



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

MPI

Third Quarterly
REPORT 2004
第三季度業績報告





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



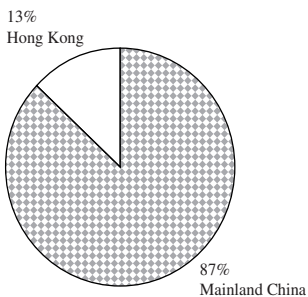
FINANCIAL HIGHLIGHTS

The Group has continued the profitability trend and achieved further growth in the third quarter of 2004.

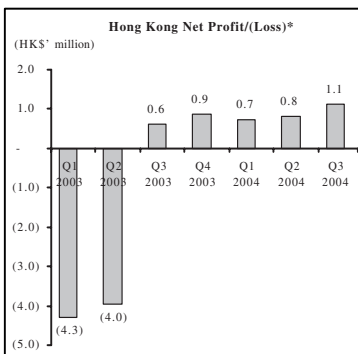
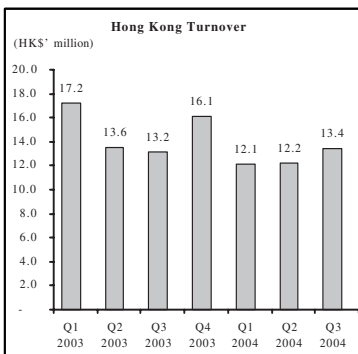
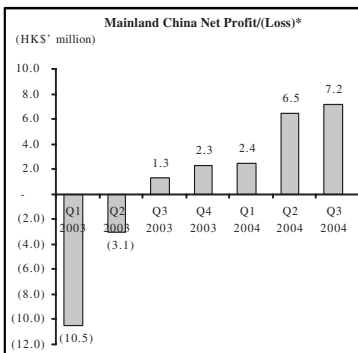
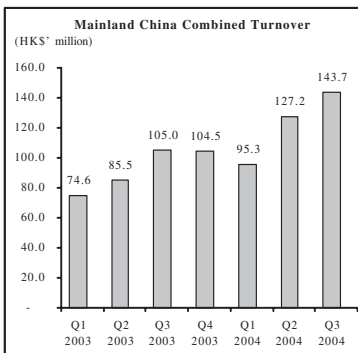
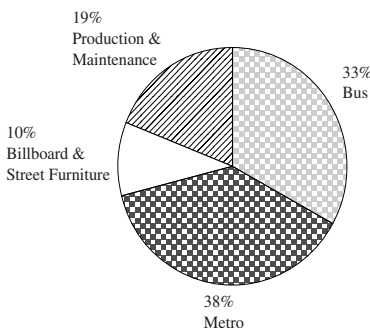
- *Mainland China operations*
 - *Turnover was HK\$86.3 million increased by 23% compared with the second quarter of 2004 and 37% compared with the third quarter of 2003. Turnover for the nine months ended 30th September 2004 was HK\$213.1 million, increased by 36% compared with the corresponding period of 2003.*
 - *Turnover of the two metro joint ventures was HK\$47.4 million, increased by 32% compared with the third quarter of 2003. Turnover of the two metro joint ventures for the nine months ended 30th September 2004 was HK\$131.8 million, increased by 41% compared with the corresponding period of 2003.*
 - *Net profit was HK\$7.2 million increased by 11% compared with the second quarter of 2004 and a five-fold growth from the third quarter of 2003. Net profit for the nine months ended 30th September 2004 was HK\$16.0 million.*
- *Hong Kong operations*
 - *Continue the profitability trend with net profit of HK\$1.1 million increased by 39% compared with the second quarter of 2004. Net profit for the nine months ended 30th September 2004 was HK\$2.6 million.*
- *The Group's profit attributable to shareholders was HK\$6.4 million increased by 21% compared with the second quarter of 2004 and a nine-fold growth from the third quarter of 2003. The Group's profit attributable to shareholders for the nine months ended 30th September 2004 was HK\$13.1 million.*
- *The Group was in a healthy financial position with cash and cash equivalents of HK\$212.8 million at 30th September 2004 and achieved a positive free cash flow of HK\$26.0 million for the nine months ended 30th September 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.*
- *Under CEPA, the Group has successfully converted its operation headquarters in Mainland China from a joint venture to a wholly foreign owned enterprise.*



Turnover for Q3 2004



Mainland China Combined Turnover for Q3 2004



* The net profit/(loss) is before corporate expenses. Please refer to the table under "Financial Review" section for details of corporate expenses.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

During the third quarter of 2004, the Group benefited from the stable economic growth and the growing demand for outdoor advertisements in both Mainland China and Hong Kong. The Group's turnover reached HK\$99.8 million and its net profit amounted to HK\$6.4 million for the third quarter. The Group achieved growth of 21% in both its revenue and net profit for the third quarter of 2004 compared with the second quarter of 2004. The Group achieved a net profit of HK\$13.1 million for the nine months ended 30th September, 2004, of which HK\$16.0 million was generated from its Mainland China operations and HK\$2.6 million was generated from its Hong Kong operations both before deduction of unallocated corporate expenses totalling HK\$5.6 million.

Mainland China continues to be the core market of the Group. In the third quarter of 2004, the Mainland China market accounted for 87% of the Group's turnover. The Mainland China government imposed certain macro-economic control measures to adjust the pace of economic growth in Mainland China during the first half of 2004. These control measures have had no immediate and material impact on the Group's business so far. Nevertheless, the management will cautiously monitor the effect of the control measures on the Group's business on an on-going basis.

There is increasing demand for advertising in metro systems as the advertisers find that metro advertising is a more cost-effective medium compared with other outdoor advertising media and is a good channel to prolong the promotion effect from more expensive TV advertising.

In view of the continued profits from the Group's metro media, the Group considers that it is strategically important to develop a nationwide metro advertising network to meet the increasing demand from its customers for cross-city advertising. In July 2004, the Group secured advertising rights for an 18 year term to the Nanjing Metro Line 1 (Phase 1) which is expected to commence operation in September 2005. The metro is expected to have 16 stations stretching from Maigaoqiao to the Olympic Sports Centre passing through Nanjing Railway Station, Gulou and areas with a high density of population.

The Group is now the only metro advertising media network provider offering long-term and exclusive metro advertising spaces in Beijing, Shanghai, Guangzhou, Nanjing and Hong Kong.



For the bus media, the Group enlarged its market share in the bus advertising market in Shanghai early this year by securing exclusive advertising rights to, in aggregate, over 5,000 bus bodies. The Group now dominates the bus advertising markets in Shanghai, Nanjing, Chengdu and Chongqing and covers some prime routes in Beijing, Guangzhou, Dalian and Wuhan. The Group's turnover from its Mainland China operations increased by 36% for the nine months ended 30th September, 2004 compared with the corresponding period last year.

Benefiting from the improving economy and growing advertising spending, the Group's Hong Kong operations are improving continuously. In Hong Kong, the Group focuses on metro advertising on the Airport Express Line and billboard advertising at profitable prime sites, including the Cross Harbour Tunnel, large billboards in prime areas, rooftop neons, tram shelters, piers and unipoles. The Group's turnover from its Hong Kong operations increased by 10% and net profit increased by 39% in the third quarter of 2004 compared with the second quarter of 2004.

As at 30th September, 2004, the Group had over 56,900 advertising spaces in Mainland China and Hong Kong.

Types of media	Location	Advertising spaces at 30th September, 2004
Transport		
Bus bodies	Mainland China	Over 18,050
Metro lines	Mainland China and Hong Kong	Over 35,600
Taxis	Hong Kong	Over 750
Billboards and street furniture	Mainland China and Hong Kong	Over 2,500
Total		Over 56,900



Financial Review

For the three months ended

	Mainland China			Hong Kong			Unallocated			Total		
	30th Sept 2004	30th Jun 2004	31st Mar 2004	30th Sept 2004	30th Jun 2004	31st Mar 2004	30th Sept 2004	30th Jun 2004	31st Mar 2004	30th Sept 2004	30th Jun 2004	31st Mar 2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	86,349	70,370	56,407	13,441	12,179	12,095	-	-	-	99,790	82,549	68,502
EBITDA ¹	19,519	16,880	15,015	(44)	(194)	(209)	(1,375)	(1,454)	(1,227)	18,100	15,232	13,579
Adjusted EBITDA ²	24,723	23,294	19,026	1,271	955	864	(1,375)	(1,454)	(1,227)	24,619	22,795	18,663
Profit/(loss) attributable to shareholders	7,167	6,456	2,421	1,115	802	726	(1,913)	(1,983)	(1,732)	6,369	5,275	1,415

For the nine months ended 30th September

	Mainland China		Hong Kong		Unallocated		Total	
	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	213,126	157,110	37,715	43,954	-	-	250,841	201,064
EBITDA ¹	51,414	24,258	(447)	(7,626)	(4,056)	(2,853)	46,911	13,779
Adjusted EBITDA ²	67,043	34,785	3,090	(6,836)	(4,056)	(2,853)	66,077	25,096
Profit/(loss) attributable to shareholders	16,044	(12,272)	2,643	(7,617)	(5,628)	(3,671)	13,059	(23,560)

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 includes the Group's share of profits of jointly controlled entities and associates.



Turnover

The Group's turnover for the third quarter of 2004 amounted to HK\$99.8 million, representing an increase of 21% as compared with the second quarter of 2004 and 31% as compared with the corresponding quarter of 2003. The Group's turnover for the nine months ended 30th September, 2004 amounted to HK\$250.8 million, representing an increase of 25% compared with the corresponding period of 2003.

Combined turnover of the Group, including the turnover of the three jointly controlled entities (Shanghai Metro JV, Guangzhou Metro JV and Shanghai Production JV) and the associate (POAD), for the third quarter of 2004 amounted to HK\$192.0 million, representing an increase of 13% compared with the second quarter of 2004 and an increase of 33% as compared with the third quarter of 2003. Combined turnover for the nine months ended 30th September, 2004 amounted to HK\$496.6 million, representing an increase of 33% compared with the corresponding period of 2003.

Turnover generated from the Mainland China operations for the third quarter of 2004 was HK\$86.3 million, representing an increase of 23% compared with the second quarter of 2004 and an increase of 37% compared with the corresponding period of 2003. The turnover from the Mainland China operations for the nine months ended 30th September, 2004 amounted to HK\$213.1 million, representing an increase of 36% compared with the corresponding period of 2003.

Turnover generated from the Hong Kong operations for the third quarter of 2004 was HK\$13.4 million, representing an increase of 10% compared with the second quarter of 2004. As a result of a decreasing number of sites, the turnover from the Hong Kong operations for the nine months ended 30th September, 2004 amounted to HK\$37.7 million, representing a decrease of 14% compared with the corresponding period of 2003.

The Mainland China operations continued to be the focus of the Group and the turnover from the Mainland China operations for the third quarter of 2004 accounted for 87% of the Group's turnover (the third quarter of 2003: 83%).



Gross profit

Gross profit, being turnover less site rentals, amortisation of advertising rights and other direct costs, of the Group amounted to HK\$23.7 million for the third quarter of 2004, representing a growth of 26% compared with the second quarter of 2004. The Group's gross profit margin for the third quarter of 2004 was 24%, which was maintained at a similar level as for the second quarter of 2004 and was better than the 21% recorded in the third quarter of 2003. The gross profit margin of the Group's Mainland China operations was 26% and that of the Hong Kong operations was 11%. The gross profit for the nine months ended 30th September, 2004 amounted to HK\$58.1 million, representing an improvement of HK\$34.0 million compared with the corresponding period of 2003.

Operating expenses

Site rentals, being the largest component of the Group's operating expenses, amounted to HK\$32.1 million for the third quarter of 2004, representing an increase of 23% compared with the second quarter of 2004. The increase was mainly due to certain new bus bodies advertising concessions in Shanghai has commenced full scale operations in the third quarter of 2004. Site rentals for the nine months ended 30th September, 2004 amounted to HK\$81.0 million, increased by 4% compared with the corresponding period of 2003.

Other direct costs are mainly variable and comprise media buying, business tax and production costs. Other direct costs amounted to HK\$35.4 million for the third quarter of 2004 and HK\$84.1 million for the nine months ended 30th September, 2004. As a percentage of turnover, other direct costs, for the first nine months of 2004, represented 34% of turnover, lower than the 37% for the corresponding period of 2003.

Staff costs, including directors' fees, of the Group for the third quarter of 2004 amounted to HK\$8.4 million, maintained at a similar level as for the second quarter of 2004. Staff costs for the nine months ended 30th September, 2004 were HK\$24.4 million, representing an increase of 9% compared with the corresponding period of 2003. Such increase was mainly due to an average 7% salary increment in the Mainland China operations in 2004 and a one-off adjustment in 2003 for previous over-provision of staff social welfare insurance.

The total number of employees at 30th September, 2004 was 287 (30th September, 2003: 271), of which 266 (30th September, 2003: 251) were in Mainland China and 21 (30th September, 2003: 20) were in Hong Kong. As a percentage of turnover, staff costs were about 8% for the third quarter of 2004 while they were 9% for the corresponding quarter of 2003.



Other operating expenses of the Group for the third quarter of 2004 amounted to HK\$9.5 million and were about 10% of the turnover (third quarter of 2003: 11%). Other operating expenses for the nine months ended 30th September, 2004 were HK\$24.3 million, representing a decrease of 3% compared with the corresponding period of 2003, which was a result of certain cost-control measures implemented from the second half of 2003.

Finance costs

Finance costs for the nine months ended of 30th September, 2004 increased by 17% to HK\$11.7 million compared with the same period of 2003. Finance costs in 2004 were higher because there was a waiver of 50% of the convertible bond interest payable given by the majority shareholder in 2003 and bank loans in 2004 were increased by HK\$14.2 million for funding the media development in Shanghai. In October 2004, the Group has taken advantage of the opportunities offered under the CEPA rules, successfully secured approval for the conversion of its operational headquarters in Mainland China ("Shanghai MPI") from a joint venture to a wholly foreign owned enterprise ("WFOE"). The registered capital of Shanghai MPI will be increased from US\$1.8 million to US\$15.3 million. The Group will 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 third quarter of 2004 was HK\$6.4 million representing a 21% growth from the second quarter of 2004 and a four-fold growth from the first quarter of 2004. EBITDA and adjusted EBITDA of the Group for the third quarter of 2004 were HK\$18.1 million and HK\$24.6 million respectively, representing an increase of 19% and 8% respectively compared with the second quarter of 2004.

The profit attributable to shareholders for the nine months ended 30th September, 2004 was HK\$13.1 million, representing a significant improvement of HK\$36.6 million compared with the corresponding period of 2003. EBITDA and adjusted EBITDA of the Group for the nine months ended 30th September, 2004 were HK\$46.9 million (nine months ended 30th September, 2003: HK\$13.8 million) and HK\$66.1 million (nine months ended 30th September, 2003: HK\$25.1 million) respectively. The improvement was the result of an overall improvement in sales which was contributed by the improving market sentiment and the increasing demand for outdoor advertising.



SEGMENT ANALYSIS

Mainland China operations

The Group's Mainland China operations achieved quarter to quarter growth in turnover and in net profit in each quarter of this year.

Turnover from the Mainland China operations for the third quarter of 2004 was HK\$86.3 million, increased by 53% and 23% compared with the first and second quarter of 2004 respectively. Turnover from the Mainland China operations for the nine months ended 30th September, 2004 was HK\$213.1 million, representing an increase of 36% compared with the corresponding period of 2003. The growth was partly contributed by the increasing demand for outdoor advertising and partly by the results of the strengthened sales force after the restructuring and realignment exercises undertaken last year.

Combined turnover, including the turnover of the two metro joint ventures and the production joint venture, for the third quarter of 2004 amounted to HK\$143.7 million, representing an increase of 13% compared with the second quarter of 2004 and an increase of 51% compared with the first quarter of 2004. Combined turnover of the Mainland China operations for the nine months ended 30th September, 2004 was HK\$366.2 million, representing an increase of 38% compared with the corresponding period in 2003. The Group continued its focus on transport advertising media in Mainland China. Advertising on bus bodies and metro systems for the nine months ended 30th September, 2004 together represented 74% of combined turnover of the Mainland China operations and was the same as that of 2003.

Bus advertising

Turnover from bus advertising and related production for the nine months ended 30th September, 2004 increased by 34% to HK\$165.8 million compared with the corresponding period of 2003. Turnover from bus advertising and related production for the third quarter of 2004 amounted to HK\$65.1 million, representing an increase of 16% compared with the second quarter of 2004 and an increase of 22% compared with the corresponding quarter of 2003. In the third quarter of 2004, the realignment and consolidation works for the newly secured and the existing bus bodies in Shanghai are at a more advanced stage. These buses bodies are expected to gradually increase their contribution to the Group's revenue.



The gross profit from the Mainland China operations, which was mainly from the bus advertising business, for the third quarter of 2004 was HK\$22.2 million, representing an increase of 27% compared with the second quarter of 2004 and an increase of 56% compared with the corresponding period of 2003. The gross profit for the nine months ended 30th September, 2004 was HK\$54.0 million, representing a two-fold growth compared with the corresponding period of 2003.

The operating profit from the Mainland China operations, which was mainly from the bus advertising business, for the third quarter of 2004 was HK\$9.7 million, which represented an increase of 56% compared with the second quarter of 2004 and a two-fold growth compared with the first quarter of 2004. The operating profit from the Mainland China operations for the nine months ended 30th September, 2004 was HK\$20.3 million, representing an improvement of HK\$24.8 million compared with the corresponding period of 2003.

Metro advertising

The Group's metro advertising business achieved continued growth year-on-year through improvement in occupancy rates and increase in prices. Having achieved a high growth in the second quarter, the Group's turnover from its two metro joint ventures for the third quarter of 2004 was maintained at a similar level to the second quarter of 2004 and was HK\$47.4 million. Turnover and the Group's share of profits from the two metro joint ventures for the nine months ended 30th September, 2004 amounted to HK\$131.8 million and HK\$22.3 million respectively, representing an increase of 41% and 63% respectively compared with the corresponding period of 2003.

Results from operations

The net profit from the Mainland China operations for the third quarter was HK\$7.2 million, representing an increase of 11% compared with the second quarter of 2004. The net profit for the nine months ended 30th September, 2004 was HK\$16.0 million, representing an improvement of HK\$28.3 million compared with the corresponding period of 2003. EBITDA and adjusted EBITDA for the third quarter of 2004 were HK\$19.5 million and HK\$24.7 million respectively, representing an increase of 16% and 6% respectively compared with the second quarter of 2004. EBITDA and adjusted EBITDA for the nine months ended 30th September, 2004 were HK\$51.4 million and HK\$67.0 million respectively, representing an improvement of HK\$27.2 million and HK\$32.3 million respectively compared with the corresponding period of 2003.



Hong Kong operations

Turnover and gross profit from Hong Kong operations for the third quarter of 2004 amounted to HK\$13.4 million and HK\$1.4 million respectively, both increased by 10% compared with the second quarter of 2004. Turnover from the Hong Kong operations for the nine months ended 30th September, 2004 amounted to HK\$37.7 million, representing a decrease of 14% compared with the corresponding period of 2003. The decrease was a result of the decreasing number of media spaces upon expiry of some site rental contracts. The gross profit from the Hong Kong operations for the nine months ended 30th September, 2004 was HK\$4.1 million, representing an improvement of HK\$5.5 million compared with the corresponding period of 2003. The gross profit margin was maintained at 11% for each quarter of 2004.

Staff costs and other operating expenses in each quarter of 2004 were maintained at approximately HK\$1.6 million and were much lower than the average of HK\$2.2 million per quarter of 2003. Such reduction in staff costs and operating expenses was a result of the cost control measures implemented by the Group. The net profit from Hong Kong operations for the third quarter of 2004 amounted to HK\$1.1 million, representing an increase of 39% compared with the second quarter of 2004. The net profit from Hong Kong operations for the nine months ended 30th September, 2004 amounted to HK\$2.6 million, representing an improvement of HK\$10.3 million compared with the corresponding period of 2003.

Corporate

Corporate expenses for the nine months ended 30th September, 2004 amounted to HK\$5.6 million, representing an increase of HK\$2.0 million compared with the corresponding period of 2003. The corporate expenses were higher in 2004 because the majority shareholder waived 50% of the convertible bond interest and the Group's chairman and two executive directors waived their director's fees in 2003 to show their support of the Company when the Company was adversely affected by the outbreak of SARS.



Outlook

The economic growth in Mainland China is continuing and consumer spending in Mainland China has continued to grow. The phenomenon of consumerism in Mainland China has led to intense competition between brands. In order to promote their brands to target customers and to differentiate their brands from their competitors, local brand owner as well as international brand owners have been increasing their spending in advertising and have commenced longer term and nationwide brand building campaigns in the Mainland China market. The Group is expecting to benefit from the increasing awareness of the effectiveness of advertising and the speedy growth of advertising spending.

The securing of the advertising rights to the Nanjing Metro Line 1 (Phase 1) and to the Shanghai Metro Line 4 further strengthened the Group's metro media portfolio which covers five metropolitan cities of China, including Beijing, Shanghai, Guangzhou, Nanjing and Hong Kong. The Group is now the largest metro media provider in China. The Group will put more focus on development of its already secured media in the coming year.

During the year, the Mainland China government imposed certain macro-economic control measures in order to adjust the pace of the growth of some over-heated industries and such control measures will continue in the foreseeable future. In October 2004, in order to further adjust the pace of the growth of economy, the People's Bank of China raised interest rates for the first time in nine years. The Group considers that the continued control measures and the rising interest rates may, to some extent, have an impact on the Group's business in the periods ahead.

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

**Financial Position**

	For the nine months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Cash generated from operations	43,719	30,604
Tax paid	(5,019)	(3,168)
Net cash from operating activities	38,700	27,436
Interest paid net of interest received	(9,261)	(7,535)
Investment in a Group company	596	597
Dividends received from a jointly controlled entity	14,115	11,443
Acquisition of fixed assets and advertising rights and deposits paid	(18,162)	(53,462)
Increase in bank loans	14,151	25,249
Decrease/(increase) in pledged deposits	32,398	(7,056)
Net cash inflow/(outflow) from financing and investing activities	33,837	(30,764)
Increase/(decrease) in cash and cash equivalents	72,537	(3,328)
Cash and cash equivalents at 1st January	140,288	161,409
Effect of foreign exchange rate changes	-	(946)
Cash and cash equivalents at 30th September	212,825	157,135



The Group continues to be in a healthy and stable financial position. Cash generated from operations for the nine months ended 30th September, 2004 amounted to HK\$43.7 million, being 43% higher as compared with the corresponding period of 2003. A free cash flow of HK\$26.0 million (i.e. cash from operations plus dividends received net of tax, interest, capital expenditure and investments) was generated for the nine months ended 30th September, 2004. Cash and bank balances at 30th September, 2004 amounted to HK\$212.8 million (31st December, 2003: HK\$140.3 million). Pledged deposits with banks for banking facilities made available to the Group as at 30th September, 2004 amounted to HK\$169.8 million (31st December, 2003: HK\$202.2 million). As at 30th September, 2004, the Group had bank loans of HK\$271.6 million (31st December, 2003: HK\$257.4 million). The increase in bank loans of HK\$14.2 million was mainly due to the increase in the investment with Shanghai Tulip Advertising Co., Ltd. to develop billboard media in Shanghai. At 30th September, 2004, the Group's net cash balance, being cash and cash equivalents plus pledged bank deposits less bank loans amounted to HK\$111.0 million (31st December, 2003: HK\$85.1 million).

As at 30th September, 2004, other than bank loans, the Group had a convertible bond of HK\$85.0 million issued to the majority shareholder. The current ratio was 134% with HK\$529.9 million of current assets against HK\$394.0 million of current liabilities. The consolidated net asset value of the Group as at 30th September, 2004 was HK\$441.3 million or HK\$0.52 per share.

Additions to fixed assets for the nine months ended 30th September, 2004 totalled HK\$4.7 million. Additions to advertising rights, mainly for advertising media in the Beijing Light Rail System, amounted to HK\$1.2 million for the nine months ended 30th September, 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 September, 2004 is analysed as follows:

Type of debt	Debt maturity	HK\$ Million	%
Short term bank loans	Repayable within 1 year	271.6	76
Convertible Bond	Repayable after 1 year but within 2 years	85.0	24
Total		356.6	100

Out of the total borrowings of HK\$356.6 million, HK\$265.8 million was denominated in Renminbi and HK\$90.8 million was denominated in Hong Kong dollars. Bank loans of HK\$271.6 million as at 30th September, 2004, were secured by cash deposits of HK\$167.5 million. Interest rates for bank borrowings denominated in Hong Kong dollars were at 0.75% over the bank's funding rate and interest rates for bank borrowings denominated in Renminbi ranged from 90% of the lending rate of the People's Bank of China ("PBOC") to 105% of the lending rate of the PBOC.

Interest is payable on the Convertible Bond, which will expire on 31st December, 2004, at a rate of 2.5% per annum. Morningside CyberVentures Holdings Limited ("MSCV"), the majority shareholder of the Company, 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.

On 13th October, 2004, the Company entered into a Convertible Bond Agreement with MSCV pursuant to which the Company will issue a Convertible Bond of HK\$85.0 million to MSCV upon the expiry of the existing Convertible Bond on 31st December, 2004 to replace the existing Convertible Bond. The coupon rate of the new convertible bond is zero with a redemption premium of 3% on maturity. In accordance with the requirements of the GEM Listing Rules, the issuance of the Convertible Bond to MSCV constitutes connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements. Details of this transaction are set out in the Company's announcement dated 13th October, 2004.



Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions 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 nine months ended 30th September, 2004, the Group normally used the receipts from customers and bank loans to pay its suppliers and meet its capital requirements. These are denominated in the local currency of the place in which its subsidiaries and joint ventures operate. The Group does not currently engage in hedging to manage possible exchange rate risk as the Group considers the cost associated with such hedging arrangements would exceed the benefits. However, 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 September, 2004, the Group had contingent liabilities totalling 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 September, 2004, corporate guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries amounted to HK\$279.3 million (31st December, 2003: HK\$132.2 million).



Employee Information

At 30th September, 2004, the Group had a total of 287 (30th September, 2003: 271) employees, of which 266 (30th September, 2003: 251) were located in Mainland China and 21 (30th September, 2003: 20) in Hong Kong. Total salaries and related costs incurred in the first nine months of 2004, including directors' emoluments, amounted to HK\$24.4 million (first nine months of 2003: HK\$22.4 million).

The salary and benefit levels of the Group's employees are kept at a market competitive level and employees are rewarded on a performance related basis. Staff benefits, including medical coverage and provident funds are also provided to employees. In addition, training and development programmes are provided on an ongoing basis. Social, sporting and recreational activities were arranged during the period 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 being approximately 1.85% of issued share capital of the Company as at 30th September, 2004.

Significant Investments and Acquisitions

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 HK\$113.2 million (RMB120 million) plus an annual fixed rental for advertising media and a variable site rental. The Group will form a joint venture with a Mainland China partner to operate the advertising concessions. The registered capital of the joint venture would be HK\$56.6 million (RMB60.0 million). Details of this transaction are set out in the Company's announcement dated 23rd July, 2004.

On 2nd September, 2004, the Group entered into an agreement with a view to secure the exclusive advertising rights within Shanghai Metro Line 4.

**QUARTERLY RESULTS FOR THE PERIOD ENDED 30TH SEPTEMBER, 2004 – UNAUDITED**

The Board of Directors (the “Board”) of Media Partners International Holdings Inc. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three and nine months ended 30th September, 2004, together with the comparative figures for the corresponding period in 2003 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three and nine months ended 30th September, 2004 – UNAUDITED

	Note	For the three months ended 30th September,		For the nine months ended 30th September,	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Operating revenue					
Turnover	2	99,790	76,374	250,841	201,064
Other revenue		4,078	2,857	10,354	11,544
Other net (loss)/income		(399)	40	(501)	40
Operating expenses					
Site rental		(32,062)	(23,754)	(81,007)	(77,746)
Other direct costs		(35,390)	(27,317)	(84,105)	(73,684)
Staff costs		(8,400)	(6,714)	(24,354)	(22,438)
Depreciation and amortisation		(9,982)	(10,715)	(31,550)	(29,536)
Other operating expenses		(9,517)	(8,466)	(24,317)	(25,001)
Profit/(loss) from operations		8,118	2,305	15,361	(15,757)
Finance costs		(4,092)	(3,239)	(11,686)	(10,002)
Share of profits less losses of associates		1,584	684	4,342	1,038
Share of profits less losses of jointly controlled entities		7,152	6,189	22,281	13,657
Profit/(loss) from ordinary activities before taxation		12,762	5,939	30,298	(11,064)
Income tax	3	(5,406)	(4,453)	(14,852)	(10,571)
Profit/(loss) from ordinary activities after taxation		7,356	1,486	15,446	(21,635)
Minority interests		(987)	(797)	(2,387)	(1,925)
Profit/(loss) attributable to shareholders		6,369	689	13,059	(23,560)
Earnings/(loss) per share – Basic	4	0.7 cents	0.1 cent	1.5 cents	(2.8 cents)

**NOTES TO THE QUARTERLY FINANCIAL STATEMENTS – UNAUDITED:****1. Principal accounting policies and basis of presentation**

The consolidated profit and loss account for the three months and nine months ended 30th September, 2004 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

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

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

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

	For the three months ended 30th September,		For the nine months ended 30th September,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Overprovision for Hong Kong profits tax relating to prior periods	-	(38)	-	(38)
PRC taxation	2,642	2,271	6,242	5,506
Deferred taxation	-	-	-	45
Share of taxation of jointly controlled entities	2,495	2,102	7,805	4,811
Share of taxation of associates	269	118	805	247
	5,406	4,453	14,852	10,571

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



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

Pursuant to the relevant laws and regulations in the PRC, Chongqing MPI Public Transportation Advertising Co., Ltd., a non-wholly owned subsidiary of the Group, is entitled to a reduction in the applicable rate of PRC Foreign Enterprises Income Tax ("PRC FEIT") from 33% to 31.5% for the years from 2003 to 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 as at 30th September, 2004.

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

4. Earnings/(loss) per share

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months and nine months ended 30th September, 2004 are based on the profits attributable to shareholders of HK\$6,369,000 and HK\$13,059,000 respectively (three months and nine months ended 30th September, 2003: profit of HK\$689,000 and loss of HK\$23,560,000 respectively) and the weighted average of 853,800,000 ordinary shares (three months and nine months ended 30th September, 2003: 853,800,000 ordinary shares) outstanding.

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the three months and nine months ended 30th September, 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.



5. Reserves

	Share premium HK\$'000	Merger reserves HK\$'000	Other capital reserves HK\$'000	Exchange reserves HK\$'000	Revenue reserves HK\$'000	Total HK\$'000
At 1st January, 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	-	-	-	-	13,059	13,059
At 30th September, 2004	<u>233,715</u>	<u>255,366</u>	<u>(61,518)</u>	<u>1,006</u>	<u>(72,654)</u>	<u>355,915</u>
At 1st January, 2003	233,715	255,366	(61,518)	-	(63,939)	363,624
Movements arising from changes in exchange rate	-	-	-	1,065	-	1,065
Loss for the period	-	-	-	-	(23,560)	(23,560)
At 30th September, 2003	<u>233,715</u>	<u>255,366</u>	<u>(61,518)</u>	<u>1,065</u>	<u>(87,499)</u>	<u>341,129</u>

Other capital reserves represent the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the net tangible assets acquired by the Group as 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 September,		For the nine months ended 30th September,	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Profit/(loss) for the period is retained/(absorbed) by:				
- The Company and its subsidiaries	397	(3,964)	(4,954)	(33,197)
- Associates	1,315	566	3,537	791
- Jointly controlled entities	4,657	4,087	14,476	8,846
Total	<u>6,369</u>	<u>689</u>	<u>13,059</u>	<u>(23,560)</u>

Included in the figure for revenue reserves at 30th September, 2004 are reserves of HK\$7,594,000 (31st December, 2003: HK\$4,057,000) attributable to associates and reserves of HK\$11,400,000 (31st December, 2003: HK\$11,039,000) attributable to the jointly controlled entities.



DIVIDEND

The Directors do not recommend the payment of a dividend for the nine months ended 30th September, 2004 (nine months ended 30th September, 2003: Nil).

DISCLOSURE OF DIRECTORS' INTERESTS

As at 30th September, 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 August, 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 September, 2004 (being the most recent period end), the outstanding options held by Ms. Winnie Pik Shan To under the Company's Share Option Scheme represented options to subscribe for 8,538,000 shares in the Company. These options were granted on 14th August, 2002 and, subject to the terms of the Company's Share Option Scheme, vest over four years and may be exercised from 14th August, 2003 to 13th August, 2012 at an exercise price of HK\$0.62 per share.

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

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

Save as disclosed herein and as at 30th September, 2004, none of the Directors or Chief Executive or their respective associates of the Company had any other interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 or Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to 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 September, 2004, so far as is known to any Director or 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 September, 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) MSCV is wholly-owned by Verrall Limited.
- (b) Verrall Limited, is the trustee of a discretionary trust established by Mdm Chan Tan Ching Fen, the mother of Gerald Lokchung Chan. None of the discretionary objects of this trust are Directors nor are they otherwise involved in the management of the Group.



- (c) Mdm Chan Tan Ching Fen is interested in the shares of the Company in her capacity as founder of the trust (as that term is defined in the SFO) referred to in note (b) above.

Save as disclosed above and as at 30th September, 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

Options to subscribe for an aggregate of 15,798,000 ordinary shares of the Company (which include the options granted to Ms. Winnie Pik Shan To as disclosed above) were outstanding as at 30th September, 2004, details of which are as follows:-

No. of options outstanding	Subscription price per share of the Company	Option period
15,798,000	HK\$0.62	14/8/2002 to 13/8/2012

Save as disclosed above, no share options under the Share Option Scheme have been granted, exercised, cancelled or lapsed during the three months ended 30th September, 2004.

MANAGEMENT SHAREHOLDERS

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

SPONSOR'S INTEREST

As at 30th September, 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 nine months ended 30th September, 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 the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising three independent non-executive directors, Mr. Philip Tit Hon Hung, Mr. Meocre Kwok Wing Li and Mr. Paul Laurence Saffo.

The audit committee has reviewed with the management this unaudited quarterly report for the period ended 30th September, 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 nine months ended 30th September, 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 nine months ended 30th September, 2004.



BOARD PRACTICES AND PROCEDURES

During the nine months ended 30th September, 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, 11th November, 2004

