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

專心 ▪ 專注 ▪ 專業

UNSWERVING COMMITMENT
DRIVEN TO EXCEL

Third Quarterly Report **2005** 第三季度業績報告

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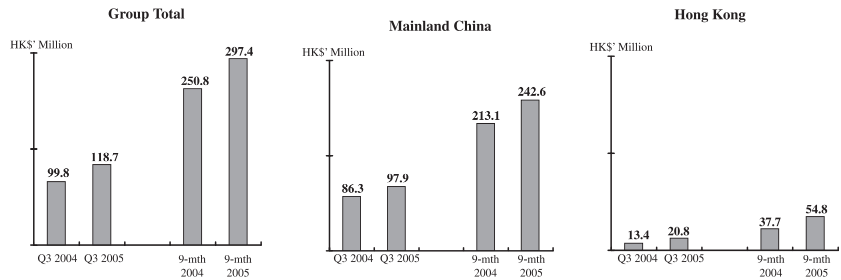
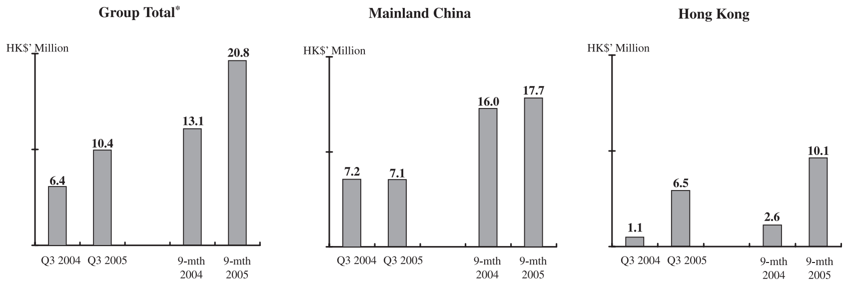
This report, for which the directors (the "Directors") of Media Partners International Holdings Inc. ("MPI" or the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market 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

Turnover

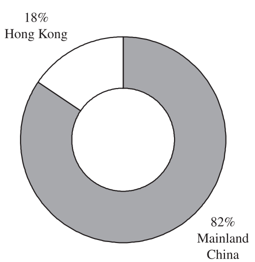


Net Profit



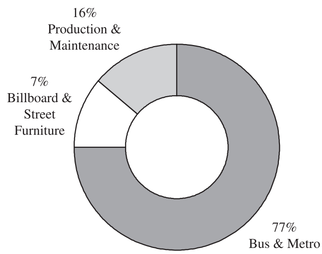
* The Group's net profit includes net profit generated from Mainland China and Hong Kong operations and after deduction of the corporate expenses.

Turnover for Q3 2005



Focus on Mainland China

Mainland China Combined Turnover for Q3 2005



Focus on Transport Sector

HIGHLIGHTS ON THE THIRD QUARTER RESULTS

The Group's turnover amounted to HK$118.7 million, increased by 19% compared with the same quarter last year. Net profit was HK$10.4 million, increased by 64% compared with the same quarter last year.

- Mainland China operations
  - Turnover was HK$97.9 million, increased by 13% compared with the same quarter last year.
  - Share of net profits from the two metro joint ventures was HK$7.6 million, increased by 67% compared with the same quarter last year.
  - Net profit was HK$7.1 million, maintained at about the same level as for the same quarter last year.
- Hong Kong operations
  - Turnover was HK$20.8 million, increased by 55% compared with the same quarter last year.
  - Net profit was HK$6.5 million, representing a six-fold increase as compared with the same quarter last year.
- The Group was in a healthy and stable financial position with cash and cash equivalents of HK$266.1 million as at 30 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

	For the three months ended		For the nine months ended	
	30-Sep-05	30-Sep-04	**30-Sep-05**	30-Sep-04
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China				
Turnover	**97,868**	86,349	**242,635**	213,126
Adjusted EBITDA[1]	**30,149**	27,567	**80,993**	76,322
Profit attributable to equity holders of the company	**7,147**	7,167	**17,731**	16,044
Hong Kong				
Turnover	**20,787**	13,441	**54,784**	37,715
Adjusted EBITDA[1]	**7,663**	1,832	**12,688**	4,605
Profit attributable to equity holders of the company	**6,483**	1,115	**10,076**	2,643
Corporate				
Turnover	**–**	–	**–**	–
Adjusted EBITDA[1]	**(2,107)**	(1,375)	**(4,454)**	(4,056)
Loss attributable to equity holders of the company	**(3,189)**	(1,913)	**(6,987)**	(5,628)
Total				
Turnover	**118,655**	99,790	**297,419**	250,841
Adjusted EBITDA[1]	**35,705**	28,024	**89,227**	76,871
Profit attributable to equity holders of the company	**10,441**	6,369	**20,820**	13,059

Notes:

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

COMMENTARY ON THE THIRD QUARTER RESULTS

Turnover

The Group's turnover for the third quarter of 2005 amounted to HK$118.7 million, representing an increase of 19% compared with the third quarter of 2004.

Combined turnover, including the turnover of the jointly controlled entities and an associate, was HK$232.1 million, an increase of 21% compared with the third quarter of 2004.

The Mainland China operations continued to be the focus of the Group. Turnover from the Mainland China operations accounted for 82% of the Group's turnover.

Gross profit

Gross profit, being turnover less site rentals, amortisation of advertising rights and other direct costs, amounted to HK$24.7 million. As compared with the third quarter of 2004, the gross profit for the third quarter of 2005 increased by 4%. The growth in the gross profit margin has not matched the growth in revenue due principally to site rental costs for new media which has yet to generate stable revenue streams.

Operating expenses

Site rentals, being the single largest component of the Group's operating expenses, amounted to HK$39.3 million, an increase of HK$7.2 million compared with the third quarter of 2004. The increase of HK$3.7 million for the Mainland China operations mainly reflected the full charge for the additional Shanghai bus media this year. The increase of HK$3.5 million for the Hong Kong operations was mainly due to the increase in variable site rentals for media, such as the Airport Express Line, in line with revenue growth.

Other direct costs are mainly variable costs and are made up of media buying, business tax and production costs. Other direct costs for the third quarter of 2005 were HK$44.8 million (third quarter of 2004: HK$35.4 million). Other direct costs expressed as a percentage of turnover were 38% (third quarter of 2004: 35%).

Staff costs, including directors' fees, amounted to HK$11.1 million, an increase of HK$2.7 million compared with the third quarter of 2004. The increase was partly due to annual salary increments, an increase of 36 employees recruited mainly for managing new secured media within the Nanjing Metro, a charge of HK$0.8 million for employees' share options upon applying the new accounting standard for share-based payments and partly due to redundancy payments.

The total number of employees at 30 September 2005 was 323 (30 September 2004: 287), of which 304 (30 September 2004: 266) were in Mainland China and 19 (30 September 2004: 21) were in Hong Kong. The additional employees recruited in Mainland China were mainly for the two newly established metro advertising joint ventures set up to manage advertising on Shanghai Metro Line 4 and the Nanjing Metro. Staff costs, for the third quarter of 2005, were approximately 9% of turnover (third quarter of 2004: 8%).

Depreciation and amortisation amounted to HK$11.3 million, representing an increase of 13% compared with the third quarter of 2004. About half of the increase was due to amortisation of the advertising rights within the Nanjing Metro which commenced operations on 1 September 2005 and the rest was mainly from the amortisation of advertising rights for additional bus media in Nanjing and advertising media within Beijing Light Rail.

Other operating expenses were HK$9.6 million, a decrease of 3% compared with the third quarter of 2004. As a percentage of turnover, other operating expenses reduced from 10% to 8%.

Finance costs

Finance costs for the third quarter of 2005 decreased by 12% compared with the third quarter of 2004, to HK$3.6 million. The decrease was mainly because the bank loan level on average was lower during the quarter under review.

Profit attributable to equity holders of the Company

The net profit for the third quarter of 2005 amounted to HK$10.4 million, representing an increase of 31% compared with the second quarter of 2005 and an increase of 64% compared with the third quarter of 2004. Adjusted EBITDA of the Group for the third quarter of 2005 was HK$35.7 million, representing an increase of 27% compared with the third quarter of 2004.

SEGMENT ANALYSIS

Mainland China operations

Turnover from the Mainland China operations for the third quarter of 2005 was HK$97.9 million, an increase of 13% compared with the third quarter of 2004.

Combined turnover, including the turnover of the two metro joint ventures and the production joint venture, was HK$164.1 million, representing an increase of 14% compared with the third quarter of 2004. The Group continued its focus on the transport advertising media, which accounted for 77% of combined turnover of the Mainland China operations in the third quarter of 2005 (third quarter of 2004: 75%).

Bus advertising

Turnover from bus advertising and related production was HK$73.8 million for the third quarter of 2005, representing an increase of 16% compared with the third quarter of 2004.

The Group's gross profit, mainly from the bus advertising business, was HK$20.6 million, a decrease of 7% compared with the third quarter of 2004. The decrease in gross profit was principally due to site rental costs for new bus media in Shanghai which is currently being developed and has not reached a stage of maturity where a steady revenue stream is generated. Correspondingly, the gross margin dropped from 26% in the third quarter of 2004 to 21% in the third quarter of 2005.

Although the gross profit generated from the Shanghai bus media in the third quarter of 2005 exceeded that in the second quarter of 2005, its relatively lower profitability diluted the gross margin of the overall bus advertising business. Excluding the Shanghai bus media, the gross margin of the bus advertising business for the third quarter of 2005 would have been 25%, maintained at a level similar to the third quarter of 2004.

Metro advertising

Turnover from the two metro joint ventures in Shanghai and Guangzhou amounted to HK$56.9 million for the third quarter of 2005, representing an increase of 20% compared with the third quarter of 2004.

The Group's share of net profits from these two metro joint ventures was HK$7.6 million, representing an increase of 67% compared with the third quarter of 2004.

During the third quarter of 2005, the Nanjing Metro joint venture was established to operate the advertising concessions within Nanjing Metro Line 1 and achieved breakeven for the quarter.

Profit attributable to equity holders of the Company

The net profit from the Mainland China operations was HK$7.1 million for the third quarter of 2005, maintained at about the same level as for the third quarter of 2004. The net profit excluding employee expenses relating to share options and redundancy payments for the third quarter of 2005 would be HK$8.1 million, representing an increase of HK$1.0 million or 13% compared with the third quarter of 2004. Adjusted EBITDA for the third quarter of 2005 was HK$30.1 million, representing an increase of 9% compared with the third quarter of 2004. If the employee expenses relating to share options and redundancy payments were excluded, the adjusted EBITDA for the third quarter of 2005 would be HK$31.1 million, representing an increase of 13% compared with the third quarter of 2004.

Hong Kong operations

Turnover and gross profit from the Hong Kong operations for the third quarter of 2005 amounted to HK$20.8 million and HK$4.1 million respectively, representing an increase of 55% and a three-fold increase respectively, as compared with the third quarter of 2004. The gross margin of the Hong Kong operations for the third quarter was 20% (third quarter of 2004: 11%). The Hong Kong operations achieved continued improvement, in particular, in respect of the media revenue from the Airport Express Line.

Staff costs and other operating expenses amounted to HK$1.5 million for the third quarter of 2005, maintained at about the same level as for the third quarter of 2004.

As a result of the improvement in revenue, the Hong Kong operations, together with the Group's share of profit from POAD, achieved a net profit of HK$6.5 million for the third quarter of 2005, representing a six-fold increase as compared with the third quarter of 2004.

Financial Position

The Group continues to be in a healthy and stable financial position. Net cash generated from operations for the nine months ended 30 September 2005 amounted to HK$46.3 million. Cash and bank balances at 30 September 2005 amounted to HK$266.1 million (31 December 2004: HK$208.7 million). Pledged deposits with banks for banking facilities made available to the Group as at 30 September 2005 amounted to HK$138.6 million (31 December 2004: HK$130.6 million). As at 30 September 2005, the Group had short term and long term bank loans totalling HK$274.3 million (31 December 2004: HK$220.5 million). At 30 September 2005, the Group's net cash balance being cash and cash equivalents plus pledged bank deposits less bank loans amounted to HK$130.4 million (31 December 2004: HK$118.8 million).

As at 30 September 2005, the current ratio was 125% with HK$599.5 million of current assets against HK$481.3 million of current liabilities. The consolidated net asset value (after deducting minority interests) of the Group as at 30 September 2005 was HK$476.4 million or HK$0.56 per share.

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 30 September 2005 is analysed as follows:

Type of debt	**Debt maturity**	*HK$ Million*	*%*
Short term bank loans	Repayable within 1 year	224.3	63
Convertible Bond	Repayable after 1 year but within 3 years	83.8	23
Long term bank loans	Repayable after 1 year but within 3 years	50.0	14
Total		358.1	100

Out of the total borrowings of HK$358.1 million, HK$224.3 million was denominated in Renminbi and HK$133.8 million was denominated in Hong Kong dollars. Bank loans of HK$274.3 million as at 30 September 2005, were secured by cash deposits of HK$136.4 million. Interest rates for bank borrowings denominated in Hong Kong dollars ranged from 0.75% to 1% over the Hong Kong Interbank Offered Rate and interest rates for bank borrowings denominated in Renminbi ranged from 90% to 105% of the lending rate of the People's Bank of China.

The Company issued a convertible bond in the principal amount of HK$85 million to Morningside CyberVentures Holdings Limited on 31 December 2004 with a term of three years to 31 December 2007 at zero coupon rate. The Company shall repay, unless previously converted or repaid, the outstanding principal amount under the convertible bond plus a redemption premium of 3% of the principal amount on 31 December 2007. The convertible bond was subsequently transferred to JCDecaux Pearl & Dean Limited on 26 October 2005.

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing credit evaluations of the financial condition of its customers. The average outstanding days of the Group's trading accounts receivable was maintained at below 60 days. 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 principally denominated in Renminbi with certain other assets, liabilities, revenues and expenses denominated in Hong Kong dollars and United States dollars. The Group has been using the receipts from customers and bank loans to pay its suppliers and meet its capital requirements. These are generally denominated in the local currency of the place in which its subsidiaries and joint ventures operate. Management is aware of the recent appreciation of Renminbi and has assessed the effect of such appreciation to be positive to the Group. Management will continue to monitor the relevant circumstances and will take such measures, such as currency hedging, as it deems prudent.

Contingent Liabilities

At 30 September 2005, the Group had contingent liabilities totalling HK$4.5 million (31 December 2004: HK$13.3 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 to certain agreements.

At 30 September 2005, corporate guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries amounted to HK$374.8 million (31 December 2004: HK$229.3 million).

Employee Information

At 30 September 2005, the Group had a total of 323 (30 September 2004: 287) employees, of which 304 (30 September 2004: 266) were located in Mainland China and 19 (30 September 2004: 21) in Hong Kong. Total salaries and related costs incurred in the first nine months of 2005, including directors' emoluments, amounted to HK$28.1 million (first nine months of 2004: HK$24.4 million).

The salary and benefit levels of the Group's employees are kept at a market competitive level and employees are rewarded on a performance related basis. Staff benefits, including medical coverage and provident funds are also provided to employees. In addition, training and development programmes are provided on periodical basis.

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

Significant Investments and Acquisitions

The Group established a joint venture namely "南京梅廸派勒地鐵廣告有限公司" ("Nanjing Metro JV") with Nanjing Metro Industrial Company, the metro operator, for a term of 18 years to operate the advertising concession on the Nanjing Metro. Nanjing Metro JV's total investment is RMB120 million and the registered capital is RMB60 million. The Group is required to contribute 70% (i.e. RMB42 million) of the registered capital, of which RMB29.4 million was injected in September 2005 and the remaining balance will be injected within the next two years.

Subsequent Events

JCDecaux Pearl & Dean Ltd ("the Offeror") entered into a conditional sale and purchase agreement on 15 September 2005 to acquire from Morningside CyberVentures Holdings Limited (i) 626,550,000 shares of the Company (the "Sale Shares"), representing approximately 73.38% of the existing issued share capital of the Company at an aggregate consideration of HK$714,893,550 or HK$1.141 per Sale Share; and (ii) the Convertible Bond in the cash sum of HK$85,000,000.

The sale and purchase was completed on 26 October 2005. Under Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "Code"), the Offeror has made an unconditional mandatory general offer for all the issued shares other than those already owned by the Offeror or parties acting in concert with it and the general offer has been made at HK$1.141 per share. An offer has also been made, in accordance with the provisions of the Code, for the cancellation of any outstanding share options.

If the Offeror receives valid acceptances of the offer for not less than 90% in value of the offer shares, the Offeror intends to exercise its rights under the provisions of the Companies Law (2004 Revision) of the Cayman Islands to acquire compulsorily any outstanding shares and to apply for a withdrawal of listing of the Company's shares from Stock Exchange. In such case, dealings in securities of the Company will be suspended from the closing of the offer up to the withdrawal of the listing of the Company's securities from the Stock Exchange pursuant to Rule 9.23 of the Listing Rules.

Details of the transactions have been disclosed in the joint announcements dated 26 October 2005 and 31 October 2005 and the composite offer document despatched on 31 October 2005.

QUARTERLY RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2005 – 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 30 September 2005, together with the comparative figures for the corresponding period in 2004 as follows:

	Note	For the three months ended 30 September 2005 HK$'000	2004 HK$'000	For the nine months ended 30 September 2005 HK$'000	2004 HK$'000
Operating revenue					
Turnover	2	**118,655**	99,790	**297,419**	250,841
Other revenue		**6,194**	4,078	**15,701**	10,354
Operating expenses					
Site rental		**(39,301)**	(32,062)	**(110,507)**	(81,007)
Other direct costs		**(44,796)**	(35,390)	**(102,091)**	(84,105)
Staff costs		**(11,142)**	(8,400)	**(28,052)**	(24,354)
Depreciation and amortisation		**(11,305)**	(9,982)	**(32,857)**	(31,550)
Other operating expenses		**(9,628)**	(9,916)	**(23,922)**	(24,818)
Profit from operations		**8,677**	8,118	**15,691**	15,361
Finance costs		**(3,611)**	(4,092)	**(9,825)**	(11,686)
Share of profits less losses of an associate		**3,211**	1,315	**5,292**	3,537
Share of profits less losses of jointly controlled entities		**7,657**	4,657	**21,784**	14,476
Profit from ordinary activities before taxation		**15,934**	9,998	**32,942**	21,688
Income tax	3	**(3,209)**	(2,642)	**(7,204)**	(6,242)
Profit for the period		**12,725**	7,356	**25,738**	15,446
Attributable to:					
Equity holders of the Company		**10,441**	6,369	**20,820**	13,059
Minority interests		**2,284**	987	**4,918**	2,387
Profit for the period		**12,725**	7,356	**25,738**	15,446
Earnings per share – Basic	4	**1.22 cents**	0.75 cents	**2.44 cents**	1.53 cents
Earnings per share – Diluted	4	**1.03 cents**	N/A	**2.09 cents**	N/A

NOTES TO THE UNAUDITED QUARTERLY FINANCIAL REPORT:

1. Principal accounting policies and basis of presentation

The consolidated profit and loss account for the nine months ended 30 September 2005 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 Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies adopted in the preparation of the quarterly report are consistent with those used in the consolidated financial statements of the Group for the year ended 31 December 2004 except for the changes in accounting policies for (a) the amortisation of goodwill, (b) the convertible bond and (c) the employee share option scheme and (d) reclassification of tax expenses attributable to associates and jointly controlled entities. Details of the adoption of new accounting policies were set out in note 1 of the interim report of the Group for the six months ended 30 June 2005. The financial impact on the Group upon the adoption of new accounting policies is summarised as follows:–

- No amortisation charge for goodwill has been recognised in the consolidated profit and loss account for the nine months ended 30 September 2005. This has increased the Group's profit after tax for the nine months ended 30 September 2005 by HK$240,000.

- The adoption of HKAS32 and HKAS39 has decreased the Group's profit for the nine months ended 30 September 2005 by HK$584,000 (2004: HK$Nil) and increased the net assets of the Group by HK$1,849,000 (31 December 2004: HK$2,433,000).

- The amount charged to the consolidated profit and loss account as a result of share options granted in 2005 increased staff costs for the nine months ended 30 September 2005 by HK$1,040,000, with the corresponding charges credited to share option reserves.

- The Group's share of taxation attributable to associates and jointly controlled entities for the nine months ended 30 September 2005 of HK$10,267,000 (2004: HK$8,610,000) has been reclassified in the consolidated profit and loss account and is included as part of the Group's share of results of associates and jointly controlled entities.

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 30 September		For the nine months ended 30 September	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC taxation	**3,209**	2,642	**6,788**	6,242
Deferred taxation	**–**	–	**416**	–
	3,209	2,642	**7,204**	6,242

No provision for Hong Kong profits tax has been made as the subsidiaries with operations in Hong Kong had tax losses brought forward from previous years which exceeded the estimated assessable profits for the nine months ended 30 September 2005.

Taxation for subsidiaries and jointly controlled entities operating in the People's Republic of China ("the PRC"), except noted hereinafter, is calculated at 33% (2004: 33%) of the estimated assessable profits of these entities for the nine months ended 30 September 2005.

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

4. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the three months and nine months ended 30 September 2005 is based on the profit attributable to equity holders of the Company of HK$10,441,000 and HK$20,820,000 respectively (three months and nine months ended 30 September 2004: HK$6,369,000 and HK$13,059,000 respectively) and the weighted average of 853,800,000 ordinary shares (three months and nine months ended 30 September 2004: 853,800,000 ordinary shares) outstanding.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three months and nine months ended 30 September 2005 is based on the adjusted profit attributable to equity holders of the Company of HK$10,848,000 and HK$22,041,000, after adding back the finance costs of the convertible bond and the weighted average of 1,052,898,000 ordinary shares, after adjusting for the effects of all dilutive potential ordinary shares, in respect of the convertible bond and the share options.

No diluted earnings per share for the three months and nine months ended 30 September 2004 has been presented, as there were no dilutive potential ordinary shares during those periods.

5. Reserves

	Share capital	Share premium	Merger reserves	Other capital reserves	Convertible bond reserves	Share option reserves	Exchange reserves	Revenue reserves	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	85,380	233,715	255,366	(61,518)	-	-	1,064	(85,713)	428,294	20,992	449,286
Movement during the period							(58)		(58)	1,033	975
Profit for the period								13,059	13,059	2,387	15,446
At 30 September 2004	85,380	233,715	255,366	(61,518)	-	-	1,006	(72,654)	441,295	24,412	465,707
At 1 January 2005											
- as previously reported	85,380	233,715	255,366	(61,518)	-	-	1,007	(65,478)	448,472	25,229	473,701
- prior period adjustment in respect of convertible bond					2,433				2,433		2,433
- transfer to revenue reserves from other capital reserves in respect of negative goodwill				(12,527)				12,527	-		-
- as restated	85,380	233,715	255,366	(74,045)	2,433	-	1,007	(52,951)	450,905	25,229	476,134
Movement in respect of share options during the period						1,040			1,040		1,040
Movement during the period										3,756	3,756
Dividends paid to minority interests by a subsidiary										(5,270)	(5,270)
Movements arising from change in exchange rate							3,617		3,617	-	3,617
Profit for the period								20,820	20,820	4,918	25,738
At 30 September 2005	85,380	233,715	255,366	(74,045)	2,433	1,040	4,624	(32,131)	476,382	28,633	505,015

Other capital reserves represent the excess 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 and the recognition of fair value of share options granted.

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

Included in the figure for revenue reserves at 30 September 2005 are reserves of HK$8,407,000 (31 December 2004: HK$8,995,000) attributable to associates and reserves of HK$16,269,000 (31 December 2004: HK$16,191,000) attributable to the jointly controlled entities.

DIVIDEND

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2005 (nine months ended 30 September 2004: Nil).

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2005, the interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:–

(1) Long positions in the shares of the Company

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

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

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

Name of Director/ Chief Executive	Date of grant	Subscription price per share	Aggregate long position in underlying shares of the Company	Approximate percentage of shares in issue
Winnie Pik Shan To	14 August 2002	HK$0.62	8,538,000 *(Note 1)*	1.00%
Leo Wing Fat Lui	13 June 2005	HK$0.55	5,000,000 *(Note 2)*	0.59%

Note 1: The above interest constitutes a long position of the Director in a physically settled equity derivative for the purposes of the SFO.

As at 1 January 2005 (being the beginning of the Company's current financial year) and 30 September 2005 (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 14 August 2002 and, subject to the terms of the Company's Share Option Scheme, vest over four years and may be exercised from 14 August 2003 to 13 August 2012 at an exercise price of HK$0.62 per share.

Note 2: The above interest constitutes a long position of the Chief Executive in a physically settled equity derivatives for the purposes of the SFO.

As at 1 January 2005 (being the beginning of the Company's current financial year) and 30 September 2005 (being the most recent period end), the outstanding options held by Mr. Leo Wing Fat Lui under the Company's Share Option Scheme represented options to subscribe for 5,000,000 shares in the Company. These options were deemed to have been granted on 13 June 2005 and, subject to the terms of the Company's Share Option Scheme, vest over four years and may be exercised from 13 June 2006 to 12 June 2015 at an exercise price of HK$0.55 per share.

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

Name of Director	Aggregate number in shares	Aggregate number in underlying shares	Total	Approximate percentage of shares in issue
Winnie Pik Shan To	12,800,000	8,538,000	21,338,000	2.50%
Leo Wing Fat Lui	–	5,000,000	5,000,000	0.59%

Save as disclosed herein and as at 30 September 2005, 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 Rule 5.46 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, 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:–

Name	Types of interests held	Approximate percentage of shares in issue
Morningside CyberVentures Holdings Limited ("MSCV") *(note a)*	1. 626,550,000 shares in the Company;	73.38%
	2. HK$85,000,000 convertible bond exercisable at HK$0.50 per share. When fully converted, a total of 170,000,000 shares in the Company will be issued.	19.91%
Verrall Limited Via MSCV *(note b)*	same as MSCV	same as MSCV
Mdm Chan Tan Ching Fen *(note c)*	same as MSCV	same as MSCV

All of the above interests of MSCV, Verrall Limited and Mdm Chan Tan Ching Fen constitute long positions under the SFO. The abovementioned convertible bond represents an interest in physically settled equity derivatives and can converted into shares on or before 31 December 2007 provided that immediately after conversion, the Company is able to meet the public float requirements under the GEM Listing Rules.

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 30 September 2005, 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.

SHARE OPTION SCHEME

Options to subscribe for an aggregate of 29,098,000 ordinary shares of the Company (which include the options granted to Ms. Winnie Pik Shan To and Mr. Leo Wing Fat Lui as disclosed above) were outstanding as at 30 September 2005, details of which are as follows:–

Type of Grantee	No. of options outstanding	Subscription price per share of the Company	Option period
Director	8,538,000	HK$0.62	14/8/2002 to 13/8/2012
Chief Executive	5,000,000	HK$0.55	13/6/2005 to 12/6/2015
Employees and other participants	4,360,000	HK$0.62	14/8/2002 to 13/8/2012
Employees and other participants	11,200,000	HK$0.59	25/5/2005 to 24/5/2015
	29,098,000		

No share options under the Share Option Scheme have been granted, exercised, cancelled during the three months ended 30 September 2005. An aggregate of 4,200,000 options lapsed upon the termination of the relevant grantees' employment with the Group during the three months ended 30 September 2005.

MANAGEMENT SHAREHOLDERS

As at 30 September 2005, so far as the Directors are aware, other than MSCV and Verrall Limited as disclosed above, there is no other person who is directly or indirectly, interested in 5% or more of the issued share capital of the Company and who is able, as a practical matter, to direct or influence the management of the Company.

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed above, as at 30 September 2005, 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 30 September 2005, 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 7 January 2002 which has written terms of reference in compliance with the relevant 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 and internal control procedures of the Group. On 1 September 2005, Mr. Francis Wen-hou Chen was appointed as audit committee member of the Company. The audit committee has four members comprising four independent non-executive directors, Mr. Francis Wen-hou Chen, 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 30 September 2005.

SUBSEQUENT EVENTS

Subsequent to 30 September 2005 and upon the completion of a sale and purchase agreement on 26 October 2005, the new controlling shareholder of the Company became JCDecaux Pearl & Dean Ltd. ("JCDecaux"). As a result of the change in controlling shareholder of the Company, JCDecaux has made an unconditional general offer for all of the shares in the Company (other than those already owned or agreed to be acquired by it or parties acting in concert with it). JCDecaux has business operations in the outdoor advertising markets in Hong Kong which may compete with the business of the Group. The group companies of JCDecaux also have business operations in the outdoor advertising markets in Mainland China that may compete with the business of the Group. Further details of the general offer and information on JCDecaux are set out in the composite document despatched by the Company to its shareholders on 31 October 2005.

By Order of the Board
Cheng Ka Chung
Company Secretary

Hong Kong, 14 November 2005