



**MEDIA**NATION  
INC.

## **MediaNation Inc.**

(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

### **RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31st DECEMBER 2003**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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## MANAGEMENT DISCUSSIONS AND ANALYSIS

### Financial Highlights

(HK'm)	For the three months ended				For the year ended		YoY Fav/(unfav)
	31-Mar-03	30-Jun 03	30-Sep-03	31-Dec-03	31-Dec-03	31-Dec-02	
Turnover	76.2	87.9	102.2	109.3	375.6	370.7	1.3%
SG&A	(28.2)	(25.4)	(25.9)	(31.4)	(110.9)	(174.9)	36.6%
Adjusted EBITDA before one-time provisions (as defined under the section Adjusted EBITDA)	(24.8)	(14.5)	3.4	11.8	(24.1)	(123.3)	80.5%
Net loss before one-time provisions	(46.2)	(38.0)	(18.3)	(13.5)	(116.0)	(216.0)	46.3%
Net loss	(46.2)	(38.0)	(18.3)	(41.3)	(143.8)	(252.8)	43.1%

The Group achieved significant operational and financial improvements in the year 2003 despite the adverse impact of SARS in the second quarter. Net loss was significantly narrowed to HK\$143.8 million from HK\$252.8 million in 2002, a 43.1% reduction. This was due to substantial reduction in the direct cost and SG&A. Turnover for the year was HK\$375.6 million, a slight increase of 1.3% year-on-year. There was a 36.6% reduction in SG&A to HK\$110.9 million, mainly because of tightened cost controls and reduction in staff headcount. “Adjusted EBITDA before one-time provisions” continued to improve and turned positive in the third quarter of 2003. Excluding the one-time provisions for impairment of intangible assets and onerous contract, the EBITDA was positive HK\$11.8 million in the fourth quarter.

### BUSINESS REVIEW AND OUTLOOK

The Group operates two core business lines: bus advertising and metro system advertising. Advertisements are carried on approximately 20,000 buses in 16 cities in the PRC including Hong Kong, plus the entire underground metro system in Beijing city center and two metro lines in Shanghai, offering national-wide network services to international and domestic renowned brands. There has also been an expansion into street furniture advertising business in recent years.

	For the year ended 31st December					
	2003			2002		
	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000	Hong Kong HK\$'000	The PRC HK\$'000	Total HK\$'000
<b>TURNOVER</b>						
Metro system advertising	—	55,446	55,446	—	43,727	43,727
Bus advertising	87,566	228,197	315,763	103,762	215,188	318,950
i-Result business	318	—	318	4,224	3,617	7,841
Other operations	—	4,041	4,041	—	154	154
Total turnover	<u>87,884</u>	<u>287,684</u>	<u>375,568</u>	<u>107,986</u>	<u>262,686</u>	<u>370,672</u>

## China

### *Bus Advertising*

PRC bus advertising turnover represented 45.7% of the Group's total turnover in 2003. PRC bus advertising operations recorded HK\$47.0 million turnover in the fourth quarter, which was a 1.1% and 7.3% increase compared to HK\$46.5 million in the third quarter of 2003 and HK\$43.8 million in the fourth quarter of 2002. The advertising turnover increased from HK\$164.4 million in 2002 to HK\$171.8 million in 2003, a growth of 4.5% achieved in spite of a streamlined bus portfolio. PRC bus operations incurred losses of HK\$21.2 million in the fourth quarter of 2003, an improvement of 66.7% over the same period one year ago. The full year 2003 recorded a loss of HK\$61.4 million, which represented an improvement of 51.6% as compared with 2002. This improvement was mainly attributable to the cost cutting efforts implemented by the management to improve the performance of the PRC bus operations.

During the year, the Group renegotiated bus contracts in some key PRC cities, resulting in a substantial reduction in media rental costs. The Group also terminated some unprofitable contracts relating to buses running on non-prime routes in the city or city outskirts. The recently completed contract restructuring in Wuhan and Shanghai reduced the buses of less-premium routes, resulting in a lowering of the total concession cost. The reduced fixed cost base should enable this operation to achieve better financial results in the future. The Group will continue to explore possibilities for contract restructuring in other cities to further reduce the cost base, though such restructuring exercise is now largely completed. The current strategy is to concentrate on buses running on prime-routes in the city center area. With a better quality bus media portfolio, the Group is likely to benefit from higher operating leverage by managing to achieve higher utilization in the future. The average occupancy rate was around 36% in 2003.

## *Metro System Advertising*

Shanghai metro advertising turnover represented 13.7% of the Group's total turnover in 2003. The combined media turnover of Shanghai Metro Line 2 and Line 3 was of HK\$14.0 million in the fourth quarter, which represented growth of 91.8% as compared to HK\$7.3 million in the same period in 2002. The advertising turnover in 2003 was HK\$51.3 million, representing a 30.5% improvement over the HK\$39.3 million achieved in 2002. Shanghai metro incurred a small loss of HK\$0.9 million in the fourth quarter and a loss of HK\$11.5 million in the full year 2003, which represented improvement of 95.4% and 59.4% for the corresponding periods in 2002. Currently, Shanghai Metro Line 2 contributed to the majority of the media rental income for this business unit. Lobbying for government approvals to install outdoor billboards alongside the elevated lines to enhance the media portfolio of Line 3 proved a lengthy process. Recently, the Group has successfully obtained the necessary approval to install outdoor billboards in selected stations as a pilot scheme. Together with increasing passenger flow and the improving recognition among advertisers of the media effectiveness, the Group expects a significant improvement in future revenues from Line 3. A reduction in discount levels improved the effective selling price in 2003. The average occupancy rate was around 40% in 2003 and the Group will continue to work on improving the occupancy rate. With higher occupancy for both lines, the Group expects to further reduce losses and turn around the Shanghai Metro operation in the near future.

The associated company, Beijing Metro, continued to deliver strong financial performance in the fourth quarter of 2003. The advertising turnover was HK\$25.6 million and HK\$95.9 million for the fourth quarter and full year of 2003 respectively, which represented growth of 9.5% and 11.0% over the corresponding period in 2002. The Group's "share of net profit (after taxation)" of Beijing Metro was HK\$5.4 million and HK\$15.7 million for the fourth quarter and full year of 2003, an improvement of 42.1% and 35.3% over the corresponding periods in 2002.

### **i-Result**

On 2nd December 2002 the Group announced its plan to close down the i-Result business. The subsidiaries comprising this segment, namely i-Result Media Limited, i-Result (Beijing) Technology Development Co., Ltd., and China Outdoor Data Centre Co., Ltd., will be liquidated as mentioned in the last year annual report, published in March 2003.

In the process of closing down the operation of i-Result in this year, the net loss incurred amounted to HK\$0.3 million for the year 2003.

## **Hong Kong**

Hong Kong bus advertising turnover represented 20.0% of the Group's total turnover in 2003. During the year, the Group operated in Hong Kong as a bus advertising sales agency for New World First Bus Services Limited ("NWFB") and The Kowloon Motor Bus Company (1933) Limited ("KMB"). Fourth quarter revenues of HK\$16.9 million were 20.0% behind the same period in 2002. The advertising turnover for full year 2003 was HK\$60.5 million, a decline of 27.9% on 2002. The business has been loss making in recent years due to the economic recession in Hong Kong and the operation was further hit by the SARS outbreak in early 2003. After careful consideration, the Group decided not to renew the licence agreement with NWFB that expired on 31st July 2003. The current licence agreement with KMB will expire in late 2004 and the Group is prudently exploring different options and will consider contract renewal only if it is commercially viable, a provision for onerous contract amounting to HK\$13.8 million has been made in the 2003 accounts. Excluding this provision, the Hong Kong bus advertising operation incurred a loss of HK\$2.5 million and HK\$38.8 million for the fourth quarter and full year of 2003, respectively. This was an improvement of 70.6% as compared to the fourth quarter of 2002 but a decline of 18.3% as compared to the full year of 2002.

## **Street Furniture**

The Shanghai Newspaper Kiosk project finally received the advertising license approvals from the government authorities in December 2003 for about 700 newspaper kiosks installed in the streets of Shanghai. A small number of the these kiosks are in the process of being relocated to better locations in order to achieve higher advertising revenue. Recently, the sales and marketing team has started to push advertising sales and initial response from clients has been favourable. The Group aims to install another 300 kiosks to complete the installation of the initial phase of 1,000 kiosks in 2004.

The Group has installed approximately 2,800 Red Cross first aid advertising light boxes across China, most of which are of improved design, which is less bulky and more appealing to advertisers. The focus has been on outlets that are not populated by other advertising media such as schools, and the group has targeted the major cities, including Beijing, Shanghai, Guangzhou and

Shenzhen. Although the installation plan was slowed down by the SARS outbreak, the project received good response from advertisers. In 2004, additional light boxes will be installed to enhance the school media network.

These two projects incurred start-up losses of approximately HK\$3.2 million and HK\$10.5 million for the fourth quarter and full year of 2003, respectively.

## **Business Outlook**

In 2003, the management of the Group focused on revamping the core businesses of bus and metro advertising by improving sales efficiency. The Group successfully streamlined the bus media assets by undertaking necessary contract restructuring to reduce media rental cost. With a strong and stable management team, the marked improvement in the latter half of the year is expected to continue.

The EBITDA turned positive in the third quarter of 2003 and as this looks sustainable, the business should continue to generate positive operating cash flow in the future. This will further strengthen the financial resources of the Group. When appropriate opportunities are identified, the Group would cautiously consider further expansion of its metro advertising network and prime bus routes in core cities in China to enhance its existing media network.

Given the improving global economy, business outlook of year 2004 is promising. The management is seeing stronger demands for advertising media in the PRC and Hong Kong. Sales contracts secured so far in the early part of 2004 have been very encouraging. The Group anticipates to experience a year of high growth in the outdoor advertising market in 2004.

## **FINANCIAL REVIEW**

### **Revenue and Profitability**

The Group recorded turnover of approximately HK\$375.6 million for the year ended 31st December 2003, which represented a slight increase of 1.3% as compared to approximately HK\$370.7 million for the previous year. Total turnover generated from the Hong Kong business decreased from approximately HK\$108.0 million in 2002 to HK\$87.9 million in 2003, a drop of 18.6% mainly due to the expiry of the contract with NWFBS in July 2003. Total turnover generated from the PRC business increased by 9.5% from approximately HK\$262.7 million in 2002 to HK\$287.7 million in 2003. Despite the downsized bus media portfolios in the PRC and Hong Kong, the Group was still able to achieve a slightly increase in turnover.

Total turnover for the year ended 31st December 2003 was generated from: (i) bus advertising of approximately HK\$315.8 million (84.0% of total turnover); (ii) metro system advertising of approximately HK\$55.4 million (14.8% of total turnover); and (iii) other operations of HK\$4.4 million (1.2% of total turnover).

Cost of sales for the year ended 31st December 2003 decreased by 7.3% from approximately HK\$426.6 million in 2002 to approximately HK\$395.4 million in 2003. The decrease was mainly due to the reduction of concession fees resulting from the contract restructuring exercise of the PRC bus operation and the expiry of NWFB bus advertising agreement in Hong Kong.

For the year ended 31st December 2003, the Group suffered a gross loss of approximately HK\$19.9 million (2002: a gross loss of approximately HK\$55.9 million). The reduction in gross loss as compared to the prior year was mainly due to the reduction in cost of sales.

Selling, general and administrative expenses for the year ended 31st December 2003 decreased by 36.6% from approximately HK\$174.9 million in 2002 to HK\$110.9 million in 2003. The decrease for the year ended 31st December 2003 was mainly due to tightened cost controls and a HK\$33.1 million reduction in staff cost.

### **Impairment of Assets**

For the year ended 31st December 2003, the Group performed an assessment of the recoverable value of its fixed and intangible assets. 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\$14.1 million was recognised in respect of the Group's intangible assets. The provision was in relation to the advertising license rights in certain cities of the PRC bus advertising operation that have changes in circumstances due to the contract restructuring exercise.

### **Finance costs**

Finance costs for the year decreased to HK\$1.6 million from HK\$8.9 million in 2002, mainly due to the lower level of borrowing in 2003 as a result of the successful completion of the Open Offer in August 2003.

### **Share of Profit of An Associated Company**

Share of profit of an associated company before taxation coming from Beijing Metro increased from approximately HK\$18.6 million in 2002 to HK\$23.3 million in 2003. Beijing Metro demonstrated continuing improvement and achieved higher profit in 2003.

## **Taxation**

No provision for Hong Kong profits tax has been provided as the Group had no estimated assessable profit in Hong Kong for the year (2002: 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% (2002: 33%). The Group’s taxation consists primarily of approximately HK\$7.6 million EIT levied on profits from an associated company where the EIT rate is 33%.

## **Minority Interests**

Minority interests in the Group’s results were substantially decreased from approximately HK\$9.2 million in 2002 to approximately HK\$0.1 million in 2003.

Pursuant to general accounting practice, where a subsidiary reports losses, the minority interest presented in the consolidated profit and loss account 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 of the subsidiaries in Beijing and Shanghai, namely Beijing Top Result and Shanghai Metro over the minority interest in the equity of the Beijing Top Result and Shanghai Metro was charged against the Group, amounting to HK\$14.3 million and HK\$5.8 million respectively.

## **Net Loss Attributable to Shareholders**

As a result of the above, the Group suffered a net loss for the year ended 31st December 2003 of approximately HK\$143.8 million (2002: a net loss of approximately HK\$252.8 million).



## Adjusted EBITDA

Adjusted EBITDA represents loss 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 proportional share of EBITDA (with the same definition) from its associated company. The Group uses adjusted EBITDA to measure its performance:-

	<b>For the year ended 31st December 2003 <i>HK\$ million</i></b>	<b>For the year ended 31st December 2002 <i>HK\$ million</i></b>
Adjusted EBITDA	(51.9)	(160.3)
Adjusted EBITDA before one-time provisions	(24.1)	(123.3)

## Financial Resources, Security and Liquidity

The Group had net assets of approximately HK\$438.3 million as at 31st December 2003 (2002: HK\$465.4 million), including cash and bank balances of approximately HK\$55.3 million (2002: HK\$30.6 million) and pledged bank deposits of approximately HK\$0.2 million (2002: HK\$0.2 million).

The Group had no outstanding borrowing as at 31st December 2003 (2002: approximately HK\$0.1 million). During the year, the Group had repaid: (i) short-term bank loans of approximately HK\$0.1 million; (ii) shareholders' loan of approximately HK\$60.0 million and (iii) short-term loan from a related company of Warburg Pincus Ventures, L.P. of approximately HK\$8.0 million.

The gearing ratio, defined as the ratio of total liabilities to total assets, was 30.0% as at 31st December 2003, compared to 33.0% as at 31st December 2002.

## Pledge of Assets

As at 31st December 2003, the Group had a pledged bank deposit of HK\$0.2 million in connection to a letter of guarantee given to a landlord. Save as disclosed, the Group did not have any pledged assets.

## **Assets**

The total assets of the Group decreased by 9.2% from approximately HK\$695.8 million in 2002 to HK\$631.5 million in 2003. The majority of the non-current assets are intangible assets of advertising license rights. The management took a conservative approach in the assessment of the recoverable value of the Group's intangible assets and made a provision for impairment of approximately HK\$14.1 million in the accounts of 2003.

## **Material Investments/Acquisitions/Disposals**

The Group made no material acquisition or disposal during the year. As at 31st December 2003, the Group had no future plans for material investments or capital assets.

## **Employees**

As at 31st December 2003, the Group had 507 (2002: 730) employees. Total employee remuneration, including that of the directors, for the year ended 31st December 2003 amounted to approximately HK\$57.2 million (2002: HK\$91.3 million). The substantial decrease in employee remuneration was mainly due to closure of i-Result businesses and tightened cost control measures. 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 that 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 2003, the Company has no material contingent liabilities.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2003**

	<i>Note(s)</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Turnover	2	375,568	370,672
Cost of sales		<u>(395,430)</u>	<u>(426,593)</u>
Gross loss		(19,862)	(55,921)
Other revenues	2	603	3,259
Selling, general and administrative expenses		(110,934)	(174,873)
Provision for onerous contract	4, 11	(13,760)	—
Impairment of assets	4	<u>(14,065)</u>	<u>(36,793)</u>
Operating loss	2, 4	(158,018)	(264,328)
Finance costs	5	(1,568)	(8,853)
Share of profit of an associated company		<u>23,264</u>	<u>18,574</u>
Loss before taxation		<u>(136,322)</u>	<u>(254,607)</u>
Taxation			
- The Company and subsidiaries		(34)	(442)
- An associated company		<u>(7,565)</u>	<u>(6,973)</u>
	6	<u>(7,599)</u>	<u>(7,415)</u>
Loss after taxation		(143,921)	(262,022)
Minority interests		<u>146</u>	<u>9,239</u>
Net loss attributable to shareholders	7	<u>(143,775)</u>	<u>(252,783)</u>
Dividend		<u>—</u>	<u>—</u>
Loss per share (HK cents)			
- Basic	8	(13.25)	(42.68)
- Diluted	8	<u>N/A</u>	<u>N/A</u>

**CONSOLIDATED BALANCE SHEET  
AS AT 31ST DECEMBER 2003**

	<i>Note(s)</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Intangible assets		236,899	298,730
Fixed assets		76,806	69,038
Investment deposit placed with a joint venture partner - non-current		14,145	28,291
Long-term deposits		35,000	35,000
Deposits for intangible assets		76,998	74,511
Deposits for fixed assets		13,544	27,715
Investment in an associated company		42,559	39,781
Other non-current assets		<u>764</u>	<u>747</u>
		<u>496,715</u>	<u>573,813</u>
<b>Current assets</b>			
Prepayments, deposits and other receivables		18,077	34,968
Inventories		4,732	2,741
Income tax recoverable		20	—
Trade receivables	9	56,462	53,419
Pledged bank deposits		241	241
Bank balances and cash	13(c)	<u>55,281</u>	<u>30,613</u>
		<u>134,813</u>	<u>121,982</u>
<b>Current liabilities</b>			
Trade payables	10	63,685	81,784
Provisions, accrued liabilities and other payables	11	48,344	68,807
Deferred income		43,352	32,919
Amount due to an associated company		27,125	32,936
Amount due to a joint venture partner		406	264
Amounts due to related companies		1,091	1,169
Short-term bank loans, overdraft and other borrowings		—	91
Taxation payable		<u>32</u>	<u>48</u>
		184,035	218,018
<b>Net current liabilities</b>		<u>(49,222)</u>	<u>(96,036)</u>
<b>Total assets less current liabilities</b>		<u>447,493</u>	<u>477,777</u>

**CONSOLIDATED BALANCE SHEET (Continued)**  
**AS AT 31ST DECEMBER 2003**

	<i>Note(s)</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Share capital		180,349	60,116
Reserves	12	<u>257,998</u>	<u>405,251</u>
		<u>438,347</u>	<u>465,367</u>
<b>Minority interests</b>		3,450	476
<b>Non-current liabilities</b>			
Long-term payables		<u>5,696</u>	<u>11,934</u>
		<u>447,493</u>	<u>477,777</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2003**

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Total equity as at 1st January		465,367	323,930
Issue of ordinary shares upon the Open Offer/Listing		120,233	445,604
Share issuing expenses	12	(3,703)	(47,935)
Repurchase and cancellation of ordinary shares		—	(3,725)
Net gains not recognised in the profit and loss account			
- Exchange difference arising from the translation of accounts of foreign subsidiaries	12	225	276
Net loss for the year	12	<u>(143,775)</u>	<u>(252,783)</u>
Total equity as at 31st December		<u>438,347</u>	<u>465,367</u>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2003**

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Net cash outflow used in operations	13(a)	(71,248)	(49,505)
Interest paid		(1,568)	(8,853)
Hong Kong profits tax refund		—	99
Overseas taxation paid		<u>(70)</u>	<u>(3,048)</u>
Net cash outflow used in operating activities		(72,886)	(61,307)
Investing activities			
Refund of investment deposit placed with a joint venture partner		—	20,157
Purchase of fixed assets		(6,971)	(28,646)
Proceeds from disposals of fixed assets		341	45
Payments for acquisition of intangible assets		(16,120)	(32,032)
Increase in long-term deposits		—	(2,500)
Payment for deposits for fixed assets		(1,139)	(27,715)
Payment for deposits for intangible assets		(2,487)	(43,185)
(Increase)/ decrease in other non-current assets		(17)	1
Interest received		603	3,259
Decrease in long-term payables		(6,238)	(27,475)
Dividend received from an associated company		<u>12,919</u>	<u>14,011</u>
Net cash outflow from investing activities		<u>(19,109)</u>	<u>(124,080)</u>
Net cash outflow before financing		<u>(91,995)</u>	<u>(185,387)</u>

**CONSOLIDATED CASH FLOW STATEMENT (Continued)**  
**FOR THE YEAR ENDED 31ST DECEMBER 2003**

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Financing activities			
Dividends paid to minority shareholders		—	(2,116)
Repayment of convertible loan notes	13(b)	—	(116,960)
New loans repayable within one year	13(b)	68,000	—
Repayment of loans repayable within one year	13(b)	(68,000)	—
Repayment of borrowings	13(b)	—	(103,134)
Issue of new shares upon the Open Offer/listing		120,233	445,604
Share issuing expenses		(3,703)	(41,006)
Repurchase of shares		—	(3,725)
Decrease in pledged bank deposits		—	19,252
Decrease/(increase) in restricted cash	13(c)	84	(556)
Repayment of principal portion of obligations under finance leases	13(b)	—	(944)
Net cash inflow from financing		<u>116,614</u>	<u>196,415</u>
Increase in cash and cash equivalents		24,619	11,028
Cash and cash equivalents at 1st January		28,739	17,689
Effect of foreign exchange rates changes		<u>224</u>	<u>22</u>
Cash and cash equivalents at 31st December	13(c)	<u><u>53,582</u></u>	<u><u>28,739</u></u>



## NOTES TO THE ACCOUNTS

### 1 Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

#### (a) *Basis of preparation*

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 (“HKSA”). They have been prepared under the historical cost convention.

The Group incurred a loss of approximately HK\$143,775,000 during the year ended 31st December 2003 and had net current liabilities of approximately HK\$49,222,000 as at 31st December 2003, as well as commitments that are payable in the next twelve months. The management considers the Group has sufficient financial resources to meet its liabilities as and when they fall due during the year ended 31st December 2004 and accordingly, the accounts have been prepared on a going concern basis.

In the current year, the Group adopted Statement of Standard Accounting Practice (“SSAP”) 12 “Income Tax” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

Other than those disclosed in the respective notes to the accounts, the Group considers that the consequential changes made to the above SSAP will not have material impact on the accounts of the Group.

## 2 Turnover, revenues 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:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Turnover</b>		
Media rental	287,224	284,904
Production income	83,059	74,993
Agency commission income	5,285	9,726
Media consultancy services income	<u>—</u>	<u>1,049</u>
	375,568	370,672
<b>Other revenues</b>		
Interest income from bank deposits	232	2,126
Interest income from long-term deposits	369	1,122
Interest income from trade receivables	<u>2</u>	<u>11</u>
	<u>603</u>	<u>3,259</u>
Total revenues	<u><u>376,171</u></u>	<u><u>373,931</u></u>

(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:

	<b>Hong Kong</b>		<b>PRC</b>		<b>Eliminations</b>		<b>Total</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover								
Sales to external customers	87,884	107,986	287,684	262,686	—	—	375,568	370,672
Inter-segment sales	<u>7,073</u>	<u>5,738</u>	<u>11,197</u>	<u>19,536</u>	<u>(18,270)</u>	<u>(25,274)</u>	<u>—</u>	<u>—</u>
Total turnover	<u>94,957</u>	<u>113,724</u>	<u>298,881</u>	<u>282,222</u>	<u>(18,270)</u>	<u>(25,274)</u>	<u>375,568</u>	<u>370,672</u>
Segment operating (loss)/profit	(68,648)	(78,792)	(93,628)	(187,677)	4,258	2,141	(158,018)	(264,328)
Finance costs							(1,568)	(8,853)
Share of profit of an associated company							<u>23,264</u>	<u>18,574</u>
Loss before taxation							(136,322)	(254,607)
Taxation							<u>(7,599)</u>	<u>(7,415)</u>
Loss after taxation							(143,921)	(262,022)
Minority interests							<u>146</u>	<u>9,239</u>
Net loss attributable to shareholders							<u>(143,775)</u>	<u>(252,783)</u>
Assets								
Segment assets	195,053	182,413	393,916	473,601	—	—	588,969	656,014
Interest in an associated company							<u>42,559</u>	<u>39,781</u>
Total assets							<u>631,528</u>	<u>695,795</u>
Liabilities								
Segment liabilities	<u>23,929</u>	<u>13,035</u>	<u>165,802</u>	<u>216,917</u>	<u>—</u>	<u>—</u>	<u>189,731</u>	<u>229,952</u>
Other information								
Capital expenditure	35	370	22,246	158,683	—	—	22,281	159,053
Provision for doubtful debts								
Trade receivables	—	419	1,517	5,781	—	—	1,517	6,200
Amount due from an associated company	1,252	—	—	—	—	—	1,252	—
Deposits and other receivables	—	6,124	1,591	2,782	—	—	1,591	8,906
Write-off of doubtful debt for amount due from an associated company	401	—	—	—	—	—	401	—
Impairment of assets	—	6,431	14,065	30,362	—	—	14,065	36,793
Depreciation of fixed assets	1,061	2,515	12,771	13,261	—	—	13,832	15,776
Amortisation of intangible assets	67	1,315	66,940	68,911	—	—	67,007	70,226

(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 provided outdoor media information, planning, buying and monitoring services in the PRC by launching outdoormachine which was 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, segment assets and capital expenditure for the year, analysed by business segments are as follows:

	Turnover		Segment result		Total assets		Capital expenditure	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Metro system advertising	55,446	43,727	(9,500)	(23,417)	51,178	61,946	870	11,670
Bus advertising	315,763	318,951	(116,098)	(158,754)	386,391	461,165	8,429	52,884
i-Result business	318	7,840	(296)	(29,471)	90	2,527	—	3,705
Other operations	<u>4,041</u>	<u>154</u>	<u>(10,618)</u>	<u>(9,036)</u>	<u>132,547</u>	<u>110,975</u>	<u>12,982</u>	<u>90,794</u>
	<u>375,568</u>	<u>370,672</u>	(136,512)	(220,678)	570,206	636,613	<u>22,281</u>	<u>159,053</u>
Unallocated costs			<u>(21,506)</u>	<u>(43,650)</u>				
Operating loss			<u>(158,018)</u>	<u>(264,328)</u>				
Interest in an associated company					42,559	39,781		
Unallocated assets					<u>18,763</u>	<u>19,401</u>		
Total assets					<u>631,528</u>	<u>695,795</u>		

### 3 Discontinuing operation

On 2nd December 2002 the Group announced its plan to close down the i-Result business. The subsidiaries comprising this segment, namely i-Result Media Limited, i-Result (Beijing) Technology Development Company Limited (liquidated on 7th January 2004) and China Outdoor Data Centre Co., Ltd (liquidated on 19th December 2003) were reported as a discontinuing operation in the previous annual report, no significant activities were noted during the current year. The sales, results, cash flows and net assets of the i-Result Business were as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Turnover	318	7,840
Cost of sales	(348)	(7,536)
Other revenue	2	5
Operating costs	(268)	(21,785)
Impairment of assets	<u>—</u>	<u>(7,995)</u>
Loss before taxation	(296)	(29,471)
Taxation	<u>—</u>	<u>(2)</u>
Net loss	<u>(296)</u>	<u>(29,473)</u>
Net operating cash outflow	(800)	(5,789)
Net investing cash outflow	<u>—</u>	<u>(1,813)</u>
Total net cash outflow	<u>(800)</u>	<u>(7,602)</u>
	<b>At 31st</b> <b>December</b> <b>2003</b> <i>HK\$'000</i>	<b>At 31st</b> <b>December</b> <b>2002</b> <i>HK\$'000</i>
Fixed assets	—	407
Current assets	<u>90</u>	<u>2,120</u>
Total assets	90	2,527
Total liabilities	<u>(2,500)</u>	<u>(6,384)</u>
Net liabilities	<u>(2,410)</u>	<u>(3,857)</u>

#### 4 Operating loss

Operating loss is stated after charging the following:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Charging</b>		
Depreciation:		
Owned fixed assets	13,832	14,610
Leased fixed assets	—	1,166
Loss on disposals of fixed assets	340	1,320
Impairment of assets		
Discontinuing operation ( <i>Note 3</i> ):		
Fixed assets	—	1,083
Intangible assets		
Goodwill	—	927
Computer software	—	5,875
Website development costs	—	110
Continuing operation:		
Intangible assets		
Advertising license rights	14,065	28,798
	14,065	36,793
Loss on disposals of intangible assets	—	112
Staff costs (including directors' emoluments)	57,198	91,340
Auditors' remuneration	1,029	1,010
Amortisation of intangible assets		
Advertising license rights (included in cost of sales)	66,712	68,396
Computer software (included in cost of sales)	239	1,660
Goodwill (included in administrative expenses)	56	145
Website development costs (included in administrative expenses)	—	25
Operating lease:		
Office premises	10,911	13,892
Advertising spaces	217,929	231,951
Provision for doubtful debts:		
Trade receivables	1,517	6,200
Amount due from an associated company	1,252	—
Deposits and other receivables	1,591	8,906
Provision for onerous contract ( <i>Note 11</i> )	13,760	—
Write-off of doubtful debt for amount due from an associated company	401	—
Net exchange losses	<u>263</u>	<u>126</u>

## 5 Finance costs

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Interest on convertible loan notes	—	4,973
Interest on bank loans and overdrafts	8	2,298
Interest on loans from financial institutions	6	118
Interest on loan from a third party	—	120
Interest element of finance leases	—	245
Interest on trade payables	—	680
Interest on amount due to an associated company	73	245
Interest on long-term payables	145	174
Interest on loan from substantial shareholders	1,289	—
Interest on loan from a related company	<u>47</u>	<u>—</u>
	<u>1,568</u>	<u>8,853</u>

Except for the long-term payables, all finance costs are related to loans or payables due within one year.

## 6 Taxation

In March 2003, the Hong Kong Government announced an increase in the profits tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the Group's 2003 accounts. No provision for Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the year (2002: 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% (2002: 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:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Current taxation		
- PRC EIT	34	269
Under provision in prior years	<u>—</u>	<u>173</u>
	34	442
Share of taxation attributable to:		
An associated company	<u>7,565</u>	<u>6,973</u>
Taxation charge	<u>7,599</u>	<u>7,415</u>

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of the country, where the Company operates as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Loss before taxation	<u>(136,322)</u>	<u>(254,607)</u>
Calculated at a taxation rate of 17.5% (2002: 16%)	(23,856)	(40,737)
Effect of different taxation rates in other countries	(11,153)	(28,896)
Income not subject to taxation	(2,635)	(6,064)
Expenses not deductible for taxation purposes	13,078	25,802
Tax losses not recognised	<u>32,165</u>	<u>57,310</u>
Taxation charge	<u><u>7,599</u></u>	<u><u>7,415</u></u>

#### 7 Net Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately HK\$143,550,000 (2002: HK\$226,759,000).

#### 8 Loss per share

The calculation of basic loss per share is based on the Group's net loss attributable to shareholders of approximately HK\$143,775,000 (2002: loss of HK\$252,783,000) and the weighted average of 1,085,387,435 ordinary shares in issue during the year after the Open Offer (2002: weighted average of 592,311,526 ordinary shares after the Capitalisation Issue). The diluted loss per share for the year ended 31st December 2003 is not presented because the effect of the assumed conversion of all potential dilutive securities is anti-dilutive.

#### 9 Trade receivables - Group

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Trade receivables	65,820	61,911
Less: provision for doubtful debts	<u>(9,358)</u>	<u>(8,492)</u>
	<u><u>56,462</u></u>	<u><u>53,419</u></u>



At 31st December 2003, the ageing analysis of trade receivables was as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Current	18,482	757
1 - 30 days	9,766	21,017
31 - 60 days	8,856	8,236
61 - 90 days	5,161	9,851
91 - 120 days	4,384	6,742
Over 120 days	<u>19,171</u>	<u>15,308</u>
	<u>65,820</u>	<u>61,911</u>

The normal credit period granted by the Group ranges from 30 days to 90 days from the date of invoice.

#### 10 Trade payables — Group

At 31st December 2003, the ageing analysis of trade payables based on due dates was as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Current	16,089	35,487
0 - 30 days	8,908	6,368
31 - 60 days	5,015	5,623
61 - 90 days	1,921	12,997
91 - 120 days	710	19,939
Over 120 days	<u>31,042</u>	<u>1,370</u>
	<u>63,685</u>	<u>81,784</u>

#### 11 Provisions, accrued liabilities and other payables

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Provision, accrued liabilities and other payables		
Others	34,584	68,807
Provision for onerous contract ( <i>Note a</i> )	<u>13,760</u>	<u>—</u>
	<u>48,344</u>	<u>68,807</u>

(a) **Provision for onerous contract**

HK\$'000

At 1st January 2003 —  
Provision made during the year 13,760

At 31st December 2003 13,760

At 31st December 2003, the directors consider that an advertising contract to which the Group in Hong Kong is a party has become onerous when consideration is taken of the market demand for the advertising space that is the subject of this contract, the anticipated future income and the general economic climate in Hong Kong. Accordingly, a provision in the amount of approximately HK\$13,760,000 has been made, based on the excess of the least net loss of terminating this contract over the expected economic benefits to be derived therefrom, in accordance with SSAP28 "Provisions, contingent liabilities and contingent assets". The provision is anticipated to be utilised in 2004.

12 **Reserves**

	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
<b>Group</b>						
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	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	<u>—</u>	<u>—</u>	<u>—</u>	<u>(252,783)</u>	<u>—</u>	<u>(252,783)</u>
At 31st December 2002	<u>635,510</u>	<u>1,844</u>	<u>883</u>	<u>(233,376)</u>	<u>390</u>	<u>405,251</u>
At 1st January 2003	635,510	1,844	883	(233,376)	390	405,251
Write-off of share issuance expenses related to the Open Offer	(3,703)	—	—	—	—	(3,703)
Exchange difference arising from the translation of accounts of foreign subsidiaries	—	225	—	—	—	225
Loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(143,775)</u>	<u>—</u>	<u>(143,775)</u>
At 31st December 2003	<u>631,807</u>	<u>2,069</u>	<u>883</u>	<u>(377,151)</u>	<u>390</u>	<u>257,998</u>

	Share premium HK\$'000 (Note (iii))	Translation reserve HK\$'000	Capital reserve HK\$'000 (Note (i) and (iii))	Retained profits/ Losses HK\$'000 (accumulated)	Capital redemption reserve HK\$'000	Total HK\$'000
The Company and Subsidiaries	635,510	1,844	883	(240,283)	390	398,344
Associated company	—	—	—	6,907	—	6,907
At 31st December 2002	<u>635,510</u>	<u>1,844</u>	<u>883</u>	<u>(233,376)</u>	<u>390</u>	<u>405,251</u>
The Company and Subsidiaries	631,807	2,069	883	(386,837)	390	248,312
Associated company	—	—	—	9,686	—	9,686
At 31st December 2003	<u>631,807</u>	<u>2,069</u>	<u>883</u>	<u>(377,151)</u>	<u>390</u>	<u>257,998</u>
<b>Company</b>						
At 1st January 2002	300,721	—	2,687	(6,187)	—	297,221
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	428,465	—	—	—	—	428,465
Share issuing expenses	(47,935)	—	—	—	—	(47,935)
Repurchase and cancellation of shares	(3,335)	—	—	(390)	390	(3,335)
Loss for the year	—	—	—	(226,759)	—	(226,759)
At 31st December 2002	<u>635,510</u>	<u>—</u>	<u>2,687</u>	<u>(233,336)</u>	<u>390</u>	<u>405,251</u>
At 1st January 2003	635,510	—	2,687	(233,336)	390	405,251
Write-off of share issuance expenses related to the Open Offer	(3,703)	—	—	—	—	(3,703)
Loss for the year	—	—	—	(143,550)	—	(143,550)
At 31st December 2003	<u>631,807</u>	<u>—</u>	<u>2,687</u>	<u>(376,886)</u>	<u>390</u>	<u>257,998</u>

- (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 2003, no transfer was made by the subsidiaries (2002: 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 2003, in the opinion of the directors, the Company has no reserves available for distribution to its shareholders.

### 13 Notes to consolidated cash flow statement

(a) *Reconciliation of loss before taxation to net cash outflow used in operations:*

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(136,322)	(254,607)
Provision for doubtful debts		
Trade receivables	1,517	6,200
Amount due from an associated company	1,252	—
Deposits and other receivables	1,591	8,906
Provision for onerous contract	13,760	—
Write-off of doubtful debt for amount due from an associated company	401	—
Depreciation	13,832	15,776
Loss on disposals of fixed assets	340	1,320
Loss on disposals of intangible assets	—	112
Impairment loss on fixed assets	—	1,083
Impairment loss on intangible assets	14,065	35,710
Amortisation of intangible assets	67,007	70,226
Amortisation of goodwill on acquisition of an associated company	1,268	1,268
Share of profit of associated companies	(24,532)	(19,842)
Interest income	(603)	(3,259)
Interest expense	<u>1,568</u>	<u>8,853</u>
Operating loss before working capital changes	(44,856)	(128,254)
Decrease in prepayments, deposits and other receivables	15,300	13,101
Decrease in amounts due from related companies	—	416
Decrease in amount due from a senior executive	—	547
Increase in inventories	(1,991)	(227)
(Increase)/ decrease in trade receivables	(4,560)	43,057
(Decrease)/increase in trade payables, provisions, accrued liabilities and other payables	(38,176)	15,145
Increase/(decrease) in deferred income	10,433	(8,262)
Increase in amount due to a joint venture partner	142	264
(Decrease)/increase in amounts due to related companies	(78)	96
(Decrease)/increase in amount due to an associated company	<u>(7,462)</u>	<u>14,612</u>
Net cash outflow used in operations	<u>(71,248)</u>	<u>(49,505)</u>

(b) *Analysis of changes in financing during the year*

	Loan from a related party		Loans from financial institutions		Loan from a third party		Loan from substantial shareholders		Short-term bank loans		Finance leases		Convertible loan notes	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	—	—	—	27,032	—	19,500	—	—	—	56,602	—	944	—	116,960
New loan repayable within one year	8,000	—	—	—	—	—	60,000	—	—	—	—	—	—	—
Repayment of loans repayable within one year	(8,000)	—	—	—	—	—	(60,000)	—	—	—	—	—	—	—
Repayment of convertible loan notes	—	—	—	—	—	—	—	—	—	—	—	—	—	(116,960)
Repayment of borrowings	—	—	—	(27,032)	—	(19,500)	—	—	—	(56,602)	—	—	—	—
Repayment of principal portion of obligations under finance leases	—	—	—	—	—	—	—	—	—	—	—	(944)	—	—
At 31st December	—	—	—	—	—	—	—	—	—	—	—	—	—	—

(c) *Analysis of balances of cash and cash equivalents*

	2003 HK\$'000	2002 HK\$'000
Bank balances and cash	55,281	30,613
Less: Non-cash and cash equivalents*	(1,699)	(1,783)
Bank overdraft	—	(91)
	<u>53,582</u>	<u>28,739</u>

\* At 31st December 2003, pursuant to the arrangement with a business partner, bank balances of approximately HK\$1,699,000 (2002: HK\$1,783,000) were received from customers on behalf of the business partner. The bank balance is kept for the purpose of payment of costs relating to the restoration of advertising media to their original states.

(d) *Major non-cash transactions*

During the year, investment deposit amounting to RMB15,000,000 (approximately HK\$14,146,000) placed with a joint venture partner was temporarily used to offset a portion of the concession fees payable (included in trade payables).

## **FINAL DIVIDEND**

The Directors do not recommend the payment of final dividend for the year ended 31st December 2003 (2002: nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31st December 2003, 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 2003.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Articles of Association or the Companies Law (2001 Second Revision) of the Cayman Islands or any applicable laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata to existing shareholders.

## **AUDITORS**

PricewaterhouseCoopers retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By the order of the board  
**Sun Qiang, Chang**  
*Chairman*

Hong Kong, 22nd March 2004

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.*