Delivering Total Coverage:

MPI - China's Most Comprehensive Outdoor Media Network

媒體伯樂 全覆蓋 全網絡

Interim Report 2002

二零零二年中期業績報告

Media Partners International Holdings Inc.

媒體伯樂集團有限公司

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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 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

Key first half 2002 achievements include:

- Strong cash inflow from operations representing 126% of EBITDA.
- PRC operations with 34% growth in turnover over first half of 2001 and 33% growth over first quarter of 2002. 52% growth in net profits over first half of 2001.
- Continuous PRC focus — turnover from PRC operations accounting for 75% of the turnover of the Group, increased from 66% for first half of 2001.
- Continuous transport focus — transport advertising accounting for 56% of the turnover of the Group, increased from 49% for first half of 2001.
- Continuous expansion of media network by securing additional advertising rights to over 440 buses.
- The sixth PRC joint venture, Chengdu Advertising MPI, was formed to establish a strong foothold in southwest of the PRC.
- In July, long term exclusive advertising rights secured within the Beijing Light Rail System and for 300 buses in Guangzhou.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Developments

Media Network Expansion

Subsequent to the listing of MPI in January this year, the Group has been expanding its outdoor advertising network, by establishing long term joint ventures or entering into long term exclusive advertising contracts, to offer total coverage in the PRC and Hong Kong.

In March 2002, the Group has secured exclusive advertising rights to 272 buses in Shenzhen to expand the Group's presence in the southern part of the PRC.

In May 2002, the Group established a new co-operative joint venture, Chengdu MPI Public Transport Advertising Co. Ltd. ("Chengdu Advertising MPI"), in Chengdu, the PRC. As outlined in the Prospectus, the establishment of Chengdu Advertising MPI is part of the plan of the Group to expand its outdoor advertising business in the southwestern region of the PRC. The Group has now established a strong presence in Chengdu by securing exclusive advertising rights to over 1,800 bus bodies. With this latest joint venture, the Group now has six joint ventures in the PRC.

In June 2002, the Group acquired exclusive advertising rights to 20 air-conditioned buses running on the prime routes in Shanghai for a term of 10 years. The Group has also secured exclusive advertising rights to a further 157 buses reaching the most affluent consumers in Wuhan. In July 2002, the Group has secured advertising rights to 300 buses in Guangzhou to strengthen the Group's presence in that city.

In July 2002, the Group reached another important milestone by successfully securing the advertising rights on the Beijing Light Rail System for a term of 18 years. Together with the metro systems in Shanghai and Guangzhou, the Group is the only company which has secured long term exclusive metro advertising rights in these three major cities in the PRC.

Building on the Group's in-mall advertising experience in Oriental Plaza in Beijing, the Group has entered into negotiations with landlords to develop an in-mall signage network in the PRC and Hong Kong.

Securing the above advertising rights will help drive growth as well as enhance the attractiveness of the Group's nationwide outdoor advertising network. The Group has now secured over 50,000 advertising spaces covering the PRC and Hong Kong. Since more clients opt for multi-city packages and nationwide promotions, the comprehensive coverage of the Group's outdoor advertising network is an advantage over other competitors in the market.

Types of media	Location	Advertising spaces at 30th June, 2002
Transport		
Bus bodies	The PRC	Over 13,200
Metro systems	The PRC & Hong Kong	Over 33,900
Taxis	Hong Kong	495
Billboard		
Tunnels, carparks & unipoles	The PRC & Hong Kong	260
Neon signs, roof top & wall signs	Hong Kong	23
Street furniture		
Bus shelters & signage	The PRC	736
Lightboxes, LEDs & panels	Hong Kong	1,450
Total		**Over 50,000**

PRC and Transport Focus

The Group's business focus is on the PRC transport sector and the PRC operations have achieved continuous growth.

For the first half of 2002, turnover from the PRC operations, which accounted for 75% (first half 2001: 66%) of the Group's turnover, increased to HK$104.6 million representing growth of 34% as compared with the same period in 2001. Turnover from the PRC operations for the second quarter also exceeded the turnover for the first quarter by 33%.

For the first half of 2002, turnover derived from the transport sector, which accounted for 56% (first half 2001: 49%) of the Group's turnover, increased to HK$79.0 million representing growth of 37% as compared with the same period in 2001.

With the PRC's strong economic growth, new categories of advertisers, such as those from the entertainment, film, finance and automobile manufacturing sectors, will create new revenue streams for the PRC advertising industry.

Hong Kong Operations

Confronted with the difficult global economic conditions, the Group's outdoor advertising business in Hong Kong was adversely affected by the poor market sentiment in Hong Kong. In addition, the 2002 FIFA World Cup, which temporarily diverted a larger portion of advertising expenditure to television broadcasting, further dampened the Hong Kong operations during the review period. It is expected that advertising spending on outdoor advertising media will increase in the second half of the year.

As the economy of Hong Kong is still depressed, management has exercised certain measures to improve the performance of the Hong Kong operations. A joint task force between the sales teams in Hong Kong and in the PRC was set up in the second quarter to encourage PRC clients to place advertisements in Hong Kong. As a result of the joint effort, there are new PRC clients, such as Wenzhou International Hotel and Anta Corporation, a shoe manufacturer, which have placed advertisements on the Group's outdoor advertising spaces in Hong Kong. Management will try to encourage more PRC clients to increase their advertising spending in Hong Kong in the second half of the year. At the same time, management will consider carefully the financial implication of renewal of any expiring advertising sites.

Financial Review

	For the six months ended 30th June, 2002			
	PRC	Hong Kong	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**104,567**	**35,476**	**—**	**140,043**
EBITDA[1]	**33,258**	**(10,098)**	**(1,308)**	**21,852**
Adjusted EBITDA[2]	**38,973**	**(9,588)**	**(1,308)**	**28,077**
Profit/(loss) attributable to shareholders	**8,856**	**(10,402)**	**(2,315)**	**(3,861)**

	For the six months ended 30th June, 2001			
	PRC	Hong Kong	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	78,276	40,477	—	118,753
EBITDA	30,293	2,195	—	32,488
Adjusted EBITDA	33,510	4,569	—	38,079
Profit attributable to shareholders	5,819	3,644	—	9,463

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

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

Turnover

Turnover of the Group amounted to approximately HK$140.0 million for the six months ended 30th June, 2002, representing an increase of 18% compared with 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$192.8 million to HK$217.4 million, representing a 13% increase as compared with the same period in the previous year.

Of the combined turnover for the first half of 2002, advertising on bus bodies accounted for 35%, advertising in metro systems accounted for 24%, advertising on billboard and street furniture accounted for 31% and income from production and others accounted for 10%.

Advertising on bus bodies and in metro systems together represented 59% of the combined turnover as compared with 53% in the same period in 2001 indicating that advertising in the transport sector continues to be the focus of the Group.

Operating Expenses

Staff costs amounted to HK$16.4 million (first half 2001: HK$12.5 million) representing 12% of the turnover (first half 2001: 11%). The increase was due to salary increments in the PRC entities and the addition of 73 employees. Of the new employees, 28 and 13 were recruited for the newly established Chengdu Advertising MPI and for the development of metro advertising on the Beijing Light Rail System respectively, whilst others were recruited mainly for the sales and marketing team to serve the growing business in the PRC.

Depreciation and amortization charges increased slightly to HK$18.8 million (first half 2001: HK$17.9 million). Such charges, as a percentage to turnover, decreased to 13% (first half 2001: 15%), as a result of higher utilization and revenues generated from the Group's media assets in the PRC.

EBITDA and Loss Attributable to Shareholders

EBITDA and adjusted EBITDA for the Group were HK$21.9 million and HK$28.1 million respectively. Loss attributable to shareholders was HK$3.9 million. If the corporate expenses amounting to HK$2.3 million incurred as a result of the Company being listed on GEM were excluded, the loss attributable to shareholders would have been HK$1.6 million compared with a profit of HK$9.5 million for the same period in 2001. The loss was principally due to the weak economy in Hong Kong and the sluggish demand for outdoor advertising in Hong Kong. On the other hand, it is pleasing to note that the PRC operations have recorded continuous strong growth.

The PRC

For the first half of 2002, turnover from the PRC operations, which accounted for 75% (first half 2001: 66%) of the Group's turnover, increased to HK$104.6 million representing growth of 34% as compared with the same period in 2001. Turnover for the second quarter also exceeded the turnover for the first quarter by 33%.

Of the combined turnover derived from the PRC operations for the first half of 2002, advertising on bus bodies accounted for 49%, advertising in metro systems accounted for 32%, and together they accounted for 81% of the total.

EBITDA and adjusted EBITDA from the PRC operations totalled HK$33.3 million and HK$39.0 million respectively, recording growth of 10% and 16% respectively as compared with the corresponding period in 2001.

Profit generated from the PRC operations for the first half of 2002 was HK$8.9 million, representing a growth of 52% as compared with a profit of HK$5.8 million in the same period in 2001. The PRC operations achieved a net profit margin of 8.5% as compared with 7.4% in the corresponding period in 2001, representing an improvement of 15%.

Other revenue derived from the PRC operations decreased by HK$4.1 million. Such decrease was mainly due to a decrease in incentives from the Nanjing government from HK$6.2 million for the first half of 2001 to HK$2.3 million for the first half of 2002. Despite the decrease in the incentives, the financial performance of the PRC operations still recorded a significant growth in the first half of 2002 compared with the same period in 2001. By excluding the effect of the government incentives, the profit after tax generated from the PRC operations for the first half of 2002 would be HK$7.6 million, representing three-fold growth compared with HK$2.5 million in the same period in 2001. The net profit margin would be 7% (first half 2001: 3%). The EBITDA margin and the adjusted EBITDA margin would be 30% and 35% respectively, at a similar level to the first half of 2001.

The performance was improved as a result of the Group's buses in Shanghai, Nanjing and Chongqing becoming more popular to the advertisers and continuous growth in both Shanghai Metro and Guangzhou Metro. Share of profits from the metro joint ventures increased by HK$2.8 million for the six months ended 30th June, 2002, representing growth of 103% as compared with the same period in 2001. This further illustrates the advertising potential in the metro sector. The improvement has established the Group's position as a leader in the outdoor advertising industry in the PRC.

Hong Kong

Turnover for the six months ended 30th June, 2002 from the Hong Kong operations was HK$35.5 million, a decrease of 12% as compared with HK$40.5 million in the same period in 2001. Economic recovery in the US and Hong Kong has fallen behind expectations. Due to the 2002 FIFA World Cup, TV media captured more advertising spending in the second quarter, but it is expected that a higher proportion of advertising spending will shift back to more cost-effective outdoor advertising media in the second half of this year.

EBITDA and adjusted EBITDA were negative HK$10.1 million and HK$9.6 million respectively as compared with the positive EBITDA and adjusted EBITDA of HK$2.2 million and HK$4.6 million respectively for the same period in 2001. POAD's turnover also dropped during the period under review and the Group's share of profits decreased by HK$2.2 million.

Loss attributable to shareholders amounted to HK$10.4 million as compared with a profit of HK$3.6 million for the same period in 2001. The decline was the result of drop in turnover while site rental costs, being the largest cost component, were relatively fixed. Site rental costs amounting to HK$31.4 million for the first half of the year accounted for 72% of the Group's total site rentals. Management believes the level of site rental costs will decrease in the second half of the year when some of the current site contracts expire.

Prospects

Looking ahead, the PRC outdoor advertising business will remain the Group's major focus and revenue stream in the second half of the year. Recognizing the abundant business opportunities and the potential in the PRC market with its accession to WTO, hosting of the 2008 Olympic Games as well as increasing sophistication of strategic advertising, the Directors believe that the outdoor advertising business is best positioned to benefit from the continued strong economic growth.

In line with the Group's strategic plans as stated in the Prospectus, the Group is pleased to announce that it has entered into an agreement with 北京城市鐵路股份有限公司 (Beijing Urban Transit Railway Company Limited), to secure exclusive advertising rights on the Beijing Light Rail System for a term of 18 years commencing from 1st January, 2003. This important step marks the cornerstone of the Group's penetration into Beijing, the capital of the PRC. The entire route of the Beijing Light Rail System stretches from the residential areas in northern Beijing and goes through the Zhongguancun Science and Technology Park in Haidian District, which is home to dozens of universities and research institutions, and the Olympic Village for 2008 Beijing Olympic Games. It is expected high passenger flow can be generated and the Group is well-positioned to benefit from the busy traffic and the 2008 Olympic Games.

Together with the existing exclusive advertising rights for the Shanghai Metro Line 1 and Guangzhou Metro Line 1, the Beijing Light Rail further strengthens the Group's presence in key transport arena across major cities in the PRC as well as establishing a mass transit network which enables the Group to market its exclusive media rights on four metro systems (including the Hong Kong Airport Express Line) by offering a nationwide package which is very attractive to national key accounts.

Having successfully secured the exclusive rights to operate and market the advertising media on the Beijing Light Rail System, the Group's strategy will continue to focus on buses and metro lines. The Group plans to participate in the bidding for exclusive advertising rights on new metro lines currently under construction in various cities in the PRC.

To further strengthen the Group's presence in the southern PRC, in addition to the Shenzhen joint venture which is in the process of being set up, the Group has secured advertising rights to 300 bus bodies in Guangzhou in July and has planned to set up a joint venture in Guangzhou to expand the Group's presence in that city.

In view of the growing trend of consolidation and the immense potential in the PRC, the Group will also identify investment opportunities for mergers and acquisitions beyond the transport sector to complement the Group's business expansion and development.

By leveraging the Group's existing exclusive ownership of advertising spaces in prime locations, well-established and substantial customer base, and professional and experienced staff with in-depth market knowledge, the Group is committed to expanding its market presence through providing a comprehensive range of outdoor media solutions for its clients, so as to stay ahead in the outdoor advertising industry and continue to take a leading and prominent role in outdoor advertising media in Greater China.

Liquidity and Financial Resources

	For the six months ended 30th June,	
	2002	2001
	HK$'000	*HK$'000*
Net cash generated from operations	**27,566**	40,522
Borrowing costs paid	**(4,805)**	(3,693)
Tax (paid)/refunded	**(2,342)**	76
Net cash inflow from operating activities	**20,419**	36,905
Increase in pledged deposits	**(44,632)**	(6,664)
Interest received	**2,160**	2,606
Payment for increase in interest in a subsidiary	**(3,500)**	—
Payment for acquisition of fixed assets and advertising rights net of proceeds from disposal of fixed assets	**(13,208)**	(48,329)
Net cash outflow from investing activities	**(59,180)**	(52,387)
(Repayment)/increase in bank loans	**(9,949)**	25,099
Dividends paid to minority shareholders	**(2,663)**	(1,652)
Net proceeds raised from listing	**212,411**	—
Repayment of shareholder's loan	**—**	(6,665)
Net cash inflow from financing activities	**199,799**	16,782
Increase in cash and cash equivalents	**161,038**	1,300
Cash and cash equivalents at 1st January	**45,257**	42,532
Cash and cash equivalents at 30th June	**206,295**	43,832

For the period under review, net cash generated from operations amounted to HK$27.6 million as compared with HK$40.5 million for the same period in 2001. The decrease was mainly due to the decrease in EBITDA from the Hong Kong operations. Investing activities included HK$44.6 million placed as pledged deposits, of which HK$34.6 million was for replacement of the pledged deposits previously placed by Morningside CyberVentures Holdings Limited, for securing bank loans, HK$13.2 million for advertising rights and fixed assets and HK$3.5 million for the acquisition of the remaining 5% interest in Metrolink Investments Ltd. Net cash inflow of HK$199.8 million from financing activities represents mainly the net proceeds received from the listing of the Company's shares on GEM in January this year.

As at 30th June, 2002, the Group had short term bank loans totalling HK$126.4 million of which HK$117.1 million were secured by cash deposits of HK$118.6 million. The bank loans were mainly to provide additional working capital for the PRC operations. As at 30th June, 2002, except for the Convertible Bond of HK$85 million, there was no other long term debt. The Convertible Bond is convertible to ordinary shares at a 10% premium over the Issue Price and bears interest at 2.5% per annum, payable semi-annually in arrears from the date of issue.

As at 30th June, 2002, the Group had a healthy and solid financial position with cash and cash equivalents of HK$206.3 million.

The debt maturity profile of the Group as at 30th June, 2002 is analysed as follows:

Type of Debt	**Debt Maturity**	***HK$ Million***	**%**
Short term bank loans	Repayable within 1 year	126.4	60%
Convertible Bond	Repayable between 2 to 3 years	85.0	40%
Total		211.4	100%

Out of the total borrowings of HK$211.4 million, HK$120.6 million was denominated in Renminbi and HK$90.8 million was denominated in Hong Kong Dollars.

Foreign Exchange

The Group normally uses 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 or jointly controlled entities operate. While the Group does not currently engage in hedging to manage possible Renminbi or other currency risks, as it considers the cost associated with such hedging arrangements would exceed the benefits, management will continue to monitor the relevant circumstances and will take such measures as it deems prudent.

Significant Investments and Acquisitions

The Group acquired the remaining 5% interest in Metrolink Investments Ltd. from the minority shareholders in June 2002.

Except for the above, there were no significant acquisitions or disposals of subsidiaries, associates or jointly controlled entities during the period under review.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary comparison of the actual business progress for the period from 1st January, 2002 to 30th June, 2002 ("Review Period") and the business objectives in the same period set out in the Company's Prospectus dated 15th January, 2002 ("Prospectus").

Business objectives as stated in the Prospectus dated 15th January, 2002	**Actual business progress**
Establishment of a co-operative joint venture in Shenzhen to act as advertising sales agent for approximately 80 bus shelters and over 100 advertising spaces at the construction sites of four metro stations in Shenzhen.	The joint venture agreement has been signed and the Group is in the process of obtaining approval from relevant government authorities. Notwithstanding that the co-operative joint venture in Shenzhen is being set up, the Group has secured over 500 advertising spaces in Shenzhen, including over 120 advertising spaces at construction sites of Shenzhen metro stations, over 270 buses and over 110 advertising spaces at 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.
Establishment of a co-operative joint venture in Chengdu to act as the exclusive advertising agent for over 80% of the public bus fleet.	During the Review Period, Chengdu Advertising MPI, a co-operative joint venture in Chengdu, was duly established with a term of 30 years and became a subsidiary of the Group. Chengdu Advertising MPI has also entered into an exclusive advertising agency agreement with 成都運興公交有限公司, a local bus operator to secure long term exclusive bus advertising rights in Chengdu. The Group has now secured exclusive advertising rights to over 1,800 buses in Chengdu.

Business objectives as stated in the Prospectus dated 15th January, 2002	**Actual business progress**
Introduction of taxi-top advertising panels to the existing taxi network in Hong Kong through its associate.	In view of the prevailing market condition in Hong Kong, the timing for introduction of taxi-top advertising panels is being reassessed.
Establishment of a joint venture in Shanghai to handle design and production of advertisements.	The joint venture agreement has been signed and the Group is in the process of obtaining approval from relevant government authorities.
Securing of advertising concessions in metro and light rail systems in northern PRC.	Subsequent to the Review Period, the Group was granted the exclusive advertising rights to operate and market advertising media on the Beijing Light Rail System for a term of 18 years.
Continued expansion of the existing bus advertising network by securing advertising rights to approximately 300 to 400 buses in southern PRC.	During the Review Period, the Group has secured advertising rights to over 270 buses in Shenzhen, 20 buses in Shanghai and 157 buses in Wuhan. Subsequent to the Review Period, the Group has secured advertising rights to 300 buses in Guangzhou.
Continued expansion of the existing unipole advertising network by securing advertising rights to approximately 10 to 20 unipoles in Shanghai.	In view of lack of unipoles that meet the Group's stringent investment criteria, the Group's plan for further expansion of the unipole network has been postponed.

Business objectives as stated in the Prospectus dated 15th January, 2002	Actual business progress
Introduction of approximately one to two LED in Shanghai.	The Group has identified a number of prominent sites with high advertising potential and has reached an advanced stage of negotiation with the PRC parties.
Expansion of shopping mall advertising panels and interior signage in the PRC by leveraging on the experience gained from Oriental Plaza.	The Group has identified a number of shopping malls and is actively negotiating with the landlords. Certain agreements are in final stage of negotiation.

Use of Proceeds

As stated in the Announcement dated 24th January, 2002, part of the net proceeds from the listing was earmarked for the following activities during the Review Period: approximately HK$40 million to expand the existing advertising media network and develop new advertising media; approximately HK$122 million to secure new advertising concessions in the metro and light rail systems in the PRC; approximately HK$7 million for the establishment of joint ventures in Shenzhen, Chengdu and Shanghai; approximately HK$35 million to be placed as pledged deposits, and approximately HK$9 million for general working capital purposes.

During the Review Period, only approximately HK$2 million has been utilized to establish Chengdu Advertising MPI and approximately HK$35 million has been placed as pledged deposits with respective banks for releasing the charge on pledged deposits previously placed by the ultimate holding company.

Subsequent to the Review Period, approximately HK$6 million and HK$75 million have been committed for the expansion of the bus advertising network in Shanghai and construction of advertising media on the Beijing Light Rail System respectively. Approximately HK$5 million has been reserved for the establishment of joint ventures in Shanghai and Shenzhen in the second half of the year.

INTERIM RESULTS FOR THE PERIOD ENDED 30TH JUNE, 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 and six months ended 30th June, 2002 together with the comparative figures for the corresponding period in 2001 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three and six months ended 30th June, 2002 — UNAUDITED

		For the three months ended 30th June,		For the six months ended 30th June,	
		2002	2001	**2002**	2001
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Operating revenue					
Turnover	*2*	**76,213**	69,124	**140,043**	118,753
Other revenue		**6,436**	10,273	**9,948**	13,130
Other net income/(loss)		**—**	(108)	**205**	1,697
Operating expenses					
Site rental and other direct costs		**(56,703)**	(45,736)	**(100,631)**	(82,353)
Staff costs		**(8,407)**	(6,031)	**(16,396)**	(12,514)
Depreciation and amortization		**(9,369)**	(8,555)	**(18,840)**	(17,894)
Other operating expenses		**(6,238)**	(2,944)	**(11,317)**	(6,225)
Profit from operations		**1,932**	16,023	**3,012**	14,594
Finance costs		**(2,421)**	(1,994)	**(4,806)**	(3,693)
Share of profits less losses of associates		**310**	1,528	**651**	2,820
Share of profits less losses of jointly controlled entities		**3,809**	1,325	**5,434**	2,674
Profit from ordinary activities before taxation	*3*	**3,630**	16,882	**4,291**	16,395
Taxation	*4*	**(4,315)**	(4,330)	**(6,319)**	(5,587)
(Loss)/profit from ordinary activities after taxation		**(685)**	12,552	**(2,028)**	10,808
Minority interests		**(1,327)**	(1,390)	**(1,833)**	(1,345)
(Loss)/profit attributable to shareholders		**(2,012)**	11,162	**(3,861)**	9,463
(Loss)/earnings per share- Basic	*5*	**(0.3 cents)**	1.7 cents	**(0.5 cents)**	1.5 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2002 — UNAUDITED

	Share capital	Share premium	Merger reserves	Other capital reserves	Revenue reserves	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2001	—	—	255,466	(61,518)	(57,385)	136,563
Net profit for the period	—	—	—	—	9,463	9,463
At 30th June, 2001	—	—	255,466	(61,518)	(47,922)	146,026
At 1st January, 2002	—	—	255,466	(61,518)	(33,998)	159,950
Capitalization of shareholders' loans	—	42,078	—	—	—	42,078
Issue of Placing shares	85,380	—	—	—	—	85,380
Share premium arising on issue of Placing shares	—	213,800	—	—	—	213,800
Share issue expenses	—	(22,769)	—	—	—	(22,769)
Movements arising from the Reorganization	—	—	(100)	—	—	(100)
Net loss for the period	—	—	—	—	(3,861)	(3,861)
At 30th June, 2002	85,380	233,109	255,366	(61,518)	(37,859)	474,478

CONSOLIDATED BALANCE SHEET

At 30th June, 2002 — UNAUDITED

	Note	**30th June, 2002** *HK$'000*	31st December, 2001 *HK$'000*
Non-current assets			
Fixed assets	*7*	**15,201**	14,159
Interest in associates		**5,270**	4,760
Investments in jointly controlled entities		**63,092**	60,115
Amounts due from a jointly controlled entity		**18,692**	18,692
Advertising rights	*8*	**251,832**	260,796
Goodwill	*9*	**3,000**	—
		357,087	358,522
Current assets			
Accounts receivable	*10*	**52,654**	42,896
Other receivables, deposits and prepayments		**54,847**	50,280
Amounts due from jointly controlled entities		**5,587**	2,383
Amounts due from minority shareholders		**5,167**	6,294
Amounts due from related companies		**453**	493
Pledged bank deposits		**122,220**	77,588
Cash and cash equivalents		**206,295**	45,257
		447,223	225,191
Current liabilities			
Bank loans		**126,359**	136,308
Accounts payable	*11*	**27,573**	22,513
Other payables, deposits and accruals		**49,970**	43,358
Amounts due to jointly controlled entities		**18,480**	6,610
Taxation		**2,011**	1,510
		224,393	210,299
Net current assets		**222,830**	14,892
Total assets less current liabilities		**579,917**	373,414
Non-current liabilities			
Loans from a fellow subsidiary and ultimate holding company		**—**	190,977
Convertible Bond	*12*	**85,000**	—
Minority interests		**20,390**	22,438
Deferred taxation		**49**	49
		105,439	213,464
NET ASSETS		**474,478**	159,950
CAPITAL AND RESERVES			
Share capital	*13*	**85,380**	—
Reserves	*14*	**389,098**	159,950
		474,478	159,950

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2002 — UNAUDITED

	For the six months ended 30th June,	
	2002	2001
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**20,419**	36,905
Net cash outflow from investing activities	**(59,180)**	(52,387)
Net cash outflow before financing	**(38,761)**	(15,482)
Net cash inflow from financing activities	**199,799**	16,782
Net increase in cash and cash equivalents	**161,038**	1,300
Cash and cash equivalents at beginning of period	**45,257**	42,532
Cash and cash equivalents at end of period	**206,295**	43,832

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT:

1. Group reorganization and basis of presentation

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

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

The interim financial report of the Group has been prepared using the merger basis of accounting as if the Company had always been the holding company of the subsidiaries now comprising the Group.

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

The same accounting policies adopted in the proforma financial information of the Group for the year ended 31st December, 2001 have been applied in the preparation of the interim financial report. The Group has adopted the new and revised Statement of Standard Accounting Practice ("SSAPs") which became effective on 1st January, 2002. The adoption of these new and revised SSAPs has no material effect on the Group's financial results for the six months ended 30th June, 2002.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2001 annual report.

2. Turnover

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

3. Profit from ordinary activities before taxation

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

		For the three months ended 30th June,		For the six months ended 30th June,	
		2002	2001	**2002**	2001
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(a)	Finance costs:				
	Interest on the Convertible Bond	**522**	—	**1,007**	—
	Interest on bank advances and other borrowings repayable within five years	**1,872**	1,961	**3,750**	3,666
	Other borrowing costs	**27**	33	**49**	27
		2,421	1,994	**4,806**	3,693
(b)	Other items:				
	Staff retirement scheme contributions	**595**	292	**1,131**	606
	Exchange loss/(gain)	**34**	(91)	**72**	(46)
	Auditors' remuneration	**(63)**	141	**142**	266
	Operating lease charges				
	— properties	**1,059**	667	**1,983**	1,457
	— site rentals	**24,387**	19,455	**43,808**	36,405
	Provision for bad debts	**1,277**	465	**1,362**	465
	Depreciation of fixed assets	**1,271**	1,162	**2,748**	2,265
	Amortization of advertising rights	**8,072**	7,393	**16,066**	15,629
	Amortization of goodwill	**26**	—	**26**	—

4. Taxation

	For the three months ended 30th June,		For the six months ended 30th June,	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provision for Hong Kong profits tax	**—**	—	**—**	36
Overprovision for Hong Kong profits tax relating to prior periods	**(9)**	(58)	**—**	—
PRC taxation	**2,757**	3,106	**3,721**	3,243
Deferred taxation	**—**	207	**—**	207
Share of taxation of jointly controlled entities	**1,514**	831	**2,457**	1,656
Share of taxation of associates	**53**	244	**141**	445
	4,315	4,330	**6,319**	5,587

The provision for Hong Kong profits tax has been calculated separately at 16% (2001: 16%) of the estimated assessable profits for the six months ended 30th June, 2002 of each subsidiary and associate of the Group with operations subject to Hong Kong profits tax.

Taxation for subsidiaries and jointly controlled entities operating in the People's Republic of China ("the PRC") except noted hereinafter is calculated at 33% (2001: 33%) of the estimated assessable profits of these entities for the six months ended 30th June, 2002.

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 operations) and, thereafter, it is entitled to relief from PRC income tax of 1.5% of taxable profits for the following three years.

5. (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to shareholders of HK$3,861,000 (30th June, 2001: profit of HK$9,463,000) and the weighted average of 790,120,442 ordinary shares (30th June, 2001: 640,000,000 ordinary shares) outstanding after the Group Reorganization and Loan Capitalization as if those shares had been outstanding from 1st January, 2001.

No diluted (loss)/earnings per share for the periods ended 30th June, 2001 and 2002 has been presented, as there were no dilutive potential ordinary shares during these periods.

6. Segmental information

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

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

	For the six months ended 30th June,							
	Hong Kong		PRC		Unallocated		Combined	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**35,476**	40,477	**104,567**	78,276	**—**	—	**140,043**	118,753
Other revenue	**264**	446	**8,595**	12,684	**1,089**	—	**9,948**	13,130
Total revenue	**35,740**	40,923	**113,162**	90,960	**1,089**	—	**149,991**	131,883
Segment result and profit/(loss) from operations	**(10,780)**	1,633	**15,100**	12,961	**(1,308)**	—	**3,012**	14,594
Finance costs	**(132)**	(121)	**(3,667)**	(3,572)	**(1,007)**	—	**(4,806)**	(3,693)
Share of profits less losses of associates	**651**	2,820	**—**	—	**—**	—	**651**	2,820
Share of profits less losses of jointly controlled entities	**—**	—	**5,434**	2,674	**—**	—	**5,434**	2,674
Profit/(loss) from ordinary activities before taxation	**(10,261)**	4,332	**16,867**	12,063	**(2,315)**	—	**4,291**	16,395
Taxation	**(141)**	(688)	**(6,178)**	(4,899)	**—**	—	**(6,319)**	(5,587)
Profit/(loss) from ordinary activities after taxation	**(10,402)**	3,644	**10,689**	7,164	**(2,315)**	—	**(2,028)**	10,808
Minority interests	**—**	—	**(1,833)**	(1,345)	**—**	—	**(1,833)**	(1,345)
(Loss)/profit attributable to shareholders	**(10,402)**	3,644	**8,856**	5,819	**(2,315)**	—	**(3,861)**	9,463
Depreciation and amortization	**682**	562	**18,158**	17,332	**—**	—	**18,840**	17,894

7. Fixed assets

	Leasehold improvements HK$'000	Advertising displays HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1st January, 2002	2,759	16,732	4,122	2,626	1,899	28,138
Additions	550	775	1,912	177	394	3,808
Disposals	—	—	(30)	—	—	(30)
At 30th June, 2002	3,309	17,507	6,004	2,803	2,293	31,916
Accumulated depreciation:						
At 1st January, 2002	1,978	7,862	1,988	1,461	690	13,979
Charge for the period	438	1,558	462	111	179	2,748
Written back on disposals	—	—	(12)	—	—	(12)
At 30th June, 2002	2,416	9,420	2,438	1,572	869	16,715
Net book value:						
At 30th June, 2002	893	8,087	3,566	1,231	1,424	15,201
At 31st December, 2001	781	8,870	2,134	1,165	1,209	14,159

8. Advertising rights

	HK$'000
Cost:	
At 1st January, 2002	371,417
Additions	7,102
Disposal	(781)
At 30th June, 2002	377,738
Accumulated amortization:	
At 1st January, 2002	110,621
Charge for the period	16,066
Written back on disposal	(781)
At 30th June, 2002	125,906
Net book value:	
At 30th June, 2002	251,832
At 31st December, 2001	260,796

9. Goodwill

	HK$'000
At 1st January, 2002	—
Addition through increase in interest in a subsidiary	3,026
Amortization	(26)
At 30th June, 2002	3,000

Addition of goodwill during the period under review related to the acquisition of the remaining 5% interest in Metrolink Investments Ltd. ("Metrolink") from the minority shareholders for a consideration of HK$3,500,000. The acquisition resulted in an increase of the Group's equity holding in Metrolink from 95% to 100%. The transaction was completed on 17th June, 2002.

Goodwill is amortized on a straight-line basis over a period of 9.5 years.

10. Accounts receivable

At 30th June, 2002, accounts receivable amounted to HK$52,654,000 (31st December, 2001: HK$42,896,000). The ageing analysis of accounts receivable is as follows:

	30th June, 2002	31st December, 2001
	HK$'000	*HK$'000*
Current	**19,927**	14,554
1 to 3 months overdue	**13,080**	13,976
More than 3 months overdue	**19,647**	14,366
	52,654	42,896

11. Accounts payable

At 30th June, 2002, accounts payable amounted to HK$27,573,000 (31st December, 2001: HK$22,513,000). The ageing analysis of accounts payable is as follows:

	30th June, 2002	31st December, 2001
	HK$'000	*HK$'000*
Due within 1 month or on demand	**12,000**	9,349
Due after 1 month but within 3 months	**4,991**	6,826
Due after 3 months	**10,582**	6,338
	27,573	22,513

12. Convertible Bond

	30th June, 2002	31st December, 2001
	HK$'000	*HK$'000*
Convertible Bond	**85,000**	—

On 9th January, 2002, the Company entered into an agreement with Morningside CyberVentures Holdings Limited ("MSCV"), the ultimate holding company, such that, prior to the Placing, an amount of HK$105,978,176 representing unsecured loans due to MSCV at 30th November, 2001 was capitalized and 639,000,000 shares were allotted and issued to MSCV. The remaining unsecured loans due to MSCV at 30th November, 2001 of HK$85,000,000 were satisfied by the issue of the Convertible Bond.

Interest is payable at the rate of 2.5% per annum, semi-annually in arrears from 9th January, 2002.

The holders of the Convertible Bond will have, subject to certain conditions, the right at any time following the expiry of six months from 31st January, 2002 up to 31st December, 2004 to convert part or all of the Convertible Bond into ordinary shares of the Company at a price equivalent to 110% of the Issue Price of HK$1.10 per share.

Unless previously repurchased, cancelled, redeemed or converted, the Convertible Bond will be redeemed at its principal amount together with any accrued interest on 31st December, 2004.

13. Share capital

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

	Note	Number of shares	Amount HK$'000
Authorized:			
At 1st January, 2002, ordinary shares of HK$1.00 each	*(a)*	50,000	50
Increase in authorized share capital	*(b)*	99,950,000	99,950
Subdivision of ordinary shares into HK$0.10 each	*(c)*	900,000,000	—
At 30th June, 2002		1,000,000,000	100,000
Issued and fully paid:			
At 1st January, 2002, ordinary shares of HK$1.00 each	*(a)*	1	—
Subdivision of ordinary shares into HK$0.10 each	*(c)*	9	—
Shares issued upon Reorganization	*(d)*	999,990	100
Loan Capitalization	*(e)*	639,000,000	63,900
New issue and Placing of shares	*(f)*	213,800,000	21,380
At 30th June, 2002		853,800,000	85,380

Notes:

(a) The Company was incorporated on 14th May, 2001 with an authorized share capital of HK$50,000 divided into 50,000 shares of HK$1.00 each, of which 1 share of HK$1.00, credited as fully paid, was allotted and issued.

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

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

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

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

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

(g) All shares both issued and unissued rank pari passu in all respects at 30th June, 2002.

14. Reserves

	Share premium HK$'000	Merger reserves HK$'000	Other capital reserves HK$'000	Revenue reserves HK$'000	Total HK$'000
At 1st January, 2001	—	255,466	(61,518)	(57,385)	136,563
Profit for the period	—	—	—	9,463	9,463
At 30th June, 2001	—	255,466	(61,518)	(47,922)	146,026
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 Placing shares	213,800	—	—	—	213,800
Share issue expenses	(22,769)	—	—	—	(22,769)
Movements arising from the Reorganization	—	(100)	—	—	(100)
Loss for the period	—	—	—	(3,861)	(3,861)
At 30th June, 2002	233,109	255,366	(61,518)	(37,859)	389,098

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

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

	For the three months ended 30th June,		For the six months ended 30th June,	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss) for the period is retained by:				
— The Company and its subsidiaries	**(4,564)**	9,384	**(7,348)**	6,070
— Associates	**257**	1,284	**510**	2,375
— Jointly controlled entities	**2,295**	494	**2,977**	1,018
Total	**(2,012)**	11,162	**(3,861)**	9,463

Included in the figure for revenue reserves at 30th June, 2002 are reserves of HK$4,900,000 (30th June, 2001: HK$2,375,000) attributable to associates and reserves of HK$11,805,000 (30th June, 2001: HK$3,684,000) attributable to the jointly controlled entities.

15. Commitments and contingencies

(i) Commitments under operating leases

At 30th June, 2002, the Group had total future minimum lease payments under non-cancellable operating leases in respect of properties and site rentals payable as follows:

	30th June, 2002			31st December, 2001		
	Property	**Site rentals**	**Total**	Property	Site rentals	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	**2,316**	**53,577**	**55,893**	2,823	69,079	71,902
After one year but within five years	**298**	**65,831**	**66,129**	1,134	91,064	92,198
After five years	**—**	**27,896**	**27,896**	—	29,006	29,006
	2,614	**147,304**	**149,918**	3,957	189,149	193,106

(ii) Other commitments

At 30th June, 2002, Chongqing MPI Public Transportation Advertising Co., Ltd. ("CQMPI"), one of the subsidiaries of the Group was a party to an agreement with its PRC joint venture partner to pay an annual fee in respect of the granting of certain bus media rights of HK$7,850,000 (RMB8,400,000). The agreement is for the period from 1st November, 1999 to 22nd September, 2029. HK$7,850,000 (RMB8,400,000) (31st December, 2001: HK$7,850,000) is due within the next twelve months, HK$31,402,000 (RMB33,600,000) (31st December, 2001: HK$31,402,000) is due after one year but within five years and HK$19,626,000 (RMB21,000,000) (31st December, 2001: HK$23,552,000) is due after five years. The aggregate amount payable by the Group to the PRC joint venture partner up to 31st December, 2009 is HK$58,878,000 (RMB63,000,000) (31st December, 2001: HK$62,804,000). For the years from 2010 and onwards, the annual fee will be determined through commercial negotiation between CQMPI and its PRC joint venture partner. In view of the above, the commitments mentioned above have not taken into account the annual fee to be payable by CQMPI to its PRC joint venture partner during the years from 2010 to 2029 as the amounts payable cannot be reasonably estimated.

(iii) *Capital commitments*

Media Partners International Limited ("MPIL"), one of the subsidiaries of the Group entered into a co-operative joint venture agreement with 深圳市龍帆廣告有限公司 on 8th May, 2002 to establish Shenzhen Media Partners International Advertising Limited 深圳媒體伯樂廣告有限公司 ("Shenzhen MPI") whereby the Group shall contribute 80% to the total registered capital of Shenzhen MPI. The 80% agreed contribution amounts to US$480,000 (equivalent to approximately HK$3.7 million) which has to be made within 90 days after the establishment of Shenzhen MPI. The Group is presently in the process of securing approval from the PRC government for the establishment of Shenzhen MPI. At 30th June, 2002, Shenzhen MPI has not yet been established.

Media Partners International Production Limited, one of the subsidiaries of the Group entered into a joint venture agreement with 上海德天汽車油漆噴塗有限公司 to establish Shanghai Tianle Vehicle Painting Co., Ltd. 上海天樂汽車油漆噴塗製作有限公司 ("Shanghai Production JV") whereby the Group shall contribute 40% to the total registered capital of Shanghai Production JV. The 40% agreed contribution amounts to US$120,000 (equivalent to approximately HK$0.9 million) which has to be made within 90 days after the establishment of Shanghai Production JV. The Group is presently in the process of securing approval from the PRC government for the establishment of Shanghai Production JV. At 30th June, 2002, Shanghai Production JV has not yet been established.

(iv) *Contingent liabilities*

At 30th June, 2002, the Group had contingent liabilities amounting to HK$7,333,000 (31st December, 2001: HK$7,333,000) in respect of bank guarantees given to independent third parties in the ordinary course of business to ensure the due performance of a subsidiary and observance of the obligations of the subsidiary to certain agreements.

16. Material related party transactions

On 9th January, 2002, the Company entered into an administrative services agreement with MTI Administration Limited, a wholly owned subsidiary of Morningside CyberVentures Holdings Limited, the ultimate holding company, to provide or procure the provision of administrative services to the Group. The Company agrees to pay MTI Administration Limited, on a monthly basis, a proportion of the monthly total staff costs in relation to such administrative services. Administrative fees payable by the Company amounted to HK$482,000 for the six months ended 30th June, 2002 (30th June, 2001: Nil).

On 31st May, 2002, Chengdu MPI Public Transport Advertising Co. Ltd. ("Chengdu Advertising MPI"), a subsidiary of the Group, entered into an advertising agency agreement with 成都運興公交有限公司 (Chengdu MPI Yunxing Public Transportation Ltd.) ("Bus JV") whereby Chengdu Advertising MPI agreed to provide advertising agency and management services to Bus JV. Chengdu Advertising MPI shall pay the Bus JV 70% of the amount received by it for the placement of advertisements on the bus bodies and shall retain the remaining 30% to cover the agency fee and management fee. Fees payable by Chengdu Advertising MPI to the Bus JV for the six months ended 30th June, 2002 amounted to HK$825,000 (30th June, 2001: Nil).

Except for the above, the significant and material related party transactions between the Group and related parties as set out in note 35 of the annual report of the Group for the year ended 31st December, 2001 continued during the interim reporting period, except for the transactions with Market Catalyst International (Shanghai) Limited and Market Catalyst International (Hong Kong) Limited. There were no other significant material related party transactions entered into by the Group with related parties during the six months ended 30th June, 2002.

17. Post balance sheet events

On 11th July, 2002, MPIL, a wholly owned subsidiary of the Group, entered into an agreement with 北京城市鐵路股份有限公司 (Beijing Urban Transit Railway Company Limited) under which the Group agreed to make a total payment of RMB80 million (equivalent to approximately HK$75 million) for the construction of advertising media on the Beijing Light Rail System in the PRC. The Group was granted the exclusive rights to operate and market advertising media on the Beijing Light Rail System for a term of 18 years commencing from 1st January, 2003, which is the expected official date of commencement of operations.

The making of the payment of RMB80 million (HK$75 million) and the grant of the advertising rights to the advertising media constitute a discloseable transaction of the Company under the GEM Listing Rules.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2002 (30th June, 2001: Nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2002, none of the Directors or their associates had any personal, family, corporate or other interest in the issued share 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 30th June, 2002, no options had been granted under the Share Option Scheme by the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 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 30th June, 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.

SPONSOR'S INTEREST

As at 30th June, 2002, an associate of BNP Paribas Peregrine Capital Limited (the "Sponsor") held 2,222,000 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 Rules), as at 30th June, 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.

COMPETING INTERESTS

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

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

During the six months ended 30th June, 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 is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising three independent non-executive directors, Mr. Li Kwok Wing, Meocre, Professor Lau Juen Yee, Lawrence and Mr. Paul Laurence Saffo.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30th June, 2002, the Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

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

Hong Kong, 13th August, 2002