purchase or their completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the advertising rights.

(j) Other investments

Other investments are stated at cost less any impairment losses (see note 1(k)).

(k) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated profit and loss account in the year in which the reversals are recognised.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(m) Jointly controlled assets

Jointly controlled assets are held under a contractual arrangement whereby the Group and at least one other party undertake an economic activity which is subject to joint control and none of the parties involved unilaterally has control over the economic activity.

The Group's share of jointly controlled assets, and its share of any liabilities incurred in relation to the jointly controlled assets are recognised in the balance sheet and classified according to the nature of the relevant item. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred in relation to its interests in the jointly controlled assets, are recognised when it is probable that economic benefits associated with the transactions will flow to or from the Group, as applicable.

(n) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Recognition of income

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated profit and loss account as follows:

(i) Advertising and other advertising-related fees are recognised in the year in which the services are provided.

(ii) Signage production and maintenance service fees are recognised in the year in which the services are provided.

(iii) Management fee income is recognised in the year in which the services are provided.

(iv) Interest income is accrued on a time apportioned basis on the principal outstanding and at the rate applicable.

(v) Government incentives are recognised when the right to receive such incentives is established and receipt thereof is probable.

(vi) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(q) Translation of foreign currencies

The consolidated financial statements are prepared in Hong Kong dollars.

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the consolidated profit and loss account.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relates to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(r) Operating leases

Rentals payable under operating leases are accounted for in the consolidated profit and loss account on a straight-line basis over the periods of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments payable.

Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

(s) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and central pension schemes operated by the local governments in the People's Republic of China ("PRC"), are recognised as an expense in the consolidated profit and loss account as incurred.

(iii) When the Group grants to employees options to acquire shares in the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When such options are exercised, shareholders' equity is increased by the amount of the proceeds received.

(t) Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(u) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen geographical segment information as the primary reporting format and business segment information as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings from the ultimate holding company, corporate and financing expenses and minority interests.

2. Turnover

The principal activities of the Group comprise acting as an advertising agent and advertising licensor and licensee, providing consultancy services related to outdoor advertising, the production of advertisement signage and the provision of signage maintenance services.

Turnover represents income from advertising and other advertising-related services rendered to customers during the year, net of returns and discounts allowed, after eliminating intra-group transactions. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2003	**2002**
	$'000	*$'000*
Advertising fees	232,341	244,533
Signage production and maintenance fees	44,864	46,271
	277,205	290,804

3. Other revenue and other net income

	2003	2002
	$'000	*$'000*
Other revenue		
Interest income from bank deposits	3,507	4,544
Interest income from amounts due from minority shareholders	38	70
Management fee income from jointly controlled entities	8,649	8,271
Training income from customers	395	440
Forfeited deposits from customers	129	306
Compensation income *(note a)*	–	1,146
PRC Government incentives *(note b)*	2,415	2,000
Sundry income	147	528
	15,280	17,305
Other net income		
Profit on sales of fixed assets	31	205

Notes:

(a) Compensation income

Compensation income for the year ended 31 December 2002 represented agreed settlement from customers in respect of early termination of contracts.

(b) PRC Government incentives

Nanjing Media Partners International Public Transport Advertising Co., Ltd. ("NJMPI"), a non-wholly owned subsidiary of the Company, is classified by the local PRC government as an approved "Technology and Development Entity". Accordingly, the subsidiary received incentives from a department of the local PRC government amounting to $2,415,000 during the year ended 31 December 2003 (2002: $2,000,000). For the years ended 31 December 2002 and 2003 and the year ending 31 December 2004, the subsidiary is entitled to incentives which are computed based on 50% of the aggregate foreign enterprise income tax ("FEIT") and business tax paid in the previous year subject to certain amounts retained by the PRC government. For each of the years ending 31 December 2005, 2006 and 2007, the subsidiary will be entitled to incentives computed based on 50% of the FEIT paid in the previous year subject to certain amounts retained by the PRC government.

4. Loss from ordinary activities before taxation

Loss from ordinary activities before taxation is arrived at after charging/(crediting):

		2003		2002
		$'000		*$'000*
(a) Finance costs:				
Interest on bank advances and other borrowings repayable within five years		12,626		9,066
Interest on Convertible Bond *(note 31)*		1,086		2,078
Other borrowing costs		62		149
		13,774		11,293
(b) Staff costs:				
Contributions to defined contribution retirement schemes *(note 29)*		2,562		2,714
Salaries, wages and other benefits		27,492		30,977
		30,054		33,691
(c) Other items:				
Exchange (gain)/loss		(260)		143
Auditors' remuneration				
– Audit services	1,127		548	
– Other services	217		217	
		1,344		765
Depreciation of fixed assets		5,433		5,541
Amortisation of advertising rights		35,235		29,116
Amortisation of goodwill		319		186
Provision for bad debts		6,300		2,629
Operating lease charges				
– properties		5,278		4,497
– site rentals		113,973		94,266

5. Income tax

Taxation in the consolidated profit and loss account represents:

	2003	2002
	$'000	*$'000*
Current tax -Provision for Hong Kong Profits Tax		
Over-provision in respect of prior years	(43)	(70)
Current tax - Provision for PRC Foreign Enterprise Income Tax ("FEIT")		
Tax for the year	6,938	6,397
Deferred tax		
Origination and reversal of temporary differences	45	(49)
Share of associates' taxation	514	330
Share of jointly controlled entities' taxation	6,970	5,956
Total income tax expense	14,424	12,564

The provision for Hong Kong Profits Tax has been calculated separately at 17.5% (2002: 16%) of the estimated assessable profits for the year ended 31 December 2003 of each subsidiary and associate of the Group with operations subject to Hong Kong Profits Tax.

In March 2003, the Hong Kong Profits Tax rate has been increased from 16% to 17.5%.

Taxation for subsidiaries and jointly controlled entities operating in the PRC, except noted hereinafter, is calculated at 33% (2002: 33%) of the estimated assessable profits of these entities for the year ended 31 December 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 FEIT from 33% to 30% for two years commencing from its first profit-making year of operations (i.e. for the years ended 31 December 2002 and 2001) 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 ended 31 December 2003.

Reconciliation between tax expense and loss from ordinary activities before taxation at applicable tax rates.

	2003	2002
	$'000	*$'000*
Loss from ordinary activities before taxation	(4,563)	(13,999)
Notional tax, calculated at the rates applicable to profits in the countries concerned	1,036	3,512
Tax effect on non-deductible expenses	1,184	2,689
Tax effect on non-taxable revenue	(2,706)	(2,983)
Tax effect of temporary differences not recognised	1,340	4,532
Tax effect of tax losses not recognised	13,549	4,867
Tax effect of prior year's tax losses utilised this year	64	17
Over-provision in prior years	(43)	(70)
Actual tax expense	14,424	12,564

6. Directors' remuneration

Directors' remuneration disclosed pursuant to section 18.29 of the GEM Listing Rules is as follows:

		2003	2002
	Note	*$'000*	*$'000*
Fees	6(a)	585	672
Basic salaries, housing and other allowances and benefits in kind	6(b)	1,687	2,070
Retirement scheme contributions	6(b)	117	136
		2,389	2,878

(a) Independent non-executive directors and non-executive directors

For the years ended 31 December 2003 and 2002, the fees paid to independent non-executive and non-executive directors were as follows:

	2003	2002
	$'000	*$'000*
Independent non-executive directors		
Mr. Lawrence Juen-Yee LAU	195	192
Mr. Meocre Kwok Wing LI	195	192
Mr. Paul Laurence SAFFO	195	192
Non-executive director		
Mr. Gerald Lokchung CHAN	–	96
	585	672

Mr. Gerald Lokchung CHAN waived his entitlement to fees of $97,500 from the Company during the year ended 31 December 2003.

(b) Executive directors

For the years ended 31 December 2003 and 2002, the remuneration paid to executive directors was as follows:

	Basic salaries, housing and other allowances and benefits in kind *$'000*	**Retirement scheme contributions** *$'000*	**Total** *$'000*
2003			
Executive director and chief executive officer			
Ms. Winnie Pik Shan TO	1,687	117	1,804
Executive director and vice chairman			
Mr. George Ka Ki CHANG	–	–	–
Executive director			
Mr. Tony Cheung Kin AU-YEUNG	–	–	–
	1,687	117	1,804
2002			
Executive director and chief executive officer			
Ms. Winnie Pik Shan TO	1,686	116	1,802
Executive director and vice chairman			
Mr. George Ka Ki CHANG	192	10	202
Executive director			
Mr. Tony Cheung Kin AU-YEUNG	192	10	202
	2,070	136	2,206

Mr. George Ka Ki CHANG and Mr. Tony Cheung Kin AU-YEUNG waived their entitlement to fees of $390,000 (US$50,000) each from the Company during the year ended 31 December 2003 (2002: $192,000 (US$25,000) each).

During the years ended 31 December 2003 and 2002, there were no amounts paid to former directors in connection with their retirement from employment with the Group.

No amount were paid or payable to directors as an inducement to join or upon joining the Group.

The remuneration of the directors is within the following bands:

	2003 Number of directors	2002 Number of directors
Not more than $1,000,000	6	6
$1,000,001 – $1,500,000	–	–
$1,500,001 – $2,000,000	1	1
	7	7

The above emoluments exclude the value of 8,538,000 share options granted to a director under the Company's share option scheme as estimated at the date of grant during the year ended 31 December 2002. The theoretical value of these options granted to a director amounted to $2,151,000 which was calculated using the Black-Scholes option pricing model as at the date of the grant of the options during the year ended 31 December 2002. The details of these benefits in kind are disclosed under the paragraph "share option scheme" in the directors' report and note 34 to the financial statements.

7. Individuals with the highest emoluments

Set out below are analyses of the emoluments of those employees of the Group who, not being directors of the Company or its subsidiaries, were among the top five paid individuals (including directors and other employees of the Group) employed by the Group.

	2003 *$'000*	2002 *$'000*
Basic salaries, housing and other allowances and benefits in kind	4,388	5,072
Discretionary bonuses	375	150
Retirement scheme contributions	213	208
	4,976	5,430

An analysis of senior management's emoluments by number of employees and emolument ranges is as follows:

	2003 Number of individuals	2002 Number of individuals
Not more than $1,000,000	–	–
$1,000,001 – $1,500,000	3	3
$1,500,001 – $2,000,000	1	1
	4	4

No amounts were paid or payable to senior management as an inducement to join the Group or as compensation for loss of office during the years ended 31 December 2003 and 2002.

8. Loss attributable to shareholders

The consolidated loss attributable to shareholders includes a loss of $4,394,000 (2002: $5,606,000) which has been dealt with in the financial statements of the Company.

9. Dividends

The Company has not declared or paid any dividend for the year ended 31 December 2003 (2002: $Nil).

10. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of $21,774,000 (2002: $29,941,000) and the weighted average of 853,800,000 ordinary shares (2002: 822,221,918 ordinary shares) outstanding.

(b) Diluted loss per share

No diluted loss per share for the years ended 31 December 2003 and 2002 has been presented, as there were no dilutive potential ordinary shares during these years.

11. Changes in accounting policies

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) ("revised SSAP 12") issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 1 (n). The adoption of the revised SSAP 12 has no material effect on the financial statements of the Group for the years ended 31 December 2002 and 31 December 2003.

12. Segment reporting

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of the advertisements placed by customers and the location of the provision of advertising and related services rendered to customers is chosen as the reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions.

Geographical segments by the location of customers and by the location of assets

The Group's business can be subdivided into the Mainland China and Hong Kong markets.

The Group's geographical segments are classified according to the location of the advertisements placed by customers and the location of the provision of advertising and related services rendered to customers. No separate disclosure of the Group's geographical segments according to the location of assets has been made as there is no material difference between the Group's geographical segments classified by location of customers or by location of assets.

Management consider that all items in the consolidated profit and loss account and assets included in the consolidated balance sheet can be reasonably allocated to each geographical segment.

Business segments

No information has been disclosed in respect of the Group's business segments as the Group operates only one business segment which is the provision of advertising and related services.

	Year ended 31 December									
	Hong Kong		Mainland China		Inter-segment elimination		Unallocated		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Turnover	60,062	71,901	217,143	218,903	–	–	–	–	277,205	290,804
Other revenue	202	1,479	14,740	14,227	–	–	338	1,599	15,280	17,305
Total revenue	60,264	73,380	231,883	233,130	–	–	338	1,599	292,485	308,109
Segment result and (loss)/profit from operations	(8,251)	(37,449)	(793)	20,795	–	–	(3,980)	(4,175)	(13,024)	(20,829)
Finance costs	(187)	(262)	(12,501)	(8,953)	–	–	(1,086)	(2,078)	(13,774)	(11,293)
Share of profits less losses of associates	2,155	2,276	–	–			–	–	2,155	2,276
Share of profits less losses of jointly controlled entities	–	–	20,080	15,847			–	–	20,080	15,847
(Loss)/profit from ordinary activities before taxation	(6,283)	(35,435)	6,786	27,689			(5,066)	(6,253)	(4,563)	(13,999)
Taxation	(515)	(211)	(13,909)	(12,353)			–	–	(14,424)	(12,564)
(Loss)/profit from ordinary activities after taxation	(6,798)	(35,646)	(7,123)	15,336			(5,066)	(6,253)	(18,987)	(26,563)
Minority interests	53	26	(2,840)	(3,404)			–	–	(2,787)	(3,378)
(Loss)/profit attributable to shareholders	(6,745)	(35,620)	(9,963)	11,932			(5,066)	(6,253)	(21,774)	(29,941)
Depreciation and amortisation	875	1,265	40,112	33,578			–	–	40,987	34,843
Capital expenditure/ investment incurred during the year	506	1,275	110,882	27,457			–	–	111,388	28,732
Utilisation of provision/(provision) for onerous contracts	11,121	(12,626)	–	–			–	–	11,121	(12,626)

	Year ended 31 December									
	Hong Kong		Mainland China		Inter-segment elimination*		Unallocated		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment assets#	31,412	47,797	795,484	721,194	(36,694)	(30,823)	33,741	59,414	823,943	797,582
Interest in associates	4,427	2,786	–	–	–	–	–	–	4,427	2,786
Interest in jointly controlled entities	–	–	63,054	61,595	–	–	–	–	63,054	61,595
Amounts due from a jointly controlled entity	–	–	18,868	18,692	–	–	–	–	18,868	18,692
Total assets									910,292	880,655
Segment liabilities#	(63,202)	(71,149)	(346,826)	(284,206)	36,694	30,823	(2,672)	(1,786)	(376,006)	(326,318)
Unallocated liabilities							(85,000)	(85,000)	(85,000)	(85,000)
Total liabilities									(461,006)	(411,318)
Minority interests	(165)	(219)	(20,827)	(20,114)	–	–	–	–	(20,992)	(20,333)

\# *Segment assets and liabilities are before elimination of inter-segment balances.*

* *Inter-segment elimination of $36,694,000 (2002: $30,823,000) represents inter-segment current accounts.*

13. Fixed assets

The Group

	Leasehold improvements	Advertising displays	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:						
At 1 January 2003	3,454	17,354	7,826	2,862	2,293	33,789
Additions	1,048	–	2,649	142	473	4,312
Disposals	(121)	(57)	(294)	–	(448)	(920)
Exchange adjustments	27	137	57	11	18	250
At 31 December 2003	4,408	17,434	10,238	3,015	2,336	37,431
Accumulated depreciation:						
At 1 January 2003	2,797	10,005	3,130	1,740	1,050	18,722
Charge for the year	510	2,493	1,790	233	407	5,433
Written back on disposals	(121)	–	(193)	–	(401)	(715)
Exchange adjustments	22	66	17	5	8	118
At 31 December 2003	3,208	12,564	4,744	1,978	1,064	23,558
Net book value:						
At 31 December 2003	1,200	4,870	5,494	1,037	1,272	13,873
At 31 December 2002	657	7,349	4,696	1,122	1,243	15,067

14. Investments in subsidiaries

	The Company 2003	The Company 2002
	$'000	*$'000*
Unlisted shares, at cost	100	100
Loans to subsidiaries	190,978	190,978
Amounts due from subsidiaries	174,477	154,718
Amounts due to subsidiaries	(4,091)	(5,048)
	361,464	340,748

The loans to subsidiaries and the amounts due from/(to) subsidiaries are non-current as these are not expected to be receivable/(payable) within the next twelve months.

All of these are controlled subsidiaries as defined under note 1(e) and have been consolidated into the financial statements.

Name of company	Place of incorporation/ establishment and operation	Proportion of attributable equity interest held		Issued share capital/ registered capital	Principal activities
		directly	indirectly		
Polyland Holdings Limited	British Virgin Islands	100%	–	US$1	Investment holding
Media Partners International Limited	Hong Kong	–	100%	$647	Outdoor advertising agent and investment holding
Shanghai Media Partners International Ltd. *(Note 1)*	People's Republic of China	–	91.5%	US$1,800,000	Advertising agent, advertising licensor and licensee, and advertising consultant
Nanjing Media Partners International Public Transport Advertising Co., Ltd. *(Note 2)*	People's Republic of China	–	87.6%	RMB68,500,000	Advertising agent and advertising consultant
Chongqing MPI Public Transportation Advertising Co., Ltd. *(Note 3)*	People's Republic of China	–	60%	US$500,000	Advertising agent and advertising consultant
Chengdu MPI Public Transport Advertising Co., Ltd. *(Note 4)*	People's Republic of China	–	50%	US$500,000	Advertising agent and advertising consultant
Shenzhen Media Partners International Advertising Limited *(Note 5)*	People's Republic of China	–	49%	US$300,000	Advertising agent and advertising consultant
Best Reward Venture Limited	British Virgin Islands	–	75%	US$3,000	Advertising agent
Metrolink Investments Ltd.	British Virgin Islands	–	100%	US$200	Investment holding
Metro-ads International Limited	Hong Kong	–	100%	$500,000	Investment holding
Shanghai Metroads Advertising Company Limited	Hong Kong	–	100%	$2	Dormant
Chalkwell Limited	British Virgin Islands	–	100%	US$1	Investment holding

Name of company	Place of incorporation/ establishment and operation	Proportion of attributable equity interest held directly	Proportion of attributable equity interest held indirectly	Issued share capital/ registered capital	Principal activities
Media Partners International (Hong Kong) Limited	Hong Kong	–	100%	$2	Outdoor advertising agent
Signmaker Company Limited	Hong Kong	–	100%	$2	Signage production and maintenance
Intercontinental Outdoor Advertising (H.K.) Limited	Hong Kong	–	100%	$20	Outdoor advertising agent
Sports and Outdoor Media (HK) Limited	Hong Kong	–	100%	$2	Dormant
Beron Limited	British Virgin Islands	–	100%	US$1	Investment holding
Media Partners International Group Limited	Hong Kong	–	100%	$2	Investment holding
Livebrand Networks Limited	Hong Kong	–	51%	$500,000	Audio-visual equipment development and application
Mei Ti Bo Le Group Limited	Hong Kong	–	100%	$2	Dormant
Media Partners International Production Limited	Hong Kong	–	100%	$2	Dormant
Media Partners International Holdings Limited	Hong Kong	100%	–	$2	Dormant

Notes:

(1) Shanghai Media Partners International Ltd. ("SHMPI") was established in the People's Republic of China on 28 December 1995 as a sino-foreign equity joint venture with a term of 15 years. In July 2000, SHMPI changed its legal structure from a sino-foreign equity joint venture to a sino-foreign co-operative joint venture.

On 11 November 2002, the Group submitted an application to the relevant PRC government authorities for approval of the proposed amendment to the Joint Venture Contract ("JV Contract") and Joint Venture Articles ("JV Articles") of SHMPI.

Pursuant to the proposed amendment to the JV Contract and JV Articles, the registered capital of SHMPI would be increased by US$13.5 million (approximately $105,300,000) from US$1.8 million (approximately $14,040,000) to US$15.3 million (approximately $119,340,000) whilst the total investment in SHMPI would be increased by US$43 million (approximately $335,400,000) from US$2.5 million (approximately $19,500,000) to US$45.5 million (approximately $354,900,000). The proposed increased amount of US$13.5 million (approximately $105,300,000) in the registered capital of SHMPI would be contributed by Media Partners International Limited pursuant to the proposed amendment to JV Contract and JV Articles of SHMPI.

As at 31 December 2003, the application has not yet been approved.

(2) Nanjing Media Partners International Public Transport Advertising Co., Ltd. ("NJMPI") was established in the People's Republic of China on 22 March 1999 as a sino-foreign co-operative joint venture with a term of 15 years. The Group is entitled to 80% of the profits of NJMPI for the first six years from 22 March 1999. Thereafter, the Group will be entitled to 50% of the profits of NJMPI.

(3) Chongqing MPI Public Transportation Advertising Co., Ltd. ("CQMPI") was established in the People's Republic of China on 23 September 1999 as a sino-foreign co-operative joint venture with a term of 30 years. The Group is entitled to 80% of the profits of CQMPI for the first eleven years from 23 September 1999. Thereafter, the Group will be entitled to 60% of the profits of CQMPI.

(4) Chengdu MPI Public Transport Advertising Co., Ltd ("CDMPI") was established in the People's Republic of China on 20 March 2002 as a sino-foreign co-operative joint venture with a term of 30 years. The Group is entitled to 50% of profits of CDMPI over the term of co-operative joint venture agreement and is entitled to appoint five out of nine directors on the board of directors. The Group has accounted for the financial results of CDMPI as a subsidiary, notwithstanding that the Group's equity interest is only 50% as, in the opinion of the directors of the Company, the Group is able to exercise effective control over the financial and operating decisions of CDMPI.

(5) Shenzhen Media Partners International Advertising Limited ("SZMPI") was established in the People's Republic of China on 7 April 2003 as a sino-foreign co-operative joint venture with a term of 20 years. The Group is entitled to 49% of profits of SZMPI over the term of co-operative joint venture and is entitled to appoint three out of five directors on the board of directors. The Group has accounted for the financial results of SZMPI as a subsidiary, notwithstanding that the Group's equity interest is only 49% as, in the opinion of the directors of the Company, the Group is able to exercise effective control over the financial and operating decisions of SZMPI.

15. Interest in associates

	The Group	
	2003	**2002**
	$'000	*$'000*
Share of net assets other than goodwill	4,427	2,786

Name of company	**Place of incorporation/ operation**	**Issued share capital/ registered capital**	**Attributable proportion of equity interest**		**Principal activities**
			directly	**indirectly**	
POAD Group Limited ("POAD")	Hong Kong	$1,000	–	49%	Provision of advertising production and agency services

16. Investments in jointly controlled entities

	The Group	
	2003	**2002**
	$'000	*$'000*
Share of net assets other than goodwill	63,054	61,595
Amounts due from a jointly controlled entity	18,868	18,692
	81,922	80,287

Details of the group's interest in the jointly controlled entities are as follows:

Name of company	Form of business structure	Place of incorporation/ establishment and operation	Particulars of registered capital	Group's share of profits or losses	Principal activities
Guangzhou Yong Tong Metro Advertising Company Limited	Co-operative joint venture	People's Republic of China	RMB23,400,000	#32.5%	Outdoor advertising agent
Shanghai Metro-ads Advertising Co., Ltd.	Co-operative joint venture	People's Republic of China	US$2,100,000	*90%	Outdoor advertising agent
Shanghai Zhongle Vehicle Painting Co. Ltd	Equity joint venture	People's Republic of China	US$300,000	**40%	Vehicle signage production

\# *Held through a wholly-owned subsidiary which has contributed 100% of the registered capital.*

The Group's interest in Guangzhou Yong Tong Metro Advertising Company Limited ("Guangzhou Metro JV") is held under a joint venture agreement dated 26 August 1999. The Group obtained the approval for the establishment of Guangzhou Metro JV on 9 March 2000. Throughout the joint venture period, the Group is entitled to share 32.5% of the financial results and net assets of Guangzhou Metro JV in accordance with the terms of the joint venture agreement. The joint venture is for a period of 10 years from 10 May 2000 to 10 May 2010.

* *Held through a wholly-owned subsidiary which has contributed 100% of the registered capital.*

Shanghai Metro-ads Advertising Co., Ltd. ("Shanghai Metro JV") was established by a subsidiary of the Group and Shanghai Metro-Advertising Co., Ltd. under a joint venture agreement dated 2 July 1993. Throughout the joint venture period, 3% and 22% of the total net sales of Shanghai Metro JV are to be paid to Shanghai Metro-Advertising Co., Ltd. and Shanghai Metro Operation Co., Ltd., an entity related to Shanghai Metro-Advertising Co., Ltd., respectively, as a guaranteed return. The profit or loss after taxation of Shanghai Metro JV, after payment of the guaranteed return, is shared by the subsidiary of the Group and Shanghai Metro-Advertising Co., Ltd. in the ratio of 90:10, respectively. The joint venture is for a period of 18 years from 7 December 1993 to 6 December 2011.

Notwithstanding the contribution of 100% of the registered capital and the profit sharing arrangements of Shanghai Metro JV, the Group accounts for this investment as a jointly controlled entity as it only has joint control of the board of directors.

** *Held through a wholly-owned subsidiary which has contributed 40% of the registered capital.*

Shanghai Zhongle Vehicle Painting Co. Ltd ("Shanghai Production JV") was established by a subsidiary of the Group and 上海德天汽車油漆噴塗有限公司under a joint venture agreement in 2002. The Group obtained the approval for the establishment of Shanghai Production JV on 28 September 2002. Throughout the joint venture period, the Group is entitled to share 40% of the financial results and net assets of Shanghai Production JV in accordance with the terms of the joint venture agreement. The joint venture is for a period of 15 years from 28 September 2002 to 27 September 2017.

Amounts due from a jointly controlled entity of $18,868,000 are non-interest bearing, unsecured and have no fixed terms of repayment. These amounts represent part of the total cost of purchase of a property in Guangzhou and may not be settled before 31 December 2004 (see note 37 for further details).

The following supplementary financial information is disclosed relating to the Group's jointly controlled entity, Shanghai Metro JV, which is extracted from the audited financial statements.

Shanghai Metro JV

Results for the years ended 31 December 2003 and 2002

	2003	**2002**
	$'000	*$'000*
Turnover	85,033	70,101
Profit from ordinary activities before taxation	24,396	21,082
Taxation	(7,745)	(6,618)
Profit for the year	16,651	14,464

Assets and liabilities as at 31 December 2003 and 2002

	2003	**2002**
	$'000	*$'000*
Non-current assets	8,392	9,521
Current assets	49,706	39,390
Current liabilities	(24,539)	(21,130)
	33,559	27,781

17. Advertising rights

	The Group
	$'000
Cost:	
At 1 January 2003	393,666
Additions	71,227
Exchange adjustments	2,175
At 31 December 2003	467,068
Accumulated amortisation:	
At 1 January 2003	139,737
Charge for the year	35,235
Exchange adjustments	513
At 31 December 2003	175,485
Net book value:	
At 31 December 2003	291,583
At 31 December 2002	253,929

Pursuant to agreements signed between certain subsidiaries of the Group and various companies in the PRC, the Group has acquired exclusive advertising rights to certain bus routes, billboards and street furniture in major cities in the PRC. The cost of advertising rights represents fees paid to secure exclusive advertising rights over fixed periods of time which normally range from 5 to 20 years.

The amortisation charge for the year is included in "loss from operations" in the consolidated profit and loss account.

18. Other investments

Other investments represent an amount of approximately $35,849,000 (RMB38,000,000) paid by a subsidiary of the Company to an independent third party in respect of a commercial arrangement for the planning, development and marketing of certain existing and future advertising media in Shanghai ("the Arrangement").

The term of the Arrangement is for the period of 20 years from 1 November 2002 to 31 October 2022. For the period from the effective date of the Arrangement to December 2005, the independent third party warrants that the subsidiary shall receive advertising consultancy fees from the independent third party as follows, $11,321,000 (RMB12,000,000) for the year ended 31 December 2003, $14,151,000 (RMB15,000,000) for the year ending 31 December 2004 and $10,377,000 (RMB11,000,000) for the year ending 31 December 2005, and (ii) an additional amount per annum (if any) representing 30% of the annual pre-tax operating profit derived from the Arrangement after deducting the advertising consultancy fees.

For each year of the remainder of the Arrangement between 2006 and 2022, the independent third party will undertake to pay 30% of the annual pre-tax operating profit derived from the Arrangement to the subsidiary.

Barring unanticipated developments, it is the present intention of the Group to replace the current Arrangement by establishing a joint venture with the independent third party in the foreseeable future subject to and in compliance with the prevailing PRC legislation and government policies.

19. Goodwill

	The Group
	$'000
Cost:	
At 1 January 2003 and 31 December 2003	3,059
Accumulated amortisation:	
At 1 January 2003	186
Charge for the year	319
At 31 December 2003	505
Carrying amount:	
At 31 December 2003	2,554
At 31 December 2002	2,873

Goodwill arose from the acquisition of the remaining 5% interest in Metrolink Investments Ltd. ("Metrolink") from the minority shareholders for a consideration of $3,500,000 in 2002.

Goodwill is amortised on a straight-line basis over a period of 9.5 years. The amortisation charge for the year is included in "loss from operations" in the consolidated profit and loss account.

20. Accounts receivable, other receivables, deposits and prepayments

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Accounts receivable	32,841	46,475	–	–

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Other receivables	16,149	12,149	48	62
Deposits for the acquisition of advertising rights	–	34,579	–	–
Utility and rental deposits	60,598	52,925	–	–
Amounts due from joint venture partners	5,679	2,910	–	–
Others	2,614	5,417	–	–
	85,040	107,980	48	62

The amount of other receivables, deposits, and prepayments of the Group expected to be recovered after more than one year is $6,886,000 (2002: $14,639,000). All of the balance is expected to be recovered within one year.

An ageing analysis of accounts receivable at the year end is as follows:

	The Group	
	2003	**2002**
	HK$'000	*HK$'000*
Current	11,781	15,968
1 to 3 months	15,581	16,164
More than 3 months	5,479	14,343
	32,841	46,475

Debts are due within 30 days from the date of billing. Customers with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

21. Amounts due from jointly controlled entities

The amounts due from jointly controlled entities are interest free, unsecured and repayable on demand.

22. Amounts due from minority shareholders

The amounts due from minority shareholders are non-interest bearing, unsecured and repayable on demand except for amounts of $1,950,000 (2002: $2,674,000) which are interest bearing at a rate of 2% per annum.

All amounts due from minority shareholders are expected to be recoverable within one year.

23. Amounts due from/to related companies

The amounts due from/to related companies are interest free, unsecured and repayable on demand.

24. Pledged bank deposits

Pledged bank deposits represent deposits placed with banks as security for banking facilities made available to the Group (note 26).

25. Cash and cash equivalents

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Deposits with banks and other financial institutions	50,883	117,890	30,063	56,809
Cash at bank and in hand	89,405	43,519	3,624	2,537
Cash and cash equivalents in the balance sheet *(note (a))*	140,288	161,409	33,687	59,346

Notes:

(a) In July 2002, a subsidiary of the Group entered into an agreement with Beijing Urban Transit Railway Co., Ltd ("Beijing Rail") to secure the exclusive rights to operate and market the advertising media within the Beijing Light Rail System for a term of 18 years commencing from January 2003. A subsidiary of the Group has agreed to place aggregate cash equivalents of $74,766,000 (RMB80,000,000) into a jointly controlled bank account for the construction of advertising media facilities within the Beijing Light Rail System.

As at 31 December 2003, the Group had utilised $24,499,000 (2002: $15,054,000) in connection with the construction of advertising media facilities. The remaining cash held by the Group under a jointly controlled bank account of $50,267,000 (2002: 59,712,000) is included in cash and cash equivalents of the Group at 31 December 2003.

(b) Cash and cash equivalents include $82,562,000 (2002: $79,054,000) which is denominated in Renminbi ("RMB") in the amount of RMB87,516,000 (2002: RMB84,588,000). RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, in certain circumstances the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

26. Bank loans

	The Group	
	2003	**2002**
	$'000	*$'000*
Bank loans		
– unsecured	7,075	7,010
– secured	250,327	225,143
	257,402	232,153

The banking facilities of certain subsidiaries are secured by deposits of $202,188,000 (2002: $196,446,000) placed with banks at 31 December 2003. Such banking facilities, amounting to $516,226,000 (2002: $509,252,000), were utilised in respect of bank loans and bank guarantees to the extent of $257,402,000 (2002: $232,153,000) and $4,520,000 (2002: $4,703,000) respectively.

The secured bank loans of $250,327,000 (2002: $225,143,000) are secured by term deposits of $199,928,000 (2002: $194,094,000) pledged with banks and guarantees granted by the Company.

All the bank loans are repayable within one year or on demand.

27. Accounts payable, other payables, deposits and provisions

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Accounts payable	49,948	22,507	–	–

	The Group		The Company	
	2003	**2002**	**2003**	**2002**
	$'000	*$'000*	*$'000*	*$'000*
Other payables	7,582	6,633	101	–
Deferred revenue	2,979	4,502	–	–
Deposits received in advance	23,442	17,452	–	–
Accrued expenses	12,241	16,428	1,252	1,786
Provision for onerous contracts *(note 27(b))*	1,505	12,626	–	–
	47,749	57,641	1,353	1,786

Deferred revenue represents the amounts received before the related work was performed.

Deposits received in advance represent advertising site rental deposits received from advertisers and advances from customers.

The amount of other payables and accrued expenses expected to be settled after more than one year is $1,623,000 (2002: $1,613,000).

(a) Included in accounts payable, other payables, deposits and accruals are accounts payable with the following ageing analysis:

	The Group	
	2003	**2002**
	$'000	*$'000*
Current	4,087	6,211
1 to 3 months	5,868	5,364
More than 3 months	39,993	10,932
	49,948	22,507

(b) Provision for onerous contracts

	The Group	
	2003	**2002**
	$'000	*$'000*
Balance at 1 January	12,626	–
Additions during the year	–	12,626
Provisions utilised during the year	(11,121)	–
Balance at 31 December	1,505	12,626

At 31 December 2002, the Directors considered that certain of the Group's advertising contracts in Hong Kong had become onerous when taking into consideration the market demand for the advertising space in respect of these contracts, the anticipated future income from these contracts and the general economic climate in Hong Kong. Accordingly, a provision for onerous contracts in the amount of $12,626,000 was made based on the excess of the least net loss of terminating these contracts over the expected economic benefits to be derived therefrom in accordance with Statement of Standard Accounting Practice No. 28 "Provisions, contingent liabilities and contingent assets".

The expiry/early termination of the said contracts during the year ended 31 December 2003 has utilised provisions in the amount of $11,121,000.

28. Amounts due to jointly controlled entities

The amounts due to jointly controlled entities are unsecured, interest free and repayable on demand.

29. Employee retirement benefits

Set out below are certain particulars of defined contribution retirement schemes operated by the Group.

(a) Nature of the schemes

The Group participates in Mandatory Provident Fund ("MPF") schemes operated by an approved MPF trustee. All employees of the Group's subsidiaries in Hong Kong make monthly contributions to the MPF schemes at 5% of the employees' monthly salaries and the Group makes monthly contributions to the MPF schemes at 5% to 10% of the employees' monthly salaries. The Group's mandatory contributions which comply with the minimum requirements of the Mandatory Provident Fund Schemes Ordinance will be fully and immediately vested in the employees' accounts as their accrued benefits in the schemes. In respect of the Group's voluntary contributions to the MPF schemes for the employees, the employees are entitled to receive 100% of the Group's contributions and accrued interest thereon upon retirement or upon leaving the Group after completion ten years of service, or at a reduced scale of between 10% to 90% after completing one to nine years of services.

The employees of the Group's subsidiaries in the PRC, are members of central pension schemes operated by the local governments in the PRC and these subsidiaries make mandatory contributions to these central pension schemes to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on certain percentages of the employees' salaries cost in accordance with the relevant regulations in the PRC, which range from 9% to 22% (2002: 9% to 22%), and are charged to the consolidated profit and loss account as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

(b) Retirement benefit costs for the year were as follows:

	2003	**2002**
	$'000	*$'000*
Retirement contributions payable to retirement schemes	2,814	2,840
Forfeited contributions refunded to the Group	(252)	(126)
Total net contributions payable to retirement schemes	2,562	2,714

30. Taxation

	The Group	
	2003	**2002**
	$'000	*$'000*
Provision for FEIT in the PRC	1,387	634
Tax payable relating to prior years	–	(31)
Taxation payable	1,387	603

31. Convertible Bond

	The Group and the Company	
	2003	**2002**
	$'000	*$'000*
Convertible Bond	85,000	85,000

The term of the Convertible Bond is for the period from 9 January 2002 to 31 December 2004. Interest is payable at the rate of 2.5% per annum, semi-annually in arrears. The Group has obtained a 50% waiver of interest payable to the Bond holder of the Convertible Bond for the period from 9 January 2003 to 8 January 2004.

The holder of the Convertible Bond ("Bond Holder") have, subject to certain conditions, the right at any time following the expiry of six months from 31 January 2002 (i.e. 31 July 2002) to convert part or all of the Convertible Bond into shares of the Company at a price of $1.21 per share.

Unless previously repurchased, cancelled, redeemed or converted, the Convertible Bond will be redeemed at its principal amount together with any accrued interest on maturity.

The Bond Holder has undertaken not to demand repayment of the principal sum of $85,000,000 due under the Convertible Bond for a period of 12 months from 31 December 2004.

32. Deferred taxation

(a) Provision for deferred taxation of $45,000 (2002: $Nil) was made in respect of depreciation allowances in excess of the related depreciation.

(b) The major component of unprovided deferred taxation of the Group is the future benefit of tax losses of $18,818,000 (2002: $10,012,000).

The Group has not accounted for the deferred taxation assets attributable to the future benefits of tax losses generated from the Hong Kong operations as the availability of future taxable profits from the Hong Kong operations against which the assets can be utilised is uncertain at 31 December 2003. The tax losses of the Hong Kong operations do not expire under current tax legislation.

The Group has not accounted for the deferred taxation assets attributable to the future benefits of tax losses in respect of the Mainland China operations as it is not certain the relevant Mainland China operations will generate future taxable profits before the accumulated tax losses expire. The tax losses of the relevant Mainland China operations expire five years after the relevant accounting year end date.

33. Minority interests

	The Group	
	2003	**2002**
	$'000	*$'000*
Amounts due to minority shareholders	5,901	5,331
Minority shareholders' share of net assets	15,091	15,002
	20,992	20,333

The amounts due to minority shareholders are unsecured, interest free and are not expected to be settled before 31 December 2004.

34. Share capital

The following is a summary of movements in the authorised and issued share capital of the Company.

	Notes	**Number of shares**	**Amount**
			$'000
Authorised:			
At 1 January 2002		50,000	50
Increase in authorised share capital	(a)	99,950,000	99,950
Subdivision of ordinary shares into $0.10 each	(b)	900,000,000	–
At 31 December 2002 and at 31 December 2003		1,000,000,000	100,000
Issued and fully paid:			
At 1 January 2002		1	–
Subdivision of ordinary shares into shares of $0.10 each	(b)	9	–
Shares issued upon Reorganisation	(c)	999,990	100
Loan capitalisation	(d)	639,000,000	63,900
New issue and Placing of shares	(e)	213,800,000	21,380
At 31 December 2002 and at 31 December 2003		853,800,000	85,380

Notes:

(a) On 7 January 2002, the authorised share capital of the Company was increased from $50,000 to $100,000,000 by the creation of an additional 99,950,000 shares of $1.00 each ranking pari passu with the then existing shares in all respects.

(b) On 7 January 2002, by means of a sub-division of share capital, the par value to the shares of the Company was reduced from $1.00 each to $0.10 each, and every issued and unissued share of $1.00 was subdivided into 10 shares (the "Subdivision"). Immediately after the Subdivision, the authorised share capital of the Company became $100,000,000 comprising 1,000,000,000 shares of $0.10 each of which 10 shares were in issue.

(c) On 9 January 2002, the Company acquired 1 share of US$1.00 in Polyland, representing the entire issued share capital of Polyland from MTI in consideration for the issue and allotment of 999,990 shares to MTI. The Company became the holding company of the Group with effect from 9 January 2002.

(d) On 9 January 2002, the Company entered into an agreement with MSCV, the ultimate holding company such that, an amount of $105,978,176 represented unsecured loans due to MSCV at 30 November 2001 was capitalised and 639,000,000 shares were allotted and issued to MSCV.

(e) Pursuant to the listing of the shares of Company on GEM on 31 January 2002, 213,800,000 shares of the Company were issued by way of a Placing. The excess of the issue price over the par value of the shares issued has been credited to the share premium account of the Company.

(f) All shares both issued and unissued rank pari passu in all respects at 31 December 2003.

Share option scheme (the "Scheme")

The Company conditionally adopted the Scheme on 7 January 2002 whereby any employees (whether or not full-time or part-time and, for the avoidance of doubt, including the Directors of the Group except Mr Gerald Lokchung Chan) who, at the sole discretion of the Directors have, subject to the terms of the share option scheme, contributed to the Group, may be granted options to subscribe for shares in the Company. Details of the share option scheme are disclosed in the Directors' Report.

The maximum number of shares in respect of which options may be granted under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time.

Pursuant to a written resolution of all the members of the Compensation Committee dated 20 May 2002 and 13 August 2002 respectively and the minutes of a directors' meeting dated 13 August 2002, the Company granted options to subscribe for a total of 18,448,000 shares of the Company at exercise price of $0.62 per share which are exercisable during the period from 14 August 2003 to 13 August 2012, both dates inclusive.

(a) Movements in share options

	2003 Number	**2002 Number**
At 1 January	17,328,000	–
Granted	–	18,448,000
Lapsed	(1,390,000)	(1,120,000)
At 31 December	15,938,000	17,328,000
Options vested at 31 December	3,984,500	–

(b) Terms of unexpired and unexercised share options at balance sheet date

Date granted	**Exercise period**	**Exercise price**	**2003 Number**	**2002 Number**
14 August 2002	14 August 2003 to 13 August 2012	$0.62	15,938,000	17,328,000

(c) Details of share options granted during the year, all of which were granted for nominal consideration

Exercise period	**Exercise price**	**2003 Number**	**2002 Number**
14 August 2003 to 13 August 2012	$0.62	–	18,448,000

(d) Details of share options exercised during the year

No options were exercised during the year ended 31 December 2003 (2002: Nil).

35. Reserves

(a) The Group

	Share premium	Merger reserves	Other capital reserves	Exchange reserves	Revenue reserves	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2002	–	255,466	(61,518)	–	(33,998)	159,950
Capitalisation of shareholders' loans	42,078	–	–	–	–	42,078
Share premium arising on issue of placing shares	213,800	–	–	–	–	213,800
Share issue expenses	(22,163)	–	–	–	–	(22,163)
Movements arising from the Reorganisation	–	(100)	–	–	–	(100)
Loss for the year	–	–	–	–	(29,941)	(29,941)
At 31 December 2002	233,715	255,366	(61,518)	–	(63,939)	363,624
At 1 January 2003	233,715	255,366	(61,518)	–	(63,939)	363,624
Movements arising from changes in exchange rate	–	–	–	1,064	–	1,064
Loss for the year	–	–	–	–	(21,774)	(21,774)
At 31 December 2003	233,715	255,366	(61,518)	1,064	(85,713)	342,914

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 has been capitalised as a result of share-for-share exchanges. The movement in merger reserves during the year ended 31 December 2002 represented the excess of the par value of the shares of the subsidiaries which the Company acquired over the par value of the Company's shares issued in consideration thereof.

	2003	2002
	$'000	*$'000*
Loss for the year is retained by:		
– The company and its subsidiaries	(25,082)	(28,511)
– Associates	1,641	(1,974)
– Jointly controlled entities	1,667	544
	(21,774)	(29,941)

Included in the figure for revenue reserves at 31 December 2003 are reserves of $4,057,000 (2002: $2,416,000) attributable to associates and reserves of $11,039,000 (2002: $9,372,000) attributable to the jointly controlled entities.

(b) The Company

	Share premium $'000	Revenue reserves $'000	Total $'000
At 1 January 2002	–	(113)	(113)
Capitalisation of shareholders' loans	42,078	–	42,078
Share premium arising on issue of placing shares	213,800	–	213,800
Share issue expenses	(22,163)	–	(22,163)
Loss for the year	–	(5,606)	(5,606)
At 31 December 2002	233,715	(5,719)	227,996
At 1 January 2003	233,715	(5,719)	227,996
Loss for the year	–	(4,394)	(4,394)
At 31 December 2003	233,715	(10,113)	223,602

36. Commitments and contingencies

(i) Commitments under operating leases

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	2003			2002		
	Property $'000	Site rentals $'000	Total $'000	Property $'000	Site rentals $'000	Total $'000
Within one year	2,575	44,439	47,014	1,962	63,572	65,534
After one year but within five years	3,525	267,677	271,202	320	117,622	117,942
After five years	2,311	588,665	590,976	–	380,564	380,564
	8,411	900,781	909,192	2,282	561,758	564,040

The Group leases a number of properties and advertising sites under operating leases. The leases typically run for an initial period of one to eighteen years. Certain leases contain an option to renew upon expiry when all terms are renegotiated. Certain leases contain a contingent rental element which is based on advertising fees receivable from customers.

(ii) Other commitments

As at 31 December 2003, CQMPI, a subsidiary of the Group was a party to an agreement with its PRC joint venture partner to pay an annual fee in respect of the granting of certain bus media rights of $5,377,000 (RMB5,700,000). The agreement is for the period from 1 November 1999 to 22 September 2029. $5,377,000 (RMB5,700,000) (2002: $5,327,000) is due within the next twelve months, $33,679,000 (RMB35,700,000) (2002: $28,037,000) is due after one year but within five years and $21,510,000 (RMB22,800,000) (2002: $31,963,000) is due after five years. The aggregate amount payable by the Group to the PRC joint venture partner up to 31 December 2010 is $60,566,000 (RMB64,200,000) (2002: $65,327,000). For the years from 2011 and onwards, the annual fee will be determined through commercial negotiation between CQMPI and its PRC joint venture partner. In view of the above, the commitments mentioned above have not taken into account the annual fee to be payable by CQMPI to its PRC joint venture partner during the years from 2011 to 2029 as the amounts payable cannot be reasonably estimated.

As at 31 December 2003, Media Partners International Holdings Limited, a subsidiary of the Group had entered into an agreement with an independent third party in respect of the provision of advertising agency services and the enhancement of the Group's metro advertising management system. The terms of the agreement are for the period from 5 September 2003 to 4 September 2008. $1,265,000 (JPY17,500,000) is due payable within one year and $506,000 (JPY7,000,000) is due payable after one year but within five years.

The above commitments are not included in the operating lease commitments disclosed in note 36(i) above.

(iii) Capital commitments

At 31 December 2003 and 31 December 2002, the Group had capital commitments in respect of the acquisition of fixed assets and advertising rights not provided for in the consolidated financial statements as follows:

	2003	**2002**
	$'000	*$'000*
Contracted for	–	42,178
Authorised but not contracted for	–	–
	–	42,178

(iv) Contingent liabilities

At 31 December 2003, the Group had contingent liabilities amounting to $4,520,000 (2002: $4,703,000) 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 December 2003, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries amounted to $132,170,000. (2002: $166,729,000).

37. Material related party transactions

The following transactions represent material and significant related party transactions between the Group and related parties identified by management:

In the Directors' opinion, the transactions noted below were entered into in the ordinary course of business and on normal commercial terms.

	Notes	2003 $'000	2002 $'000
Income			
Management fees and other related service fees	(a)		
– Guangzhou Yong Tong Metro Advertising Company Limited	(i)	4,689	4,311
– Shanghai Metro-ads Advertising Co., Ltd.	(i)	3,960	3,960
		8,649	8,271
Advertising and other related service fees	(b)		
– POAD	(v)	359	–
– Market Catalyst International (Hong Kong) Limited	(ii)	–	79
		359	79
Loan interest income			
– Minority shareholder	(c)	38	70
Expenses			
Advertising and other related services	(b)		
– Shanghai Zhongle	(i)	12,826	1,318
– Market Catalyst International (Hong Kong) Limited	(ii)	–	277
– POAD	(v)	763	510
		13,589	2,105
Office rentals	(d)		
– Hang Lung Real Estate Agency Limited	(iv)	649	555
– Nobel State Company Limited	(ii)	915	789
		1,564	1,344
Administrative fees	(e)		
– MTI Administration Limited	(ii)	400	832
Consultancy fees	(f)		
– Springfield Financial Advisory Limited	(ii)	123	180
Advertising fees	(g)		
– 成都運興公交有限公司	(iii)	7,413	3,491
Interest on Convertible Bond	(h)		
– Morningside CyberVentures Holdings Limited	31 & (ii)	1,086	2,078

Notes:

Nature and the basis of the related party transactions are set out below:

(a) Management fees for accounting, administration and other related service fees are calculated based on the pre-determined rates specified in the underlying management fee agreements signed between the Group and the jointly controlled entities.

(b) Advertising and other related service fees are charged based on the amounts agreed between the Group and the related parties by reference to similar transactions with outside customers.

(c) Loan interest income received from the minority shareholder of Best Reward Venture Limited is calculated at a rate of 2% per annum on the outstanding loan advanced to the minority shareholder.

(d) Office rentals are payable at a pre-determined amounts per month by reference to market rates in accordance with the terms of the tenancy agreements signed by the Group and the related parties.

(e) On 9 January 2002, the Company entered into an administrative services agreement with MTI Administration Limited ("MTI"), a wholly owned subsidiary of MSCV, the ultimate holding company, to provide or procure the provision of administrative services to the Group. The Company agreed to pay MTI, on a monthly basis, a proportion of the monthly total staff costs in relation to such administrative services.

For the year ended 31 December 2003, MTI agreed to restrict the charges payable for such administrative services to $100,000 per quarter.

(f) Consultancy fees are charged based on the services provided to the Group by the related party by reference to similar transactions with outside customers.

(g) Chengdu Advertising MPI pays the 成都運興公交有限公司 ("Bus JV") 70% of the amounts received by it for the placement of advertisements on the buses owned by Bus JV and retains the remaining 30% to cover its agency fees and management fees.

(h) Interest on the Convertible Bond payable to MSCV is calculated at a rate of 2.5% per annum, semi-annually in arrears. For the period from 9 January 2003 to 8 January 2004, MSCV agreed to waive 50% of the interest payable by the Group in respect of the Convertible Bond.

Details of the relationship between the related parties and the Group are set out below:

(i) Jointly controlled entities of the Group.

(ii) Part of the Morningside group, companies controlled by various trusts established by Madam Chan Tan Ching Fen, the mother of Mr Gerald Lokchung Chan (the non-executive director of the Company) for the benefit of certain members of her family and other charitable objects, excluding Hang Lung Group Limited ("Hang Lung") and its subsidiaries.

(iii) Bus JV, a PRC sino-foreign co-operative joint venture where the foreign partner, MPI Transportation Company Limited, is part of the Morningside group and contributed 64% of the registered capital.

(iv) A member of Hang Lung which is controlled by the trustees of trusts established by Madam Chan Tan Ching Fen, the discretionary objects of one of which includes an Associate (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) of Mr Gerald Lokchung Chan, the non-executive director of the Company.

(v) Associate of the Group.

Transfers of assets from the Group to Guangzhou Metro JV

The Group holds the legal title of a property in Guangzhou, the PRC. The property was transferred to Guangzhou Metro JV pursuant to an agreement signed between the Guangzhou Metro Corporation and MPIL on 26 August 1999. The agreement was signed in respect of the establishment of Guangzhou Metro JV. The property is currently occupied as an office by Guangzhou Metro Corporation, the PRC partner of Guangzhou Metro JV and 廣州地鐵實業有限公司, a subsidiary of Guangzhou Metro Corporation, whereas Guangzhou Metro JV currently occupies a property as an office being held by the PRC partner in the same building. Such occupancy arrangements were determined after arm's length negotiation. The property was transferred at a value of $27,830,000 (RMB29,778,000), being the original cost to MPIL, with no profit or loss was incurred on disposal by MPIL. Of the $27,830,000, $9,138,000 (RMB9,778,000) was transferred to Guangzhou Metro JV by way of an asset injection. As at 31 December 2003, the remaining amount of $18,868,000 (RMB20,000,000) (2002: $18,692,000 (RMB20,000,000)) was due from Guangzhou Metro JV in respect of the above transfer which amount is non-interest bearing, unsecured and has no fixed terms of repayment.

Amounts due to and from related parties

Amounts due to and from related parties at 31 December 2003 are set out in the consolidated balance sheet of the Group.

38. Comparative figures

Certain comparative figures of (a) site rental and (b) other direct costs have been reclassified and separately disclosed in the consolidated profit and loss account in order to conform with the current year's presentation.

39. Ultimate holding company

The directors of the Company consider MSCV, a company incorporated in the British Virgin Islands, to be the ultimate holding company at 31 December 2003.

III. INDEBTEDNESS

a) Borrowings

At the close of business on 30 June 2004, being the latest practicable date for the purpose of this indebtedness statement, the Group had aggregate outstanding bank borrowings of approximately HK$271.1 million comprising unsecured and secured bank loans of approximately HK$7.1 million and HK$264.0 million respectively.

At 30 June 2004, the Group had amounts due to a related party of approximately HK$12.4 million and amounts due to jointly controlled entities of approximately HK$24.7 million. The amounts due to a related party and jointly controlled entities are unsecured, interest free and repayable on demand.

As at 30 June 2004, the Group had a Convertible Bond of HK$85.0 million issued to Morningside CyberVentures Holdings Limited, the Group's ultimate holding company which was due to expire on 31 December 2004. Interest is payable on the Convertible Bond at a rate of 2.5% per annum. The ultimate holding company has undertaken not to demand repayment of the principal sum of HK$85.0 million due under the Convertible Bond for a period of 12 months from 31 December 2004.

b) Security granted by the Group

The banking facilities of certain subsidiaries are secured by deposits of HK$178.2 million placed with banks at 30 June 2004. Such banking facilities, amounting to HK$421.9 million, were utilised in respect of bank loans and bank guarantees to the extent of HK$271.1 million and HK$4.5 million respectively.

The secured bank loans of HK$264.0 million are secured by term deposits of HK$175.9 million pledged with banks and guarantees granted by the Company.

All the bank loans are repayable within one year or on demand.

c) Contingent liabilities

At 30 June 2004, the Group had contingent liabilities totaling HK$13.1 million in respect of bank guarantees given to independent third parties in the ordinary course of business to ensure the due performance and observance of the obligations of a subsidiary and a jointly controlled entity to certain agreements.

At 30 June 2004, the Group's total assets amounted to approximately HK$943,843,000. The Group's advances to (a) jointly controlled entities, (b) associates and (c) related parties at 30 June 2004 have not exceeded 8% of the total assets of the Group. Having regard to the above, the Directors are of the view that no disclosure obligations required under rules 17.14, 17.19, 17.20 and 17.21 of GEM Listing Rules are made in this respect.

At 30 June 2004, corporate guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries amounted to HK$232.2 million.

d) Capital commitments

At 30 June 2004, the Group had no material capital commitments.

e) Other commitments

At 30 June 2004, the Group had commitments to pay approximately HK$968.4 million in respect of the future minimum lease payments under non-cancellable operating leases of HK$12.0 million, HK$897.5 million and HK$58.9 million in respect of properties, site rentals and other assets respectively. Of the total operating lease commitments in respect of properties, HK$5.0 million is payable to related parties.

f) Disclaimer

Save as aforesaid or otherwise disclosed in section (a) to (e) above, the Group did not have any outstanding mortgages or charges or debentures or other loan capital or bank overdrafts, loans or other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptance or credits or any guarantees or material contingent liabilities.

IV. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the Group's cash and bank balances as at 30 June 2004, the Group's internal resources and available banking and other borrowing facilities, the Group has sufficient working capital for its present requirements i.e. for the next 12 months after the date of this circular.

V. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2003, the date to which the latest audited financial statements of the Group were made up.

VI. PROSPECTS

As a consequence of the above transactions, the Group's metro advertising network will extend and cover five major metropolitan cities (Beijing, Shanghai, Guangzhou, Nanjing and Hong Kong) within the PRC. As matters now stand, the Group considers that it is strategically important to develop a nationwide metro advertising network to meet the increasingly demands from domestic and international advertisers with a view to enhancing the Group's turnover from the metro advertising media within the PRC.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, 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 5.46 to 5.67 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					
Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Others interests	Total	Approximate percentage of shares in issue
Winnie Pik Shan To	Beneficial Owner	12,800,000	–	–	–	12,800,000	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	14 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 1 January 2004 (being the beginning of the Company's current financial year) and the Latest Practicable Date, 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 14 August 2002 and, subject to the terms of the Company's Share Option Scheme, vest over four years and may be exercised from 14 August 2003 to 13 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	Approximate 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 the Latest Practicable Date, none of the Directors or the 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 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to any Director or the chief executive of the Company, the following persons (other than a Director or the 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 and Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10 per cent. 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 also 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 the Latest Practicable Date
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) 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.

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following companies/persons were, directly or indirectly interested in 10 per cent. or more of the equity interests of the members of the Group other than the Company:

Name of subsidiaries	Name of shareholders	No. and class of shares held/registered capital	Percentage of shareholding
Best Reward Venture Limited	Leung Yin Ping	750 ordinary shares of US$1.00 each	25%
Chengdu MPI Public Transport Advertising Co., Ltd.	成都市公共交通集團公司	US$250,000 registered capital	50%
Chongqing MPI Public Transportation Advertising Co., Ltd.	重慶公交廣告有限公司	US$200,000 registered capital	40%
Livebrand Networks Limited	CL Communications Limited	245,000 ordinary shares of HK$1.00 each	49%
Nanjing Media Partners International Public Transport Advertising Co., Ltd.	南京市公共交通廣告公司	RMB8,500,000 registered capital	12.4%
Shenzhen Media Partners International Advertising Limited	深圳市龍帆廣告有限公司	US$153,000 registered capital	51%

Save as disclosed herein and as at the Latest Practicable Date, so far as is known to any Director or the 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 and Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10 per cent. 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.

MANAGEMENT SHAREHOLDERS

As at the Latest Practicable Date, 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.

DIRECTORS' INTERESTS IN CONTRACTS

(a) None of the Directors has an existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

(b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

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.

LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

MATERIAL CONTRACTS

Within the two years preceding the date of this circular, there were no contracts (other than contracts entered into in the ordinary course of business) entered into by members of the Group which are or may be material.

EXPERT'S DISCLOSURE OF INTERESTS, CONSENT AND QUALIFICATION

As at the Latest Practicable Date, KPMG, Certified Public Accountants, had no direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly, or indirectly, in any assets which had been since 31 December 2003, being the date in which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

KPMG has given and has not withdrawn its consent to the issue of this circular with references to its name in the form and context in which it appears.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the correspondence address of the Company in Hong Kong at 22nd Floor, Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong on a weekday other than public holiday up to and including 30 August 2004.

(a) memorandum and articles of association of the Company;

(b) the 2002 and 2003 annual report of the Group for the two financial years ended 31 December 2002 and 2003 respectively;

(c) a discloseable transaction circular dated 16 January 2004 in respect of the exclusive operation of transport related advertising media within Mainland China; and

(d) a letter of consent from KPMG referred to in the section headed "Expert's Disclosure of Interests, consent and Qualification".

GENERAL

(a) The branch share registrar and transfer office in Hong Kong of the Company is Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(b) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.

(c) The principal place of business of the Company in Hong Kong is at 15th Floor, Rooms 1506-1510, Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong.

(d) The Compliance Officer of the Company is Mr. George Ka Ki Chang. Mr. Chang is the vice chairman and an executive director of the Company. He is a member of the American Institute of Certified Public Accountants, Canadian Institute of Chartered Accountants and a member of the Hong Kong Society of Accountants.

(e) The Company Secretary of the Company is Mr. Stephen Cheuk Kin Law. Mr. Law is a member of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Society of Accountants and a registered Certified Public Accountant in Hong Kong.

(f) The Qualified Accountant of the Company is Ms. Florence Yuk Lan Wong. Ms. Wong is a member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Society of Accountants.

(g) The Company established an audit committee on 7 January 2002 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board of Directors of the Company. The audit committee comprises three independent non-executive Directors, namely, Mr. Philip Tit Hon Hung, Mr. Meocre Kwok Wing Li and Mr. Paul Laurence Saffo, further details of which are set out below:

Mr. Philip Tit Hon, Hung, aged 57. Mr. Hung has been involved in and held senior management positions within the global fast moving consumer goods industry for over 26 years. Mr. Hung was the President, Asia Pacific Group of the Gillette Company till 2001. Within the 26 working years with Gillette, Mr. Hung took up assignments in Singapore, Australia, Japan, Taiwan, China, Hong Kong, Germany and the Headquarters in Boston, U.S.A. Mr. Hung pioneered the development of the China business in the very early 80's, including the setting up of multiple business ventures there. Mr. Hung expanded the Braun International business during his tenure of Executive Director of Braun International and President of Braun North America. Mr. Hung was also responsible for product development and business acquisitions in the Gillette Company. Mr. Hung holds a Bachelor of Business Administration degree from the University of Hawaii and a Master of Arts degree from the School of Advanced International Studies of Johns Hopkins University in Washington DC/Bologna, Italy.

Mr. Meocre Kwok Wing Li, aged 49, is the founder and Chief Executive of Alpha Alliance Finance Holdings Limited. He was previously the founder and Chief Executive of ICEA Finance Holdings Limited, the investment banking subsidiary of The Industrial and Commercial Bank of China. Prior to that, Mr. Li was the Chief Executive of NatWest Markets Corporate Finance Asia Limited, and before joining NatWest, he was the Managing Partner of an international accountancy firm. Mr. Li holds a Bachelor of Commerce degree from the University of Alberta, Canada and completed the Program for Management Development at the Harvard Graduate School of Business. Mr. Li is a qualified accountant and a member of the Hong Kong Society of Accountants and Association of Chartered Certified Accountants, United Kingdom.

Mr. Paul Laurence Saffo, aged 50, acts as a forecaster and strategist advising a wide range of global clients on the long-term impact of emerging technologies on business and society. Mr. Saffo also serves on various boards and advisory panels including the Stanford Advisory Council on Science, Technology and Society, the Editorial Advisory Board of Business 2.0 and the boards of Groxis Inc. and the Long Now Foundation. Mr. Saffo holds degrees from the Harvard College, Cambridge University and Stanford University.

(h) The authorised share capital of the Company is HK$100,000,000.00 divided into 1,000,000,000 shares of HK$0.10 each. As at the Latest Practicable Date, the issued share capital of the Company was HK$85,380,000.00 divided into 853,800,000 shares.

(i) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required under the GEM Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(i) the Chairman of the meeting; or

(ii) at least three Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy for the time being entitle to vote at the meeting; or

(iii) any Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all Members having the right to attend and vote at the meeting; or

(iv) any Member or Members present in person or in the case of a Member being a corporation by its duly authorised representive or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Unless a poll is so required under the GEM Listing Rules or duly demanded and, in the latter case, the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceeding of meetings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

For all intents and purposes, the English text of this document shall prevail over the Chinese text.