MediaNation Inc.

(Incorporated in the Cayman Islands with limited liability)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2002

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

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This announcement, for which the directors of MediaNation Inc. ("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 (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification only*

CHAIRMAN'S STATEMENT

This has been a year of change and challenges, as well as opportunities. Important steps were taken to strengthen our senior management, while at the same time ensuring continuity of purpose. In December 2002, Mr. Francis Chu was appointed chief executive officer (CEO) of MediaNation. The board welcomes Mr. Chu who has spent 24 years experience in the advertising industry, and is highly experienced in China.

Mr. Kam Ling and Ms. Summerine Chan, the founders of the business, have vacated their executive positions to become non-executive directors. The board thanks Mr. Kam and Ms. Chan for their contribution to MediaNation's development.

We believe the Company has in place a professional management structure, which will enable us to focus on the core business and enhancing shareholder value. There is now a clear separation of the roles of management and shareholders.

Strengthening Our Operation

Our outdoor advertising franchise in the People's Republic of China (the "PRC") continues to offer outstanding long-term opportunities. One of our most valuable outdoor media properties is our bus advertising portfolio and we will continue to focus on improving the operational performance of this segment.

In the Shanghai Metro Joint Venture, we have officially started advertising operations on Line 3, the Pearl Line. Although the Shanghai metro business incurred losses in 2002, growth potential remains very high.

Our Beijing Metro project achieved higher revenue and profit in 2002 and we expect this to continue in the current year.

As part of our strategy of selectively widening our advertising media assets/portfolio, we have entered into the street furniture market, and have begun building a network of newspaper kiosks in Shanghai. While we encountered some implementation problems that resulted in some delays, we expect better progress in 2003.

The Challenges

The outdoor advertising market in China still presents a very strong growth opportunity for MediaNation, but that growth is also attracting new competitors, both from within the PRC and from outside.

Advertisers are now being offered a wider range of media and formats, such as bicycle shelters, newspaper kiosks, and electronic displays.

Media property owners, including the bus and metro companies, are becoming increasingly aware of the potential advertising value. The market has become more transparent; partly because key players are now listed companies and their revenue figures are publicly available. This awareness has raised the expectations on media rental fees, putting pressure on margins.

Business Review

This has been a difficult year for MediaNation, during which we experienced management turnover and operational issues.

One bright spot is our Beijing Metro Joint Venture, which enjoyed a good year with steadily improving revenue and profits.

The Shanghai Metro recorded losses due to the slow pick-up on Line 3. There were delays in obtaining necessary regulatory approval for the installation of outdoor advertising sites on Line 3.

PRC bus and Hong Kong bus operations had the most problems, mostly related to management issues. Overall revenues in bus operations dropped and resulted in substantial losses and a cash drain on the Group.

The i-Result outdoor media planning and buying project in the PRC failed to meet our expectations and it was decided at the end of 2002 that it was in the best interests of the Company to discontinue the business.

The street furniture project was subject to material delays in the installation of newspaper kiosks and the Red Cross first aid boxes.

While marketing conditions in Hong Kong proved difficult, the quality of the product provided by the Company was recognised by the award in Hong Kong of "Superbrand 2002-2003" to Top Result, the subsidiary that operates within our network.

Vision and Strategy

As a result of the restructuring, MediaNation is now well placed to implement strategies to ensure future growth and overcome the difficulties, which it faced in the year under review. Our new CEO, Mr. Francis Chu, has taken quick action to address the management and operational problems of the Company, and his efforts are already producing tangible results at all of our key divisions. Our key shareholders have expressed strong confidence in the new management team and a willingness to support the Company should it need more financial and other resources.

The priorities this year:

1. Refocus on core business: bus and metro advertising

   - Improve bus revenues. We will take the necessary steps to consolidate our portfolio to improve occupancy and advertising rates. We will also work to re-negotiate contracts for more favourable terms where reasonable.

   - Enhance our performance in the Shanghai Metro Joint Venture and establish optimal levels of return over the year.

   - Increase the growth and profitability of Beijing Metro by building on the solid revenue base and continuing to focus on improvements in efficiencies and economies of scale.

   - Capitalise on the attractive growth potential of the metro business. There are currently a large number of metro projects being planned and constructed.

2. Speed up the rollout of key projects

   - Work to get the newspaper kiosks and Red Cross light boxes fully operational and generating revenue in 2003.

Let me take this opportunity to thank all of our shareholders for their support and patience during this difficult past year. Looking ahead, we are confident that with the support of all key stakeholders, MediaNation will be able to return to steady growth of revenue and profits in the near future.

Sun Qiang, Chang
Chairman

Hong Kong, 27th March 2003

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group operates two core business lines: bus advertising in the PRC and Hong Kong, and metro system advertising. The Group started to expand into the street furniture advertising business in the PRC at the end of 2001. The Group also operated the i-Result business, which offered an integrated outdoor media planning and buying service platform in the PRC.

China

Metro System Advertising

Shanghai Metro advertising operation generated media rental revenue of HK$7.3 million in the fourth quarter and HK$39.3 million in the full year 2002. This represented a growth of 26.4% compared to the revenue of HK$31.1 million in 2001 largely due to the official start-up of advertising operation of Line 3 in 2002. However, as the revenue in its first year of operation was insufficient to cover the media rental cost, Line 3 incurred start-up losses that outweighed the positive contribution from Line 2. The sales performance of Line 3 was lower than expectation as the approval of installing outdoor billboards along this elevated train line, which was originally expected to generate a substantial revenue in 2002, was delayed. Shanghai Metro incurred a loss of HK$20.9 million in 2002 whereas it generated a profit of HK$1.3 million in 2001.

Beijing Metro further increased its sales revenue from HK$24.8 million in the third quarter to HK$30.3 million in the fourth quarter. The full year sales revenue increased to HK$93.2 million, which was a 10.0% increase over last year revenue of HK$84.7 million. The Group's share of net profit of Beijing Metro (after taxation) increased to HK$11.6 million in the year 2002, compared to HK$9.9 million in 2001. Beijing Metro achieved steady growth and continued to provide steady contribution to the Group.

Bus Advertising

The Group's bus advertising business in China encountered a setback in 2002. The media rental revenue under its exclusive concessions declined from HK$181.0 million in year 2001 to HK$144.6 million in year 2002 which was a 20.1% decrease. On the other hand, the concession fees of these exclusive concessions increased substantially due to the increase of bus fleets in operation in 2002 as a result of prior years expansion. Although the outdoor advertising market continues to grow in China, the bus body advertising sector has become increasingly competitive due to increase in bus fleet size and competition from other outdoor media formats. There was pressure on advertising rates that resulted in effective transaction prices in most cities were below the 2001 levels. Occupancy also dropped to an average of approximately 40% in 2002 as compared to 50% in the previous year.

The Group has made a provision of HK$28.8 million for impairment of intangible assets for its PRC bus operation in the fourth quarter. These intangible assets are the up-front investment costs for acquiring advertising licence rights on buses in certain cities in China where the Group estimated the recoverable value on these advertising concessions would be less than the carrying value in the accounts after assessing the current market situation. The Group has also made another provision of approximately HK$28.2 million for the excess of the losses attributable to the minority shareholder of Beijing Top Result Public Transportation Advertising Company Limited (the "Beijing Top Result") over the minority interest in the equity as there is no binding obligation on the minority shareholder to make good the losses incurred.

As a combined result of the above, the reported loss of the PRC bus operations amounted to HK$127.6 million in 2002, which was a big swing from a profit of approximately HK$6.9 million in 2001.

i-Result

The i-Result operation was officially launched in April 2001. However, the revenue generated by the operations remain unsatisfactory. In December 2002, the Group decided to discontinue this operation and made an one time provision of HK$11.7 million in the fourth quarter. For the year 2002, i-Result reported a loss of HK$29.5 million while the loss in 2001 was HK$16.8 million.

Hong Kong

The Group's Hong Kong bus advertising business generated a media rental revenue of HK$21.1 million in the fourth quarter compared to HK$24.1 million in the third quarter. The total revenue was HK$104.5 million in 2002, which was a sharp decrease of 37.6% compared to HK$167.4 million in 2001. However, media costs increased 8.1% from HK$92.2 million in 2001 to HK$99.7 million in 2002 mainly due to the increase in the minimum guaranteed rentals provided for in the concession contracts. As a result, the Hong Kong bus operation incurred a loss of HK$32.8 million in 2002, representing an unfavorable variance of HK$57.1 million from the profit of

HK$24.3 million in 2001. The poor performance was largely due to the sluggish advertising market in Hong Kong and the fixed minimum guaranteed rental that could not be adjusted to reflect the new market environment. The Hong Kong operation was re-organised with a new management team being put in place in the first quarter of 2003.

Street Furniture

In September 2002, the Company launched a pilot campaign promoting the advertising panels on about 200 newspaper kiosks in Shanghai and received favourable response from advertisers. Currently, approximately 700 kiosks are installed in Shanghai with approximately 400 of them equipped with advertising panels. Certain delays have been experienced with the remaining 300 kiosks in the first phase of this project and management is taking steps to resolve outstanding issues. The Group has decided to first ensure a smooth implementation of the initial 1,000 kiosks before advancing the second phase of the project.

For the Red Cross first aid in-mall advertising project, the Group has installed approximately 720 advertising light boxes across China. Implementation has been slower than expected due to management focus on the kiosk project. For this project, the Group will focus on properties not populated by other advertising media and the major cities of Beijing, Shanghai, Guangzhou and Shenzhen.

These two street furniture projects are early stage in nature and incurred start-up loss of approximately HK$8.6 million.

Business Outlook

The outdoor advertising market in China has strong growth prospects and is attracting new domestic and international entrants. Advertisers are now being offered a wider choices of advertising media and formats. Media property owners, including the bus and metro companies, are increasingly aware of the potential advertising value of their properties. The market has matured and also become more transparent. The outdoor advertising market in Hong Kong is hampered by depressed economic factors.

The Group had undergone major management changes in 2002 and now has a new management team in place under the leadership of the new CEO, Mr. Francis Chu, who was appointed in December 2002. Actions have been taken and planned to improve the Group's operating results.

Although Shanghai Metro is still in the start-up process in the short run, management is confident of the continuing revenue growth and long-term profitability of the operation. The performance of Line 3 will be improved with the expected growth of passenger flow when additional new trains are added and approvals for outdoor billboard sites are obtained. Beijing Metro is expected to continue to have steady growth in profit contribution to the Group. The Group is monitoring the expansion of metro systems in China and will selectively pursue profitable potential projects. Metro system advertising is believed to be one of the key growth drivers in the future.

Steps will be taken to consolidate the Group's bus portfolio in the PRC. Contract terms for these bus concessions will be re-negotiated and non-profit making concessions may be cancelled or not renewed as far as practicable. Measures have been taken to enhance the co-ordination of sales efforts and to exert a better control on effective transaction price. A dedicated marketing team has also been set up to promote the bus media and to serve key advertising agencies and clients. The Group will be selective in expanding into new bus concessions and will focus on improving the occupancy and advertising rates of its existing bus portfolio.

For the Hong Kong bus advertising operation, a new management team has been put in place in February 2003. The management is working on major promotional campaigns to rebuild the sales momentum of the bus advertising business in Hong Kong. As one of the bus concessions is due for renewal in 2003, the management has been discussing with the business partner on reasonable renewal terms that reflect the current market conditions. Although the overall economic environment is difficult, management is adjusting the new market environment and committed to improving its operational performance.

The Group continues to work closely on the implementation of the street furniture projects. The targets are to complete installation of the first batch of 1,000 newspaper kiosks and to install approximately 3,800 first aid light boxes in 2003.

FINANCIAL REVIEW

Revenue and Profitability

The Group recorded a turnover of approximately HK$370.7 million for the year ended 31st December 2002, which represented a decrease of 21.8% as compared to approximately HK$473.9 million for the previous year. Total turnover generated from the Hong Kong business decreased from approximately HK$162.4 million last year to HK$108.0 million this year, which represented a drop of 33.5%. Total turnover generated from the PRC business decreased by 15.7% from approximately HK$311.5 million last year to HK$262.7 million this year.

Total turnover for the year ended 31st December 2002 was generated from: (i) bus advertising of approximately HK$319.0 million (86.1% of total turnover); (ii) metro system advertising of approximately HK$43.7 million (11.8% of total turnover); (iii) i-Result business of approximately HK$7.8 million (2.0% of total turnover); and (iv) other operations of HK$0.2 million (0.1% of total turnover).

Cost of sales for the year ended 31st December 2002 increased by 20.2% from approximately HK$355.0 million to approximately to HK$426.6 million. The increase was mainly due to the expanded media portfolio, particularly the start up of the advertising operations of Shanghai metro line 3 and Wuhan bus concessions. Operating lease rental for advertising spaces (also called concession fees) for the year ended 31st December 2002, which is the major component of cost of sales, increased by approximately HK$47.7 million or 25.9% to HK$232.0 million from HK$184.3 million last year. Amortisation of advertising licence rights for the year ended 31st December 2002 increased by 9.3% to HK$68.4 million from HK$62.6 million last year.

For the year ended 31st December 2002, the Group suffered a gross loss of approximately HK$55.9 million versus a gross profit of approximately HK$118.9 million in 2001. Concession fees for the year ended 31st December 2002 increased as a percentage of revenue from 38.8% to 62.6% and the amortisation of advertising licence rights increased as a percentage of revenue from 13.2% to 18.5%. The deterioration of gross margin was mainly attributable to a drop in revenue compared to last year; whereas direct costs increased as a result of expanded media portfolio.

Selling, general and administrative expenses for the year ended 31st December 2002 increased by 61.0% from approximately HK$108.6 million to HK$174.9 million. The increase for the year ended 31st December 2002 was mainly associated with:

(i) the full scale operations of the Shanghai metro system Line 2 and Line 3 in 2002, which accounted for the increase in staff costs and other overhead expenses of approximately HK$8.4 million;

(ii) the official commencement of the Wuhan bus operation in 2002, which accounted for the increase in staff costs and other overhead expenses of approximately HK$5.4 million;

(iii) Digital Photo Limited ("Digital Photo") has become a subsidiary of the Group since 1st May, 2001, of which only eight months' expenses were incorporated in 2001, whilst a whole year expenses were consolidated in 2002; which accounted for the increase in selling, general and administrative expenses of approximately HK$3.9 million;

(iv) the commencement of street furniture project in 2002 i.e. Red Cross first aid boxes and newspaper kiosks, which accounted for the increase in staff costs and other overhead expenses of approximately HK$6.5 million;

(v) owing to management changes and closure of i-Result, the compensation payment to certain directors and employees of approximately HK$5.2 million and HK$1.5 million, respectively;

(vi) additional legal and professional expenses incurred after listing of approximately HK$5.0 million;

(vii) increase in provision for doubtful trade receivables from last year's HK$1.1 million to this year's HK$6.2 million estimated in accordance with the Group's policy; and based on management's estimates for prudence purpose, a provision for non-recoverable deposit of HK$1.7 million in relation to closure of i-Result and a provision for doubtful other receivables of approximately HK$5.3 million owing to uncertainties on its recoverability; and

(viii) increase in depreciation of fixed assets due to expansion of business of approximately HK$5.4 million.

Impairment of Assets

For the year ended 31st December 2002, the Group performed an assessment of the recoverable value of its fixed and intangible assets, including those of i-Result business. The assessment was based on value in use of the assets as determined at the cash generating unit based on the present value of estimated future cash flows. As a result of this assessment, a provision for assets impairment of HK$36.8 million was recognised in respect of the Group's fixed and intangible assets. This included an amount of HK$8.0 million provision for the assets of i-Result business resulted from its closure. The balance of HK$28.8 million provision for impairment on assets was in relation to the advertising licence rights in certain cities of the PRC bus advertising operation.

Finance costs

Finance costs for the year decreased to HK$8.9 million from HK$14.4 million last year which was mainly due to the fact that the convertible loan notes, short-term bank loans and other borrowings were repaid in full by the Group during the year.

Share of Profits Less Losses of Associated Companies

Share of profits of associated companies before taxation increased from approximately HK$16.5 million in 2001 to HK$18.6 million in 2002. Beijing Metro demonstrated continuing improvement and achieved higher revenue and profit in 2002.

Taxation

No provision for Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the year (2001: nil). The joint ventures established in the PRC in which the Group has invested are generally subject to enterprise income tax ("EIT") on their taxable income at a combined national and local tax rate of 33% (2001: 33%). The group's taxation consists primarily of approximately HK$7.0 million EIT levied on profits from an associated company where the EIT rate is 33%.

Minority Interests

Minority interests in the Group's result were substantially increased from a negative of approximately HK$0.3 million in 2001 to a positive of approximately HK$9.2 million in 2002.

Pursuant to general accounting practice, where a subsidiary reports losses, the minority interest presented in the consolidated income statement should reflect an appropriate share of those losses. However, if the recognition of the minority share of such losses results in a debit balance for the minority interest in the consolidated balance sheet, such debit balance should be recognised only if there is a binding obligation on minority shareholders to make good losses incurred which they are able to meet. During the year, the excess of the losses attributable to the minority shareholders over their interests in the equity of the Beijing Top Result and Shanghai Metro was reported as losses of the Group which amounted to HK$28.2 million and HK$6.8 million respectively.

Net Loss Attributable to Shareholders

The Group suffered a net loss for the year ended 31st December 2002 of approximately HK$252.8 million as compared to a net profit of approximately HK$3.5 million in 2001.

Adjusted EBITDA

Adjusted EBITDA represents (loss)/profit from operations excluding (i) depreciation of fixed assets; (ii) amortisation of intangible assets; (iii) interest income and expense; (iv) tax but including the Group's proportionate share of EBITDA (with the same definition) from its associated companies. The Group uses adjusted EBITDA to measure its performance:-

	For the year ended 31st December 2002 *HK$'million*	**For the year ended 31st December 2001** *HK$'million*
Adjusted EBITDA	(160.3)	105.4
Adjusted EBITDA before provision for doubtful debts & impairment of assets	(107.6)	107.0

Financial Resources, Security and Liquidity

The Group had net assets of approximately HK$465.4 million as at 31st December 2002 (2001: HK$323.9 million), including cash and bank balances of approximately HK$30.6 million (2001: HK$18.9 million) and pledged bank deposits of approximately HK$0.2 million (2001: HK$19.5 million).

As at 31st December 2002, the Group had outstanding borrowings of approximately HK$0.1 million (2001: approximately HK$221.0 million) representing an unsecured bank overdraft. During the year, the Group had repaid: (i) obligations under finance leases of approximately HK$0.9 million; (ii) short-term bank loans of approximately HK$56.6 million; (iii) short-term loans from financial institutions of approximately HK$27.0 million before the due date; (iv) short-term loan from a third party of HK$19.5 million before the due date; and (v) convertible loan notes of approximately HK$117.0 million.

As at 31st December 2002, the Group had aggregate credit facilities of approximately HK$15.0 million (2001: approximately HK$111.1 million), all of which were unutilised at the same date (2001: approximately HK$8.0 million).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 33.0% as at 31st December 2002, compared to 57.7% as at 31st December 2001. The improvement was mainly attributable to the repayment of borrowings of approximately HK$221.0 million as mentioned above.

The Group has a relatively low level of cash balance as at 31st December 2002 and has limited amount of credit facilities available. The Company has taken various steps, including the appointment of a financial advisor to advise the alternative strategies for raising additional capital, to ensure the Group has sufficient financial resources to meet its liabilities as they fall due during the year ended 31st December 2003. Details are contained in Note 1 to the Financial Results section.

Pledge of Assets

As at 31st December 2002, the Group had a pledged bank deposit of HK$0.2 million in connection with a letter of guarantee given to a landlord and a floating charge on certain of the Group's trade receivables which were unutilised at the same date. Save as disclosed, the Group did not have any pledged assets.

Assets

The total assets of the Group decreased by 11.2% from approximately HK$783.7 million in 2001 to HK$695.8 million in 2002. It was mainly due to:

(i) the assessment of its recoverable value on the Group's fixed and intangible assets, of which the management took a conservative approach to make a provision for impairment of approximately HK$36.8 million;

(ii) decrease in trade receivables (net of provision for bad debts) by HK$49.3 million due to the lower level of sales revenue.

The Group's trade receivables were outstanding for an average of 83 days of sales (2001: 72 days).

Material Investments/Acquisitions/Disposals

On 2nd December 2002, the Group approved to close the i-Result business, as the i-Result business has been continuously loss making since its inception in 2001. The i-Result business provides outdoor media planning and buying services, outdoor media market information in the PRC, and third party outdoor media monitoring services.

The Group had made a provision for the impairment of the i-Result business's fixed and intangible assets of approximately HK$8.0 million. The involuntary severance and termination benefits payable to those made redundant in accordance with the relevant laws in the PRC and other exit costs of approximately HK$1.5 million and HK$0.5 million respectively, have been recognised in the current year. The Group had also made a provision for non-recoverable deposit of HK$1.7 million pursuant to the management's estimate on the basis of uncertainty in recovering this deposit resulted from the i-Result business closure. Although these exit costs had a material one-time impact on the Group's current year result, the management believes the closure will not have a material adverse impact on the financial strength of the Company, but instead is one of the necessary steps to improve the Group's near term financial performance.

Save as disclosed, the Group made no material acquisition or disposal during the year. As at 31st December 2002, the Group had no future plans for material investments or capital assets.

Employees

As at 31st December 2002, the Group had 730 (2001: 747) employees. The total employee remuneration, including that of the directors, for the year ended 31st December 2002 amounted to approximately HK$91.3 million (2001: HK$59.0 million). The substantial increase in employee remuneration was mainly due to expansion of the China operations, particularly Shanghai Metro and i-Result businesses in the middle of 2001. The Group remunerates its employees based on their performance, experience and prevailing industry practice. In addition, the Group also has a medical scheme and a share option scheme for directors and employees.

Foreign Currency Translation and Treasury Policies

All transactions of the Group are denominated in Hong Kong dollars, Renminbi or United States dollars. As the exchange rates of these currencies were stable during the year, no hedging or other alternatives had been implemented. The Group considers the only potential currency exposure is in Renminbi as the majority of the Group's revenue is derived inside the PRC and is denominated in Renminbi. Currently, the market does not anticipate any material devaluation pressure on Renminbi in the near future and therefore the management believes the Group has no significant currency exposure.

It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group does not engage in foreign currency speculative activities.

Contingent Liabilities

As at 31st December 2002, the Company has no material contingent liabilities.

FINANCIAL RESULTS

The directors of MediaNation Inc. (the "Company") announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2002, together with the audited comparative figures for the year ended 31st December 2001 as follows:

	Note(s)	**2002** *HK$'000*	**2001** *HK$'000* *(Note 7)*
Turnover	2	370,672	473,882
Cost of sales		(426,593)	(354,996)
Gross (loss)/profit		(55,921)	118,886
Other revenue	2	3,259	1,553
Selling, general and administrative expenses		(174,873)	(108,564)
Impairment of assets		(36,793)	—
Operating (loss)/profit	2, 3	(264,328)	11,875
Finance costs		(8,853)	(14,412)
Share of profits less losses of associated companies		18,574	16,530
(Loss)/profit before taxation		(254,607)	13,993
Taxation			
- The Company and subsidiaries		(442)	(3,552)
- An associated company		(6,973)	(6,713)
	4	(7,415)	(10,265)
(Loss)/profit after taxation		(262,022)	3,728
Minority interests		9,239	(267)
Net (loss)/profit attributable to shareholders		(252,783)	3,461
Dividend		—	—
(Loss)/earnings per share (HK cents)			
- Basic	5	(42.68)	0.80
- Diluted	5	N/A	0.76

NOTES:

1. **Organisation, basis of presentation and modification on auditors' opinion**

The Company was incorporated in the Cayman Islands on 27th February 1995 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

The Company's ordinary shares have been listed on the GEM of the Exchange since 24th January 2002.

On 1st July 2000, the Company disposed of its 100% equity interest in Top Result Interactive Limited ("TRI") to the shareholders of the Company at cost. The shareholders of the Company held the same percentage of equity interests in TRI as their equity interests in the Company. On 30th June 2001, the Company acquired the entire share capital of TRI through a share exchange ("Reorganisation") and consequently became the holding company of the companies now comprising the Group (including TRI).

The Reorganisation involved companies under common control and has been accounted for as a reorganisation of the Group as a continuing entity. The consolidated accounts for the year ended 31st December 2001 have been prepared using merger basis of accounting in accordance with the Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions" as if the current group structure had been in existence since 1st January 2001.

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

The accounts have been prepared on a going concern basis, the validity of which depends on the availability of necessary financial resources. The Group incurred a substantial loss that resulted in a substantial cash outflow during the year ended 31st December 2002 and had net current liabilities of approximately HK$96,036,000 as at 31st December 2002, as well as commitments that are payable in the next twelve months. The following steps have been taken to ensure the Group has sufficient financial resources to meet its liabilities as they fall due during the year ended 31st December 2003.

(i) In March 2003, two substantial shareholders, Warburg Pincus Ventures, L.P. and SMI Investors (PAPE II) Limited, have advanced HK$20 million each (totaling HK$40 million) to the Company as unsecured loans. The Company shall repay the loans on 31st March 2004 or within five business days after the date on which all the proceeds of the proposed fund raising exercise of the Company (as referred to in (iii) below) are actually received by the Company, whichever is the earlier.

(ii) The Group has taken various measures, including but not limited to the changes in its management team (including the appointment of a new Chief Executive Officer) and the discontinuation of the loss making i-Result business in December 2002 as detailed in its public announcement dated 10th February 2003. These measures are intended to improve the cash flow position of the Group.

(iii) The Company is now considering several possible fund raising arrangements so as to support its future operations for at least the next twelve months. In January 2003, the Company appointed Anglo Chinese Corporate Finance, Limited to advise it on the alternative strategies for raising additional capital, which includes the possibility of an open offer (as mentioned in the Company's public announcement dated 10th February 2003). In the event that the Company proceeds with an open offer and subject to obtaining the necessary shareholders' approval, the two abovementioned shareholders have undertaken that they will take up the shares offered thereunder. An announcement setting out the particulars of the fund raising exercise will be issued by the Company as soon as practicable.

(iv) If the Company does not proceed with an open offer as mentioned in (iii) above or if the open offer is not completed, the Company intends to obtain alternative funding in order to meet its financial obligations as and when they fall due. The two abovementioned shareholders have indicated that they would be willing to give their support to the Company based upon terms agreeable to them and where it would be practicable to do so.

The directors are of opinion that it is appropriate for the Group's accounts to be prepared on the going concern basis in view of the foregoing measures to enhance the Group's financial resources.

In the auditors' report, the auditors modified their report to draw the shareholders' attention to the fundamental uncertainty relating to the going concern basis and have included the following paragraph:

"FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of disclosures made in the accounts concerning the adoption of the going concern basis for preparation of the accounts. As explained in Note 1 to the accounts, the accounts have been prepared on a going concern basis, the validity of which is dependent upon a number of factors, in particular, the future funding from its shareholders being available and the achievement of the expected outcome of measures taken by its management team to improve the cash flow position of the Group. The accounts do not include any adjustments that would result from a failure of the Group to operate as a going concern. Should the going concern basis not be valid, adjustments would have to be made to reduce the value of all assets of the Group to their recoverable amounts, to provide for any further liabilities for the Group which might arise and to reclassify the non-current assets of the Group as current assets and the long-term liabilities as current liabilities. We consider that the fundamental uncertainty has been properly accounted for and disclosed in the accounts and our opinion is not qualified in this respect."

2. **Turnover, revenue and segment information**

The Group is principally engaged in the provision of outdoor advertising media services in Hong Kong and the PRC. Revenues recognised during the year are as follows:

	2002	**2001**
	HK$'000	*HK$'000*
Turnover		
Media rental	284,904	370,891
Production income	74,993	81,861
Agency commission income	9,726	12,041
Media consultancy services income	1,049	9,089
	370,672	473,882
Other revenue		
Interest income from bank deposits	2,126	1,553
Interest income from long-term deposits	1,122	—
Interest income from trade receivables	11	—
	3,259	1,553
Total revenue	373,931	475,435

An analysis of the Group's segment information is as follows:

During the year the Group restructured its internal financial reporting. The Group has determined that geographical segments be presented as the primary reporting format (2001: business segments (media rental, advertising production services, agency services and media consultancy services)) and business segments as the secondary reporting format (2001: geographical segments). Management considers this new reporting format gives a fairer presentation of its business focus.

(a) **Primary reporting format - geographical segments**

The Group's principal activities are conducted mainly in Hong Kong and the PRC.

An analysis by geographical segment is as follows:

	Hong Kong		**The PRC**		**Eliminations**		**Total**	
	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								
Sales to external customers	107,986	162,360	262,686	311,522	—	—	370,672	473,882
Inter-segment sales	5,738	11,791	19,536	16,155	(25,274)	(27,946)	—	—
Total turnover	113,724	174,151	282,222	327,677	(25,274)	(27,946)	370,672	473,882
Segment operating (loss)/profit	(78,792)	6,387	(187,677)	8,296	2,141	(2,808)	(264,328)	11,875
Finance costs							(8,853)	(14,412)
Share of profits less losses of associated companies							18,574	16,530
(Loss)/profit before taxation							(254,607)	13,993
Taxation							(7,415)	(10,265)
(Loss)/profit after taxation							(262,022)	3,728
Minority interests							9,239	(267)
Net (loss)/profit attributable to shareholders							(252,783)	3,461
Other information								
Capital expenditure	370	9,837	158,683	99,855	—	—	159,053	109,692
Provision for doubtful debts:								
Trade receivables	419	—	5,781	1,142	—	—	6,200	1,142
Deposits and other receivables	6,124	—	2,782	—	—	—	8,906	—
Impairment of assets	6,431	—	30,362	—	—	—	36,793	—
Depreciation of fixed assets	2,515	4,046	13,261	6,150	—	—	15,776	10,196
Amortisation of intangible assets	1,315	2,129	68,911	62,690	—	—	70,226	64,819

(b) **Secondary reporting format - business segments**

The Group is organised into three main business segments, namely Metro system advertising, Bus advertising and i-Result business. The i-Result business provides outdoor media information, planning, buying and monitoring services in the PRC by launching outdoormachine which is a subscription service featuring an integrated outdoor advertising service platform. On 2nd December 2002 the i-Result business segment was abandoned.

The Group's turnover, segment result and capital expenditures for the year, analysed by business segments are as follows:

	Turnover		**Segment result**		**Capital expenditure**	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Metro system advertising	43,727	32,864	(23,417)	2,158	11,670	18,439
Bus advertising	318,951	430,112	(158,754)	38,261	52,884	37,832
i-Result business	7,840	10,906	(29,471)	(16,836)	3,705	13,524
Other operations	154	—	(9,036)	—	90,794	39,897
	370,672	473,882	(238,057)	23,583	159,053	109,692
Unallocated costs			(43,650)	(11,708)		
Operating (loss)/profit			(264,328)	11,875		

3. **Operating (loss)/profit**

Operating (loss)/profit is stated after crediting and charging the following:

	2002 *HK$'000*	**2001** *HK$'000*
Crediting		
Gain on disposals of fixed assets	—	4,573
Charging		
Depreciation:		
Owned fixed assets	14,610	8,682
Leased fixed assets	1,166	1,514
Loss on disposals of fixed assets	1,320	—
Impairment of assets:		
Discontinuing operation:		
Fixed assets	1,083	—
Intangible assets:		
Goodwill	927	—
Computer software	5,875	—
Website development costs	110	—
Continuing operation:		
Intangible assets:		
Advertising licence rights	28,798	—
	36,793	—
Loss on disposals of intangible assets	112	141
Staff costs (including directors' emoluments)	91,340	58,982
Auditors' remuneration	1,010	1,000
Amortisation of intangible assets:		
Advertising licence rights (included in cost of sales)	68,396	62,635
Premium for redemption of a profit sharing right (included in cost of sales)	—	223
Computer software (included in cost of sales)	1,660	1,813
Goodwill (included in administrative expenses)	145	115
Website development costs (included in administrative expenses)	25	33
Amortisation of goodwill on acquisition of an associated company (included in share of profits less losses of associated companies)	1,268	1,268
Operating lease rental:		
Office premises	13,892	11,654
Advertising spaces	231,951	184,272
Provision for doubtful debts:		
Trade receivables	6,200	1,142
Deposits and other receivables	8,906	—
Net exchange losses	126	258

4. **Taxation**

No provision for Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the year (2001: nil).

The joint ventures established in the PRC in which the Group has invested are generally subject to enterprise income tax ("EIT") on their taxable income at a combined national and local tax rate of 33% (2001: 33%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2002	**2001**
	HK$'000	*HK$'000*
Current taxation - PRC EIT	269	3,597
Under provision in prior years	173	—
Write-back of deferred taxation	—	(45)
	442	3,552
Share of taxation attributable to:		
An associated company	6,973	6,713
	7,415	10,265

5. **(Loss)/earnings per share**

Pursuant to resolutions passed by the shareholders of the Company on 8th January 2002:

(i) the denomination of the share capital of the Company was effectively converted from United States dollars to Hong Kong dollars (the "Shares Conversion") through the following steps:

- the authorised share capital was increased from US$500,000 to the aggregate of US$500,000 and HK$500,000,000 by the creation of 5,000,000,000 shares of HK$0.10 each;

- 12,390,657 shares of HK$0.10 each were allotted and issued to the then shareholders of the Company in proportion to their respective shareholdings in the Company;

- the Company repurchased from such shareholders all the shares of US$0.01 each then in issue for a price equal to the subscription monies payable in respect of the Hong Kong dollars denominated shares issued to them, such shares were then automatically cancelled on repurchase as required by the Companies Law (2001 Second Revision) of the Cayman Islands; and

- the authorised but unissued shares of US$0.01 each were cancelled.

(ii) a sum of HK$42,128,233.80 being part of the amount then standing to the credit of the share premium account of the Company was capitalised by issuing 421,282,338 shares (the "Capitalisation Issue"), credited as fully paid at par, to the holders of shares registered on the register of members of the Company on 8th January 2002 in proportion to their respective shareholdings.

As a result of the Capitalisation Issue described above, the 421,282,338 ordinary shares issued prior to the Company's initial public offering of its shares in January 2002 are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1st January 2001 and had been outstanding throughout the year ended 31st December 2001 and 2002.

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the year 31st December 2002 is based on the Group's net loss attributable to shareholders of approximately HK$252,783,000 (2001: profit of HK$3,461,000) and the weighted average of 592,311,526 (2001: weighted average of 433,672,995 ordinary shares after the Capitalisation Issue) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

The diluted loss per share for the year ended 31st December 2002 is not presented because the effect of the assumed conversion of all potential dilutive ordinary shares is anti-dilutive. For the year ended 31st December 2001, diluted earnings per share is computed by dividing the Group's net profit attributable to shareholders of approximately HK$3,461,000 by the weighted average of 457,000,530 ordinary shares outstanding during the year adjusted for the effects of all dilutive potential ordinary shares.

6. **Reserves**

Movements in reserves of the Group for the years ended 31st December 2002 and 2001 were as follows:

	Share premium *HK$'000* *(Note (iii))*	**Translation reserve** *HK$'000*	**Capital reserve** *HK$'000* *(Note (i) and (iii))*	**Retained profits/ (accumulated losses)** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Total** *HK$'000*
At 1st January 2001	300,721	1,668	883	16,336	—	319,608
Exchange difference arising from the translation of accounts of foreign subsidiaries	—	(100)	—	—	—	(100)
Profit for the year	—	—	—	3,461	—	3,461
At 1st January 2002	300,721	1,568	883	19,797	—	322,969
Shares issued in the Capitalisation Issue	(42,128)	—	—	—	—	(42,128)
Ordinary shares issued in the Shares Conversion	(278)	—	—	—	—	(278)
Premium on issue of new shares upon the listing of shares on GEM	428,465	—	—	—	—	428,465
Share issuing expenses	(47,935)	—	—	—	—	(47,935)
Exchange difference arising from the translation of accounts of foreign subsidiaries	—	276	—	—	—	276
Repurchase and cancellation of shares	(3,335)	—	—	(390)	390	(3,335)
Loss for the year	—	—	—	(252,783)	—	(252,783)
At 31st December 2002	635,510	1,844	883	(233,376)	390	405,251

(i) Capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation in February 1995, and the nominal value of the Company's shares issued in exchange therefor.

Capital reserve of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

(ii) In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after taxation, if any, to certain statutory reserves which comprise the statutory reserve and the enterprise expansion fund. The percentage of the transfer is determined by statute or the board of directors of the subsidiaries. During the year ended 31st December 2002, no transfer was made by the subsidiaries (2001: nil).

(iii) Under the Companies Law (2001 Second Revision) of the Cayman Islands, the funds in the share premium account and the capital reserve of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. At 31st December 2002, in the opinion of the directors, the Company has no reserves available for distribution to its shareholders.

7. **Comparative figures**

Certain of the 2001 comparative figures have been reclassified to conform to the current year's presentation and in accordance with the new presentation and disclosure requirements under the newly adopted Statements of Standard Accounting Practice.

FINAL DIVIDEND

The directors do not recommend the payment of final dividend for the year ended 31st December 2002 (2001: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December 2002, the Company repurchased on the Exchange a total of 3,896,000 ordinary shares of HK$0.10 each in the share capital of the Company at an aggregate price of HK$3,695,930, details of which are as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price paid
	HK$	*HK$*	*HK$*	
January 2002	-	-	-	-
February 2002	-	-	-	-
March 2002	-	-	-	-
April 2002	-	-	-	-
May 2002	-	-	-	-
June 2002	646,000	1.010	0.960	638,600
July 2002	3,250,000	0.980	0.920	3,057,330
August 2002	-	-	-	-
September 2002	-	-	-	-
October 2002	-	-	-	-
November 2002	-	-	-	-
December 2002	-	-	-	-
	3,896,000			3,695,930

The directors of the Company considered that the above repurchases were made with a view to enhancing the net assets per share of the Company. Those shares were cancelled shortly after repurchase and the issued share capital of the Company was correspondingly reduced.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

In the opinion of the directors, 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 throughout the year ended 31st December 2002.

By Order of the Board
Sun Qiang, Chang
Chairman

Hong Kong, 27th March 2003

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