



MediaNation Inc.
(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8160)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2004

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

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This announcement, for which the directors (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 is 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.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial Highlights

| (HK'm) | For the three months ended | | | | For the year ended | | YoY Fav/ (unfav) |
|-------------------|----------------------------|-----------|-----------|-----------|--------------------|-----------|------------------|
| | 31-Mar-04 | 30-Jun-04 | 30-Sep-04 | 31-Dec-04 | 31-Dec-04 | 31-Dec-03 | |
| Turnover | 86.3 | 113.6 | 124.3 | 115.4 | 439.6 | 375.6 | 17.0% |
| Cost of sales | (76.0) | (95.5) | (98.1) | (88.5) | (358.1) | (395.4) | 9.4% |
| SG&A | (21.7) | (24.2) | (26.7) | (28.6) | (101.2) | (110.9) | 8.7% |
| Adjusted EBITDA | 13.7 | 22.6 | 27.2 | 21.1 | 84.6 | (51.9) | |
| Net profit/(loss) | (7.1) | 0.1 | 4.6 | 4.9 | 2.5 | (143.8) | |

The Group achieved significant operational and financial improvements in 2004, recording its first profitable year since its IPO in early 2002. Net profit was HK\$2.5 million, which was a marked improvement over the net loss of HK\$143.8 million in 2003. Turnover continued to grow, from HK\$375.6 million in 2003 to HK\$439.6 million in 2004, an increase of 17.0 % year-on-year. Cost of sales decreased from HK\$395.4 million in 2003 to HK\$358.1 million in 2004, mainly due to reduction in concession fees. There was an 8.7% reduction in SG&A to HK\$101.2 million, mainly because of tightened cost controls, particularly in staff cost and office rental. Adjusted EBITDA continued to improve and turned positive in 2004, reaching HK\$84.6 million in 2004.

BUSINESS REVIEW AND OUTLOOK

Business Review

The Group operates two core business lines: bus advertising and metro system advertising. Advertising is carried on approximately 16,855 buses in 15 cities in the PRC and 469 buses in Hong Kong (the contract in Hong Kong expired on 31st October 2004 and was not renewed), plus the entire underground metro system in Beijing city center and two metro lines in Shanghai, offering nationwide network services to renowned international and domestic brands. There has also been an expansion into the street furniture advertising business in recent years.

| | For the year ended 31st December | | | | | |
|---|----------------------------------|---------------------|-------------------|-----------------------|---------------------|-------------------|
| | 2004 | | | 2003 | | |
| | Hong Kong HK\$'000 | The PRC HK\$'000 | Total HK\$'000 | Hong Kong HK\$'000 | The PRC HK\$'000 | Total HK\$'000 |
| TURNOVER | | | | | | |
| Metro system advertising | — | 91,680 | 91,680 | — | 55,446 | 55,446 |
| Bus advertising | 74,295 | 263,292 | 337,587 | 87,566 | 228,197 | 315,763 |
| Other operations including street furniture | — | 10,334 | 10,334 | 318 | 4,041 | 4,359 |
| Total turnover | <u>74,295</u> | <u>365,306</u> | <u>439,601</u> | <u>87,884</u> | <u>287,684</u> | <u>375,568</u> |

China

Bus Advertising

PRC bus represented 60.0% of the Group's total turnover in 2004. It recorded HK\$77.8 million in turnover in the fourth quarter of 2004, a 37.9% increase over the HK\$56.4 million achieved in the fourth quarter of 2003. The operation recorded a net profit of HK\$0.4 million in the fourth quarter of 2004, which was a significant improvement over the net loss of HK\$22.6 million for the corresponding period in 2003. For full year 2004, PRC bus narrowed its loss to HK\$7.7 million, which represented an improvement of 87.5% compared with 2003. This improvement was

mainly attributable to the better sales performance and the cost cutting measures implemented by the management in 2003. In 2003, the Group renegotiated bus contracts in some key PRC cities and terminated some unprofitable contracts relating to buses running on non-prime routes in the city or city outskirts, both resulting in substantial reductions in media rental costs. The reduced fixed cost base enabled this operation to achieve better financial results this year. The average occupancy rate of the PRC bus advertising space was 45.1% in 2004.

Metro System Advertising

Shanghai Metro recorded strong growth and made up 20.9% of the Group's total turnover in 2004. With sales of HK\$23.2 million in the fourth quarter of 2004, it achieved a growth of 47.8% compared with HK\$15.7 million in the same period in 2003. Shanghai Metro made a net profit of HK\$4.3 million and HK\$15.1 million in the fourth quarter and full year of 2004, respectively, which marked a strong turnaround from the net loss of HK\$0.9 million and HK\$11.5 million in the corresponding periods in 2003. The average occupancy rate of the operation was 51.6% in 2004 and the Group will continue to work on improving the occupancy rate. With higher occupancy for both lines, the Group expects to further improve profitability.

The Group's associated company, Beijing Metro, continued to deliver strong financial performance in 2004. The turnover was HK\$30.1 million and HK\$128.7 million for the fourth quarter and full year of 2004, respectively, which represented a growth of 7.5% and 26.5% over the corresponding periods in 2003. The Group's "share of net profit (after taxation)" of Beijing Metro was HK\$5.7 million and HK\$20.8 million for the fourth quarter and full year of 2004, respectively, an improvement of 5.6% and 32.5% over the corresponding periods in 2003.

Street Furniture

The Shanghai Newspaper Kiosk project received the advertising license approvals from government authorities in December 2003 for about 700 newspaper kiosks installed on the streets of Shanghai. Out of these 700 kiosks, approximately 620 were installed with advertising panels and the remaining ones are in the process of being relocated to better locations or being installed with additional advertising panels. The newspaper kiosks in Shanghai recently gained nationwide attention as these kiosks started to sell government publications, such as The People's Daily, that were previously only available through subscription. The Group aims to install another 300 kiosks to complete the installation of the initial phase of 1,000 kiosks in the near term.

For the First Aid Advertising Display project, approximately 4,800 light boxes have so far been installed across major cities, including Beijing, Shanghai and Guangzhou. The focus is on universities and schools that are not populated by other advertising media. The Group is aiming to enhance the school media network by installing additional light boxes in 2005. In the past few months, the sales and marketing team has been pushing advertising sales and the response from clients has been encouraging.

The above two projects incurred start-up losses of HK\$0.8 million and HK\$6.6 million for the fourth quarter and full year of 2004, respectively. In the fourth quarter, they generated a combined turnover of HK\$4.6 million. The Group expects to see gradual improving sales revenue coming from these projects in the coming year.

Hong Kong

Hong Kong bus represented 16.9% of the Group's total turnover in 2004. The operation generated turnover of HK\$10.6 million and HK\$74.3 million in the fourth quarter and full year of 2004.

The licence agreement with The Kowloon Motor Bus Company (1933) Limited expired on 31st October 2004. After serious consideration, the Group decided not to renew the licence agreement for sound commercial reasons. Since the operation was loss making, discontinuing this business would not have any negative financial effect on the Group. As disclosed in the 2003 Annual Report, a provision for onerous contract was made in 2003 regarding this agreement. However, as the operating results of this unit were still below expectation, the Hong Kong bus operation recorded a loss of approximately HK\$8.1 million in 2004.

Business Outlook

Further to achieving the turnaround of EBITDA since the third quarter of 2003, the Group has recorded the first profitable year since its IPO in early 2002. Given the strong momentum in sales revenue secured by advance bookings, particularly in the two metro operations in Shanghai and Beijing, the management believes that better results can be achieved in 2005.

From a cash flow perspective, the fourth quarter was now the sixth consecutive quarter that the EBITDA continued positive. The business should continue to generate positive operating cash flow in the near future and this will further strengthen the financial position of the Group. When appropriate opportunities are identified, the Group would cautiously consider further expansion of its existing out-of-home media network within and outside of the traditional transit media. The Group recently signed a five-year sole sales agency contract with CGEN, a Shanghai-based company specializing in in-store TV at mega stores outlets, this will likely to deliver a significant boost to our revenues.

Given the improving global economy, business outlook for year 2005 is promising. The management is seeing stronger demand for advertising media in the PRC. Sales contracts secured so far in the early part of 2005 have been very encouraging. The Group anticipates a year of high growth in the outdoor advertising market in the PRC in 2005.

FINANCIAL REVIEW

Revenue and Profitability

The Group recorded turnover of HK\$439.6 million for the year ended 31st December 2004, which represented a strong growth of 17.0% compared with HK\$375.6 million for the previous year. Total turnover generated from Hong Kong decreased from HK\$87.9 million in 2003 to HK\$74.3 million in 2004, a drop of 15.4% mainly due to the expiry of the contract with KMB in October 2004. Total turnover generated from PRC increased by 27.0% from HK\$287.7 million in 2003 to HK\$365.3 million in 2004. The increase was mainly due to the improvement of performance for the metro and bus advertising businesses during the year. Despite the downsized bus media portfolios in the PRC and Hong Kong, the Group was still able to achieve significant increase in turnover.

Total turnover for the year ended 31st December 2004 was generated from: (i) bus advertising of HK\$337.6 million (76.8% of total turnover); (ii) metro system advertising of HK\$91.7 million (20.9% of total turnover); and (iii) other operations including street furniture of HK\$10.3 million (2.3% of total turnover).

Cost of sales for the year ended 31st December 2004 decreased by 9.4% to HK\$358.1 million from HK\$395.4 million in 2003. The decrease was mainly due to the reduction of concession fees resulting from (i) a downsized bus media portfolio in the PRC; (ii) the realization of the onerous contract provision made in 2003; and (iii) the expiry of the New World First Bus Services Limited (“NWFB”) bus body advertising agreement in Hong Kong in July 2003 and the expiry of The Kowloon Motor Bus Company (1933) Limited (“KMB”) bus body advertising agreement in Hong Kong in October 2004.

As a result of the above mentioned increase in turnover and reduction in cost of sales at the same time, the Group recorded a gross profit of HK\$81.5 million in 2004, which was a significant improvement over the HK\$19.9 million gross loss for the previous year.

Selling, general and administrative expenses for the year ended 31st December 2004 decreased by 8.7% from HK\$110.9 million in 2003 to HK\$101.2 million in 2004. The decrease was mainly due to tightened cost controls, particularly in staff cost and office rental.

Finance costs

Finance costs for the year was negligible (2003: HK\$1.6 million).

Share of Profit of An Associated Company

Share of profit of an associated company before taxation coming from Beijing Metro increased from HK\$23.3 million in 2003 to HK\$31.0 million in 2004. Beijing Metro demonstrated continuing improvement and achieved higher profit in 2004.

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 (2003: 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% (2003: 33%). The Group’s taxation consists primarily of HK\$10.2 million EIT levied on profit from an associated company where the EIT rate is 33%.

Minority Interests

Minority interests in the Group’s results were HK\$1.9 million in 2004 (2003: HK\$0.1 million).

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 the 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 the printing group, namely Beijing Top Result and Digital Photo group over the minority interest in the equity of the Beijing Top Result and Digital Photo group was charged against the Group, amounting to HK\$1.3 million and HK\$1.8 million, respectively.

Net Profit Attributable to Shareholders

As a result of the above, the Group recorded a net profit for the year ended 31st December 2004 of HK\$2.5 million (2003: a net loss of HK\$143.8 million).

Adjusted Earning Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA)

Adjusted EBITDA represents gain/(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:-

| | For the year ended 31st December 2004 <i>HK\$ million</i> | For the year ended 31st December 2003 <i>HK\$ million</i> |
|-----------------|--|--|
| Adjusted EBITDA | 84.6 | (51.9) |

Financial Resources, Security and Liquidity

The Group had net assets of HK\$440.9 million as at 31st December 2004 (2003: HK\$438.3 million), including cash and bank balances of HK\$92.3 million (2003: HK\$55.3 million).

The Group had no material outstanding borrowing as at 31st December 2004.

The gearing ratio, defined as the ratio of total liabilities to total assets, was 30.7% as at 31st December 2004, comparable to 30.0% as at 31st December 2003.

Pledge of Assets

As at 31st December 2004, the Group did not have any pledged assets.

Assets

The total assets of the Group increased by 1.1% from HK\$631.5 million in 2003 to HK\$638.5 million in 2004. The majority of the non-current assets are intangible assets of advertising license rights.

Material Investments/Acquisitions/Disposals

The Group made no material acquisition or disposal during the year. As at 31st December 2004, the Group had no future plans for material investments or capital assets.

Employees

As at 31st December 2004, the Group had 551 (2003: 507) employees. Total employee remuneration, including that of the directors, for the year ended 31st December 2004 amounted to HK\$54.9 million (2003: HK\$57.2 million). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The remuneration of directors is from time to time determined by the board of directors of the Company by reference to their duties and responsibilities. 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 2004, the Group had no material contingent liabilities.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2004**

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|-------------|--------------------------------|--------------------------------|
| Turnover | 2 | 439,601 | 375,568 |
| Cost of sales | | <u>(358,148)</u> | <u>(395,430)</u> |
| Gross profit/(loss) | | 81,453 | (19,862) |
| Other revenues | 2 | 395 | 603 |
| Selling, general and administrative expenses | | (101,200) | (110,934) |
| Provision for onerous contract | | — | (13,760) |
| Impairment of assets | 3 | <u>(795)</u> | <u>(14,065)</u> |
| Operating loss | 3 | (20,147) | (158,018) |
| Finance costs | 4 | (29) | (1,568) |
| Share of profit of an associated company | | <u>31,005</u> | <u>23,264</u> |
| Profit/(loss) before taxation | | <u>10,829</u> | <u>(136,322)</u> |
| Taxation | | | |
| - The Company and subsidiaries | | (4) | (34) |
| - An associated company | | <u>(10,202)</u> | <u>(7,565)</u> |
| | 5 | <u>(10,206)</u> | <u>(7,599)</u> |
| Profit/(loss) after taxation | | 623 | (143,921) |
| Minority interests | | <u>1,903</u> | <u>146</u> |
| Net profit/(loss) attributable to shareholders | | <u><u>2,526</u></u> | <u><u>(143,775)</u></u> |
| Dividend | | <u>—</u> | <u>—</u> |
| Profit/(loss) per share (HK cents) | | | |
| - Basic | 7 | 0.14 | (13.25) |
| - Diluted | 7 | <u>N/A</u> | <u>N/A</u> |

**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2004**

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|-------------|--------------------------------|--------------------------------|
| Non-current assets | | | |
| Intangible assets | | 263,939 | 236,899 |
| Fixed assets | | 74,841 | 76,806 |
| Investment deposit placed with a joint venture partner | | 14,145 | 14,145 |
| Long-term deposits | | — | 35,000 |
| Deposits for intangible assets | | — | 76,998 |
| Deposits for fixed assets | | 5,792 | 13,544 |
| Investment in an associated company | | 49,537 | 42,559 |
| Other non-current assets | | <u>275</u> | <u>764</u> |
| | | <u>408,529</u> | <u>496,715</u> |
| Current assets | | | |
| Prepayments, deposits and other receivables | | 74,638 | 18,077 |
| Inventories | | 1,672 | 4,732 |
| Income tax recoverable | | — | 20 |
| Trade receivables | 8 | 61,422 | 56,462 |
| Pledged bank deposits | | — | 241 |
| Bank balances and cash | 12(c) | <u>92,281</u> | <u>55,281</u> |
| | | <u>230,013</u> | <u>134,813</u> |

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|-------------|--------------------------------|--------------------------------|
| Current liabilities | | | |
| Trade payables | 9 | 55,269 | 63,685 |
| Provisions, accrued liabilities and other payables | 10 | 36,034 | 48,344 |
| Deferred income | | 61,028 | 43,352 |
| Amount due to an associated company | | 42,512 | 27,125 |
| Amount due to a joint venture partner | | — | 406 |
| Amounts due to related companies | | 1,169 | 1,091 |
| Obligations under finance leases | | 25 | — |
| Taxation payable | | — | 32 |
| | | <u>196,037</u> | <u>184,035</u> |
| Net current assets/(liabilities) | | <u>33,976</u> | <u>(49,222)</u> |
| Total assets less current liabilities | | <u>442,505</u> | <u>447,493</u> |
| Financed by: | | | |
| Capital and reserves | | | |
| Share capital | | 180,349 | 180,349 |
| Reserves | 11 | <u>260,515</u> | <u>257,998</u> |
| | | 440,864 | 438,347 |
| Minority interests | | 1,547 | 3,450 |
| Non-current liabilities | | | |
| Obligations under finance leases | | 94 | — |
| Long-term payables | | <u>—</u> | <u>5,696</u> |
| | | <u>94</u> | <u>5,696</u> |
| | | <u>442,505</u> | <u>447,493</u> |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2004**

| | 2004 | 2003 |
|--|-----------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total equity as at 1st January | 438,347 | 465,367 |
| Issue of ordinary shares upon the Open Offer in August 2003 | — | 120,233 |
| Share issuing expenses | — | (3,703) |
| Net gains not recognised in the consolidated profit and loss account | | |
| - Exchange difference arising from the translation of accounts of foreign subsidiaries | (9) | 225 |
| Net profit/(loss) for the year | <u>2,526</u> | <u>(143,775)</u> |
| Total equity as at 31st December | <u>440,864</u> | <u>438,347</u> |

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2004**

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|-------------|--------------------------------|--------------------------------|
| Net cash inflow/(outflow) from operations | 12(a) | 39,781 | (76,816) |
| Interest paid | | (29) | (1,568) |
| Overseas taxation paid | | <u>(16)</u> | <u>(70)</u> |
| Net cash inflow/(outflow) from operating activities | | 39,736 | (78,454) |
| Investing activities | | | |
| Purchase of fixed assets | | (3,074) | (6,971) |
| Proceeds from disposals of fixed assets | | 47 | 341 |
| Payments for acquisition of intangible assets | | (11,822) | (16,120) |
| Payment for deposits for fixed assets | | — | (1,139) |
| Payment for deposits for intangible assets | | — | (2,487) |
| Dividend received from an associated company | | <u>13,825</u> | <u>12,919</u> |
| Net cash used in investing activities | | <u>(1,024)</u> | <u>(13,457)</u> |
| Net cash inflow/(outflow) before financing | | <u>38,712</u> | <u>(91,911)</u> |

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|-------------|--------------------------------|--------------------------------|
| Financing activities | | | |
| New loans repayable within one year | | — | 68,000 |
| Repayment of loans repayable within one year | | — | (68,000) |
| Issue of new shares upon the Open Offer in August 2003 | | — | 120,233 |
| Share issuing expenses | | — | (3,703) |
| Repayment of principal portion of obligations under finance lease | | <u>(4)</u> | <u>—</u> |
| Net cash (outflow)/inflow from financing | | (4) | 116,530 |
| Increase in cash and cash equivalents | | 38,708 | 24,619 |
| Cash and cash equivalents at 1st January | | 53,582 | 28,739 |
| Effect of foreign exchange rate changes | | <u>(9)</u> | <u>224</u> |
| Cash and cash equivalents at 31st December | 12(c) | <u>92,281</u> | <u>53,582</u> |

Notes to the Accounts

1 Principal accounting policies

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

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 Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The accounts have been reviewed by the audit committee of the Company.

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:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| Turnover | | |
| Media rental | 343,832 | 287,224 |
| Production income | 87,072 | 83,059 |
| Agency commission income | <u>8,697</u> | <u>5,285</u> |
| | 439,601 | 375,568 |
| Other revenues | | |
| Interest income from bank deposits | 357 | 232 |
| Interest income from trade deposits | 38 | 369 |
| Interest income from trade receivables | <u>—</u> | <u>2</u> |
| | <u>395</u> | <u>603</u> |
| Total revenues | <u>439,996</u> | <u>376,171</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:

| | Hong Kong | | PRC | | Eliminations | | Total | |
|--|---------------|---------------|----------------|----------------|-----------------|-----------------|-----------------|------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | | | | | | | | |
| Sales to external customers | 74,295 | 87,884 | 365,306 | 287,684 | — | — | 439,601 | 375,568 |
| Inter-segment sales | <u>6,416</u> | <u>7,073</u> | <u>21,092</u> | <u>11,197</u> | <u>(27,508)</u> | <u>(18,270)</u> | <u>—</u> | <u>—</u> |
| Total turnover | <u>80,711</u> | <u>94,957</u> | <u>386,398</u> | <u>298,881</u> | <u>(27,508)</u> | <u>(18,270)</u> | <u>439,601</u> | <u>375,568</u> |
| Segment operating (loss)/profit | (21,523) | (68,648) | 3,612 | (93,628) | (2,236) | 4,258 | (20,147) | (158,018) |
| Finance costs | | | | | | | (29) | (1,568) |
| Share of profit of an associated company | | | | | | | <u>31,005</u> | <u>23,264</u> |
| Profit/(loss) before taxation | | | | | | | 10,829 | (136,322) |
| Taxation | | | | | | | <u>(10,206)</u> | <u>(7,599)</u> |
| Profit/(loss) after taxation | | | | | | | 623 | (143,921) |
| Minority interests | | | | | | | <u>1,903</u> | <u>146</u> |
| Net profit/(loss) attributable to shareholders | | | | | | | <u>2,526</u> | <u>(143,775)</u> |
| Assets | | | | | | | | |
| Segment assets | 180,782 | 195,053 | 408,223 | 393,916 | — | — | 589,005 | 588,969 |
| Interest in an associated company | | | | | | | <u>49,537</u> | <u>42,559</u> |
| Total assets | | | | | | | <u>638,542</u> | <u>631,528</u> |

| | Hong Kong | | PRC | | Eliminations | | Total | |
|--|---------------|---------------|----------------|----------------|--------------|----------|----------------|----------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Liabilities | | | | | | | | |
| Segment liabilities | <u>17,894</u> | <u>23,929</u> | <u>178,237</u> | <u>165,802</u> | <u>—</u> | <u>—</u> | <u>196,131</u> | <u>189,731</u> |
| Other information | | | | | | | | |
| Capital expenditure | 1,531 | 35 | 9,418 | 22,246 | — | — | 10,949 | 22,281 |
| Provision for doubtful debts | | | | | | | | |
| Trade receivables | 908 | — | 2,186 | 1,517 | — | — | 3,094 | 1,517 |
| Amount due from an associated company | — | 1,252 | — | — | — | — | — | 1,252 |
| Deposits and other receivables | — | — | — | 1,591 | — | — | — | 1,591 |
| Write-off of doubtful debt for amount due from an associated company | — | 401 | — | — | — | — | — | 401 |
| Impairment of assets | — | — | 795 | 14,065 | — | — | 795 | 14,065 |
| Depreciation of fixed assets | 486 | 1,061 | 11,528 | 12,771 | — | — | 12,014 | 13,832 |
| Amortisation of intangible assets | 31 | 67 | 59,914 | 66,940 | — | — | 59,945 | 67,007 |

(b) *Secondary reporting format — business segments*

The Group is organised into three main business segments, namely metro system advertising, bus advertising and street furniture advertising. The Group's turnover, segment results, segment assets and capital expenditure for the year, analysed by business segments are as follows:

| | Turnover | | Segment results | | Total assets | | Capital expenditure | |
|---|----------------|----------------|-----------------|------------------|----------------|----------------|---------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Metro system advertising | 91,680 | 55,446 | 15,343 | (9,500) | 88,431 | 51,178 | 661 | 870 |
| Bus advertising | 337,587 | 315,763 | (16,340) | (116,098) | 372,451 | 386,391 | 2,565 | 8,429 |
| Other operations including street furniture | <u>10,334</u> | <u>4,359</u> | <u>(6,208)</u> | <u>(10,914)</u> | <u>76,567</u> | <u>132,637</u> | <u>7,723</u> | <u>12,982</u> |
| | <u>439,601</u> | <u>375,568</u> | (7,205) | (136,512) | 537,449 | 570,206 | <u>10,949</u> | <u>22,281</u> |
| Unallocated costs | | | <u>(12,942)</u> | <u>(21,506)</u> | | | | |
| Operating loss | | | <u>(20,147)</u> | <u>(158,018)</u> | | | | |
| Interest in an associated company | | | | | 49,537 | 42,559 | | |
| Unallocated assets | | | | | <u>51,556</u> | <u>18,763</u> | | |
| Total assets | | | | | <u>638,542</u> | <u>631,528</u> | | |

3 Operating loss

Operating loss is stated after charging the following:

| | 2004 | 2003 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Charging | | |
| Depreciation: | | |
| Owned fixed assets | 12,010 | 13,832 |
| Leased fixed assets | 4 | — |
| Loss on disposals of fixed assets | 58 | 340 |
| Impairment of assets | | |
| Advertising display panel | 795 | — |
| Intangible assets | — | 14,065 |
| Staff costs (including directors' emoluments) | 54,884 | 57,198 |
| Auditors' remuneration | 1,630 | 1,029 |
| Amortisation of intangible assets | | |
| Advertising license rights (included in cost of sales) | 59,527 | 66,712 |
| Computer software (included in cost of sales) | 231 | 239 |
| Goodwill (included in administrative expenses) | 187 | 56 |
| Operating lease: | | |
| Office premises | 8,631 | 10,911 |
| Advertising spaces | 142,030 | 217,929 |
| Provision for doubtful debts | | |
| Trade receivables | 3,094 | 1,517 |
| Amount due from an associated company | — | 1,252 |
| Deposit and other receivable | — | 1,591 |
| Provision for onerous contracts | — | 13,760 |
| Write-off of doubtful debts for amount due from an associated company | — | 401 |
| Net exchange losses | <u>49</u> | <u>263</u> |

4 Finance costs

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Interest on bank loans and overdrafts | — | 8 |
| Interest on loans from financial institutions | — | 6 |
| Interest on trade payables | 29 | — |
| Interest on amount due to an associated company | — | 73 |
| Interest on long-term payables | — | 145 |
| Interest on loan from substantial shareholders | — | 1,289 |
| Interest on loan from a related company | — | 47 |
| | <u>29</u> | <u>1,568</u> |

5 Taxation

Hong Kong profits tax at the rate of 17.5% (2003: 17.5%) has not been provided as the Group's operations in Hong Kong have no estimated assessable profit for the year (2003: 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% (2003: 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:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Current taxation | | |
| PRC EIT | 4 | 34 |
| Share of taxation attributable to An associated company | <u>10,202</u> | <u>7,565</u> |
| Taxation charge | <u>10,206</u> | <u>7,599</u> |

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

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Profit/(loss) before taxation | <u>10,829</u> | <u>(136,322)</u> |
| Calculated at a taxation rate of 17.5% (2003: 17.5%) | 1,895 | (23,856) |
| Effect of different taxation rates in the PRC | 4,557 | (11,153) |
| Income not subject to taxation | (2,651) | (2,635) |
| Expenses not deductible for taxation purposes | 8,150 | 13,078 |
| Tax losses not recognised | 420 | 32,165 |
| Utilisation of previously unrecognised tax losses | <u>(2,165)</u> | <u>—</u> |
| Taxation charge | <u>10,206</u> | <u>7,599</u> |

6 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\$7,828,000 (2003: HK\$143,550,000).

7 Profit/(loss) per share

The calculation of basic profit/(loss) per share is based on the Group's net profit/(loss) attributable to shareholders of approximately HK\$2,526,000 (2003: loss of HK\$143,775,000) and the weighted average of 1,803,488,985 ordinary shares in issue during the year (2003: weighted average of 1,085,387,435 ordinary shares after the Open Offer). The diluted profit per share for the year ended 31st December 2004 is not presented because the effect of the assumed conversion of all potential dilutive securities is anti-dilutive.

8 Trade receivables — Group

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|------------------------------------|--------------------------------|--------------------------------|
| Trade receivables | 72,292 | 65,820 |
| Less: provision for doubtful debts | <u>(10,870)</u> | <u>(9,358)</u> |
| | <u>61,422</u> | <u>56,462</u> |

At 31st December 2004, the ageing analysis of trade receivables was as follows:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|-----------------|--------------------------------|--------------------------------|
| Current | 17,006 | 18,482 |
| — 1 - 30 days | 14,162 | 9,766 |
| — 31 - 60 days | 10,635 | 8,856 |
| — 61 - 90 days | 4,614 | 5,161 |
| — 91 - 120 days | 6,784 | 4,384 |
| Over 120 days | <u>19,091</u> | <u>19,171</u> |
| | <u>72,292</u> | <u>65,820</u> |

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

9 Trade payables — Group

At 31st December 2004, the ageing analysis of trade payables based on due date was as follows:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|-----------------|--------------------------------|--------------------------------|
| Current | 4,564 | 16,089 |
| — 0 - 30 days | 16,413 | 8,908 |
| — 31 - 60 days | 1,762 | 5,015 |
| — 61 - 90 days | 1,216 | 1,921 |
| — 91 - 120 days | 12,758 | 710 |
| Over 120 days | <u>18,556</u> | <u>31,042</u> |
| | <u>55,269</u> | <u>63,685</u> |

10 Provisions, accrued liabilities and other payables

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--|------------------|------------------|
| Provisions, accrued liabilities and other payables | | |
| Others | 36,034 | 34,584 |
| Provision for onerous contract | <u>—</u> | <u>13,760</u> |
| | <u>36,034</u> | <u>48,344</u> |

At 31st December 2003, the directors considered an advertising contract to which the Group in Hong Kong was a party to had become onerous. Accordingly, a provision for onerous contract was made, based on the excess of the least net loss of terminating this contract over the expected economic benefits to be derived therefrom. This provision for onerous contract was fully utilised in 2004.

11 Reserves

| | Share premium HK\$'000 (Note (iii)) | Translation reserve HK\$'000 | Capital reserve HK\$'000 (Note (i) and (iii)) | Accumulated losses HK\$'000 | Capital redemption reserve HK\$'000 | Total HK\$'000 |
|--|---|---------------------------------|--|--------------------------------|--|-------------------|
| Group | | | | | | |
| 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> |
| At 1st January 2004 | 631,807 | 2,069 | 883 | (377,151) | 390 | 257,998 |

| | Share premium <i>HK\$'000</i> <i>(Note (iii))</i> | Translation reserve <i>HK\$'000</i> | Capital reserve <i>HK\$'000</i> <i>(Note (i) and (iii))</i> | Accumulated losses <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|--|--|--|---------------------------------|
| Exchange difference arising from the translation of accounts of foreign subsidiaries | — | (9) | — | — | — | (9) |
| Profit for the year | <u>—</u> | <u>—</u> | <u>—</u> | <u>2,526</u> | <u>—</u> | <u>2,526</u> |
| At 31st December 2004 | <u>631,807</u> | <u>2,060</u> | <u>883</u> | <u>(374,625)</u> | <u>390</u> | <u>260,515</u> |
| The Company and subsidiaries | 631,807 | 2,069 | 883 | (386,837) | 390 | 248,312 |
| Associated company | <u>—</u> | <u>—</u> | <u>—</u> | <u>9,686</u> | <u>—</u> | <u>9,686</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> |
| The Company and subsidiaries | 631,807 | 2,060 | 883 | (391,289) | 390 | 243,851 |
| Associated company | <u>—</u> | <u>—</u> | <u>—</u> | <u>16,664</u> | <u>—</u> | <u>16,664</u> |
| At 31st December 2004 | <u>631,807</u> | <u>2,060</u> | <u>883</u> | <u>(374,625)</u> | <u>390</u> | <u>260,515</u> |
| Company | | | | | | |
| 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 | <u>—</u> | <u>—</u> | <u>—</u> | <u>(143,550)</u> | <u>—</u> | <u>(143,550)</u> |
| 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> |
| At 1st January 2004 | 631,807 | — | 2,687 | (376,886) | 390 | 257,998 |
| Loss for the year | <u>—</u> | <u>—</u> | <u>—</u> | <u>(7,828)</u> | <u>—</u> | <u>(7,828)</u> |
| At 31st December 2004 | <u>631,807</u> | <u>—</u> | <u>2,687</u> | <u>(384,714)</u> | <u>390</u> | <u>250,170</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 2004, no transfer was made by the subsidiaries (2003: 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 2004, in the opinion of the directors, the Company had no reserves available for distribution to its shareholders.

12 Notes to consolidated cash flow statement

- (a) Reconciliation of profit/(loss) before taxation to net cash inflow/(outflow) from operations:

| | 2004 | 2003 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit/(loss) before taxation | 10,829 | (136,322) |
| Provision for doubtful debts | | |
| Trade receivables | 3,094 | 1,517 |
| Amount due from an associated company | — | 1,252 |
| Deposits and other receivables | — | 1,591 |
| Provision for onerous contract | — | 13,760 |
| Write-off of doubtful debt for amount due from an associated company | — | 401 |

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| Depreciation | 12,014 | 13,832 |
| Loss on disposals of fixed assets | 58 | 340 |
| Impairment loss on fixed assets | 795 | — |
| Impairment loss on intangible assets | — | 14,065 |
| Amortisation of intangible assets | 59,945 | 67,007 |
| Amortisation of goodwill on acquisition of an associated company | 1,268 | 1,268 |
| Share of profit of an associated company | (32,273) | (24,532) |
| Interest expense | <u>29</u> | <u>1,568</u> |
| Operating profit/(loss) before working capital changes | 55,759 | (44,253) |
| (Increase)/decrease in prepayments, deposits and other receivables | (21,561) | 15,300 |
| Decrease/(increase) in other non-current assets | 489 | (17) |
| Decrease in long-term payables | (5,696) | (6,238) |
| Decrease/(increase) in inventories | 3,060 | (1,991) |
| Increase in trade receivables | (8,054) | (4,560) |
| Decrease in trade payables, provisions, accrued liabilities and other payables | (18,891) | (38,176) |
| Increase in deferred income | 17,676 | 10,433 |
| (Decrease)/increase in amount due to a joint venture partner | (406) | 142 |
| Increase/(decrease) in amounts due to related companies | 78 | (78) |
| Decrease in pledged bank deposits | 241 | — |
| Decrease in restricted cash | 1,699 | 84 |
| Increase/(decrease) in amount due to an associated company | <u>15,387</u> | <u>(7,462)</u> |
| Net cash inflow/(outflow) from operations | <u>39,781</u> | <u>(76,816)</u> |

(b) Major non-cash transactions

During the year, deposits for fixed assets amounting to HK\$7,752,000 were transferred to fixed assets as the advertising display panels were received during the year.

Deposits for intangible asset amounting to HK\$76,998,000 were transferred to intangible assets as the rights to place advertisements on specially designed newspaper kiosks were obtained.

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

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|-------------------------------------|--------------------------------|--------------------------------|
| Bank balances and cash | 92,281 | 55,281 |
| Less: Non-cash and cash equivalents | <u>—</u> | <u>(1,699)</u> |
| | <u>92,281</u> | <u>53,582</u> |

POST BALANCE SHEET EVENT

The suspension of trading in the shares

At the request of the Company trading in the shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited was suspended on 17th March 2005 pending a further announcement in relation to certain price sensitive information. A further announcement will be made as soon as possible together with a request for the resumption of trading in the shares of the Company.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31st December 2004 (2003: Nil).

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

The Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the directors, the directors of the Company had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31st December 2004.

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 10th September 2001 and formulated its written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Committee comprised a non-executive Director, Ms. Ho Ming Yee and two independent non-executive Directors, namely Mr. Johannes Schöter (the Chairman of the Committee) and Mr. Barry John Buttifant. The Committee has reviewed the draft of this announcement and has provided advice and comments thereon.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December 2004, 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 5.34 to 5.45 of the GEM Listing Rules, throughout the year ended 31st December 2004.

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 basis 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, 21st March 2005

As at the date of this announcement, the Board comprises:

Executive Director

Mr. Chu Chung Hong, Francis

Non-Executive Directors

Mr. Sun Qiang, Chang

Mr. Cheung Leung Hong, Cliff

Ms. Ho Ming Yee

Mr. Cheng Cheung Lun, Julian

Independent Non-Executive Directors

Mr. Johannes Schöter

Mr. Barry John Buttifant

Mr. Duck Young Song

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.