Delivering Total Coverage:
MPI - China's Most Comprehensive Outdoor Media Network
媒體伯樂 全覆蓋 全網絡

First Quarterly Report 2002
二零零二年第一季度業績報告

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

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

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

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

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

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 of Hong Kong Limited for the purpose of giving information with regard to MPI. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this 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.

HIGHLIGHTS

- Successful listing of the Company on GEM on 31st January, 2002.

- Turnover for the first quarter of 2002 increased to HK$63.8 million representing growth of 29% as compared to the same period in 2001. Turnover from the PRC operations for the first quarter of 2002 increased to HK$45.0 million representing growth of 43% as compared to the same period in 2001.

- EBITDA for the first quarter of 2002 increased to HK$10.6 million representing growth of 33% as compared to the same period in 2001. EBITDA from the PRC operations for the first quarter of 2002 increased to HK$15.3 million representing growth of 154% as compared to the same period in 2001.

- Adjusted EBITDA for the first quarter of 2002 increased to HK$12.6 million representing growth of 20% as compared to the same period in 2001. Adjusted EBITDA from the PRC operations for the first quarter of 2002 increased to HK$17.1 million representing growth of 126% as compared to the same period in 2001.

- Loss attributable to shareholders for the first quarter of 2002 amounted to HK$1.8 million. Profit attributable to shareholders from the PRC operations for the first quarter of 2002 amounted to HK$3.6 million representing an improvement of HK$7.8 million as compared to the same period in 2001. Loss attributable to shareholders from Hong Kong operations for the first quarter of 2002 amounted to HK$4.4 million as compared to a profit of HK$2.4 million attributable to shareholders in the same period in 2001.

QUARTERLY RESULTS FOR THE PERIOD ENDED 31ST MARCH, 2002 (UNAUDITED)

The Board of Directors (the "Board") of Media Partners International Holdings Inc. (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the three months ended 31st March, 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

		Three months ended 31st March	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
Operating revenue			
Turnover	*2*	**63,830**	49,629
Other revenue		**3,512**	2,857
Other net income		**205**	1,805
Operating expenses			
Site rental and other direct costs		**(43,928)**	(36,617)
Staff costs		**(7,989)**	(6,483)
Depreciation and amortization		**(9,471)**	(9,339)
Other operating expenses		**(5,079)**	(3,281)
Profit/(loss) from operations		**1,080**	(1,429)
Finance costs		**(2,385)**	(1,699)
Share of profits less losses of an associate		**341**	1,292
Share of profits less losses of jointly controlled entities		**1,625**	1,349
Profit/(loss) from ordinary activities before taxation		**661**	(487)
Taxation	*3*	**(2,004)**	(1,257)
Loss from ordinary activities after taxation		**(1,343)**	(1,744)
Minority interests		**(506)**	45
Loss attributable to shareholders		**(1,849)**	(1,699)
Loss per share - Basic	*4*	**(0.25 cents)**	(0.27 cents)

Notes:

1. Basis of preparation

(a) *The Company*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands on 14th May, 2001 under the name of MPI Holdings Inc. It changed its name to Media Partners International Holdings Inc. on 8th June, 2001. During the period from 14th May, 2001 (date of incorporation) to 31st December, 2001, the Company did not carry out any business save for the acquisitions of Mei Ti Bo Le Group Limited and Media Partners International Holdings Limited and the incurring of expenses related to the Reorganization.

(b) *Group reorganization*

Pursuant to a group reorganization (the "Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries now comprising the Group on 9th January, 2002. This was accomplished by acquiring the entire share capital of Polyland Holdings Limited in consideration of and in exchange for the issue and allotment of 999,990 shares to Morningside Technologies Inc., the former shareholder of Polyland Holdings Limited. Further details of the Reorganization are set out in the Company's prospectus dated 15th January, 2002.

(c) *Basis of presentation*

The unaudited consolidated profit and loss accounts for the three months ended 31st March, 2002 and 2001 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

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

The unaudited consolidated results of the Group have been prepared on a merger basis as if the Company had always been the holding company of the respective subsidiaries now comprising the Group.

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

2. Turnover

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

3. Taxation

	Three months ended 31st March	
	2002	2001
	HK$'000	*HK$'000*
Provision for Hong Kong Profits Tax for the period	**9**	94
PRC taxation	**964**	137
Share of taxation of jointly controlled entities	**943**	825
Share of taxation of an associate	**88**	201
	2,004	1,257

The provision for Hong Kong profits tax has been calculated separately at 16% of the estimated assessable profits for the three months ended 31st March, 2002 of each subsidiary and associate of the Group with operations subject to Hong Kong profits tax (2001: 16%).

Taxation for subsidiaries and jointly controlled entities operating in the People's Republic of China ("the PRC") except noted hereinafter is calculated at 33% of the estimated assessable profits of these entities for the three months ended 31st March, 2002 (2001: 33%).

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 relief from PRC income tax of 3% of taxable profits for two years commencing from 2001 (being its first profit-making year of operation) and thereafter, it is entitled to relief from PRC income tax of 1.5% of taxable profits for the following three years.

4. Basic loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK$1,849,000 (2001: HK$1,699,000) and the weighted average of 726,644,435 ordinary shares (2001: 640,000,000) outstanding after the Group's Reorganization and Loan Capitalization as if those shares had been outstanding from 1st January, 2001.

No diluted loss per share for the three months ended 31st March, 2001 and 2002 has been presented, as there were no dilutive potential ordinary shares during these periods.

5. Reserves

	Share premium	Merger reserves	Other capital reserves	Revenue reserves	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2001	—	255,466	(61,518)	(57,385)	136,563
Loss for the period	—	—	—	(1,699)	(1,699)
At 31st March, 2001	—	255,466	(61,518)	(59,084)	134,864
At 1st January, 2002	—	255,466	(61,518)	(33,998)	159,950
Capitalization of shareholders' loans	42,078	—	—	—	42,078
Share premium arising on issue of IPO shares	213,800	—	—	—	213,800
Share issue expenses	(22,040)	—	—	—	(22,040)
Movements arising from the Reorganization	—	(100)	—	—	(100)
Loss for the period	—	—	—	(1,849)	(1,849)
At 31st March, 2002	233,838	255,366	(61,518)	(35,847)	391,839

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

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

	Three months ended 31st March	
	2002	2001
	HK$'000	*HK$'000*
(Loss)/profit for the period is retained by:		
— The Company and its subsidiaries	**(2,784)**	(3,314)
— Associate	**253**	1,091
— Jointly controlled entities	**682**	524
Total	**(1,849)**	(1,699)

Included in the figure for revenue reserves at 31st March, 2002 are reserves of HK$4,643,000 (2001: HK$1,091,000) attributable to an associate and reserves of HK$9,510,000 (2001: HK$3,190,000) attributable to the jointly controlled entities.

DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31st March, 2002 (2001: nil).

BUSINESS REVIEW AND PROSPECTS

Business Review

With well-established and solid business foundations in the outdoor advertising market in both Hong Kong and the PRC, the listing of the Company on the GEM of the Hong Kong Stock Exchange on 31st January, 2002 marked an important milestone in the Group's corporate development. This move further drove the Group towards its mission to become the leading provider of outdoor advertising media networks in Greater China.

In view of the rapidly developing economy in the PRC, the PRC continues to be the core market of the Group. In the first quarter of 2002, the PRC market accounted for 70% of the Group's total turnover, representing an increase from 66% for 2001. As at 31st March, 2002, the Group has secured over 49,700 advertising spaces in both Hong Kong and the PRC.

Types of Media	Location	Advertising spaces of 31st March, 2002
Transport		
Bus bodies	PRC	Over 13,000
Metro systems	PRC & Hong Kong	Over 33,900
Taxis	Hong Kong	360
Billboard		
Tunnels, carparks & unipoles	PRC & Hong Kong	253
Neon signs, roof top & wall signs	Hong Kong	23
Street Furniture		
Bus shelters & signage	PRC	736
Lightboxes, LEDs & panels	Hong Kong	1,455

To enable the Group to enjoy a competitive advantage and long-term exclusivity over its competitors in the outdoor advertising market, the Group has adopted a reliable and unique business model with the establishment of long-term relationships with media owners through strategic alliances. The transport sector continued to be the focus of development and, during the period under review, it is pleasing to report that the sales performance of all PRC joint ventures achieved improvement.

To expand upon its existing five joint ventures and four offices covering seven cities in the PRC, the Group obtained approval from PRC government authorities in March 2002 for the establishment of a co-operative joint venture in Chengdu. The Group has now secured exclusive advertising rights for over 1,800 buses in Chengdu. In addition, the Group is in the process of establishing a co-operative joint venture in Shenzhen.

Notwithstanding that the co-operative joint venture in Shenzhen is in the process of establishment, the Group has secured over 500 advertising spaces in Shenzhen, including over 120 advertising spaces at construction sites of Shenzhen metro stations, over 270 advertising rights on buses and over 110 bus shelters along Shen Nan Da Road, which is located in the prime business area and is the route with the highest traffic flow in Shenzhen.

Despite the stagnant economic environment in Hong Kong, the Group's turnover generated from the Hong Kong market was maintained at the same level as compared to the corresponding period in 2001. In late 2001, to expand the Group's transportation media in Hong Kong, the Group secured exclusive advertising rights in the airport express line and the airport express shuttle buses ("AEL"). The related revenue contribution from AEL commenced this quarter with the advertising response in line with the Group's expectation. It is expected that the performance in coming quarters will further improve.

Financial Review

	1st Quarter 2002			
	PRC	Hong Kong	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	44,958	18,872		63,830
EBITDA[1]	15,295	(4,129)	(616)	10,550
Adjusted EBITDA[2]	17,136	(3,876)	(616)	12,644
Profit/(loss) attributable to shareholders	3,612	(4,359)	(1,102)	(1,849)

	1st Quarter 2001			
	PRC	Hong Kong	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	31,519	18,110		49,629
EBITDA	6,022	1,888	—	7,910
Adjusted EBITDA	7,595	2,979	—	10,574
(Loss)/profit attributable to shareholders	(4,148)	2,449	—	(1,699)

Notes:

1 EBITDA is defined as earnings before interest, tax, depreciation and amortization

2 Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization, minority interests and including the Group's share of profits from a jointly controlled entity, Shanghai Metro JV and the associate, POAD.

For the three months ended 31st March, 2002, turnover for the Group amounted to approximately HK$64 million, representing an increase of 29% as compared to the corresponding period in 2001. Combined turnover of the Group, including the turnover of the two jointly controlled entities (Shanghai Metro JV and Guangzhou Metro JV) and the associate (POAD) of the Group, increased from HK$86 million to HK$98 million, representing a 15% increase as compared to the same period in the previous year.

Advertising on the transportation media continued to be the focus of the Group and represented 57% of the Group's turnover and 60% of the Group's combined turnover.

EBITDA and Adjusted EBITDA for the Group amounted to HK$10.6 million and HK$12.6 million respectively. Corporate expenses totalling approximately HK$1.1 million were incurred as a result of the Company being listed on GEM. Without these corporate expenses, the EBITDA would have been HK$11.2 million (2001: HK$7.9 million) and the Adjusted EBITDA would have been HK$13.3 million (2001: HK$10.5 million), representing growth of 42% and 27% respectively.

Loss attributable to shareholders amounted to HK$1.8 million. If the corporate expenses incurred as a result of the Company being listed on GEM had been excluded, the loss attributable to shareholders would have been HK$0.7 million (2001: HK$1.7 million), representing an improvement of 56%.

PRC

From past experience, the advertising expenditure in the first quarter of each year is usually less than that in the remaining three quarters. Despite this market pattern, in the first quarter, turnover from the PRC operations increased by 43% to HK$45.0 million (2001: HK$31.5 million). The increase was a combination of increase in advertising demand in the PRC, intensified marketing efforts and the Group's media assets becoming more popular to the advertisers.

EBITDA and Adjusted EBITDA from the PRC operations were HK$15.3 million and HK$17.1 million, representing growth of 154% and 126% respectively as compared to the corresponding period in 2001. Both EBITDA Margin and Adjusted EBITDA Margin also have further improved to 34% (2001: 19%) and to 38% (2001: 24%) respectively.

Profit attributable to shareholders was HK$3.6 million, representing an improvement of HK$7.8 million when compared to a loss of HK$4.1 million in the same period in 2001 and a net profit margin of 8% was achieved.

Hong Kong

In the first quarter, turnover from Hong Kong operations amounted to HK$18.9 million, maintained at a similar level to turnover in the same period in 2001 of HK$18.1 million. The economy in Hong Kong continued to be weak and was even worse than the same period in 2001. Turnover from the Hong Kong operations was maintained at a similar level to the same period in 2001 as a result of some new advertising sites starting to contribute revenue to the Group including the AEL and the Sinopec neon sign.

EBITDA and Adjusted EBITDA were negative HK$4.1 million and negative HK$3.9 million respectively. Loss attributable to shareholders amounted to HK$4.4 million. The loss was due to the weak Hong Kong economy and the fact that a number of clients have adopted a wait-and-see attitude in the first quarter.

Overall, the Group has been able to achieve satisfactory results for the three months ended 31st March, 2002. Though the result for the Hong Kong operations was not satisfactory, the growth of the PRC operations has more than exceeded the temporary decline in the financial performance of the Hong Kong operations. The growth in the PRC operations was mainly attributable to the adoption of market-oriented and effective strategies to continuously obtain additional exclusive advertising rights in prime locations and secure additional national key accounts. Furthermore, the Group's business performance also benefited from the fast-growing economy and outdoor advertising market in the PRC.

Prospects

Looking ahead, in view of the immense potential in the PRC and benefiting from the PRC's entry to WTO and the hosting of the 2008 Olympic Games, the Group will continue to improve its business profitability while enlarging its existing presence in the market, especially in the area of bus bodies and metro systems.

As the focus of the Group's strategy will be mainly on bus and metro lines, the Group intends to participate in the bidding for the advertising rights within metro systems in Hong Kong, Shanghai and Beijing by leveraging the Group's extensive experience in the Shanghai and Guangzhou metro lines as well as the AEL, thus expanding the Group's nationwide coverage of transport systems.

The Group also plans to expand its network of bus bodies to the southern and northern parts of the PRC. In the PRC, the Group will also take advantage of the 2002 FIFA World Cup to further strengthen our promotional and selling efforts. The Group has planned targeted activities to expand sales from national key accounts and the Group expects continued strong growth in the PRC.

The strategic move into Oriental Plaza in Beijing serves as a typical example in demonstrating the Group's commitment to strengthen its existing offerings. The Group will further expand its presence in the in-mall signage network by linking up a series of shopping malls in the major PRC cities and Hong Kong.

For the Hong Kong market, the Group expects advertisers to increase their spending in the following quarters. In addition to increasing sales from existing clients, the Group will actively cultivate PRC clients to advertise on its billboards and AEL to promote their corporate identities.

As the advertising industry is expected to go through a period of consolidation, the Group will also pursue opportunities for mergers and acquisitions to expand its outdoor advertising network in the PRC. The Group will continue to look for potential alliances with media owners to further strengthen its business portfolio in an effort to become the leading outdoor advertising media network provider in Greater China.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2002, none of the Directors or their associates had any personal, family, corporate or other interest in the issued capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTION SCHEME

The Company has adopted a share option scheme approved by way of written resolution of the Company on 7th January, 2002 under which the Directors of the Company may invite any employees (whether or not full-time or part time and, for the avoidance of doubt, including the Directors except Mr. Gerald Lokchung Chan), certain consultants, suppliers and customers of the Group from time to time to take up options to subscribe for shares of the Company. As at 31st March, 2002, no options had been granted under the Share Option Scheme by the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, according to the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company:

Name	Number of shares held	Approximate percentage of issued share capital
Morningside CyberVentures Holdings Limited ("MSCV")[1]	640,000,000	75%
Verrall Limited[2] via MSCV	640,000,000	75%

Notes:

1. MSCV is a company incorporated in the British Virgin Islands and is wholly-owned by Verrall Limited in its capacity as the trustee of the trust referred to in note (2) below.

2. Verrall Limited, a company incorporated in the Isle of Man, is the trustee of a discretionary trust established by Mdm. Chan Tan Ching, Fen, the mother of Mr. Gerald Lokchung Chan, for the benefit of certain members of her family and other charitable objects. None of the discretionary objects of this trust are Directors nor are they otherwise involved in the management of the Group.

Other than as disclosed above, the Company has not been notified of any other interest representing 10% or more of the Company's issued share capital as at 31st March, 2002.

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.

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.

SPONSOR'S INTEREST

As at 31st March, 2002 an associate of BNP Paribas Peregrine Capital Limited ("the Sponsor") held 38,440,000 shares in the Company. Save as disclosed herein, neither the Sponsor nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing rule), as at 31st March, 2002, 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.

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

During the three months ended 31st March, 2002, 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 Rule 5.23 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 will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising three independent non-executive directors, Mr. Li Kwok Wing, Meocre, Professor Lau Juen Yee, Lawrence and Mr. Paul Laurence Saffo.

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

Hong Kong, 14th May, 2002