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

MPI



**Interim
REPORT 2004**
中期業績報告





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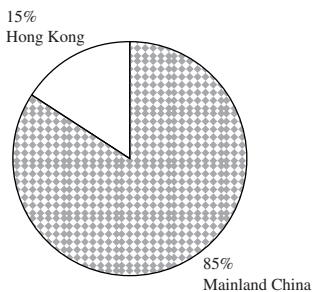
HIGHLIGHTS

The Group has continued the profitability trend and has marked improvement in the second quarter of 2004.

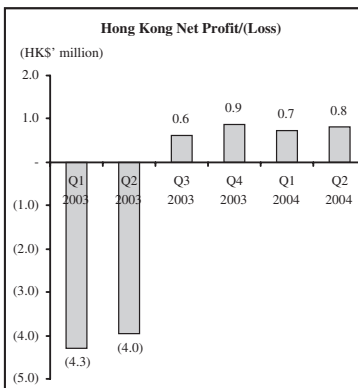
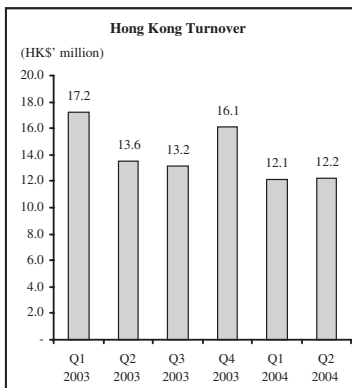
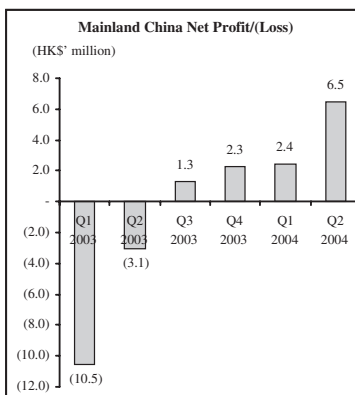
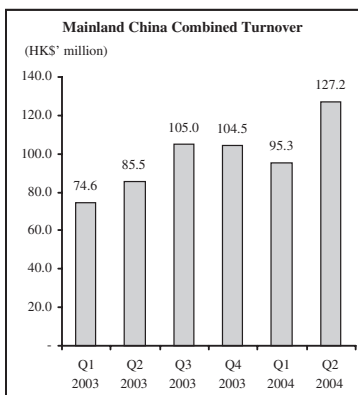
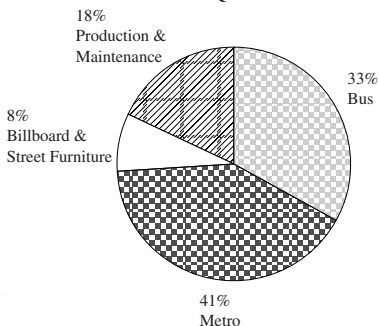
- *Mainland China operations*
 - *Turnover was HK\$70.4 million increased by 25% compared with the first quarter of 2004. Turnover for the first half year of 2004 was HK\$126.8 million increased by 35% compared with the first half year of 2003.*
 - *Turnover of the two metro joint ventures was HK\$48.4 million increased by 34% compared with the first quarter of 2004. Turnover of the two metro joint ventures for the first half year of 2004 was HK\$84.4 million increased by 46% compared with the first half year of 2003.*
 - *Net profit was HK\$6.5 million, representing almost three-fold of the first quarter of 2004. Net profit for the first half year of 2004 was HK\$8.9 million.*
- *Hong Kong operations*
 - *Continue the profitability trend with net profit of HK\$0.8 million increased by 10% compared with the first quarter of 2004. Net profit for the first half year of 2004 was HK\$1.5 million.*
- *The Group's profit attributable to shareholders was HK\$5.3 million, representing almost four-fold of the first quarter of 2004. The Group's profit attributable to shareholders for the first half year of 2004 was HK\$6.7 million, representing a significant improvement of HK\$30.9 million compared with the first half year of 2003.*
- *The Group was in a healthy financial position with cash and cash equivalents of HK\$186.2 million at 30th June 2004 and achieved a positive free cash flow of HK\$8.3 million for the first half year of 2004.*
- *The Group further enhanced its No. 1 position in metro advertising by adding the Nanjing Metro to its existing metro media in Beijing, Shanghai, Guangzhou and Hong Kong.*



Turnover for Q2 2004



Mainland China Combined Turnover for Q2 2004





MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

During the first half year of 2004, the improving business operating environment presented more opportunities for the outdoor advertising industry. With a strong presence in the Mainland China market built over the years, the Group's Mainland China operations benefited from the stable economic growth. The Hong Kong market has gradually improved during the first half year of 2004 bolstered by the influx of tourists from Mainland China.

The Group is well positioned as a leading outdoor advertising media network provider in Mainland China and Hong Kong which offers a comprehensive range of outdoor advertising media including billboards, street furniture and on different kinds of transport. With the Mainland China market as its primary focus, the Group is committed to identifying new markets and establishing and expanding its market presence, thus creating a comprehensive media network in the country. The Mainland China operations accounted for 85% of the Group's total turnover for the second quarter of 2004, compared with 78% in the corresponding period of 2003 and 82% in the first quarter of 2004. The increase was mainly attributed to revenue from bus advertising. Revenue from the Mainland China operations for the second quarter of 2004 increased by 25% and net profit was almost three-fold of the first quarter of 2004. Both revenue and net profit of the Group in the second quarter of 2004 exceeded the level of the first quarter of 2004 as well as the fourth quarter of 2003.

The Group recognises that advertising on transport media is a powerful and appealing advertising channel for advertisers. Among the various transport media, the Group specialises in advertising on bus bodies and in metro systems, which represented 76% of the Group's combined turnover from its Mainland China operations for the first half year of 2004.

On 21st July, 2004, the Group expanded its metro advertising network by having securing the advertising rights within the Nanjing Metro Line 1 (Phase 1) for a term of 18 years. The metro line is expected to have 16 stations stretching from Malgaoqiao to Olympic Sports Center passing through Nanjing Railway Station, Gulou and areas with a high density of population. The Group considers that it is strategically important to develop a nationwide metro advertising network to meet the increasing demands from nationwide advertisers for placing their advertisements across cities. Together with exclusive advertising rights within the metro system in Shanghai, Guangzhou, Beijing and Hong Kong, the Group has a commanding presence in the metro system in five major metropolitan cities in the People's Republic of China ("the PRC"). For the second quarter of 2004, the profits shared by the Group from its Shanghai and



Guangzhou metro joint ventures recorded an 86% growth while that from the Beijing Light Rail System continued to improve and achieved a 20% growth in revenue as compared with the first quarter of 2004. Advertising sales in relation to the Shanghai extension line 1 – Xin Min Line started in May 2004.

Apart from metro advertising, the Group continued to extend the coverage of its outdoor advertising in other parts of the transport sector. In early 2004, the Group secured advertising rights to some further 4,000 buses in Shanghai and the Group, in aggregate, has secured advertising rights to approximately 5,000 buses in Shanghai. The Group is now the dominant player in the bus advertising market in Shanghai. Apart from the Shanghai market, the Group already dominates the bus advertising market in a number of other major cities in Mainland China including Nanjing, Chengdu and Chongqing and covers some prime routes in Beijing, Guangzhou, Dalian and Wuhan.

In the Hong Kong market, the Group has completed a series of reviews and identified soon-to-expire advertising media. An improvement in operations was achieved compared with performance in the corresponding period of last year. Focusing on profitable prime sites in Hong Kong, the sales of billboard advertising at tunnels, stadiums and coliseums, neon signs and metro advertising on the Airport Express Line is improving continuously.

As at 30th June, 2004, the Group had over 56,400 advertising spaces in Mainland China and Hong Kong.

Types of media	Location	Advertising spaces
		at 30th June, 2004
<i>Transport</i>		
Bus bodies	Mainland China	Over 17,600
Metro Systems	Mainland China and Hong Kong	Over 35,600
Taxis	Hong Kong	Over 800
<i>Billboards and street furniture</i>	Mainland China and Hong Kong	Over 2,400
Total:		Over 56,400



Financial Review

	For the three months ended							
	Mainland China		Hong Kong		Unallocated		Total	
	30th Jun,	31st Mar,	30th Jun,	31st Mar,	30th Jun,	31st Mar,	30th Jun,	31st Mar,
	2004	2004	2004	2004	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	70,370	56,407	12,179	12,095	-	-	82,549	68,502
EBITDA ¹	16,880	15,015	(194)	(209)	(1,454)	(1,227)	15,232	13,579
Adjusted EBITDA ²	23,294	19,026	955	864	(1,454)	(1,227)	22,795	18,663
Profit/(loss) attributable to shareholders	6,456	2,421	802	726	(1,983)	(1,732)	5,275	1,415

	For the six months ended							
	Mainland China		Hong Kong		Unallocated		Total	
	30th Jun,	30th Jun,	30th Jun,	30th Jun,	30th Jun,	30th Jun,	30th Jun,	30th Jun,
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	126,777	93,902	24,274	30,788	-	-	151,051	124,690
EBITDA	31,895	10,529	(403)	(7,902)	(2,681)	(1,868)	28,811	759
Adjusted EBITDA	42,320	16,889	1,819	(7,677)	(2,681)	(1,868)	41,458	7,344
Profit/(loss) attributable to shareholders	8,877	(13,585)	1,528	(8,246)	(3,715)	(2,418)	6,690	(24,249)

Notes:

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



Turnover

The Group's turnover for the second quarter of 2004 was HK\$82.5 million, representing an increase of 21% as compared with HK\$68.5 million for the first quarter of 2004. Turnover from the Mainland China operations for the second quarter of 2004 increased 25% to HK\$70.4 million compared with the first quarter of 2004. The increase was mainly the result of an overall improvement in market demand for outdoor advertising and the contribution from the Group's strengthened sales force. Turnover from the Hong Kong operations for the second quarter of 2004 amounted to HK\$12.2 million, at a similar level to that for first quarter of 2004.

Combined turnover of the Group, including the turnover of the three jointly controlled entities (Shanghai Metro JV, Guangzhou Metro JV and Shanghai Production JV) and its associate (POAD), amounted to HK\$169.4 million for the second quarter of 2004, representing an increase of 25% compared with the first quarter of 2004.

Both the Group's turnover and combined turnover for the first half year of 2004 showed a marked improvement compared with the first half year of 2003. The improvement was partly a result of the strengthened sales team and partly due to economic recovery from the SARS in 2003.

The Mainland China operations continued to be the focus of the Group and the turnover from the Mainland China operations for the second quarter of 2004 accounted for 85% of the Group's turnover (first quarter of 2004: 82%). Advertising on bus bodies and in metro systems for the second quarter of 2004 together represented 74% (first quarter of 2004: 79%) of the combined turnover for the Mainland China operations.

Gross profit

Gross profit, being turnover less site rentals, amortisation of advertising rights and other direct costs, of the Group amounted to HK\$18.8 million for the second quarter of 2004, representing a growth of 20% compared with the first quarter of 2004 as a result of an overall improvement in turnover. The Group's gross profit margin for the second quarter of 2004 was 23% and was maintained at the same level as for the first quarter of 2004. The gross profit margin of the Group's Mainland China operations was 25% and that of the Hong Kong operations was 11%.

The gross profit for the first half year of 2004 amounted to HK\$34.4 million, representing an improvement of HK\$26.3 million compared with the first half year of 2003.



Operating expenses

Site rentals, being the single largest component of the Group's operating expenses, amounted to HK\$26.1 million for the second quarter of 2004, representing an increase of 14% compared with the first quarter of 2004. Site rentals for the Mainland China operations and the Hong Kong operations for the second quarter of 2004 increased by HK\$2.5 million and HK\$0.8 million respectively compared with the first quarter of 2004. The increase was mainly due to the increase in certain variable site rentals corresponding to the growth of turnover. Site rentals of the Group for the first half year of 2004 were HK\$48.9 million, representing a decrease of 9% compared with the first half year of 2003. The decrease was mainly the result of the decrease in number of media in Hong Kong operations over the past year.

Other direct costs are mainly variable and comprise media buying, business tax and production costs. Other direct costs for the second quarter of 2004 amounted to HK\$28.2 million (first quarter of 2004: HK\$20.6 million). The increase was in line with the growth in turnover. Other direct costs for the first half year of 2004 increased by 5% to HK\$48.7 million compared with the first half year of 2003. As a percentage of turnover, other direct costs, for the first half year of 2004, represented 32% (first half year of 2003: 37%) of turnover.

Staff costs, including directors' fees, of the Group for the second quarter of 2004 amounted to HK\$8.5 million and for the first half year of 2004 were HK\$16.0 million, maintained at a similar level to that of the first half year of 2003. For the Mainland China operations, staff costs for the first half year of 2004 were HK\$12.8 million, representing an increase of 9% compared with the first half year of 2003. The increase was mainly due to an average 7% salary increment in the Mainland China operations in 2004. As a percentage to turnover, staff costs for the Mainland China operations for the first half year of 2004 represented 10% (first half year of 2003: 13%) of turnover. For the Hong Kong operations, the staff costs for the first half year of 2004 decreased by 32% to HK\$2.3 million compared with the first half year of 2003. The decrease was mainly due to the decrease in number of staff after restructuring in 2003.

The total number of employees was 289 in June 2004 (March 2004: 276). The number of employees in Hong Kong was kept at 21 in both the first and second quarters of 2004. The number of employees in Mainland China increased from 255 in March 2004 to 268 in June 2004. Most of the new recruits were sales professionals for development of new media, such as the newly secured bus media in Shanghai, and for expansion of the existing client base.



Other operating expenses of the Group for the second quarter of 2004 amounted to HK\$7.6 million, maintained at a similar level to that of the first quarter of 2004. The other operating expenses for the first half year of 2004 were HK\$14.8 million, representing a decrease of 10% compared with the first half year of 2003. The decrease was mainly due to the result of implementation of cost control measures.

Finance costs

Finance costs for the first half year of 2004 increased by 12% to HK\$7.6 million compared with the first half year of 2003. Finance costs in 2004 was higher because there was waiver of 50% of the convertible bond interest payable given by the majority shareholder in 2003 and the increase in bank loans of HK\$13.7 million in the first half year of 2004 for funding media development in Shanghai. The Group has submitted an application, taking advantage of the opportunities offered under the CEPA rules, to convert its operational headquarters in Mainland China ("Shanghai MPI") into a wholly foreign owned enterprise ("WFOE") and increase the registered capital of Shanghai MPI. The Group intends to repay part of the bank loans in Shanghai MPI by the equity from the increased registered capital. As a result, the bank loans and the related interest expenses will be reduced upon such repayment.

Profit/(loss) attributable to shareholders, EBITDA and adjusted EBITDA

The profit attributable to shareholders for the second quarter of 2004 was HK\$5.3 million representing almost four-fold of the first quarter of 2004. EBITDA and adjusted EBITDA of the Group for the second quarter of 2004 were HK\$15.2 million (first quarter of 2004: HK\$13.6 million) and HK\$22.8 million (first quarter of 2004: HK\$18.7 million) respectively. The growth was mainly a result of overall improvement in the Group's performance.

The profit attributable to shareholders for the first half year of 2004 was HK\$6.7 million, representing a significant improvement of HK\$30.9 million compared with the first half year of 2003. EBITDA and adjusted EBITDA of the Group for the first half year of 2004 were HK\$28.8 million (first half year of 2003: HK\$0.8 million) and HK\$41.5 million (first half year of 2003: HK\$7.3 million) respectively. The improvement was the result of an overall improvement in sales.



SEGMENT ANALYSIS

Mainland China operations

Turnover from the Mainland China operations for the second quarter of 2004 increased by 25% to HK\$70.4 million compared with the first quarter of 2004. Turnover from the Mainland China operations for the first half year of 2004 was HK\$126.8 million, representing an increase of 35% compared with the first half year of 2003.

Combined turnover, including the turnover of the two metro joint ventures and the production joint venture, for the second quarter of 2004 amounted to HK\$127.2 million, representing an increase of 33% compared with the first quarter of 2004. Combined turnover of Mainland China operations for the first half year of 2004 was HK\$222.5 million, representing an increase of 39% compared with the first half year of 2003. The Group continued its focus on transport advertising media in the Mainland China operations. Advertising on bus bodies and metro systems for the first half year of 2004 together represented 76% of combined turnover of the Mainland China operations compared with a full year average of 74% for 2003.

Bus advertising

Turnover from bus advertising and related production for the second quarter of 2004 increased by 26% to HK\$56.2 million compared with the first quarter of 2004. Turnover from bus advertising and related production for the first half year of 2004 amounted to HK\$100.7 million, representing an increase of 42% compared with the same period of 2003. In 2004, the Group secured advertising rights to some further 4,000 bus bodies in Shanghai. Realignment and consolidation works for newly secured and existing media were made throughout the first and the second quarters of 2004. These buses will be ready for sale of advertising space in the second half of 2004.

The gross profit from the Mainland China operations, which was mainly from the bus advertising business, for the second quarter of 2004 increased by 22% to HK\$17.5 million compared with the first quarter of 2004. The gross profit margin for the second quarter of 2004 was 25%, maintained at the same level to that of the first quarter of 2004. The gross profit for the first half year of 2004 was HK\$31.8 million, almost triple the gross profit of the first half year of 2003.



The operating profit from the Mainland China operations for the second quarter of 2004 increased by 41% to HK\$6.2 million compared with the first quarter of 2004. The operating profit from the Mainland China operations, which was mainly from the bus advertising business, for the first half year was HK\$10.6 million, representing an improvement of HK\$18.4 million compared with the first half year of 2003.

Metro advertising

Owing to the improvement in occupancy of the advertising spaces and an increase in prices, turnover from the two metro joint ventures (the Shanghai Metro JV and the Guangzhou Metro JV) for the second quarter of 2004 amounted to HK\$48.4 million, representing an increase of 34% compared with the first quarter of 2004. Turnover from the two metro joint ventures for the first half year reached HK\$84.4 million, representing an increase of 46% compared with the same period in 2003.

The Group's share of profits from these two metro joint ventures for the second quarter increased by 86% and amounted to HK\$9.9 million, compared with the first quarter of 2004. The increase was mainly due to the overall improvement in turnover and price increases during the second quarter of 2004. The Group's share of profits from these two metro joint ventures for the first half year of 2004 totalled HK\$15.2 million, double the result of the first half year of 2003.

Net profit, EBITDA and adjusted EBITDA

The net profit from the Mainland China operations for second quarter was HK\$6.5 million, surpassing the net profit of HK\$2.4 million for the first quarter of 2004 and the net profit of HK\$2.3 million for the fourth quarter of 2003. Such result indicates that the profitability trend in the Mainland China operations has been strengthening. The net profit from the Mainland China operations amounted to HK\$8.9 million for the first half year of 2004, representing an improvement of HK\$22.5 million compared with the first half year of 2003. EBITDA and adjusted EBITDA for the second quarter of 2004 were HK\$16.9 million and HK\$23.3 million respectively, representing an increase of 12% and 22% respectively compared with the first quarter of 2004. EBITDA and adjusted EBITDA for the first half year of 2004 were HK\$31.9 million and HK\$42.3 million respectively, representing an improvement of HK\$21.4 million and HK\$25.4 million respectively compared with the first half year of 2003.



Hong Kong operations

Turnover and gross profit from Hong Kong operations for the second quarter of 2004 amounted to HK\$12.2 million and HK\$1.3 million respectively, both at a similar level to the first quarter of 2004. Turnover from the Hong Kong operations for the first half year of 2004 amounted to HK\$24.3 million, representing a decrease of 21% compared with the first half year of 2003. The decrease was mainly due to a decreasing number of media spaces upon expiry of some site rental contracts. The gross profit from the Hong Kong operations for the first half year of 2004 was HK\$2.7 million, representing an improvement of HK\$5.8 million compared with the first half year of 2003.

Staff costs and other operating expenses for the first half year of 2004 decreased by 32% and 52% to HK\$2.3 million and HK\$0.7 million respectively compared with the first half year of 2003. The net profit from Hong Kong operations for the second quarter of 2004 amounted to HK\$0.8 million, an increase of 10% compared with the first quarter of 2004. The Hong Kong operations achieved a net profit of HK\$1.5 million for the first half year of 2004, representing an improvement of HK\$9.8 million compared with the first half year of 2003. This was the result of termination of certain less-profitable sites and the implementation of cost reduction measures in late 2003.

Corporate

Corporate overheads for the first half year of 2004 amounted to HK\$3.7 million, representing an increase of HK\$1.3 million compared with the first half year of 2003. The corporate expenses was higher in 2004 because of a waiver of 50% of the convertible bond interest payable by the majority shareholder and waiver of directors' remuneration by the Group's chairman and two executive directors during the first half year of 2003.

Outlook

The economic sentiment in Mainland China and Hong Kong has remained positive for 2004. The GDP growth in Mainland China was estimated at approximately 10% for the first half of 2004 while that of Hong Kong was estimated to be at least 6.5%. The outdoor advertising business will benefit from the optimistic market situation. Building on the Group's strong presence and comprehensive media network, the favourable environment will create opportunities for the Group in the years ahead.



Mainland China

The Group is pleased to announce that it has entered into an agreement with Nanjing Metro Company Limited, to secure exclusive advertising rights within Nanjing Metro Line 1 (Phase 1) for a term of 18 years. Together with the existing exclusive advertising rights to metro media covering northern and southern Mainland China, Nanjing Metro Line 1 further strengthens the Group's presence in this key transport arena establishing a mass transit advertising network which enables the Group to market its exclusive media rights on five metro systems (including the Hong Kong Airport Express Line) by offering a nationwide package which is very attractive to national key accounts.

Mainland China will be hosting a series of major international events, such as the Formula One Grand Prix in Shanghai in September this year, the 2008 Olympic Games in Beijing, the 2010 World Expo in Shanghai and the 2010 Asian Games in Guangzhou. These events present the Group with business opportunities to diversify its business portfolio and improve the occupancy rate of new advertising media.

The Group will continue with its focus on the transport sector in Mainland China. The Group's transport (including bus bodies and metro) advertising media network already covers the major cities in Mainland China. As such, the Group will be cautious in future expansion of its transport advertising media network and will only consider those with synergy or high advertising potential value.

The PRC government imposed certain macro-economic control measures to adjust the pace of economic growth in Mainland China in the first half year of 2004. The control measures mainly affect the over-heated industries such as property development and motor vehicle production. Since the Group's client portfolio is well-diversified and the Group's revenue generated from these affected industries accounted for a small portion of the total revenue, the impact on the Group's business from the control measures is expected to be minimal. Nevertheless, management will continue to observe the effect of the control measures on the economy on an on-going basis.

Hong Kong

As for the Hong Kong market, the economy has gradually recovered in the first half year of 2004 bolstered the influx of tourists from Mainland China. The Group will adopt a cautious approach to expansion in Hong Kong and may seek to identify and assess profitable opportunities in the rebounding market.

**Financial Position**

	For the six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Cash generated from operations	39,570	18,347
Tax paid	(2,861)	(1,497)
Net cash generated from operating activities	36,709	16,850
Interest paid net of interest received	(6,157)	(4,946)
Investment in a Group company	596	-
Acquisition of fixed assets and advertising rights and deposits paid	(22,880)	(48,905)
Increase in bank loans	13,679	25,249
Decrease/(increase) in pledged deposits	23,993	(6,974)
Net cash generated from/(used in) financing and investing activities	9,231	(35,576)
Net increase/(decrease) in cash and cash equivalents	45,940	(18,726)
Cash and cash equivalents at 1st January	140,288	161,409
Effect of foreign exchange rate changes	-	(946)
Cash and cash equivalents at 30th June	186,228	141,737



The Group continues to be in a healthy and stable financial position. Cash generated from operations increased to HK\$39.6 million at 30th June, 2004 from HK\$18.3 million at 30th June, 2003. A free cash flow of HK\$8.3 million (i.e. cash from operations net of tax, interest, capital expenditure and investments) was generated for the first half year of 2004. Cash and bank balances at 30th June, 2004 amounted to HK\$186.2 million (31st December, 2003: HK\$140.3 million). Pledged deposits with banks for banking facilities made available to the Group as at 30th June, 2004 amounted to HK\$178.2 million (31st December, 2003: HK\$202.2 million). As at 30th June, 2004, the Group had bank loans of HK\$271.1 million (31st December, 2003: HK\$257.4 million). The increase in bank loans of HK\$13.7 million was mainly due to the increase in the investment with Shanghai Tulip Advertising Co., Ltd. (STA) to develop billboard media in Shanghai. At 30th June, 2004, the Group's net cash balance being cash and cash equivalents plus pledged bank deposits less bank loans amounted to HK\$93.3 million.

As at 30th June, 2004, other than bank loans, the Group only had a convertible bond of HK\$85.0 million issued to the majority shareholder. The current ratio was 126% with HK\$504.6 million of current assets against HK\$400.4 million of current liabilities. The consolidated net asset value of the Group as at 30th June, 2004 was HK\$434.9 million or HK\$0.5 per share.

Additions to fixed assets for the first half year of 2004 totalled HK\$3.8 million. Additions to advertising rights, mainly for advertising media in the Beijing Light Rail System, amounted to HK\$1.2 million for the first half year of 2004.

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

The debt maturity profile of the Group as at 30th June, 2004 is analysed as follows:

Type of debt	Debt maturity	HK\$ Million	%
Short term bank loans	Repayable within 1 year	271.1	76
Convertible Bond	Repayable after 1 year but within 2 years	85.0	24
Total:		356.1	100



Out of the total borrowings of HK\$356.1 million, HK\$265.3 million was denominated in Renminbi and HK\$90.8 million was denominated in Hong Kong dollars. Bank loans of HK\$271.1 million as at 30th June, 2004, were secured by cash deposits of HK\$175.9 million. Interest rates for bank borrowings denominated in Hong Kong dollars were at 0.75% over the bank's funding rate and interest rates for bank borrowings denominated in Renminbi ranged from 90% of the lending rate of the People's Bank of China ("PBOC") to 105% of the lending rate of the PBOC.

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

The Group has submitted an application, taking advantage of opportunities offered under the CEPA rules, to convert its operational headquarters in Mainland China ("Shanghai MPI") into a WFOE and to increase the registered capital of Shanghai MPI. The Group intends to repay part of the bank loans in Shanghai MPI by the equity from the increased registered capital. As a result, the bank loans and the related interest expenses will be reduced upon such repayment.

Treasury Policies

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

The Group's assets, liabilities, revenues and expenses are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The exchange rate between Hong Kong dollars and United States dollars is pegged and the exchange rate between Renminbi and Hong Kong dollars has been very steady over the past few years. During the six months ended 30th June, 2004, the Group normally used the receipts from customers and bank loans to pay its suppliers and meet its capital requirements. These are denominated in the local currency of the place in which its subsidiaries and joint ventures operate. The Group does not currently engage in hedging to manage possible exchange risk as the Group considers the cost associated with such hedging arrangements would exceed the benefits. However, management will continue to monitor the relevant circumstances and will take such measures as it deems prudent.



The average outstanding days of the Group's accounts receivable was maintained at below 60 days.

Contingent liabilities

At 30th June, 2004, the Group had contingent liabilities totaling HK\$13.1 million (31st December, 2003: HK\$4.5 million) in respect of bank guarantees given to independent third parties in the ordinary course of business to ensure the due performance and the observance of the obligations of a subsidiary and a jointly controlled entity to certain agreements.

At 30th 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 (31st December, 2003: HK\$132.2 million).

Employee information

At 30th June, 2004, the Group had a total of 289 (30th June, 2003: 256) employees, of which 268 (30th June, 2003: 236) were located in Mainland China and 21 (30th June, 2003: 20) in Hong Kong. Total salaries and related costs incurred in the first half year of 2004, including directors' emoluments, amounted to HK\$16.0 million (first half year of 2003: HK\$15.7 million).

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

The Group has adopted a share option scheme whereby selected employees of the Group may be granted share options to subscribe for shares of the Company for the purpose of recognising the contribution made by such employees and retaining the services of the employees who will continue to make a valuable contribution to the Group. These options were granted on 14th August, 2002 and the outstanding balance was 15,798,000 options (representing approximately 1.85% of issued share capital of the company as at 30th June, 2004).



Significant investments and acquisitions

In June 2004, the Group made a further capital investment of HK\$13.7 million (RMB14.5 million) to strengthen the alliance with Shanghai Tulip Advertising Co., Ltd., one of the major outdoor advertising media players in Shanghai, for development of outdoor advertising media including billboards, neon signs, unipoles and large scale display screens in Shanghai.

On 21st July, 2004, the Group entered into an agreement with Nanjing Metro Company Limited to secure exclusive long term advertising rights within Nanjing Metro Line 1 (Phase 1) for a term of 18 years for a payment of HK\$113.2 million (RMB120 million) plus a recurring site rental cost. The Group will form a joint venture with Nanjing Metro Company Limited to operate advertising concessions within Nanjing Metro Line 1 (Phase 1). The registered capital of the joint venture will be HK\$56.6 million (RMB60 million). Details of this transaction were disclosed in the Company's announcement dated 23rd July, 2004.



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the actual business progress for the six months ended 30th June, 2004 ("Review Period") and the business objectives as set out in prospectus dated 15th January, 2002 ("Prospectus").

Business objectives for the review period stated in the Prospectus	Actual business progress
Continued expansion of LED advertising network by installing approximately one to two additional LED in Shanghai, Beijing and Nanjing respectively.	During the review period, the Group, through its alliance with Shanghai Tulip Advertising Co., Ltd., has expanded its billboard advertising network and a LED is being installed in Shanghai.
Continued expansion of the existing metro system network by securing additional concessions to an extension line to eastern PRC.	Subsequent to the review period, the Group has secured exclusive advertising rights within Nanjing Metro Line 1 (Phase 1) for a term of 18 years.
Continued expansion of the existing bus advertising network by securing advertising rights to approximately 700 to 800 buses in eastern PRC, 200 to 300 buses in northern PRC and 100 to 200 in southern PRC.	During the review period, the Group has secured advertising rights to approximately 4,000 bus bodies advertising media in Shanghai. The Group now dominates the bus bodies advertising market in Shanghai.
Continued addition of approximately 800 to 1,000 taxi bodies and approximately 800 to 1,000 taxi-top advertising panels in Guangzhou and Shenzhen, and continued exploration of opportunities in other parts of the PRC.	During the review period, the Group, through its associate, POAD, operated taxi-top advertising panels in Hong Kong. In Mainland China, in view of more attractive opportunities in other transport segments, the timing for the introduction of taxi-top advertising panels is being reassessed.
Expansion of the existing advertising network by securing approximately 100 to 200 new billboards in eastern PRC.	During the review period, the Group, through its alliance with Shanghai Tulip Advertising Co., Ltd., has expanded its billboard advertising network and a LED is being installed in Shanghai.
Continued expansion of the shopping mall digital display advertising system in Guangzhou and Shenzhen and continued exploration of opportunities in other parts of the PRC.	In view of more attractive opportunities in other advertising media, the timing for expansion of the shopping, mall digital display advertising system in Mainland China is being reassessed.



USE OF PROCEEDS

The Group raised approximately HK\$235 million through the placing of shares upon the listing of the Company. After deducting related expenses, net proceeds were approximately HK\$213 million.

During the period from 1st January, 2004 to 30th June, 2004, the Group has incurred the following expenditure to achieve the business objectives as set out in the Announcement of the Company dated 24th January, 2002:-

	As stated in the announcement of the Company dated 24th January, 2002 <i>HK\$ million</i>	Utilised during the period from 1st January, 2004 to 30th June, 2004 <i>HK\$ million</i>	Accumulated utilisation at 30th June, 2004 <i>HK\$ million</i>
Expand the existing advertising media network and develop new advertising media	40	-	40
Secure new advertising concessions in the metro and light rail systems in Mainland China (<i>note 1</i>)	122	1	26
Establishment of joint ventures in Shenzhen, Chengdu and Shanghai	7	-	4
Placed as pledged deposits	35	-	35
General working capital	9	-	9
	<u>213</u>	<u>1</u>	<u>114</u>

The remaining net proceeds have been placed on short term bank deposits in various banks.

Note 1: The Group will utilise the remaining proceeds to set up a joint venture which will secure the advertising rights within Nanjing Metro Line 1 (Phase 1). Details of this transaction is disclosed in the company's announcement dated 23rd July, 2004.

**INTERIM RESULTS FOR THE PERIOD ENDED 30TH JUNE, 2004 – UNAUDITED**

The Board of Directors (the “Board”) of Media Partners International Holdings Inc. (the “Company”) presents herewith the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2004 (the “period”) together with the comparative unaudited figures for the corresponding period in 2003 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30th June, 2004 – UNAUDITED

	Note	For the three months ended 30th June,		For the six months ended 30th June,	
		2004 HK\$000	2003 HK\$000	2004 HK\$000	2003 HK\$000
Operating revenue					
Turnover	2	82,549	61,149	151,051	124,690
Other revenue		3,153	5,622	6,276	8,687
Other net loss		(102)	-	(102)	-
Operating expenses					
Site rental		(26,114)	(25,917)	(48,945)	(53,992)
Other direct costs		(28,154)	(23,060)	(48,715)	(46,367)
Staff costs		(8,536)	(5,781)	(15,954)	(15,724)
Depreciation and amortisation		(10,824)	(9,587)	(21,568)	(18,821)
Other operating expenses		(7,564)	(8,919)	(14,800)	(16,535)
Profit/(loss) from operations		4,408	(6,493)	7,243	(18,062)
Finance costs	3(a)	(3,930)	(3,674)	(7,594)	(6,763)
Share of profits less losses of an associate		1,436	184	2,758	354
Share of profits less losses of jointly controlled entities		9,971	6,216	15,129	7,468
Profit/(loss) from ordinary activities before taxation	3	11,885	(3,767)	17,536	(17,003)
Income tax	4	(5,692)	(4,200)	(9,446)	(6,118)
Profit/(loss) from ordinary activities after taxation		6,193	(7,967)	8,090	(23,121)
Minority interests		(918)	(399)	(1,400)	(1,128)
Profit/(loss) attributable to shareholders		5,275	(8,366)	6,690	(24,249)
Earnings/(loss) per share – Basic	5	0.6 cents	(1.0 cents)	0.8 cents	(2.8 cents)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30th June, 2004 – UNAUDITED*

	Share capital	Share premium	Merger reserves	Other capital reserves	Exchange reserves	Revenue reserves	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2003	85,380	233,715	255,366	(61,518)	-	(63,939)	449,004
Exchange difference on translation of the financial statements of PRC subsidiaries and jointly controlled entities	-	-	-	-	1,065	-	1,065
Net loss for the period	-	-	-	-	-	(24,249)	(24,249)
At 30th June, 2003	<u>85,380</u>	<u>233,715</u>	<u>255,366</u>	<u>(61,518)</u>	<u>1,065</u>	<u>(88,188)</u>	<u>425,820</u>
At 1st January, 2004	85,380	233,715	255,366	(61,518)	1,064	(85,713)	428,294
Realisation of exchange reserve on disposal of a subsidiary	-	-	-	-	(58)	-	(58)
Net profit for the period	-	-	-	-	-	6,690	6,690
At 30th June, 2004	<u>85,380</u>	<u>233,715</u>	<u>255,366</u>	<u>(61,518)</u>	<u>1,006</u>	<u>(79,023)</u>	<u>434,926</u>

**CONSOLIDATED BALANCE SHEET**

At 30th June, 2004 - UNAUDITED

	Note	30th June, 2004 HK\$'000	31st December, 2003 (Audited) HK\$'000
Non-current assets			
Fixed assets	7	15,098	13,873
Interest in an associate		6,649	4,427
Interest in jointly controlled entities		72,873	63,054
Amount due from a jointly controlled entity		18,868	18,868
Advertising rights	8	273,823	291,583
Other investments	9	49,528	35,849
Goodwill		2,394	2,554
		<u>439,233</u>	<u>430,208</u>
Current assets			
Accounts receivable	10	41,738	32,841
Other receivables, deposits and prepayments		75,838	85,040
Amounts due from jointly controlled entities		18,116	13,866
Amounts due from minority shareholders		4,089	5,851
Amounts due from an associate		391	-
Amounts due from related companies		15	10
Pledged bank deposits		178,195	202,188
Cash and cash equivalents		186,228	140,288
		<u>504,610</u>	<u>480,084</u>
Current liabilities			
Bank loans		271,081	257,402
Accounts payable	11	35,477	49,948
Other payables, deposits and provisions		54,708	47,749
Amounts due to jointly controlled entities		24,692	9,650
Amounts due to related companies		12,362	9,825
Taxation payable		2,127	1,387
		<u>400,447</u>	<u>375,961</u>
Net current assets		<u>104,163</u>	<u>104,123</u>
Total assets less current liabilities		<u>543,396</u>	<u>534,331</u>
Non-current liabilities			
Convertible Bond	12	85,000	85,000
Deferred taxation		45	45
		<u>85,045</u>	<u>85,045</u>
Minority interests		23,425	20,992
		<u>108,470</u>	<u>106,037</u>
NET ASSETS		<u>434,926</u>	<u>428,294</u>
CAPITAL AND RESERVES			
Share capital	13	85,380	85,380
Reserves	14	349,546	342,914
		<u>434,926</u>	<u>428,294</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th June, 2004 - UNAUDITED*

	For the six months ended 30th June,	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net cash generated from operating activities	36,709	16,850
Net cash generated from/(used in) investing activities	2,550	(54,062)
Net cash generated from financing activities	6,681	18,486
Net increase/(decrease) in cash and cash equivalents	45,940	(18,726)
Cash and cash equivalents at 1st January	140,288	161,409
Effect of foreign exchange rate changes	-	(946)
Cash and cash equivalents at 30th June	186,228	141,737



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT:

1. Principal accounting policies and basis of presentation

The interim financial report has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

The interim financial report has been prepared in accordance with the requirements of the Growth Enterprise Market Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The financial information relating to the financial year ended 31st December, 2003 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st December, 2003 are available from the Company's principal place of business in Hong Kong. The auditors have expressed an unqualified audit opinion on those financial statements in their report dated 17th March, 2004.

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

The same accounting policies adopted in the consolidated financial statements of the Group for the year ended 31st December, 2003 have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position of the Group since the 2003 annual report.

2. Turnover

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



3. Profit/(loss) from ordinary activities before taxation

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

	For the three months ended 30th June,		For the six months ended 30th June,	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
(a) Finance costs:				
Interest on bank advances and other borrowings repayable within five years	3,386	3,376	6,534	6,174
Interest on the Convertible Bond	529	287	1,034	550
Other borrowing costs	15	11	26	39
	<u>3,930</u>	<u>3,674</u>	<u>7,594</u>	<u>6,763</u>
(b) Other items:				
Staff retirement scheme contributions	620	240	970	1,004
Exchange loss/(gain)	22	(163)	63	(153)
Auditors' remuneration	337	426	659	669
Operating lease charges				
- properties	1,310	1,382	2,622	2,783
- site rentals	26,114	25,917	48,945	53,992
Provision for bad debts	-	2,166	-	2,025
Depreciation of fixed assets	1,249	1,090	2,428	2,481
Amortisation of advertising rights	9,495	8,417	18,980	16,180
Amortisation of goodwill	80	80	160	160
	<u>80</u>	<u>80</u>	<u>160</u>	<u>160</u>



4. Income tax

	For the three months ended 30th June,		For the six months ended 30th June,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC taxation	2,158	2,143	3,600	3,235
Deferred taxation	-	45	-	45
Share of taxation of jointly controlled entities	3,247	1,920	5,310	2,709
Share of taxation of associates	287	92	536	129
	<u>5,692</u>	<u>4,200</u>	<u>9,446</u>	<u>6,118</u>

The provision for Hong Kong profits tax has been calculated separately at 17.5% (2003: 17.5%) of the estimated assessable profits for the six months ended 30th June, 2004 of each subsidiary and associate of the Group with operations subject to Hong Kong profits tax.

No provision for Hong Kong profits tax has been made as the subsidiaries with operations in Hong Kong sustained taxable losses for the six months ended 30th June, 2004.

Taxation for subsidiaries and jointly controlled entities operating in the People's Republic of China ("the PRC") except noted hereinafter is calculated at 33% (2003: 33%) of the estimated assessable profits of these entities for the six months ended 30th June, 2004.

Pursuant to the relevant laws and regulations in the PRC, Chongqing MPI Public Transportation Advertising Co., Ltd. ("CQMPI"), a non-wholly owned subsidiary of the Group is entitled to a reduction in the applicable rate of PRC Foreign Enterprises Income Tax from 33% to 31.5% for the three years ended 31st December, 2003, 2004 and 2005.

The Group has not accounted for the deferred taxation assets attributable to the future benefit of tax losses in respect of the Hong Kong operations as the availability of future taxable profits from the Hong Kong operations against which the assets can be utilised is uncertain at 30th June, 2004.

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



5. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of approximately HK\$6,690,000 for the six months ended 30th June, 2004 (30th June, 2003: loss of HK\$24,249,000) and the weighted average of 853,800,000 ordinary shares (30th June, 2003: 853,800,000 ordinary shares) outstanding.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the six months ended 30th June, 2004 and 2003 are the same as the basic earnings/(loss) per share because there was no dilutive effect in existence during the respective periods.

6. Segmental information

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.

	Hong Kong		For the six months ended 30th June,				Consolidated	
	2004	2003	Mainland China		Unallocated		2004	2003
	HK\$'000	HK\$'000	2004	2003	2004	2003	HK\$'000	HK\$'000
Turnover	24,274	30,788	126,777	93,902	-	-	151,051	124,690
Other revenue	1	175	6,124	8,301	151	211	6,276	8,687
Total revenue	24,275	30,963	132,901	102,203	151	211	157,327	133,377
Segment result and (loss)/profit from operations	(657)	(8,355)	10,581	(7,839)	(2,681)	(1,868)	7,243	(18,062)
Finance costs	(54)	(107)	(6,506)	(6,106)	(1,034)	(550)	(7,594)	(6,763)
Share of profits less losses of an associate	2,758	354	-	-	-	-	2,758	354
Share of profits less losses of jointly controlled entities	-	-	15,129	7,468	-	-	15,129	7,468
Profit/(loss) from ordinary activities before taxation	2,047	(8,108)	19,204	(6,477)	(3,715)	(2,418)	17,536	(17,003)
Income tax	(536)	(167)	(8,910)	(5,951)	-	-	(9,446)	(6,118)
Profit/(loss) from ordinary activities after taxation	1,511	(8,275)	10,294	(12,428)	(3,715)	(2,418)	8,090	(23,121)
Minority interests	17	29	(1,417)	(1,157)	-	-	(1,400)	(1,128)
Profit/(loss) attributable to shareholders	1,528	(8,246)	8,877	(13,585)	(3,715)	(2,418)	6,690	(24,249)



7. Fixed assets

During the six months ended 30th June, 2004, additions to computer equipment and other fixed assets amounted to HK\$1,314,000 and HK\$2,527,000 respectively. The depreciation charge amounted to HK\$2,428,000 for the six months ended 30th June, 2004.

8. Advertising rights

	<i>HK\$ '000</i>
Cost:	
At 1st January, 2004	467,068
Additions	1,220
	<hr/>
At 30th June, 2004	468,288
	<hr/>
Accumulated amortisation:	
At 1st January, 2004	175,485
Charge for the period	18,980
	<hr/>
At 30th June, 2004	194,465
	<hr/>
Net book value:	
At 30th June, 2004	273,823
	<hr/> <hr/>
At 31st December, 2003	291,583
	<hr/> <hr/>

9. Other investments

Other investments represent an amount of approximately HK\$49,528,000 (RMB52,500,000) paid 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. Barring unanticipated developments, it is the present intention of the Group to replace the current commercial arrangement by establishing a joint venture in the foreseeable future subject to and in compliance with prevailing PRC legislation and government policies.

**10. Accounts receivable**

At 30th June, 2004, accounts receivable amounted to HK\$41,738,000 (31st December, 2003: HK\$32,841,000). The ageing analysis of accounts receivable is as follows:

	30th June, 2004	31st December, 2003 (Audited)
	HK\$'000	HK\$'000
Current	19,166	11,781
1 to 3 months	12,290	15,581
More than 3 months	10,282	5,479
	<u>41,738</u>	<u>32,841</u>

11. Accounts payable

At 30th June, 2004, accounts payable amounted to HK\$35,477,000 (31st December, 2003: HK\$49,948,000). The ageing analysis of accounts payable is as follows:

	30th June, 2004	31st December, 2003 (Audited)
	HK\$'000	HK\$'000
Current	3,084	4,087
1 to 3 months	3,659	5,868
More than 3 months	28,734	39,993
	<u>35,477</u>	<u>49,948</u>

12. Convertible Bond

	30th June, 2004	31st December, 2003 (Audited)
	HK\$'000	HK\$'000
Convertible Bond	<u>85,000</u>	<u>85,000</u>

The term of the Convertible Bond is for the period from 9th January, 2002 to 31st December, 2004. Interest is payable at the rate of 2.5% per annum, semi-annually in arrears.

The holders of the Convertible Bond have the right to convert part or all of the Convertible Bond into shares of the Company at a price equivalent to 110% of the Issue Price of HK\$1.10 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 HK\$85,000,000 due under the Convertible Bond for a period of 12 months from 31st December 2004.

13. Share capital

There were no movements in the share capital of the Company during the six months ended 30th June, 2004.

No options were granted during the six months ended 30th June, 2004.

As at 30th June, 2004, the number of shares under option outstanding totalled 15,798,000. During the six months ended 30th June, 2004, an aggregate of 140,000 options lapsed upon the termination of the relevant participant's employment with the Group. No options were exercised during the six months ended 30th June, 2004.

14. Reserves

	Share premium HK\$'000	Merger reserves HK\$'000	Other capital reserves HK\$'000	Exchange reserves HK\$'000	Revenue reserves HK\$'000	Total HK\$'000
At 1st January, 2003	233,715	255,366	(61,518)	-	(63,939)	363,624
Exchange difference on translation of the financial statements of PRC subsidiaries and jointly controlled entities	-	-	-	1,065	-	1,065
Loss for the period	-	-	-	-	(24,249)	(24,249)
At 30th June, 2003	<u>233,715</u>	<u>255,366</u>	<u>(61,518)</u>	<u>1,065</u>	<u>(88,188)</u>	<u>340,440</u>
At 1st January, 2004	233,715	255,366	(61,518)	1,064	(85,713)	342,914
Realisation of exchange reserve on disposal of a subsidiary	-	-	-	(58)	-	(58)
Profit for the period	-	-	-	-	6,690	6,690
At 30th June, 2004	<u>233,715</u>	<u>255,366</u>	<u>(61,518)</u>	<u>1,006</u>	<u>(79,023)</u>	<u>349,546</u>

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



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

	For the three months ended 30th June, 2004		For the six months ended 30th June, 2004	
	HK\$'000	2003 HK\$'000	HK\$'000	2003 HK\$'000
Profit/(loss) for the period is retained/(absorbed) by:				
- The Company and its subsidiaries	(2,598)	(12,754)	(5,351)	(29,233)
- Associate	1,149	92	2,222	225
- Jointly controlled entities	6,724	4,296	9,819	4,759
Total	5,275	(8,366)	6,690	(24,249)

Included in the figure for revenue reserves at 30th June, 2004 are reserves of HK\$6,279,000 (31st December, 2003: HK\$4,057,000) attributable to associates and reserves of HK\$20,858,000 (31st December, 2003: HK\$11,039,000) attributable to the jointly controlled entities.

15. Commitments and contingencies

(i) Commitments under operating leases

At 30th June, 2004, the Group had total future minimum lease payments under non-cancellable operating leases in respect of properties and site rentals payable as follows:

	Property		30th June, 2004 Site rentals		Total	
	Hong Kong HK\$'000	Mainland China HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000
Within one year	499	3,936	16,873	58,521	17,372	62,457
After one year but within five years	538	5,271	16,240	265,408	16,778	270,679
After five years	-	1,792	-	540,462	-	542,254
	1,037	10,999	33,113	864,391	34,150	875,390

	Property		31st December, 2003 Site rentals		Total	
	Hong Kong HK\$'000	Mainland China HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000
Within one year	371	2,204	13,346	31,093	13,717	33,297
After one year but within five years	10	3,515	3,617	264,060	3,627	267,575
After five years	-	2,311	-	588,665	-	590,976
	381	8,030	16,963	883,818	17,344	891,848



(ii) *Other commitments*

At 30th June, 2004, Chongqing MPI Public Transportation Advertising Co., Ltd. ("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. The agreement is for the period from 1st November, 1999 to 22nd September, 2029. HK\$6,509,000 (RMB6,900,000) (31st December, 2003: HK\$5,377,000) is due within the next twelve months, HK\$35,236,000 (RMB37,350,000) (31st December, 2003: HK\$33,679,000) is due after one year but within five years and HK\$16,132,000 (RMB17,100,000) (31st December, 2003: HK\$21,510,000) is due after five years. The aggregate amount payable by the Group to the PRC joint venture partner up to 31st December, 2010 is HK\$57,877,000 (RMB61,350,000) (31st December, 2003: HK\$60,566,000). 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.

The above commitments are not included in the operating lease commitments disclosed in note 15(i) above.

As at 30th June, 2004, 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 5th September 2003 to 4th September 2008. HK\$506,000 (JPY7,000,000) (31st December, 2003: HK\$1,265,000) is due payable within one year and HK\$506,000 (JPY7,000,000) (31st December, 2003: HK\$506,000) is due payable after one year but within five years.

(iii) *Capital commitments*

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

(iv) *Contingent liabilities*

- (a) At 30th June, 2004, the Group had contingent liabilities amounting to HK\$13,105,000 (31st December, 2003: HK\$4,520,000) in respect of bank guarantees given to independent third parties in the ordinary course of business to ensure the due performance and the observance of the obligations of a subsidiary and a jointly controlled entity to certain agreements.
- (b) At 30th June, 2004, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries amounted to HK\$232,170,000 (31st December, 2003: HK\$132,170,000).



16. Material related party transactions

Details of material related party transactions between the Group and related parties were set out in note 37 of the annual report of the Group for the year ended 31st December, 2003 and these transactions continued during the interim period except for a tenancy agreement with Noble State Company Limited where the renewed annual office rentals fall within the threshold of continuing connected transactions under GEM Listing Rules. The details of the transaction were disclosed in the announcement dated 2nd April, 2004. There were no other significant new material related party transactions entered into by the Group with related parties during the six months ended 30th June, 2004.

17. Post balance sheet events

Pursuant to the announcement of a major transaction dated 23rd July, 2004, the Group, on 21st July, 2004, entered into an agreement with Nanjing Metro Company Limited to secure exclusive long term advertising rights within Nanjing Metro Line 1 (Phase 1) for a term of 18 years commencing from the date of commencement of the official operations of the Nanjing Metro Line 1 (Phase 1) for consideration of HK\$113.2 million (RMB120 million) plus fixed rentals for advertising media and variable site rentals. The Group and Nanjing Metro Company Limited will form a joint venture with a registered capital of HK\$56.6 million (RMB60 million), in which the Group will have a 98% shareholding, to operate the advertising concessions.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2004 (30th June, 2003: Nil).

DISCLOSURE OF DIRECTORS' INTERESTS

As at 30th June, 2004, the interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to 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**

Name of Director	Capacity	Number of ordinary shares				Total	Approximate percentage of shares in issue
		Personal interests	Family interests	Corporate interests	Others interests		
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	14th Aug, 2002	HK\$0.62	8,538,000 (Notes)	1%

Notes:

1. The above interest constitutes a long position of the Director in a physically settled equity derivative for the purposes of the SFO.
2. As at 1st January, 2004 (being the beginning of the Company's current financial year) and 30th June, 2004 (being the most recent period end), the outstanding options held by Ms. Winnie Pik Shan To under the Company's Share Option Scheme represented options to subscribe for 8,538,000 shares in the Company. These options were granted on 14th August, 2002 and, subject to the terms of the Company's Share Option Scheme, vest over four years and may be exercised from 14th August, 2003 to 13th August, 2012 at an exercise price of HK\$0.62 per share.



(3) **Aggregate long position in the shares and underlying shares of the Company**

Name of Director	Aggregate number in shares	Aggregate number in underlying shares	Total	Percentage of shares in issue
Winnie Plk Shan To	12,800,000	8,538,000	21,338,000	2.5%

Save as disclosed herein and as at 30th June, 2004, 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 30th June, 2004, 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 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and set out below are details of the amount of each of such person's interest in such securities:-



Name	Types of interests held	Approximate percentage of shares in issue as at 30th June, 2004
MSCV (<i>note a</i>)	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 (<i>note b</i>)	same as MSCV	same as MSCV
Mdm Chan Tan Ching Fen (<i>note c</i>)	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 above mentioned Convertible Bond represents an interest in physically settled equity derivatives.

Notes:

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

Save as disclosed above and as at 30th June, 2004, 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 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.



SHARE OPTION SCHEME

As at 30th June, 2004, the Directors, employees of the Group including its jointly controlled entities and certain other participants had been granted options to subscribe for shares of the Company (market value per share at 30th June, 2004 is HK\$0.39). Each option gives the holder the right to subscribe for one share of the Company, details of which as at 30th June, 2004 was as follows:-

Type of Grantee	Date of grant	Subscription price per share	Number of Share Options					Option period
			Outstanding as at 1st January, 2004	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30th June, 2004	
Director	14/8/2002	HK\$0.62	8,538,000	-	-	-	8,538,000	14/8/2002 to 13/8/2012 (Note 1a)
Employees	14/8/2002	HK\$0.62	5,700,000	-	-	-	5,700,000	14/08/2002 to 13/08/2012 (Notes 1b & 1c)
Other participants	14/8/2002	HK\$0.62	1,700,000	-	-	140,000 (Note 2)	1,560,000	14/08/2002 to 13/08/2012 (Note 1a)
							Total:	<u>15,798,000</u>

Notes:

- The number of shares subject to the option shall vest in four equal annual instalments. The timing of vesting of options at HK\$0.62 per share is as follows:-
 - the options will vest in four equal annual instalments commencing on the first anniversary date from 14th August, 2002 i.e. one-fourth of the shares subject to the option will vest on 13th August, 2003 with an additional one-fourth of the shares subject to the option respectively vest on each of the next succeeding anniversary dates.
 - for those grantees who have worked for the Group including its jointly controlled entities for over one year at 14th August, 2002, one-fourth of the shares subject to the option shall vest on the first anniversary date from 14th August, 2002. An additional one-fourth of the shares subject to the option will respectively vest on each of the next three succeeding anniversary dates.



- (c) for those grantees who have worked for the Group including its jointly controlled entities for less than one year at 14th August, 2002, one-fourth of the shares subject to the option will vest on the second anniversary date of their respective commencement dates of employment with the Group or its jointly controlled entities. An additional one-fourth of the shares subject to the option will respectively vest on each of the next three succeeding anniversary dates.
2. During the period ended 30th June, 2004, an aggregate of 140,000 options lapsed upon the termination of the relevant participant's employment with the Group.
 3. No theoretical value of share options is disclosed as no share options were granted during the period.

MANAGEMENT SHAREHOLDERS

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

SPONSOR'S INTEREST

As at 30th June, 2004, as notified by BNP Paribas Peregrine Capital Limited (the "Sponsor") neither the Sponsor nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules), had any interest in the securities of the Company.

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

COMPETING INTERESTS

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

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

During the six months ended 30th June, 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



AUDIT COMMITTEE

The Company established an audit committee on 7th January, 2002 with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and financial statements, half-yearly reports and quarterly reports and to provide advice and comments to the Board of Directors. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising three independent non-executive directors, Mr. Philip Tit Hon Hung, Mr. Meocre Kwok Wing Li, and Mr. Paul Laurence Saffo.

The audit committee has reviewed with the management this unaudited interim report for the period ended 30th June, 2004.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30th June, 2004. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and required standard of dealings throughout the six months ended 30th June, 2004.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30th June, 2004, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

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

Hong Kong, 12th August, 2004

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

