Nationwide Coverage and Comprehensive Network

全覆蓋 全網絡

Interim Report 2003

二零零三年中期業績報告

Media Partners International Holdings Inc.

媒體伯樂集團有限公司

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HIGHLIGHTS

- *The Group's loss attributable to shareholders for the second quarter reduced to HK$8.4 million (first quarter: HK$15.9 million). EBITDA and adjusted EBITDA for the second quarter turned to positive HK$3.1 million (first quarter: negative HK$2.3 million) and positive HK$8.0 million (first quarter: negative HK$0.6 million) respectively.*

- *Mainland China operations*
  - *Bus Advertising: turnover maintained at the same level as the first quarter.*
  - *Metro Advertising: turnover increased by 28% compared with the first quarter and profits shared by the Group was five-fold growth from the first quarter.*
  - *Billboard Advertising: together with STA, the Group's billboard media portfolio has been strengthened.*
  - *Compared with the first quarter, loss reduced by 71% to HK$3.1 million and EBITDA and adjusted EBITDA increased to HK$8.1 million and HK$12.9 million respectively.*

- *Hong Kong operations*
  - *Turnover dropped by 21% compared with the first quarter due to adverse impact of SARS and decreasing number of media spaces upon expiry of certain site contracts.*
  - *Cost reduction measures exercised including a redundancy in the Hong Kong office.*
  - *Loss reduced by 7% to HK$4.0 million compared with the first quarter.*

- *The Group's financial position remains healthy with cash and cash equivalents of HK$141.7 million and cash inflow from operations amounted to HK$18.3 million for the first half of 2003. Net assets amounted to HK$425.8 million and net assets per share amounted to HK$0.5 per share.*

- *The Group through its Shanghai Metro Joint Venture secured the advertising rights to Xin Min Line, an extension line of Shanghai Metro, for a term of 10 years.*

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

In the second quarter, the economy of both Hong Kong and Mainland China was affected seriously by the sudden outbreak of Severe Acute Respiratory Syndrome ("SARS"). The unemployment rate in Hong Kong reached the highest on record and the GDP growth in Mainland China reached a ten-year low. These unfavourable conditions inevitably had an adverse impact on the advertising industry as advertisers reduced or deferred their spending.

The Group's major business is transit media advertising in Mainland China. Due to the spread of SARS in Mainland China in the second quarter, the Group's advertising business in Beijing comprising the Beijing Light Rail concession and buses was badly hit. The Group's bus advertising business in other cities, such as Nanjing, was also hampered as a result of the suspension of services of air-conditioned buses due to the potential spreading of SARS. The Group's advertising revenues from bus bodies were therefore inevitably affected. The Group's turnover from bus bodies in Mainland China for the second quarter of this year was about the same as that of the first quarter, and was 20% less than the turnover for the second quarter of last year.

Metro advertising is the other major type of transit media advertising business of the Group in Mainland China. Unlike buses, the operation of and passenger flow within the metro systems in Shanghai and Guangzhou were least affected by SARS. Turnover from these two metro joint ventures continued to grow. Turnover for the second quarter from these two metro joint ventures increased by 28% compared with the first quarter of this year and increased by 19% compared with the same quarter of last year.

The Group's advertising business in Hong Kong was also badly hit by the spread of SARS. As air traffic dropped by over 80% during April to May 2003, advertising revenue generated from the Airport Express Line ("AEL") for the second quarter dropped by 39% compared with the fourth quarter of last year.

To minimize the impact of SARS, the Group implemented certain cost control measures, including the redundancy of about 30% of employees in Hong Kong, termination of non-profit-making site rental contracts and staff realignment in the Beijing and Shanghai offices.

In the second quarter, as the extent of SARS impact was still uncertain, the Group slowed down its development in new media and focused on improving returns from existing media.

Nevertheless, in view of the encouraging results from the Group's two metro joint ventures, the Group secured the exclusive advertising rights to the Extension Line ("Xin Min Line") of Shanghai Metro Line 1 for a term of 10 years through its Shanghai Metro Joint Venture. The Group considers that there is synergy between Shanghai Metro Line 1 and the Xin Min Line.

As at 30th June, 2003, the Group had over 55,000 advertising spaces in Mainland China and Hong Kong.

Types of media	Location	Advertising spaces	
		At 30th June, 2003	At 31st December, 2002
Transport			
Bus bodies	Mainland China	**Over 16,100**	Over 15,600
Metro lines	Mainland China and Hong Kong	**Over 35,300**	Over 33,900
Taxis	Hong Kong	**Over 480**	Over 730
Billboards and street furniture	Mainland China and Hong Kong	**Over 3,120**	Over 3,000
Total:		**Over 55,000**	Over 53,200

Financial Review

For the three months ended

	Mainland China		Hong Kong		Unallocated		Total	
	30 Jun 2003	31 Mar 2003	**30 Jun 2003**	31 Mar 2003	**30 Jun 2003**	31 Mar 2003	**30 Jun 2003**	31 Mar 2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**47,588**	46,314	**13,561**	17,227	**-**	-	**61,149**	63,541
EBITDA[1]	**8,072**	2,457	**(3,919)**	(3,983)	**(1,059)**	(809)	**3,094**	(2,335)
Adjusted EBITDA[2]	**12,852**	4,037	**(3,827)**	(3,850)	**(1,059)**	(809)	**7,966**	(622)
Loss attributable to shareholders	**(3,054)**	(10,531)	**(3,965)**	(4,281)	**(1,347)**	(1,071)	**(8,366)**	(15,883)

For the six months ended

	Mainland China		Hong Kong		Unallocated		Total	
	30 Jun 2003	30 Jun 2002	**30 Jun 2003**	30 Jun 2002	**30 Jun 2003**	30 Jun 2002	**30 Jun 2003**	30 Jun 2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**93,902**	104,567	**30,788**	35,476	**-**	-	**124,690**	140,043
EBITDA	**10,529**	33,258	**(7,902)**	(10,098)	**(1,868)**	(1,308)	**759**	21,852
Adjusted EBITDA	**16,889**	38,973	**(7,677)**	(9,588)	**(1,868)**	(1,308)	**7,344**	28,077
(Loss)/profit attributable to shareholders	**(13,585)**	8,856	**(8,246)**	(10,402)	**(2,418)**	(2,315)	**(24,249)**	(3,861)

Notes:

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

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

Turnover

The Group's turnover for the first half year of 2003 amounted to HK$124.7 million, representing a drop of 11% compared with the first half year of 2002. The Group's turnover for the second quarter of 2003 amounted to HK$61.1 million, representing a drop of 4% compared with the first quarter of 2003.

Turnover from the Mainland China operations for the first half year of 2003 was HK$93.9 million, representing a decrease of 10% compared with the first half of 2002. Due to the continued spread of SARS in the second quarter, turnover from the Mainland China operations for the second quarter of 2003 amounted to HK$47.6 million which represented only 3% growth compared with the first quarter of 2003.

Turnover from the Hong Kong operations for the first half of 2003 decreased by 13% to HK$30.8 million compared with the first half of 2002. Turnover from the Hong Kong operations for the second quarter of 2003 amounted to HK$13.6 million, representing a drop of 21% compared with the first quarter of 2003. The decrease was mainly due to the gradual expiry of sites in Hong Kong and the outbreak of SARS in the second quarter.

The Mainland China operations continued to be the focus of the Group and the turnover from the Mainland China operations for the first half of 2003 accounted for 75% of the Group's turnover (first half of 2002: 75%).

Combined turnover of the Group, including the turnover of the three jointly controlled entities (Shanghai Metro JV, Guangzhou Metro JV and Shanghai Production JV) and the associate (POAD), increased by 5% to HK$229.0 million for the first half of 2003 compared with the first half of 2002.

Advertising on bus bodies and in metro systems for the first half of 2003 together represented 53% of the combined turnover, which is slightly less than the 58% for the full year of 2002. This is because the Group has increased its revenues from billboard media to 30% (full year 2002: 24%). Increases in billboard advertising revenues were principally as a result of the Group's strategic alliance with Shanghai Tulip Advertising Co., Ltd (STA), a major outdoor advertising operator in Shanghai, in the first half of this year, to develop, manage and market outdoor advertising media including billboards and large scale LED display screens in Shanghai.

Operating expenses

Site rentals, being the single largest component of the Group's operating expenses, amounted to HK$54.0 million for the first half of 2003, representing an increase of 23% compared with the first half of 2002. The increase was mainly due to certain advertising concessions from new media, including the Beijing Light Rail concession and bus bodies advertising concessions, which commenced operations this year. Site rentals for the second quarter of 2003 amounted to HK$25.9 million, maintaining at a similar level to the first quarter of 2003.

Other direct costs are mainly variable ones and comprised media buying, business tax and production costs. Other direct costs for the first half of 2003 amounted to HK$46.4 million (first half of 2002: HK$56.8 million), representing a decrease of 18%, as a result of the decrease in the Group's turnover in the first half of 2003. Other direct costs for the second quarter of 2003 amounted to HK$23.1 million, maintained at the same level as that for the first quarter of 2003.

Staff costs, including directors' fees, of the Group for the first half of 2003 amounted to HK$15.7 million, representing a decrease of 4% compared with the first half of 2002. Staff costs for the second quarter of 2003 amounted to HK$5.8 million, representing a decrease of 42% compared with the first quarter of 2003. Such decrease was mainly due to a decrease in number of employees as a result of redundancies in Hong Kong office and realignment in the Shanghai and Beijing offices and an adjustment of approximately HK$2.3 million for the over-provision of staff social welfare insurance.

The total number of employees was 256 in June 2003 (June 2002: 257). The number of employees in Hong Kong decreased from 27 in March 2003 to 20 in June 2003. The number of employees in Mainland China decreased from 253 in March 2003 to 236 in June 2003.

Other operating expenses of the Group for the first half of 2003 amounted to HK$16.5 million (first half of 2002: HK$11.3 million), including a provision for bad and doubtful debts of HK$2.0 million (first half of 2002: HK$1.4 million). The provision for bad and doubtful debts for the first half of 2003 as a percentage to turnover was maintained at less than 2%. Other operating expenses excluding the provision for bad and doubtful debts for the first half of 2003 amounted to HK$14.5 million, representing an increase of HK$4.6 million compared with the first half of 2002. Higher operating expenses were mainly due to increases in office rentals for offices established after the first quarter of 2002 and an increase in marketing expenses for advertising surveys in order to enhance the Group's forward planning of the outdoor advertising market in Mainland China. Other operating expenses excluding the provision for bad and doubtful debts for the second quarter of 2003, represented a decrease of 13% compared with the first quarter of 2003. The decrease was mainly due to effective cost-control measures in the second quarter.

Finance costs

Finance costs for the first half of 2003 increased by HK$2.0 million to HK$6.8 million. The increase was mainly due to the interest in respect of bank loans of HK$35.8 million for the strategic alliance with STA and HK$74.8 million reserved for the Beijing Light Rail advertising concession. The bank loan for the Beijing Light Rail advertising concession is a temporary arrangement and upon the increase of registered capital of Shanghai MPI, such bank loan will no longer be required.

EBITDA and loss attributable to shareholders

EBITDA and adjusted EBITDA of the Group for the first half of 2003 were HK$0.8 million (first half of 2002: HK$21.9 million) and HK$7.3 million (first half of 2002: HK$28.1 million) respectively. The decrease was mainly due to the decrease in the Group's turnover as a result of the outbreak of SARS.

EBITDA and adjusted EBITDA of the Group for the second quarter of 2003 were HK$3.1 million (first quarter of 2003: negative HK$2.3 million) and HK$8.0 million (first quarter of 2003: negative HK$0.6 million) respectively. The loss attributable to shareholders for the second quarter of 2003 was HK$8.4 million, representing an improvement of HK$7.5 million, compared with the loss of HK$15.9 million for the first quarter of 2003. The improvement was the result of effective cost control measures, growth in metro advertising and increases in other revenues.

Segment Analysis

Mainland China operations

Turnover from the Mainland China operations for the first half year of 2003 decreased by 10% to HK$93.9 million compared with the first half of 2002. Turnover from the Mainland China operations for the second quarter of 2003 amounted to HK$47.6 million, representing a slight increase of 3% compared with the first quarter of 2003.

Combined turnover, including the turnover of the two metro joint ventures and the production joint venture, for the first half of 2003 increased by 4% to HK$160.1 million, compared with the first half of 2002. The increase was mainly due to the increase in turnover from the two metro joint ventures. Out of the combined turnover, advertising on bus bodies and metro systems, in aggregate, accounted for 73% (full year 2002: 79%) and advertising on billboards accounted for 9% (full year 2002: 3%).

Bus advertising

Due to the outbreak of SARS, the Group's bus advertising business was seriously affected as a result of the forced suspension of the services of air-conditioned buses in a few cities due to the potential risk of SARS. Turnover from bus advertising for the first half of 2003 amounted to HK$56.3 million, representing a decrease of 26% compared with the first half of 2002. Turnover from bus advertising for the second quarter of 2003 amounted to HK$28.2 million, maintained at the same level as the first quarter of 2003.

Metro advertising

Metro operations in Shanghai and Guangzhou were least affected by SARS and some advertisers even shifted their spending to metro systems. As a result, turnover from these two metro joint ventures continued to grow. The turnover from these two metro joint ventures for the first half of 2003 amounted to HK$57.8 million, increased by 16% compared with the first half of 2002. Turnover from these two metro joint ventures for the second quarter of 2003 amounted to HK$32.5 million, an increase of 28% compared with HK$25.4 million for the first quarter of the year.

The Group's share of profits from these two metro joint ventures for the first half of 2003 amounted to HK$7.4 million, an increase of 37% compared with HK$5.4 million for the first half of 2002. The share of profits from these two metro joint ventures for the second quarter amounted to HK$6.2 million representing five-fold growth from HK$1.2 million for the first quarter of 2003.

Billboard advertising

Turnover from billboards for the first half of 2003 amounted to HK$14.0 million (first half of 2002: HK$5.8 million), an increase of HK$8.2 million. The increase was principally as a result of the Group's alliance with STA, a major outdoor advertising operator in the billboard sector. The strategic alliance with STA does not only demonstrate the Group's commitment to enriching its media portfolio and strengthening its presence outside its extensive transport media network in Shanghai, but also provides a more comprehensive outdoor advertising media package for the Group's clients. This diversification into other outdoor media formats beyond the transport sector will both expand the clientele of the two companies and maximize synergies. In addition, the strategic alliance will provide steady revenues for the Group with satisfactory returns and a guaranteed pay back within the first three years of operation.

Operating Expenses

Staff costs for the Mainland China operations for the first half of 2003 amounted to HK$11.8 million, maintained at the same level as for the first half of 2002. Staff costs for the Mainland China operations for the second quarter decreased by HK$4.2 million compared with the first quarter of 2003. The decrease was due to the reduction in headcount as a result of realignment in the Shanghai and Beijing offices and an adjustment for over-provision of staff social welfare insurance. The number of employees in Mainland China decreased from 253 in March 2003 to 236 in June 2003.

Other operating expenses for the first half of 2003 amounted to HK$13.5 million, including a provision for bad and doubtful debts of HK$1.6 million. Other operating expenses excluding the provision for bad and doubtful debts for the first half of 2003 increased by HK$4.8 million compared with the first half of 2002. Higher operating expenses were mainly due to increases in office rental for offices established after the first quarter of 2002 and an increase in marketing expenses. Other operating expenses excluding the provision for bad and doubtful debts for the second quarter of 2003 amounted to HK$5.3 million, a decrease of 19% compared with HK$6.6 million for the first quarter of 2003. The decrease was mainly a result of effective cost control measurements.

In the first half of 2003, the Group's Mainland China operations incurred a loss of HK$13.6 million (first half of 2002: profit of HK$8.9 million). The loss was mainly due to initial losses incurred by new advertising concessions secured in 2002, such as the Beijing Light Rail concession, 300 buses in Guangzhou and 2,000 buses in Beijing, a drop in turnover as a result of the outbreak of SARS and higher marketing expenses. For new media, it usually takes time to market the sites to increase the occupancy rates of the site and losses are normally expected at the initial stage of operation. With the SARS effect, particularly in the cities such as Beijing and Guangzhou, where the new media is located, sales efforts are facing an even bigger challenge.

To minimize the impact of SARS, in the second quarter, the Group implemented certain measures including overhead control, reduction in number of employees and employment of high quality sales professionals to strengthen the sales force. As a result, the loss of HK$3.1 million for the second quarter of 2003 was less than the loss of HK$10.5 million for the first quarter of 2003.

Hong Kong operations

Turnover from the Hong Kong operations for the first half of 2003 amounted to HK$30.8 million, a decrease of 13% compared with the first half of 2002. Turnover from the Hong Kong operations for the second quarter of 2003 amounted to HK$13.6 million, a decrease of 21% compared with the first quarter of 2003. The decrease was due to the outbreak of SARS and a decreasing number of media spaces upon expiry of some site rental contracts. The spread of SARS started off in the first quarter and reached its peak in the second quarter of 2003. For fear of being infected, people chose to stay at home, and the Hong Kong economy grounded to a halt during April and May.

Due to the impact of SARS , air traffic dropped by over 80% during April to May 2003. Hence, advertising revenue generated from the Airport Express Line ("AEL") for the second quarter of 2003 dropped by 39% compared with the fourth quarter of last year. Some long term advertising contracts were either shortened or cancelled by some advertisers, and hence, the revenue growth of AEL has been hampered.

To improve the performance of the Hong Kong operations, management exercised a series of cost reduction measures, including redundancies carried out in the Hong Kong office during the second quarter. Staff costs for the second quarter were therefore slightly increased as compared to the first quarter due to one-off severance payments made.

More than half of the existing site rental contracts, including most of the loss-making site rental contracts, will expire in 2003. The Group has taken the opportunity to review and identify those outdoor advertising media which are more cost-effective and less risky so as to reduce fixed costs. The Group believes the lowering of guaranteed payments for advertising sites and overheads will be effective in helping it to maintain its strong competitive edge in Hong Kong, as well as improving the returns in the future.

Going forward, the Group will avoid entering into site rental contracts requiring high fixed guaranteed payments and be very cautious in renewal of such expiring contracts.

Corporate

Corporate overheads for the first half of 2003 amounted to HK$2.4 million, maintained at the same level of the first half of 2002. During the first half of 2003, the majority shareholder waived 50% of the interest payable on the Convertible Bond for 2003 and, similarly the chairman and two executive directors waived all their directors' remunerations for 2003. Such waivers demonstrate the majority shareholder's continuous support to the Group from the majority shareholder and directors under the SARS crisis.

OUTLOOK

Following the successful containment of the SARS outbreak, the economy in Greater China and market sentiment has been gradually returning to normal in the past month. The Group anticipates that the overall outdoor advertising market will gradually improve in the second half of this year.

Mainland China

With the continuing growth of the China market and the Group's new media becoming more mature and increasingly accepted by advertisers and with better co-ordinated efforts from the sales teams after the realignment of the Shanghai and Beijing offices, the Group expects an improvement in revenue in the second half of the year.

Building on its existing extensive media network throughout Mainland China and Hong Kong, the Group is carefully selecting further advertising media which will enhance its asset values while also complementing and extending its current portfolio. In view of encouraging results achieved from the Group's two metro joint ventures, the Group, recently secured the exclusive advertising rights to the Xin Min Line, an extension line of Shanghai Metro Line 1, for a term of 10 years. The Group considers that the exclusive advertising rights to the Xin Min Line will create synergy with the Group's present metro media in Shanghai Metro Line 1.

Metro systems have proven to be one of the most powerful advertising channels as they allow advertisers to present highly visible and attention grabbing marketing campaigns to hundreds of thousands of potential customers. As such, the Group will continue to evaluate and secure exclusive advertising rights in metro media in major cities as and when such opportunities arise from time to time, such as Nanjing and Shenzhen, provided they meet with the Group's prevailing investment criteria.

In order to further broaden the client base outside Greater China, the Group intends to seek strategic alliances with overseas outdoor advertising operators, so that the Group will become their preferred outdoor advertising agency in Mainland China. These relationships will also facilitate the Group's overseas media placement which will extend the Group's services to its clients in Mainland China.

Hong Kong

Late June this year, the Peoples' Republic of China and its Hong Kong signed the Mainland/Hong Kong Closer Economic Partnership Arrangement ("CEPA"), aimed at strengthening trade and investment cooperation and promoting joint development of the two sides. The Group anticipates that the economy as well as the outdoor advertising market of Hong Kong will benefit from CEPA. The Group therefore expects its revenue from the remaining sites in Hong Kong to improve in the second half of 2003. The Group's advertising revenue from AEL showed an improvement since July as the passenger traffic volume has returned to a level close to that before the outbreak of SARS.

Overall

Looking forward, the Group will continue its ongoing overhead control measures while also focusing on increasing value and returns from its media.

Financial Position

	For the six months ended 30th June,	
	2003	2002
	HK$'000	*HK$'000*
Net cash generated from operations	**18,347**	27,566
Tax paid	**(1,497)**	(2,342)
Net cash inflow from operating activities	**16,850**	25,224
Increase in pledged deposits	**(6,974)**	(44,632)
Interest received	**1,817**	2,160
Payment for acquisition of subsidiary	**–**	(3,500)
Payment for acquisition of fixed assets and advertising rights net of proceeds from disposal of fixed assets	**(48,905)**	(13,208)
Net cash outflow from investing activities	**(54,062)**	(59,180)
Increase in /(repayment of) bank loans	**25,249**	(9,949)
Interest paid	**(6,763)**	(4,805)
Dividends paid to minority shareholders	**–**	(2,663)
Net proceeds raised from listing	**–**	212,411
Net cash inflow from financing activities	**18,486**	194,994
(Decrease)/increase in cash and cash equivalents	**(18,726)**	161,038
Cash and cash equivalents at 1st January	**161,409**	45,257
Effect of foreign exchange rate changes	**(946)**	–
Cash and cash equivalents at 30th June	**141,737**	206,295

The Group continues to be in a stable and healthy financial position. Cash generated from operations for the first half of 2003 amounted to HK$18.3 million. Cash and bank balances at 30th June, 2003 amounted to HK$141.7 million (31st December, 2002: HK$161.4 million). Pledged deposits with banks for banking facilities made available to the Group as at 30th June, 2003 amounted to HK$203.4 million (31st December, 2002: HK$196.4 million). The increase in pledged deposits of HK$7.0 million was mainly for securing additional bank loans of HK$25.2 million for the investment in the alliance with STA to develop billboard media in Shanghai.

As at 30th June, 2003, other than bank loans, the Group only had a long-term Convertible Bond of HK$85.0 million issued to the majority shareholder. The current ratio was 121% with HK$494.8 million of current assets against HK$407.3 million of current liabilities. As at 30th June, 2003, the Group was in a net cash position which was calculated as the cash and cash equivalents plus pledged bank deposits less bank loans and the Convertible Bond.

The Group's assets, liabilities, revenues and expenses are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The exchange rate between Hong Kong dollars and United States dollars is pegged and the exchange rate between Renminbi and Hong Kong dollars has been very steady in the past few years. During the first half of 2003, the Group normally used the receipts from customers and bank loans to pay its suppliers and meet its capital requirements. These are denominated in the local currency of the place in which its joint ventures operate. The Group does not currently engage in hedging to manage possible exchange risk as the Group considers the cost associated with such hedging arrangements would exceed the benefits. However, the management will continue to monitor the relevant circumstances and will take such measures as it deems prudent.

The consolidated net asset value of the Group as at 30th June, 2003 was HK$425.8 million or HK$0.5 per share. Additions to fixed assets in the first half of 2003 amounted to HK$1.9 million and additions to advertising rights amounted to HK$67.5 million mainly related to advertising rights to additional buses in Shanghai secured in 2002.

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 business operations.

The debt maturity profile of the Group as at 30th June, 2003 is analysed as follows:

Type of debt	**Debt maturity**	*HK$ Million*	%
Short term bank loans	Repayable within 1 year	257.4	75
Convertible Bond	Repayable over 1 year to 3 years	85.0	25
Total:		342.4	100

Out of the total borrowings of HK$342.4 million, HK$251.6 million was denominated in Renminbi and HK$90.8 million was denominated in Hong Kong Dollars. Bank loans of HK$257.4 million as at 30th June, 2003, were secured by cash deposits of HK$199.5 million. Interest rates for bank borrowings denominated in Hong Kong dollars were at 0.75% over the bank's funding rate and interest rates for bank borrowings denominated in Renminbi ranged from 90% of the lending rate of the People's Bank of China ("PBOC") to 120% of lending rate of the PBOC.

Treasury Policies

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

Employee information

The Group had a total of 256 (30th June, 2002: 257) employees, of which 236 (30th June, 2002: 227) were located in Mainland China and 20 (30th June, 2002: 30) in Hong Kong, at 30th June, 2003. Total salaries and related costs incurred in the first half of 2003 including Director's emoluments, amounted to HK$15.7 million (first half of 2002: HK$16.4 million).

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

The Group has adopted a share option scheme whereby selected employees of the Group may be granted share options to subscribe for shares of the Company for the purpose of recognizing 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

For the six months ended 30th June, 2003, the Group made a capital investment of HK$1.1 million to fund the establishment of a joint venture in Shenzhen to explore opportunities in the southern part of the Mainland China.

During the same period, the Group also entered into a strategic long time alliance with Shanghai Tulip Advertising Co., Ltd., one of the major outdoor advertising media players in Shanghai for co-operation in planning, development, management and marketing of outdoor advertising media including billboards, neon signs, unipoles and large scale display screens in Shanghai.

Apart from the above, the Group had no other significant investments.

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, 2003 to 30th June, 2003 ("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
Addition of advertising concessions for a new metro line in eastern PRC. The new metro line is still under construction and is expected to be completed by late 2002.	Subsequent to the Review Period, the Group secured the extension line (Xin Min Line) of Shanghai Metro Line 1 for a term of 10 years.
Continued expansion of the existing metro system network by securing additional concessions in southern PRC.	As certain metro systems in southern China are still under construction, the Group's expansion plans for metro systems have been deferred. The Group intends to secure additional metro advertising concessions in southern China provided that the projected investment returns match the Group's criteria.
Continued expansion of the existing bus advertising network by securing approximately 500 to 600 additional buses in eastern PRC, 100 to 200 buses in northwestern PRC, 50 to 100 additional buses in southern PRC and 30 to 50 additional buses in northeastern PRC.	Due to the unexpected outbreak of SARS, the Group has been cautious in its expansion of the existing advertising network during the review period.
Introduction of approximately 800 to 1,000 taxi-top advertising panels in Shanghai and continued exploration of opportunities in other cities where the Group has a permanent establishment.	In view of other attractive opportunities in the transport segment, the timing for introduction of taxi-top advertising in Shanghai and in other cities is being reassessed.
Continued expansion of LED advertising network by installing one to two additional LED in Shanghai.	During the review period, the Group, through its alliance with Shanghai Tulip Advertising Co., Ltd, has expanded its billboard advertising network and the construction of a large scale LED in Shanghai is being planned.
Continued expansion of the shopping mall digital display advertising system in Shanghai, Nanjing, Chongqing and Chengdu and exploration of opportunities in other parts of the PRC.	Due to the unexpected outbreak of SARS, the Group has been cautious in its expansion strategies during the review period.

USE OF PROCEEDS

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

During the period from 1st January, 2003 to 30th June, 2003, the Group has incurred the following amounts to achieve the business objectives as set out in the Announcement of the Company dated 24th January, 2002:–

	As stated in the Announcement of the Company dated 24th January, 2002 *HK$ million*	**Utilized during the period from 1st January, 2003 to 30th June, 2003** ***HK$ million***	**Accumulated utilization at 30th June, 2003** ***HK$ million***
Expand the existing advertising media network and develop new advertising media	40	**-**	**40**
Secure new advertising concessions in the metro and light rail systems in the PRC	122	**9**	**24**
Establishment of joint ventures in Shenzhen, Chengdu and Guangzhou	7	**1**	**4**
Placed as pledged deposits	35	**-**	**35**
General working capital	9	**4**	**9**
	213	**14**	**112**

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

INTERIM RESULTS FOR THE PERIOD ENDED 30TH JUNE, 2003 – UNAUDITED

The Board of Directors (the "Board") of Media Partners International Holdings Inc. (the "Company") presents herewith the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three and six months ended 30th June, 2003 – UNAUDITED

		For the three months ended 30th June,		For the six months ended 30th June,	
		2003	2002	**2003**	2002
	Note	***HK$000***	*HK$000*	***HK$000***	*HK$000*
Operating revenue					
Turnover	*2*	**61,149**	76,213	**124,690**	140,043
Other revenue		**5,622**	6,436	**8,687**	9,948
Other net income		**-**	-	**-**	205
Operating expenses					
Site rental		**(25,917)**	(24,387)	**(53,992)**	(43,808)
Other direct costs		**(23,060)**	(32,316)	**(46,367)**	(56,823)
Staff costs		**(5,781)**	(8,407)	**(15,724)**	(16,396)
Depreciation and amortization		**(9,587)**	(9,369)	**(18,821)**	(18,840)
Other operating expenses		**(8,919)**	(6,238)	**(16,535)**	(11,317)
(Loss)/profit from operations		**(6,493)**	1,932	**(18,062)**	3,012
Finance costs	*3(a)*	**(3,674)**	(2,421)	**(6,763)**	(4,806)
Share of profits less losses of associates		**184**	310	**354**	651
Share of profits less losses of jointly controlled entities		**6,216**	3,809	**7,468**	5,434
(Loss)/profit from ordinary activities before taxation	*3*	**(3,767)**	3,630	**(17,003)**	4,291
Taxation	*4*	**(4,200)**	(4,315)	**(6,118)**	(6,319)
Loss from ordinary activities after taxation		**(7,967)**	(685)	**(23,121)**	(2,028)
Minority interests		**(399)**	(1,327)	**(1,128)**	(1,833)
Loss attributable to shareholders		**(8,366)**	(2,012)	**(24,249)**	(3,861)
Loss per share – Basic	*5*	**(1.0 cents)**	(0.3 cents)	**(2.8 cents)**	(0.5 cents)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003 – UNAUDITED

	Share capital	Share premium	Merger reserves	Other capital reserves	Exchange reserves	Revenue reserves	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2002	–	–	255,466	(61,518)	–	(33,998)	159,950
Capitalization of shareholders' loans	63,900	42,078	–	–	–	–	105,978
Issue of Placing shares	21,380	213,800	–	–	–	–	235,180
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
At 1st January, 2003	85,380	233,715	255,366	(61,518)	–	(63,939)	449,004
Movements arising from changes in exchange rates	–	–	–	–	1,065	–	1,065
Net loss for the period	–	–	–	–	–	(24,249)	(24,249)
At 30th June, 2003	85,380	233,715	255,366	(61,518)	1,065	(88,188)	425,820

CONSOLIDATED BALANCE SHEET
At 30th June, 2003 – UNAUDITED

	Note	30th June, 2003 HK$'000	31st December, 2002 HK$'000
Non-current assets			
Fixed assets	7	14,593	15,067
Interest in associates		3,011	2,786
Interest in jointly controlled entities		66,146	61,595
Amount due from a jointly controlled entity		18,868	18,692
Advertising rights	8	306,952	253,929
Other investments	9	35,849	–
Goodwill		2,713	2,873
		448,132	354,942
Current assets			
Accounts receivable	10	38,296	46,475
Other receivables, deposits and prepayments		91,526	107,980
Amounts due from jointly controlled entities		11,262	9,198
Amounts due from minority shareholders		8,094	3,746
Amounts due from related companies		458	459
Pledged bank deposits		203,420	196,446
Cash and cash equivalents		141,737	161,409
		494,793	525,713
Current liabilities			
Bank loans		257,402	232,153
Accounts payable	11	64,746	22,507
Other payables, deposits and provisions		53,932	57,641
Amounts due to jointly controlled entities		23,126	10,340
Amounts due to related companies		6,158	3,074
Taxation		1,956	603
		407,320	326,318
Net current assets		87,473	199,395
Total assets less current liabilities		535,605	554,337
Non-current liabilities			
Convertible bond	12	85,000	85,000
Deferred taxation		45	–
		85,045	85,000
Minority interests		24,740	20,333
NET ASSETS		425,820	449,004
CAPITAL AND RESERVES			
Share Capital	13	85,380	85,380
Reserves	14	340,440	363,624
		425,820	449,004

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th June, 2003 – UNAUDITED

	For the six months ended 30th June, 2003	2002
	HK$'000	*HK$'000*
Net cash from operating activities	**16,850**	25,224
Net cash used in investing activities	**(54,062)**	(59,180)
Net cash generated from financing activities	**18,486**	194,994
Net(decrease)/increase in cash and cash equivalents	**(18,726)**	161,038
Cash and cash equivalents at 1st January,	**161,409**	45,257
Effect of foreign exchange rate changes	**(946)**	–
Cash and cash equivalents at 30th June,	**141,737**	206,295

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT:

1. Principal accounting policies and basis of presentation

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

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

The financial information relating to the financial year ended 31st December, 2002 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st December, 2002 are available from the Company's principal place of business in Hong Kong. The auditors have expressed an unqualified audit opinion on those financial statements in their report dated 19th March, 2003.

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

The same accounting policies adopted in the consolidated financial statements of the Group for the year ended 31st December, 2002 have been applied to the interim financial report.

The Group has adopted the revised Statement of Standard Accounting Practice 12 "Income taxes" ("SSAP12") which became effective on 1st January, 2003. The adoption of the revised SSAP12 has no material effect on the Group's financial results for the six months ended 30th June, 2003.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position of the Group since the 2002 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. (Loss)/profit from ordinary activities before taxation

(Loss)/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,	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(a) Finance costs:				
Interest on bank advances and other borrowings repayable within five years	**3,376**	1,872	**6,174**	3,750
Interest on the Convertible Bond	**287**	522	**550**	1,007
Other borrowing costs	**11**	27	**39**	49
	3,674	2,421	**6,763**	4,806
(b) Other items:				
Staff retirement scheme contributions	**240**	595	**1,004**	1,131
Exchange loss/(gain)	**(163)**	34	**(153)**	72
Auditors' remuneration	**426**	(63)	**669**	142
Operating lease charges				
– properties	**1,382**	1,059	**2,783**	1,983
– site rentals	**25,917**	24,387	**53,992**	43,808
Provision for bad debts	**2,166**	1,277	**2,025**	1,362
Depreciation of fixed assets	**1,090**	1,271	**2,481**	2,748
Amortization of advertising rights	**8,417**	8,072	**16,180**	16,066
Amortization of goodwill	**80**	26	**160**	26

4. Taxation

	For the three months ended 30th June,		For the six months ended 30th June,	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provision for Hong Kong Profits Tax for the period	**-**	–	**-**	–
Overprovision for Hong Kong Profits Tax relating to prior periods	**-**	(9)	**-**	–
PRC Taxation	**2,143**	2,757	**3,235**	3,721
Deferred taxation	**45**	–	**45**	–
Share of taxation of jointly controlled entities	**1,920**	1,514	**2,709**	2,457
Share of taxation of associates	**92**	53	**129**	141
	4,200	4,315	**6,118**	6,319

In March 2003, the Hong Kong SAR Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16.0% to 17.5%. This increase is taken into account in the preparation of the Group's 2003 financial statements.

Taxation for subsidiaries and jointly controlled entities operating in the People's Republic of China ("the PRC") except noted hereinafter is calculated at 33% (2002: 33%) of the estimated assessable profits of these entities for the six months ended 30th June, 2003.

Pursuant to the relevant laws and regulations in the PRC, Chongqing MPI Public Transportation Advertising Co., Ltd. ("CQMPI"), a non-wholly owned subsidiary of the Group is entitled to a reduction in the applicable rate of PRC Foreign Enterprises Income Tax ("PRC FEIT") from 33% to 30% for two years commencing from its first profit-making year of operations (i.e. for the years ended 31st December, 2001 and 2002) and, thereafter, it is entitled to a reduction in the applicable rate of PRC FEIT from 33% to 31.5% for the following three years, with effect from the year ending 31st December, 2003.

The Group has not accounted for the deferred taxation assets attributable to the future benefit of tax losses in respect of the Hong Kong operations as the availability of future taxable profits from the Hong Kong operations against which the assets can be utilized is uncertain at 30th June, 2003.

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

5. Loss per share

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK$24,249,000 (30th June, 2002 : HK$3,861,000) and the weighted average of 853,800,000 ordinary shares (30th June, 2002 : 790,120,442 ordinary shares) outstanding.

(b) *Diluted loss per share*

Diluted loss per share for the six months ended 30th June, 2003 and 2002 are the same as the basic loss per share because there was no dilutive effect in existence during the respective periods.

6. Segmental information

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

The Group's geographical segments are classified according to the location of the advertisements placed by customers and the location of the provision of advertising and related services rendered to customers.

	For the six months ended 30th June,							
	Hong Kong		Mainland China		Unallocated		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**30,788**	35,476	**93,902**	104,567	**-**	–	**124,690**	140,043
Other revenue	**175**	264	**8,301**	8,595	**211**	1,089	**8,687**	9,948
Total revenue	**30,963**	35,740	**102,203**	113,162	**211**	1,089	**133,377**	149,991
Segment result and (loss)/profit from operations	**(8,355)**	(10,780)	**(7,839)**	15,100	**(1,868)**	(1,308)	**(18,062)**	3,012
Finance costs	**(107)**	(132)	**(6,106)**	(3,667)	**(550)**	(1,007)	**(6,763)**	(4,806)
Share of profits less losses of associates	**354**	651	**-**	–	**-**	–	**354**	651
Share of profits less losses of jointly controlled entities	**-**	–	**7,468**	5,434	**-**	–	**7,468**	5,434
(Loss)/profit from ordinary activities before taxation	**(8,108)**	(10,261)	**(6,477)**	16,867	**(2,418)**	(2,315)	**(17,003)**	4,291
Taxation	**(167)**	(141)	**(5,951)**	(6,178)	**-**	–	**(6,118)**	(6,319)
(Loss)/profit from ordinary activities after taxation	**(8,275)**	(10,402)	**(12,428)**	10,689	**(2,418)**	(2,315)	**(23,121)**	(2,028)
Minority interests	**29**	–	**(1,157)**	(1,833)	**-**	–	**(1,128)**	(1,833)
(Loss)/profit attributable to shareholders	**(8,246)**	(10,402)	**(13,585)**	8,856	**(2,418)**	(2,315)	**(24,249)**	(3,861)

7. Fixed assets

During the six months ended 30th June, 2003, additions to computer equipment and other fixed assets amounted to HK$1,495,000 and HK$443,000 respectively. The depreciation charge amounted to HK$2,481,000 for the six months ended 30th June, 2003.

8. Advertising rights

	HK$'000
Cost:	
At 1st January, 2003	393,666
Additions	67,541
Exchange difference	2,176
At 30th June, 2003	463,383
Accumulated amortization:	
At 1st January, 2003	139,737
Charge for the period	16,180
Exchange difference	514
At 30th June, 2003	156,431
Net book value:	
At 30th June, 2003	306,952
At 31st December, 2002	253,929

9. Other investments

Other investments represent an amount of approximately HK$35,849,000 (RMB38,000,000) paid to an independent third party in respect of a commercial arrangement for the planning, development and marketing of certain existing and future advertising media in Shanghai. Barring unanticipated development, it is the present intention of the Group to replace the current commercial arrangement by establishing a joint venture in the foreseeable future subject to and in compliance with the prevailing PRC legislation and government policies.

10. Accounts receivable

At 30th June, 2003, accounts receivable amounted to HK$38,296,000 (31st December, 2002: HK$46,475,000). The ageing analysis of accounts receivable is as follows:

	30th June, 2003 *HK$'000*	31st December, 2002 *HK$'000*
Current	**13,538**	15,968
1 to 3 months	**14,177**	16,164
More than 3 months	**10,581**	14,343
	38,296	46,475

11. Accounts payable

At 30th June, 2003, accounts payable amounted to HK$64,746,000 (31st December, 2002: HK$22,507,000). The ageing analysis of accounts payable is as follows:

	30th June, 2003 *HK$'000*	31st December, 2002 *HK$'000*
Current	**13,008**	6,211
1 to 3 months	**36,285**	5,364
More than 3 months	**15,453**	10,932
	64,746	22,507

12. Convertible Bond

	30th June, 2003 *HK$'000*	31st December, 2002 *HK$'000*
Convertible Bond	**85,000**	85,000

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

The holders of the Convertible Bond have the right to convert part or all of the Convertible Bond into shares of the Company at a price equivalent to 110% of the Issue Price of HK$1.10 per share.

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

13. Share capital

There were no movements in the share capital of the Company during the six months ended 30th June, 2003.

No options were granted during the six months ended 30th June, 2003.

As at 30th June, 2003, the number of shares under option outstanding totalled 16,638,000. During the six months ended 30th June, 2003, an aggregate of 690,000 options lapsed upon the termination of the relevant employees' employment with the Group. No options were exercised during the six months ended 30th June, 2003.

14. Reserves

	Share premium	Merger reserves	Other capital reserves	Exchange reserves	Revenue reserves	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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
At 1st January, 2003	233,715	255,366	(61,518)	–	(63,939)	363,624
Movements arising from changes in exchange rate	–	–	–	1,065	–	1,065
Loss for the period	–	–	–	–	(24,249)	(24,249)
At 30th June, 2003	233,715	255,366	(61,518)	1,065	(88,188)	340,440

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.

	For the three months ended 30th June,		For the six months ended 30th June,	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Loss)/profit for the period is (absorbed)/retained by:				
– The Company and its subsidiaries	**(12,754)**	(4,564)	**(29,233)**	(7,348)
– Associates	**92**	257	**225**	510
– Jointly controlled entities	**4,296**	2,295	**4,759**	2,977
Total	**(8,366)**	(2,012)	**(24,249)**	(3,861)

Included in the figure for revenue reserves at 30th June, 2003 are reserves of HK$2,641,000 (31st December, 2002: HK$2,416,000) attributable to associates and reserves of HK$14,131,000 (31st December, 2002: HK$9,372,000) attributable to the jointly controlled entities.

15. Commitments and contingencies

(i) Commitments under operating leases

At 30th June, 2003, 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, 2003					
	Property		Site rentals		Total	
	Hong Kong	Mainland China	Hong Kong	Mainland China	Hong Kong	Mainland China
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	532	1,236	22,845	20,832	23,377	22,068
After one year but within five years	115	1,298	6,724	101,190	6,839	102,488
After five years	-	-	-	369,615	-	369,615
	647	2,534	29,569	491,637	30,216	494,171

	31st December, 2002					
	Property		Site rentals		Total	
	Hong Kong	Mainland China	Hong Kong	Mainland China	Hong Kong	Mainland China
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	480	1,482	36,636	26,936	37,116	28,418
After one year but within five years	320	-	14,864	102,758	15,184	102,758
After five years	-	-	-	380,564	-	380,564
	800	1,482	51,500	510,258	52,300	511,740

(ii) *Other commitments*

At 30th June, 2003, 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 annual fee in respect of the granting of certain bus media rights. The agreement is for the period from 1st November, 1999 to 22nd September, 2029. HK$5,377,000 (RMB5,700,000) (31st December, 2002: HK$5,327,000) is due within the next twelve months, HK$30,991,000 (RMB32,850,000) (31st December, 2002: HK$28,037,000) is due after one year but within five years and HK$26,887,000 (RMB28,500,000) (31st December, 2002: HK$31,963,000) is due after five years. The aggregate amount payable by the Group to the PRC joint venture partner up to 31st December, 2010 is HK$63,255,000 (RMB67,050,000) (31st December, 2002: HK$65,327,000). For the years from 2011 and onwards, the annual fee will be determined through commercial negotiation between CQMPI and its PRC joint venture partner. In view of the above, the commitments mentioned above have not taken into account the annual fee to be payable by CQMPI to its PRC joint venture partner during the years from 2011 to 2029 as the amounts payable cannot be reasonably estimated.

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

(iii) *Capital commitments*

At 30th June, 2003, the Group had no material capital commitments.

(iv) Contingent liabilities

(a) At 30th June, 2003, the Group had contingent liabilities amounting to HK$7,774,000 (31st December, 2002: HK$4,703,000) 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.

(b) At 30th June, 2003, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries amounted to HK$132,170,000 (31st December, 2002: HK$166,729,000).

16. Material related party transactions

Details of material related party transactions between the Group and related parties were set out in note 38 of the annual report of the Group for the year ended 31st December, 2002 and these transactions continued during the interim period, except for these transactions entered with MTI Administration Limited where MTI Administration Limited agreed to waive administration fee exceeding HK$100,000 for each quarter starting from 1st January 2003 to 31st December 2003. There were no other significant material related party transactions entered into by the Group with related parties during the six months ended 30th June, 2003.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2003 (30th June, 2002: Nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2003, the relevant interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance "SFO") which:–

(a) 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

(b) are required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or

(c) are required, pursuant to rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange

are as follows:–

Interest in the Company

Name of Director	Personal Interest No. of Shares subject to the options granted under the Share Option Scheme	Exercise price	Approximate percentage of shares to be issued as a percentage of the Company's issued share capital as at 30th June, 2003
To Pik Shan, Winnie	8,538,000 *(Notes)*	HK$0.62	1%

Notes:

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

2. As at 1st January, 2003 (being the beginning of the Company's current financial year) and 30th June, 2003 (being the most recent period ended), the outstanding options held by Ms To Pik Shan Winnie under the Company's Share Option Scheme were options for 8,538,000 shares and 8,538,000 shares in the Company respectively. These options were granted on 14th August, 2002, vest over four years and, subject to the terms of the Company's Share Option Scheme, may be exercised from 14th August, 2003 to 13th August, 2012 at an exercise price of HK$0.62 per share.

Save as disclosed herein and as at 30th June, 2003, none of the Directors or chief executive or their respective associates of the Company had any other interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 or Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to rules 5.40 to 5.58 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 30th June, 2003, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and set out below are details of the amount of each of such person's interest in such securities:–

Name		Types of interests held	Approximate percentage of shares to be issued as a percentage of the Company's issued share capital as at 30th June, 2003
MSCV *(note a)*	1.	640,000,000 shares in the Company;	74.96%
	2.	HK$85,000,000 convertible bond exercisable at HK$1.21 per share. When fully converted, a total of 70,247,933 shares in the Company will be issued.	8.23%
Verrall Limited via MSCV *(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.

Notes:

(a) Morningside CyberVentures Holdings Limited ("MSCV") is wholly-owned by Verrall Limited.

(b) Verrall Limited, is the trustee of a discretionary trust established by Mdm Chan Tan Ching Fen, the mother of Gerald Lokchung Chan. None of the discretionary objects of this trust are Directors nor are they otherwise involved in the management of the Group.

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

Save as disclosed above and as at 30th June, 2003, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTION SCHEME

As at 30th June, 2003, the Directors, employees of the Group including its jointly controlled entities and certain other participants had been granted options to subscribe for shares of the Company (market value per share at 30th June, 2003 is HK$0.162). Each option gives the holder the right to subscribe for one share of the Company, details of which as at 30th June, 2003 was as follows:–

			Number of Share Options					
Type of Grantee	Date of grant	Subscription price per share	Outstanding as at 1st January, 2003	Granted during the six months ended 30th June 2003 ("the period")	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30th June, 2003	Option period
Director	14/8/2002	HK$0.62	8,538,000	–	–	–	8,538,000	14/8/2002 to 13/8/2012 *(Note 1a)*
Employees	14/8/2002	HK$0.62	7,090,000	–	–	690,000 *(note 2)*	6,400,000	14/08/2002 to 13/08/2012 *(Notes 1b &1c)*
Other participants	14/8/2002	HK$0.62	1,700,000	–	–	–	1,700,000	14/08/2002 to 13/08/2012 *(Note 1a)*

Notes:

1. The number of shares subject to the option shall vest in four equal annual instalments. The timing of vesting of options at HK$0.62 per share is as follows:–

   (a) the options will vest in four equal annual instalments commencing on the first anniversary date from 14th August, 2002 i.e. one-fourth of the shares subject to the option will vest on 14th August, 2003 with an additional one-fourth of the shares subject to the option respectively vest on each of the next succeeding anniversary dates.

(b) for those grantees who have worked for the Group including its jointly controlled entities for over one year at 14th August, 2002, one-fourth of the shares subject to the option shall vest on the first anniversary date from 14th August, 2002. An additional one-fourth of the shares subject to the option will respectively vest on each of the next three succeeding anniversary dates.

(c) for those grantees who have worked for the Group including its jointly controlled entities for less than one year at 14th August, 2002, one-fourth of the shares subject to the option will vest on the second anniversary date of their respective commencement dates of employment with the Group or its jointly controlled entities. An additional one-fourth of the shares subject to the option will respectively vest on each of the next three succeeding anniversary dates.

2. During the period ended 30th June, 2003, an aggregate of 690,000 options lapsed upon the termination of relevant employees' employment with the Group.

3. No theoretical value of share options is disclosed as no share options were granted during the period.

MANAGEMENT SHAREHOLDERS

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

SPONSOR'S INTEREST

As at 30th June, 2003, 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), at 30th June, 2003, had any interests 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 directly or indirectly.

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

During the six months ended 30th June, 2003, 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. Meocre Kwok Wing Li, Professor Lawrence Juen Yee Lau and Mr. Paul Laurence Saffo.

The Group's unaudited results for the six months ended 30th June, 2003 have been reviewed by the audit committee which has concluded that the preparation of such results complies with applicable accounting standards and requirements and that adequate disclosures have been made.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30th June, 2003, 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, 2003