MEDIANATION INC.

>>Embrace the beauty of future outdoor

Annual Report 2002

Incorporated in the Cayman Islands with limited liability

www.medianationinc.com

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>> Annual Report 2002

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33 media formats

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- > Offices in 10 cities
- > 16-city network
- > 33 media formats
- > 500 staff
- > 1,000 newspaper & magazine kiosks
- > 2,500 bus shelter displays in Hong Kong
- > 5,000 Red Cross in-store units
- > 22,500 advertising buses
- > 24,000 metro displays

>>MediaNation Inc. is a leading advertising company, which has built up one of the largest public transport advertising display networks in the People's Republic of China (the "PRC") and Hong Kong.

The company is well established. Its roots go back to 1992, when the founders saw the huge potential for outdoor advertising in Hong Kong and the PRC. In 1996, a holding company was incorporated which offered advertising services through its subsidiaries.

The company is listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong.

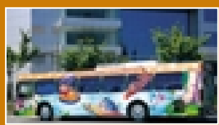
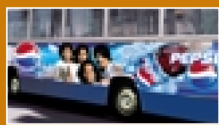
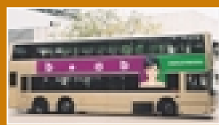
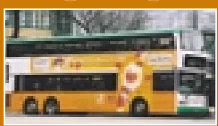
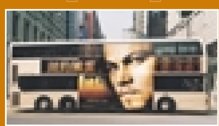
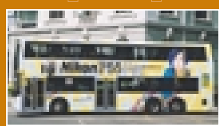
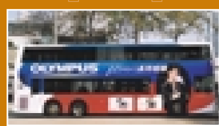
MediaNation Inc. is now established as a major force in outdoor advertising in its chosen markets.

Major Chinese cities in which the company has contracts with public transport authorities include Beijing, Shanghai, Guangzhou, Wuhan, Tianjin, Hangzhou, Qingdao and Chengdu.

	Metro	Bus	Kiosk	In-Store Display	Bus Shelter
Beijing	■	■	–	■	–
Shanghai	■	■	■	–	–
Guangzhou	–	■	–	–	–
Hong Kong	–	■	–	–	■
Wuhan	–	■	–	–	–
Changsha	–	■	–	–	–
Kunming	–	■	–	–	–
Chengdu	–	■	–	–	–

	Metro	Bus	Kiosk	In-Store Display	Bus Shelter
Shenyang	–	■	–	–	–
Dalian	–	■	–	–	–
Jilin	–	■	–	–	–
Qingdao	–	■	–	–	–
Tianjin	–	■	–	–	–
Fuzhou	–	■	–	–	–
Zhengzhou	–	■	–	–	–
Hangzhou	–	■	–	–	–

The company has the exclusive rights to advertising display sites on approximately 20,000 buses in 15 major cities in the PRC. Its client's messages are carried on approximately 4,900 buses in Hong Kong operated by two of the three largest bus operators. The fast expanding metro systems in the PRC also provides major opportunities. The company has contracts with metro lines operated in Beijing and Shanghai. From this strong and expanding base, the company is also seeking new advertising opportunities, and is expanding into other formats such as newspaper kiosks and other forms of "street furniture".

An Expanding Market

Although one of the oldest forms of mediums, outdoor display remains a key form of advertising with advantages that cannot be matched by television or newspaper advertising. This is especially true in terms of the visual impact, which makes this form of presentation so effective. The rapidly growing consumer market in the PRC will ensure a strong demand for advertising, since 1990, total spending has been growing steadily and continues to prosper.

The creative use of prominent displays in heavily trafficked locations provides advertisers with a powerful platform to build brand awareness and drive home marketing messages.

Compared to other forms of advertising, it is cost effective, generates repetitive viewing and reaches potential customers close to points of sale.

The exciting and endless possibilities for presentation offered by this form of display will ensure that it remains a key tool in advertising campaigns. Clients are becoming ever more sophisticated in their presentations, and are encouraged by the growing amount of research data that reinforces the effectiveness of outdoor displays. New technologies also widening creative opportunities, will, in turn, attract new customers.

The key outdoor advertising media are :

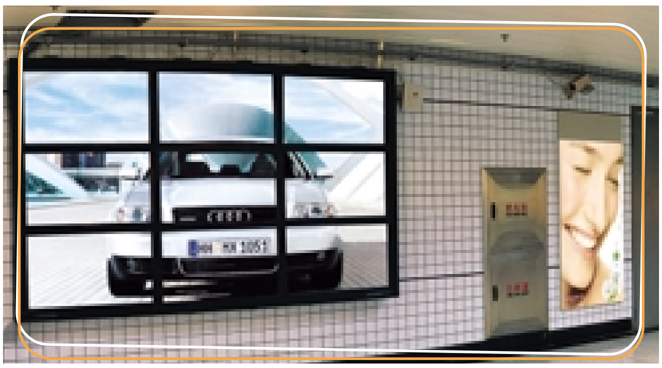
BUSES

MediaNation Inc. operates the largest bus advertising network in Pan China. Bus ads are the best way to capture the attention of today's highly mobile consumers, because they move with them. Buses are an intrinsic part of the daily lives of the entire community, from children to housewives, workers to senior executives. Regardless of the traffic condition, buses are highly visible and are almost impossible to ignore. Their size and movement make them attention-grabbers on the street. And thanks to their mobility, it takes only a few buses to deliver full population coverage in comparatively less densely populated cities.

METRO

Metro advertising is a shining star among all outdoor media, and an obvious choice on every media plan. In view of its heavy and stable passenger flow of the system, metro advertising is an outdoor medium that can quantitatively measured. Metro riders in the PRC are mobile working group, with solid purchasing power. They appreciate advertising as a valuable information and entertainment source during their journey. Advertisers have a captive audience, which enables them to repeatedly drive home their message.

With extensive facilities on the Beijing and Shanghai Metro Systems, the company provides access to a hundred of thousands of potential client customers every day.



STREET FURNITURE

As PRC's major cities continue to modernize, there will be an increasing need for street furniture that enhances the quality of urban life both by improving a city's appearance and public amenities. MediaNation Inc. sees the value in tapping the street furniture sector, has expanding into this sector with the following 3 projects.

City Showcase - Shanghai Newpaper Kiosk

MediaNation Inc. has the exclusive right to operate newspapers kiosks network in Shanghai.

Dynamic Showcase - In Mall Advertising Display

Our strategy to build a nationwide network of in mall first aid light boxes commenced in Beijing, by entering into an agreement with China General Chamber of Commerce and Red Cross.

New World First Bus Bus Shelters

Through Top Result Promotion Ltd., MediaNation Inc. now operates the entire network of New World First Bus bus shelters in Hong Kong, approximating 700 advertising displays.

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

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

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

>> Strengthening Our Operation

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

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

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

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

>> The Challenges

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

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

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

>> Business Review

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

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

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

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

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

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

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

>> Vision and Strategy

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

The priorities this year:

1. Refocus on core business: bus and metro

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

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

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

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

2. Speed up the rollout of key projects

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

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

Sun Qiang, Chang
Chairman

Francis Chu, CEO and Joe Yuen, CFO respond to a few of investors' most frequently asked questions.

>>What were the major factors affecting the company's performance in 2002?

2002 was a challenging year for many companies in the advertising and media industries, including our own. We faced a sluggish advertising market in Hong Kong and an increasingly competitive environment in China that impacted our growth. But we cannot place all blame on market conditions. Too much management turnover, particularly with middle management, created problems of instability and lowered morale. New projects such as newspaper kiosks and Red Cross light boxes in the PRC, while diversifying our business interests, put too much of a strain on both human resources and capital. As a result, with the exception of Beijing Metro, all of our businesses under-performed last year.

On Left : Mr. Francis Chu, CEO
On Right : Mr. Joe Yuen, CFO

>>What are the strategies to turn around the business this year?

Under the company's new management team, the following steps were taken in the latter half of the year to address the problems facing our company:

(1) Refocus on our core businesses: bus and metro

To the company's credit, MediaNation has a solid business foundation and reputation, and we can now build upon these strengths. We have a new and committed management team in place, and all of us are working towards one goal — to focus and grow the core businesses — bus and metro.

In an effort to balance the declining market demand and refocus our business, in December of 2002, we decided to discontinue the i-Result operations in order to control the continuing loss incurred from i-Result and to stop the cash drain resulting from the loss. This was a necessary step to improve the company's financial performance and better align ourselves with our core competencies.

Moving forward we will expand cautiously and strengthen each of our core businesses, in order to offer the best value to our clients. Wherever possible, we are re-negotiating media concession contracts for more favorable contract terms.

(2) Reorganised the organisational structure for PRC business:

We have restructured our internal organisation to ensure better co-ordination among different locations and operations throughout our PRC network and to build a more cohesive professional management team. We are strengthening our sales force and nationwide sales network to enhance cross media sales of the company's entire media portfolio, we feel this will over time increase our efficiency and offering to clients. We have seen encouraging results from the reengineering; we will continue to maintain a professional and cohesive team to facilitate a real integrated network providing top quality services to our customers.

(3) **Speeding up the rollout of new projects:**
We experienced certain delays in rolling out new projects, Red Cross light boxes and newspaper kiosks in 2002. The project teams are now better organised, with a clear division of duties and accountabilities. The project teams will dedicate their effort to overcoming the implementation difficulties and to speeding up the rollout of these projects so that they are able to generate revenue instead of incurring a cash drain in the near future.

>>So far, how are these strategies being realised?

With much success, we have further consolidated the bus portfolio and have successfully renegotiated several major contracts with more favorable terms. In Guangzhou, for the first time we are now operating with a new full bus advertising format. We expect these developments to contribute to a gradual increase in advertising for coming years.

In China, we streamlined our bus operations from eight branches into three major regions, North, East and South. Strong teams are now in place. We anticipate this restructuring will show tangible improvement in our results by mid-2003. Specifically, in Shanghai new management has been in place since November of 2002 and we are already seeing a positive development in the operations sales performance in the early part of 2003.

The Red Cross light boxes are scheduled for a full launch by mid-2003. This product offers advertisers unique access to targeted consumers, with the network penetrating into colleges and financial institutions that so far no other out-of-the-home media has been able to achieve.

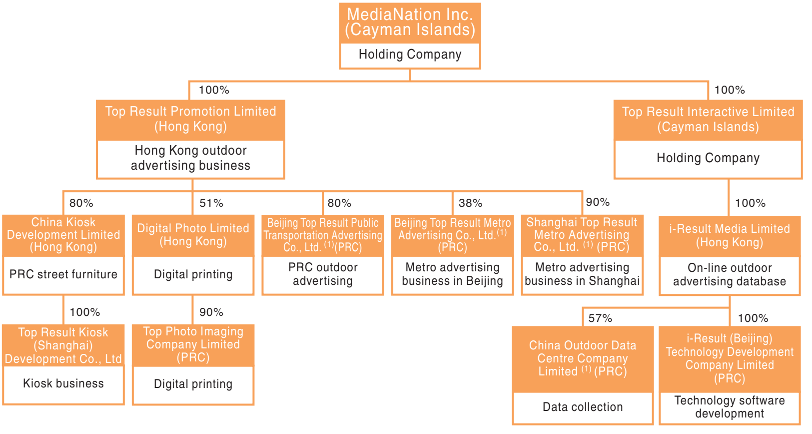
Currently, about 300 newspaper kiosks are operational and have received favorable feedback from the market. We anticipate to complete installation of the majority of the first batch 1000 kiosks by the end of 2003.

>>How does MediaNation compare to its competitors?

>>MediaNation has built up one of the largest public transport advertising display networks in its chosen markets in the PRC and Hong Kong, possessing exclusive rights to advertising display sites on approximately 25,000 buses in 16 major cities in the PRC and Hong Kong and offering national-wide network services to international and domestic renowned brands. This makes MediaNation an incomparable leading advertising vendor in China.

We provide a comprehensive out-of-the-home media network for advertisers looking to capitalise on the growing consumer market in China. Our one-stop-shop portfolio of media assets offers advertisers the unique ability to reach both mass and targeted consumers through a variety of media options. For example our Red Cross advertising product allows advertisers to reach either college students or professionals in the financial services sector.

We believe that these assets combined with our management teams' commitment to success, and resilience and strength of our sales force, gives us strong differentiation from our competitors.



(1) These entities are established as cooperative joint ventures in the PRC and are officially approved by the PRC State Administration for Industry and Commerce ("SAIC") and Ministry of Foreign Trade and Economic Corporation of the PRC ("MOFTEC"). All these entities are registered at their respective local SAIC branches. The corresponding percentages represent the percentages of the entities' net profits the Group is entitled to receive under the relevant joint venture contracts. A sino-foreign cooperative joint venture (also known as contractual joint venture) is a form of cooperation whereby the Chinese and the foreign parties cooperate on the basis of a joint venture contract, under which the parties set out their "terms of cooperation" including their rights, liabilities and risks in the joint venture. Profit distribution in a cooperative joint venture is not necessarily proportional to the value of the contributions of the parties.

BUSINESS REVIEW AND OUTLOOK

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

CHINA

METRO SYSTEM ADVERTISING

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

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

BUS ADVERTISING

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

The Group has made a provision of HK$28.8 million for impairment of intangible assets for its PRC bus operation in the fourth quarter. These intangible assets are the up-front investment costs for acquiring advertising licence rights on buses in certain cities in China where the Group estimated the recoverable value on these advertising concessions would be less than the carrying value in the accounts after assessing the current market situation.

The Group has also made another provision of approximately HK$28.2 million for the excess of the losses attributable to the minority shareholder of Beijing Top Result Public Transportation Advertising Company Limited (the "Beijing Top Result") over the minority interest in the equity as there is no binding obligation on the minority shareholder to make good the losses incurred.

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

i-RESULT

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

HONG KONG

The Group's Hong Kong bus advertising business generated a media rental revenue of HK$21.1 million in the fourth quarter compared to HK$24.1 million in the third quarter. The total revenue was HK$104.5 million in 2002, which was a sharp decrease of 37.6% compared to HK$167.4 million in 2001. However, media costs increased 8.1% from HK$92.2 million in 2001 to HK$99.7 million in 2002 mainly due to the increase in the minimum guaranteed rentals provided for in the concession contracts. As a result, the Hong Kong bus operation incurred a loss of HK$32.8 million in 2002, representing an unfavorable variance of HK$57.1 million from the profit of HK$24.3 million in 2001. The poor performance was largely due to the sluggish advertising market in Hong Kong and the fixed minimum guaranteed rental that could not be adjusted to reflect the new market environment. The Hong Kong operation was re-organised with a new management team being put in place in the first quarter of 2003.

STREET FURNITURE

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

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

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

BUSINESS OUTLOOK

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

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

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

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

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

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

FINANCIAL REVIEW

REVENUE AND PROFITABILITY

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

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

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

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

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

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

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

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

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

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

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

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

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

IMPAIRMENT OF ASSETS

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

FINANCE COSTS

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

SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES

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

TAXATION

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

MINORITY INTERESTS

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

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

NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

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

ADJUSTED EBITDA

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

	For the year ended 31st December 2002	For the year ended 31st December 2001
	HK$ '000	HK$'000
Adjusted EBITDA	(160.3)	105.4
Adjusted EBITDA before provision for doubtful debts & impairment of assets	(107.6)	107.0

FINANCIAL RESOURCES, SECURITY AND LIQUIDITY

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

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

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

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

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

PLEDGE OF ASSETS

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

ASSETS

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

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

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

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

MATERIAL INVESTMENTS/ACQUISITIONS/DISPOSALS

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

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

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

EMPLOYEES

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

FOREIGN CURRENCY TRANSLATION AND TREASURY POLICIES

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

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

CONTINGENT LIABILITIES

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

Set out below is a comparison between the Group's actual business progress to date and its business objectives as set out in the prospectus dated 14th January 2002.

Business objectives as stated in the prospectus dated 14th January 2002:	**Actual business progress to date:**
Maintain and strengthen market leadership position	
Expand PRC bus advertising network by acquiring additional concessions in new cities or our existing cities.	In June 2002, signed a new bus advertising concession contract for about 2,800 buses under exclusive agency arrangement.
Install additional advertising displays in metro position in metro advertising systems.	Largely completed the media assets development in Shanghai Metro Line 2. Largely completed the media assets development in platforms and ticketing halls of Shanghai Metro Line 3.
Invest in new digital printing machine.	In view of the decrease of media sales that resulted decrease in production volume, the project has been put on hold and its feasibility needs to be further assessed.
Develop and implement proprietary Enterprise Resource Planning software ("ERP"), named Media Inventory Management System ("MIMS") to enhance ability to accumulate and analyse data relating to the business.	Instead of engaging external vendors, the Group deployed in-house resources to develop the software and largely completed the programming. Trial runs have been implemented on different media assets.
Introduce new media formats	
Roll out the street furniture project - newspaper kiosks in the PRC.	Installed approximately 700 newspaper kiosks with approximately 400 of them equipped with advertising display panels. See Business Review and Outlook section for details.
Install and market first aid light boxes in shopping malls in the PRC.	Installed approximately 720 light boxes. See Business Review and Outlook section for details.
Upgrade and begin marketing NWFB's bus shelters.	Continue to market the NWFB's bus shelters to advertisers.
Begin development of new mobile broadcasting display units such as LEDs and LCDs in existing bus and metro media portfolio in the PRC.	This project has been put on hold and to be re-visited when the Group improves its performance and be able to deploy resources to work this project.

Business objectives as stated in the prospectus dated 14th January 2002:	Actual business progress to date:
Provide integrated outdoor advertising	
Further develop and improve the outdoor services media database for i-Result.	The Group decided to discontinue this operation as published in its announcement dated 10th February 2003.
Selectively pursue acquisitions	
Selectively pursue acquisitions of high quality assets and outdoor advertising related businesses.	The Group has no current plan to pursue this objective until its financial resources allow and until it can identify suitable acquisition targets.

The net listing proceeds raised from the listing of the Group on the GEM on 24th January 2002 was approximately HK$394.0 million. The net proceeds have been applied to implement various objectives as set out in the prospectus dated 14th January 2002 and the supplemental prospectus dated 22nd January 2002 (collectively the "Prospectus") as follows:

	As stated in the Prospectus	Actual amount used up to 31st December 2002
	HK$ million	HK$ million
Development of printing and Media Inventory Management System	7.0	—
Expansion of street furniture business:		
- newspaper kiosks	120.0	66.7
- other new media formats, including "in-mall" advertising displays, such as first aid light boxes as well as other multimedia displays for bus and metro advertising;	100.0	20.6
Expansion of the i-Result database	5.0	1.4
Repayment of certain existing debts to Gavast Estates	120.0	117.0
Repayment of certain existing debts from Everpower and E2-Capital	39.0	39.8
Operating losses and others	3.0	117.9
	394.0	363.4

The remaining net proceeds as at 31st December 2002 was approximately HK$30.6 million.

As disclosed in our announcement dated 29th November 2002, no proceeds have been allocated for investment in new printing machinery and the development of a media inventory management system, because the Group has held up the purchase of new digital printing machinery, and has deployed its in-house information technology team to developing the media inventory management system, instead of using outside contractors. The use of the proceeds for the street furniture business has been deferred due to delays in the rollout of this business.

As disclosed in our announcement dated 10th February 2003, HK$1.4 million from the proceeds has been used for the expansion of i-Result database. No more proceeds will be invested in the i-Result database as the Group has already decided to close down the i-Result operation.

As disclosed in our interim results announcement and in the announcements dated 29th November 2002 and 10th February 2003 respectively, a substantial portion of the proceeds has been used to finance the operating losses incurred by the Group. As of 31st December 2002, the Company has channeled approximately HK$117.9 million of the proceeds mainly for the cash drain due to operating losses. While the Company has no plans to use the remaining proceeds for other projects or purposes, the Company may be forced to allocate the remaining proceeds to fund the working capital and to finance the future losses of the Group which may possibly continue in the early part of 2003.

CHAIRMAN

Mr. Sun Qiang, Chang, aged 46, became a non-executive director of the Company in September 1996 and became the Chairman in July 2001. He is also a Managing Director of Warburg Pincus, Hong Kong. Mr. Sun has been with Warburg Pincus since 1995. He holds a master of business administration degree from the Wharton School of the University of Pennsylvania, a master of arts degree in international studies from the Joseph Lauder Institute of International Management at the University of Pennsylvania and a bachelor of arts degree in English literature from the Beijing Foreign Languages University. Prior to joining Warburg Pincus, he was an Executive Director in the Investment Banking Division and the Principal Investment Area of Goldman Sachs (Asia) LLC. Mr. Sun previously worked for Lepercq, de Neuflize and Co., an investment bank and leveraged buyout firm in New York.

EXECUTIVE DIRECTOR

Mr. Chu Chung Hong, Francis, aged 47, became the Company's new Chief Executive Officer and executive director in December 2002 and January 2003 respectively. He is also the authorised representative and the compliance officer of the Company. Mr. Chu joins the Company from advertising agency, Lowe, where he was the managing director of its operations in the People's Republic of China (the "PRC"). Mr. Chu has 24 years of experience in the advertising industry, having held senior management positions with Ogilvy & Mather Taiwan, Euro RSCG and FCB Megacom. In his two years of service with Lowe, Mr. Chu built their PRC division into a business with annual billings of US$60 million and a staff of 125 people.

NON-EXECUTIVE DIRECTORS

Mr. Cheung Leung Hong, Cliff , aged 41, became a non-executive director of the Company in March 1998. He is the Managing Director and Chief Investment Officer of PAMA Group and a member of its Investment Committee. PAMA Group, is one of the largest and longest established private equity firms in Asia. Since joining PAMA in 1986 at its inception, Mr. Cheung has held various investment and post investment responsibilities with PAMA in Asia and with the corporate finance and leverage buyout groups of The Prudential Insurance Company of America in the United States. Prior to joining PAMA, Mr. Cheung worked with the Hong Kong branch of Hamburgische Landesbank and the investment team of American International Assurance Co., Ltd. in Hong Kong. Mr. Cheung holds the Chartered Financial Analyst designation and is a graduate of the University of Hong Kong.

Mr. Kam Ling, aged 40, is a non-executive director of the Company. Mr. Kam was previously the head of the PRC Division of Dun & Bradstreet Technology and Memorex Telex China prior to joining MediaNation Inc. in March 1997 as Senior Vice President of Corporate Development. He was promoted to the Chief Executive Officer of the Company in July 2000 and became a non-executive director in December 2002. He has been instrumental in developing the Group. He has over 15 years of experience in business development in the PRC, particularly in the field of information technology and telecommunications and has contributed to the Group's growth and development since its inception. Mr. Kam is a graduate of the Chinese University of Hong Kong. He is the husband of Ms. Chan Sim Ngor, Summerine.

Ms. Chan Sim Ngor, Summerine, aged 38, is one of the founders of the Group and became a non-executive director of the Company in December 2002. Since the incorporation of the Group, she has been responsible for overseeing the Group's overall operations and business development. Prior to founding the Group, Ms. Chan was the first representative of Ogilvy & Mather in Shanghai, who helped develop Ogilvy & Mather's joint venture in the PRC, as well as serving a diversified portfolio of clients including Johnson & Johnson, S.C. Johnson, Boeing, Mercedes-Benz, Squibb and Seagram. Ms Chan has 16 years of PRC advertising experience and is a graduate of the University of Hong Kong. Ms. Chan is the wife of Mr. Kam Ling.

Ms. Ho Ming Yee, aged 40, became a non-executive director of the Company and a member of the audit committee of the Company in September 2002. Ms. Ho joined PAMA Group (Hong Kong) Limited in March 1995. As a Director of Direct Investment, she is responsible for PAMA Group's private equity investment activities in North Asia. Prior to joining PAMA Group, Ms. Ho worked for HSBC Private Equity Management Limited for nearly six years, where she was responsible for acquiring new investments and monitoring portfolio companies in the Asia Pacific region. She had also previously worked for Lazard Asia Asset Management managing listed investments in the region. Ms. Ho obtained a Masters of Business Administration Degree in Finance and Accounting from the University of California, Los Angeles.

Mr. Cheng Cheung Lun, Julian, aged 29, became a non-executive director of the Company in March 2003. Mr. Cheng has been with Warburg Pincus group since 2000. He received his Bachelor of Arts Degree from Harvard University. Prior to joining Warburg Pincus group, he worked with Salomon Smith Barney and Deutsche Bank in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Johannes Schöter, aged 47, became a non-executive director of the Company in July 2002. He is also the Managing Partner of Victoria Capital Limited in Hong Kong. Victoria Capital is a corporate finance advisory firm with main activities in merger and acquisition, fundraising and asset management. Mr. Schöter joined Deutsche Bank AG ("DB") in 1979 after his graduation from university and became the Chief Representative of DB in Beijing in 1983 till 1988. Mr. Schöter returned to Germany afterwards and joined the Duisburg branch of DB as General Manager. In 1991 Mr. Schöter was appointed as the General Manager of Tokyo branch of DB. Mr. Schöter became the General Manager of DB for China, Hong Kong and Macau in 1995 before he founded Victoria Capital in 1998 together with a partner. Mr. Schöter holds a Master Degree in Business Administration from the Augsburg University in 1978.

Mr. Liu Hong Ru, aged 72, is an independent non-executive director of the Group. Mr. Liu is a professor in Beijing University and Qinghua University. He was formerly the Deputy Head of Agricultural Bank of China, the Deputy Executive Head of the People's Bank of China (in charge of finance system reform, finance regulation and international services), the Deputy Director of State Economy Restructuring Commission of the PRC and the Chairman of China Securities Regulatory Commission. Mr. Liu received his Doctor degree in Economics from Moscow University.

SENIOR MANAGEMENT

Mr. Yuen Kam Sun, Joe, aged 39, joined the Group as Chief Financial Officer in March 2001. He previously worked for three years in Shanghai as Financial Controller of Dongling Trading Corporation, the first Sino-foreign joint venture company approved by the State Council of the PRC in 1997 to conduct general import & export trading business. Prior to that, he worked for Asian Industries Division of Continental Grain Company for four years focused on PRC operations. Mr. Yuen has a bachelor degree in social science from Chinese University of Hong Kong and has a master degree in commerce from University of New South Wales, Australia. He is a full member of the Certified Practicing Accountants (Australia) since 1996.

Ms. Mo Li Yan, aged 51, is currently a Vice President of the Company, with a focus on PRC bus operations. Ms. Mo also plays an active role in government lobbying. Ms. Mo was a government official for more than 20 years, and previously held senior positions in various government departments including: Central Commission of Discipline and Inspection of Chinese Communist Party; the Ministry of Domestic Trade; General Corporation of China Material Development Investment and General Corporation of China Storage and Transportation. Ms. Mo has solid experience in relation to government relationships and management. Ms. Mo is a diploma holder of psychics, as well as the recipient of a master of business administration degree from Beijing University.

BOARD OF DIRECTORS

Executive Directors
Chu Chung Hong, Francis

Non-Executive Directors
Sun Qiang, Chang
Cheung Leung Hong, Cliff
Ho Ming Yee
Cheng Cheung Lun, Julian
Kam Ling
Chan Sim Ngor, Summerine

Independent Non-Executive Directors
Liu Hong Ru
Schöter, Johannes

COMPANY SECRETARY

Yuen Kam Sun, Joe (CPA (Aust))

QUALIFIED ACCOUNTANT

Cheng Ka Chung, Michael (AHKSA)

COMPLIANCE OFFICER

Chu Chung Hong, Francis

AUDIT COMMITTEE

Schöter, Johannes
Liu Hong Ru
Ho Ming Yee

AUTHORISED REPRESENTATIVES

Chu Chung Hong, Francis
Yuen Kam Sun, Joe

SPONSOR

Deutsche Bank AG, Hong Kong Branch
55th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

AUDITORS

PricewaterhouseCoopers
33/F., Cheung Kong Center
2 Queen's Road Central,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE

Rooms 3507-9, 35th Floor
The Center
99 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Citic Ka Wah Bank Limited
Bank of China
Standard Chartered Bank

REGISTERED OFFICE

P.O. Box 309
Ugland House
George Town
Grand Cayman
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1901-5, 19th Floor,
Hopewell Centre,
183 Queen's Road East,
Hong Kong

WEBSITE ADDRESS

www.medianationinc.com

STOCK CODE

8160

The directors present their report together with the audited accounts of MediaNation Inc. (hereinafter as the "Company" and its subsidiaries (together with the Company, collectively referred to as the "Group") for the year ended 31st December 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 18 to the accounts.

SEGMENTAL INFORMATION

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

An analysis of the Group's segment information is set out in Note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2002 are set out in the consolidated profit and loss account on page 44.

The directors do not recommend the payment of a dividend in respect of the year ended 31st December 2002 .

DISCONTINUING OPERATION

Details of the discontinuing operation for the year ended 31st December 2002 are set out in Note 3 to the accounts.

INTANGIBLE ASSETS

Details of movements in the intangible assets of the Group during the year ended 31st December 2002 are set out in Note 12 to the accounts.

FIXED ASSETS

Details of the movement in fixed assets of the Group during the year ended 31st December 2002 are set out in Note 13 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31st December 2002 are set out in Note 25 to the accounts.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31st December 2002 are set out in Note 27 to the accounts.

DISTRIBUTABLE RESERVES

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.

As at 31st December 2002, in the opinion of the directors, the Company has no reserves available for distribution to its shareholders.

RETIREMENT BENEFIT OBLIGATION

Particulars of retirement benefit obligation of the Group are set out in Note 32 to the accounts.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group which took place subsequent to 31st December 2002 are set out in the Note 34 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

Details of the Group's transactions with its major customers and suppliers during the year ended 31st December 2002 are set out below:

CUSTOMERS

For the year ended 31st December 2002, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover. The largest customer represented 1.9% (2001: 2.1%) of the Group's total turnover.

The Group has over 1,300 customers spreading over a diverse range of industries such as food and beverage, pharmaceutical, telecoms and consumer products. At no time during the year ended 31st December 2002 have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had a beneficial interest in these major customers.

SUPPLIERS

Due to the nature of our business, the Group does not rely on a large number of suppliers. The directors of the Company consider bus and metro operators to be its long term business partners and have therefore not included them as suppliers. The suppliers which the Group uses primarily perform printing, posting, deposting, painting and cleaning services.

The largest supplier for the year ended 31st December 2002 represented 12.7% (2001: 15.1%) of the Group's total production costs (not including purchases of a capital nature), and the combined total of the five largest suppliers accounted for 45.6% (2001: 43.4%) of the Group's total production costs for the year.

At 31st December 2002, Mr. Hui Yick Hun, Patrick, a former non-executive director, had a beneficial interest in High Tech Company, one of the five largest suppliers of the Group. All transactions between the Group and the supplier concerned were carried out on normal commercial terms. Save as disclosed above, at no time during the year ended 31st December 2002 did the directors, their associates or any shareholder of the Company, (which to the knowledge of the directors owned more than 5% of the Company's issued share capital), had any beneficial interest in the five largest suppliers of the Group.

DIRECTORS

The directors of the Company who held office during the year ended 31st December 2002 and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Chu Chung Hong, Francis	(Appointed on 3rd January, 2003)
Mr. Chow Savio Sing Nam	(Appointed on 18th July 2002 and resigned on 2nd December 2002)
Ms. Chan Sim Ngor, Summerine	(Resigned on 2nd December 2002)
Mr. Kam Ling	(Resigned on 2nd December 2002)

NON-EXECUTIVE DIRECTORS:

Mr. Sun Qiang, Chang *Chairman*	
Mr. Cheung Leung Hong, Cliff	
Ms. Ho Ming Yee	(Appointed on 2nd September 2002)
Ms. Chan Sim Ngor, Summerine	(Appointed on 2nd December 2002)
Mr. Kam Ling *Vice-Chairman*	(Appointed on 2nd December 2002)
Mr. Cheng Cheung Lun, Julian	(Appointed on 11th March 2003)
Mr. Andersen, Dee Allen	(Resigned on 2nd September 2002)
Mr. Li Chun, Daniel	(Resigned on 11th March, 2003)
Mr. Hui Yick Hun, Patrick	(Removed on 19th December, 2002)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Liu Hong Ru	
Mr. Schöter, Johannes	(Appointed on 18th July 2002)
Mr. Heung Shu Fai	(Resigned on 18th July 2002)

In accordance with Article 112 of the Company's Articles of Association, one-third of the directors of the Company, including the non-executive directors, will retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The independent non-executive directors were not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

EXECUTIVE DIRECTORS

Each of Mr. Kam Ling and Ms. Chan Sim Ngor, Summerine entered into a service agreement with the Company for an initial term of two years commencing from 1st January 2002, and will continue thereafter until terminated by either party not less than six months' written notice or payment of salary in lieu thereof to the other party, such notice to expire no earlier than 30th June 2004. On 2nd December 2002, both service agreements were terminated with payment of compensation pursuant to the terms of the agreements, statutory payments in accordance with Hong Kong Law and an ex-gratia compensation payment.

NON-EXECUTIVE DIRECTORS

Each of Mr. Kam Ling and Ms. Chan Sim Ngor, Summerine entered into a consultancy agreement with the Company commencing from 2nd December 2002 and expiring on 30th June 2004.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has entered or has proposed to enter into any service agreements with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation other than statutory compensation).

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 26 to 28 of the annual report.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December 2002, the interests of the directors and the chief executive of the Company in the equity or debt securities of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which were notified to the Company and the Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule, to the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, relating to securities transaction by directors, to be notified to the Company and the Exchange (other than options which have been granted under any pre-IPO share option plans of the Company to certain directors of the Company, details of such options are set out in the paragraph headed "Pre-IPO Share Options Plans" below) were as follows:

	Number of issued ordinary shares of HK$0.10 each in the Company held and nature of interests				
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total
Ms. Chan Sim Ngor, Summerine	26,252,118	—	—	—	26,252,118

Other than as disclosed above and in the paragraph headed "Pre-IPO Share Options Plans" below, as at 31st December 2002, none of the directors, chief executive or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations and none of the directors, chief executive or any of their respective spouses or children under the age of 18 were granted any right, and the Company had not made any arrangement enabling any of them, to subscribe for any share capital or debt securities of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES IN THE COMPANY

PRE-IPO SHARES OPTIONS PLANS

Prior to the listing of the Company's shares on GEM, the board of directors was authorised, at its absolute discretion, to grant options (the "Pre-IPO Shares Options") to certain directors and employees of the Group to subscribe for ordinary shares in the Company under the terms of several share option plans (the "Pre-IPO Shares Options Plans").

Under the terms of the Pre-IPO Shares Options Plans, details of the Pre-IPO Shares Options granted to and held by the directors of the Company as at 31st December 2002 were as follows:

Name of director	Date of offer	Exercisable period	Exercise price US$	Outstanding as at 31st December 2002
Ms. Chan Sim Ngor, Summerine	July 1, 1997	July 1, 1998 to June 30, 2007[1]	0.038095	2,712,500
	April 1, 2000	April 1, 2001 to March 31, 2010[1]	0.038095	2,275,000
	April 1, 2000	April 1, 2001 to March 31, 2010[1]	0.171429	2,835,000
	September 1, 2000	September 1, 2001 to August 31, 2010[1]	0.038095	1,715,000
	May 5, 2001	May 5, 2002 to May 4, 2011[1]	0.171429	2,450,000
	June 9, 2001	June 9, 2001 to June 8, 2011[2]	0.206841	19,036,535
Mr. Kam Ling	July 1, 1997	July 1, 1998 to June 30, 2007[1]	0.038095	1,750,000
	April 1, 2000	April 1, 2001 to March 31, 2010[1]	0.038095	1,750,000
	September 1, 2000	September 1, 2001 to August 31, 2010[1]	0.038095	1,925,000
	May 5, 2001	May 5, 2002 to May 4, 2011[1]	0.171429	6,125,000

(1) Each of these Pre-IPO Options shall vest in respect of one third of the total number of shares to which it relates upon each anniversary of the respective date upon which the offer of the option is accepted until fully vested and expiring on the tenth anniversary from the date of offer.

(2) Each of these Pre-IPO Options was fully vested upon its grant and may be exercised at any time during the period commencing on the respective date upon which the offer of the option is accepted and expiring on the tenth anniversary from the date of offer.

Options to subscribe for 3,033,310 ordinary shares in the Company under the Pre-IPO Shares Options Plans lapsed during the year ended 31st December 2002 due to the cessation of employment of certain employees. During the year ended 31st December 2002, none of these options under the Pre-IPO Shares Options Plans have been exercised.

Details of the movements in share options uder the Pre-IPO Shares Options Plans of the Company are set out in Note 26 to the accounts.

Save as disclosed above, during the year ended 31st December 2002, no Pre-IPO Shares Options were granted or agreed to be granted by the Company and no further options will be offered or granted by the Company under any of the Pre-IPO Shares Options Plans to any directors of the Company.

POST-IPO SHARE OPTION SCHEME

On 8th January 2002, the Company conditionally adopted a further share option scheme (the "Share Option Scheme") for a period of ten years from the date on which the Share Option Scheme was adopted. The Share Option Scheme became unconditional upon the listing of the Company's shares on GEM on 24th January 2002.

The principal purpose of the Share Option Scheme is to recognise the significant contributions of the full-time employees, executive directors, non-executive directors (including independent non-executive directors), any consultants or advisors of or to any members of the Group to the growth of the Group by rewarding them with opportunities to obtain ownership interests in the Company and to further motivate and give incentives to these persons to continue to contribute to the Group's long term success.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option scheme of the Company shall initially not exceed 10% of the issued share capital of the Company excluding, for this purpose, shares issued on the exercise of options under the Share Option Scheme and any other share option scheme of the Company. Upon the grant of options for share up to 10% of the issued share capital of the Company and subject to the approval of the shareholders of the Company in general meetings, the maximum number of shares to be issued under the Share Option Scheme when aggregate with shares to be issued under any other share option scheme of the Group, may be increased by the board of directors provided that the shares to be issued upon the exercise of all outstanding options does not exceed 30% of the issued share capital from time to time.

No option may be granted to any one person such that the total number of share issued and to be issued upon the exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time.

The subscription price under the Share Option Scheme will be determined by the Company's board of directors and will be the highest of (i) the nominal value of a shares, (ii) the closing price of the shares as stated in the Exchange's daily quotation sheet on the date of grant, which must be a business day; and (iii) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the options. An option shall be deemed to have been granted and accepted by an eligible participant (as defined in the Share Option Scheme) and to have taken effect when the duplicate of offer letter as described in the Share Option Scheme, comprising acceptance of the option is signed and returned by the grantee with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant.

The Share Option Scheme shall vest in respect of one third of the total number of shares to which it relates upon each anniversary of the respective date upon which the offer of the option is made until fully vested and expiring on not less than three years nor more than ten years from the date of offer.

The Company granted options on 10th July 2002 to 5 senior management staff and 24 employees to purchase 5,000,000 ordinary shares of the Company under Share Option Scheme at the exercise price of HK$0.89 per share. These options are exercisable in the period from 10th July 2003 to 9th July 2012. As at 31st December 2002, options to subscribe for 493,000 ordinary shares under Share Options Scheme lapsed as a result of the cessation of employment with employees. During the year ended 31st December 2002, none of these options had been exercised.

Save as disclosed above, at no time during the year ended 31st December 2002, was the Company or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, of the Company or any other body corporate and none of the directors, their spouses or their children under the age of 18, had any right to subscribe for any share capital or debt securities of the Company, or had exercised any such right during the year ended 31st December 2002.

The directors believe that it is inappropriate to disclose the value of options granted as some critical factors for the valuation cannot be determined accurately. On this basis, the directors consider that any valuation of the options based on various speculative assumptions would not be meaningful but would potentially be misleading to the shareholders.

Details of the movements in share options under the Share Option Scheme of the Company are set out in Note 26 to the accounts.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had a beneficial interest of 10% or more in the issued share capital of the Company (other than those interests of directors disclosed above):

Name of shareholder	Number of shares	Approximate percentage of the total number of shares in issue
SMI Investors (PAPE II) Limited ("PAMA")	159,130,088	26.5%
Warburg Pincus Ventures, L.P., ("Warburg Pincus")	159,130,088	26.5%

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors or chief executives of the Company) who as at 31st December 2002 was interested in 10% or more of the share capital of the Company which was required to be recorded in the register of interests of the Company pursuant to Section 16(1) of the SDI Ordinance.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Deutsche Bank AG, Hong Kong Branch (the "Sponsor"), one employee of the Sponsor held 8,000 shares in the share capital of the Company as at 31st December 2002. Apart from this interest, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company as at 31st December 2002.

Pursuant to an agreement dated 23rd January 2002 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 4th January 2002 until 31st December 2004.

Pursuant to an agreement dated 12th July 2002 entered into between the Company and the Sponsor, the Sponsor was engaged to provide certain advisory services to the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

PAMA Group Inc. ("PAMA Group") is the general partner in PAMA I and PAMA II, which are two private equity funds managed by PAMA Group. PAMA II owns PAMA. PAMA I has investments in various businesses including Texon International Limited ("Texon"). Texon is a competitor of the Group in the Hong Kong bus shelter market. PAMA I has two nominees appointed to the board of Texon, one of whom is Mr. Andersen, Dee Allen who was formerly a non-executive director of the Company. On 2nd September 2002, Mr. Andersen, Dee Allen resigned as a non-executive director and a member of the audit committee of the Company. PAMA Group is a wholly owned subsidiary of PAMA Investment Holdings Limited ("PIHL"). Mr. Cheung Leung Hong, Cliff, a non-executive director of the Company, is a shareholder of PIHL and has an indirect interest of less than 0.5% in the share capital of Texon.

Save as disclosed above, as at 31st December 2002, none of the directors or the management shareholders of the Company or their respective associates had any interest in any business that directly or indirectly competes with the business of the Group.

CONNECTED TRANSACTIONS

As disclosed in the section headed "Waivers from compliance with the GEM Listing Rules and the Companies Ordinance" in the prospectus of the Company dated 14th January 2002, the Group has entered into the following continuing connected transactions as defined under the GEM Listing Rules:-

Mr. Hui Yick Hun, Patrick, a former non-executive director of the Company, is a partner in High Tech Company. Mr. Hui was removed as a director of the Company on 19th December 2002. Pursuant to an outsourcing contract entered into between Top Result Promotion Limited ("Top Result"), a wholly-owned subsidiary of the Company, and High Tech Company dated 1st June 1999 (the "Outsourcing Contract"), High Tech Company has agreed to provide certain posting and deposting services (more specifically set out in Schedule 1 of the Outsourcing Contract) to Top Result with effect from 1st June 1999 until 31st October 2004. The fee payable under the Outsourcing Contract is calculated by reference to the cost of production and amounted to HK$8,589,000 for the year ended 31st December 2002 (2001: HK$10,005,000).

The transactions contemplated under the Outsourcing Contract ("Connected Transactions'') are expected to continue in the future and each Connected Transaction constitutes a non-exempt continuing connected transaction under Rule 20.26 of the GEM Listing Rules. Under the GEM Listing Rules, such transactions are normally subject to the reporting and announcement requirements set out in Rule 20.34 and Rule 20.35 of the GEM Listing Rules, respectively and the shareholders' approval requirement set out in Rule 20.36 of the GEM Listing Rules.

However, as the Connected Transactions will be conducted in the normal course of business of the relevant members of the Company and will occur on a regular basis, the directors (including the independent non-executive directors) consider that it would not be practical to make ongoing disclosure of such transactions. As such, the Company has obtained from the Exchange a conditional waiver (the "Waiver") from the announcement and shareholders' approval requirements under Rule 20.35 and Rule 20.36 of the GEM Listing Rules, respectively, for the period up to the expiration of the terms of the Outsourcing Contract unless further waiver has been granted by the Exchange. The Waiver was granted on the condition that, among other things:

(a) in each financial year the aggregate amount of all Connected Transactions does not exceed an annual cap of HK$17.0 million (the "Cap");

(b) the independent non-executive directors of the Company shall review the Connected Transactions annually and confirm in the Company's annual report and accounts that the Connected Transactions have been or will be entered into:

    (i) the ordinary and usual course of business of the Group;

    (ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

    (iii) in accordance with the Outsourcing Contract, on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole; and

CONNECTED TRANSACTIONS - *continued*

(c) as the Cap amounts exceeds HK$10 million, pursuant to Rule 20.30 of the GEM Listing Rules, the Outsourcing Contract and the Cap are subject to review and re-approval by independent shareholders of the Company at the annual general meeting following the initial approval and at each subsequent annual general meeting so long as the Connected Transactions continue and, for this purpose, the independent non-executive directors of the Company are required to opine in the Company's annual report whether or not the Company should continue with the Outsourcing Contracts.

The independent non-executive directors of the Company reviewed the Connected Transactions and were of the opinion that the Connected Transactions were entered into:

(a) in the ordinary and usual course of the Company's business;

(b) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the Outsourcing Contract, on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section "Connected Transactions" above, there were no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year ended 31st December 2002.

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 5.23 to 5.25 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 initially comprised a non-executive Director, Mr. Andersen, Dee Allen and two independent non-executive Directors, namely Mr. Heung Shu Fai ("Mr. Heung") and Mr. Liu Hong Ru. Mr. Heung resigned as an independent non-executive Director and the Chairman of the Committee with effect from 18th July 2002. Mr. Schöter, Johannes was appointed as an independent non-executive Director and the Chairman of the Committee with effect from 18th July 2002. Mr. Andersen, Dee Allen resigned as a non-executive Director and a member of the Committee with effect from 2nd September 2002. Ms. Ho Ming Yee was appointed as a non-executive Director and a member of the Committee with effect from 2nd September 2002. Four meetings were held during the year ended 31st December 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

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

BOARD PRACTICES AND PROCEDURES

In the opinion of the directors, the Company has complied with the "Board Practices and Procedures" as set out in Rules 5.28 to 5.39 of the GEM Listing Rules thoughout the year ended 31st December 2002.

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

The accounts have been audited by PricewaterhouseCoopers (having previously been appointed by the board to fill the casual vacancy arising by reason of the resignation of Arthur Andersen & Co. in July 2002), who retire and, being eligible, offer themselves for reappointment.

By the order of the board

Sun Qiang, Chang
Chairman

Hong Kong, 27th March 2003

PRICEWATERHOUSECOOPERS
羅兵咸永道會計師事務所

TO THE SHAREHOLDERS OF MEDIANATION INC.
(incorporated in the Cayman Islands with limited liability)

We have audited the accounts of MediaNation Inc. (the "Company") and its subsidiaries (together with the Company, collectively referred to as the "Group") on pages 44 to 94 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY

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

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27th March 2003

For the year ended 31st December 2002

	Note(s)	2002	2001
		HK$'000	HK$'000 (Note 35)
Turnover	2, 31(a)	370,672	473,882
Cost of sales	31(a)	(426,593)	(354,996)
Gross (loss)/profit		(55,921)	118,886
Other revenue	2	3,259	1,553
Selling, general and administrative expenses	31(a)	(174,873)	(108,564)
Impairment of assets	4	(36,793)	—
Operating (loss)/profit	2, 4	(264,328)	11,875
Finance costs	5	(8,853)	(14,412)
Share of profits less losses of associated companies	19	18,574	16,530
(Loss)/profit before taxation		(254,607)	13,993
Taxation			
- The Company and subsidiaries		(442)	(3,552)
- An associated company	19	(6,973)	(6,713)
	6	(7,415)	(10,265)
(Loss)/profit after taxation		(262,022)	3,728
Minority interests		9,239	(267)
Net (loss)/profit attributable to shareholders	7	(252,783)	3,461
Dividend	8	—	—
(Loss)/earnings per share (HK cents)			
- Basic	9	(42.68)	0.80
- Diluted	9	N/A	0.76

As at 31st December 2002

	Note(s)	2002	2001
		HK$'000	HK$'000 (Note 35)
Non-current assets			
Intangible assets	12	298,730	351,879
Fixed assets	13	69,038	51,072
Investment deposit placed with a joint venture partner - non-current	14	28,291	8,727
Long-term deposits	15	35,000	62,219
Deposits for intangible assets	16	74,511	36,041
Deposits for fixed assets	17	27,715	—
Investment in an associated company	19	39,781	42,191
Other non-current assets		747	748
		573,813	552,877
Current assets			
Investment deposit placed with a joint venture partner - current		—	11,430
Prepayments, deposits and other receivables		34,968	71,434
Amount due from a joint venture partner	18(ii)	—	3,305
Amounts due from related companies		—	416
Amount due from a senior executive	20	—	547
Inventories		2,741	2,514
Income tax recoverable		—	99
Trade receivables	21	53,419	102,676
Pledged bank deposits		241	19,493
Bank balances and cash	22, 29(c)	30,613	18,916
		121,982	230,830
Current liabilities			
Trade payables	23	81,784	62,778
Accrued liabilities and other payables	3(ii),14	68,807	57,348
Deferred income		32,919	41,181
Amount due to an associated company	19	32,936	18,324
Amount due to a joint venture partner	31(b)	264	—
Amounts due to related companies	31(b)	1,169	1,073
Obligations under finance leases		—	944
Convertible loan notes		—	116,960
Short-term bank loans, overdraft and other borrowings		91	103,134
Taxation payable		48	2,654
		218,018	404,396
Net current liabilities		(96,036)	(173,566)
Total assets less current liabilities		477,777	379,311

As at 31st December 2002

	Note	2002	2001
		HK$'000	HK$'000 (Note 35)
Financed by:			
Capital and reserves			
Share capital	25	60,116	961
Reserves	27	405,251	322,969
		465,367	323,930
Minority interests		476	7,465
Non-current liabilities			
Long-term payables	24	11,934	47,916
		477,777	379,311

Sun Qiang, Chang
Director

Chu Chung Hong, Francis
Director

As at 31st December 2002

	Note	2002	2001
		HK$'000	HK$'000
Non-current asset			
Investments in subsidiaries	18	467,511	292,075
Current assets			
Prepayments, deposits and other receivables		458	17,459
Loan to a subsidiary		—	116,960
Bank balances and cash		604	—
		1,062	134,419
Current liabilities			
Accrued liabilities and other payables		3,206	11,352
Convertible loan notes		—	116,960
		3,206	128,312
Net current (liabilities)/assets		(2,144)	6,107
Total assets less current liabilities		465,367	298,182
Financed by:			
Capital and reserves			
Share capital	25	60,116	961
Reserves	27	405,251	297,221
		465,367	298,182

Sun Qiang, Chang
Director

Chu Chung Hong, Francis
Director

For the year ended 31st December 2002

	Note	2002	2001
		HK$'000	HK$'000 (Note 35)
Total equity as at 1st January		323,930	320,569
Issue of ordinary shares upon the listing	25(b)	445,604	—
Share issuing expenses	27	(47,935)	—
Repurchase and cancellation of ordinary shares	25(c)	(3,725)	—
Net gains /(losses) not recognised in the profit and loss account			
- Exchange difference arising from the translation of accounts of foreign subsidiaries	27	276	(100)
Net (loss)/profit for the year	27	(252,783)	3,461
Total equity as at 31st December		465,367	323,930

For the year ended 31st December 2002

	Note	2002	As restated 2001
		HK$'000	HK$'000 (Note 35)
Net cash outflow used in operations	29(a)	(49,505)	(34,468)
Interest paid		(8,853)	(5,816)
Hong Kong profits tax refund/(paid)		99	(99)
Overseas taxation paid		(3,048)	(7,486)
Net cash outflow from operating activities		(61,307)	(47,869)
Investing activities			
Refund of investment deposit placed with a joint venture partner		20,157	11,682
Purchase of fixed assets		(28,646)	(38,603)
Proceeds from disposals of fixed assets		45	1,038
Payments for acquisition of intangible assets		(32,032)	(28,199)
Increase in long-term deposits		(2,500)	(4,182)
Increase in deposits for fixed assets		(27,715)	—
Increase in deposits for intangible assets		(43,185)	(36,041)
Increase in amount due from a joint venture partner		—	(948)
Decrease/(increase) in other non-current assets		1	(748)
Increase in bank balances and cash due to acquisition of subsidiaries		—	1,842
Interest received		3,259	1,553
Decrease in long-term payables		(27,475)	(6,101)
Dividends received from an associated company		14,011	14,563
Net cash outflow from investing activities		(124,080)	(84,144)
Net cash outflow before financing		(185,387)	(132,013)

For the year ended 31st December 2002

	Note	2002	As restated 2001
		HK$'000	HK$'000 (Note 35)
Financing activities			
Dividends paid to a minority shareholder		(2,116)	—
Proceeds from issuance of convertible loan notes	29(b)	—	116,960
Repayment of convertible loan notes	29(b)	(116,960)	—
New bank loans repayable within one year	29(b)	—	56,602
Increase in loans from financial institutions	29(b)	—	22,690
New loan from a third party	29(b)	—	19,500
Repayment of bank loans repayable within one year	29(b)	—	(47,150)
Repayment of borrowings	29(b)	(103,134)	—
Issue of new shares upon the listing	25(b)	445,604	—
Share issuing expenses		(41,006)	(6,929)
Repurchase of shares	25(c)	(3,725)	—
Decrease/(increase) in pledged bank deposits		19,252	(19,493)
Decrease/(increase) in restricted cash	29(c)	(556)	327
Repayment of principal portion of obligations under finance leases	29(b)	(944)	(1,293)
Payment for professional fees incurred in connection with fund raising exercises		—	(1,900)
Payment for loan financing fees		—	(979)
Net cash inflow from financing		196,415	138,335
Increase in cash and cash equivalents		11,028	6,322
Cash and cash equivalents at 1st January		17,689	11,346
Effect of foreign exchange rates changes		22	21
Cash and cash equivalents at 31st December	29(c)	28,739	17,689

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 accounts have been prepared on a going concern basis, the validity of which depends on the availability of necessary financial resources. The Group incurred a substantial loss that resulted in a substantial cash outflow during the year ended 31st December 2002 and had net current liabilities of approximately HK$96,036,000 as at 31st December 2002, as well as commitments that are payable in the next twelve months as detailed in Note 30. The following steps have been taken to ensure the Group has sufficient financial resources to meet its liabilities as they fall due during the year ended 31st December 2003.

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

(ii) The Group has taken various measures, including but not limited to the changes in its management team (including the appointment of a new Chief Executive Officer) and the discontinuation of the loss making i-Result business (Note 3) in December 2002 as detailed in its public announcement dated 10th February 2003. These measures are intended to improve the cash flow position of the Group.

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES - *continued*

(a) Basis of preparation - *continued*

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP1 (revised):	Presentation of financial statements
SSAP11 (revised):	Foreign currency translation
SSAP15 (revised):	Cash flow statements
SSAP33:	Discontinuing operations
SSAP34 (revised):	Employee benefits

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

(b) Group accounting

(i) Consolidation

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

The Reorganisation involved companies under common control and has been accounted for as a reorganisation of the Group as a continuing entity. The consolidated accounts for the year ended 31st December 2001 have been prepared using merger basis of accounting in accordance with the SSAP27 "Accounting for Group Reconstructions" as if the current group structure had been in existence since 1st January 2001.

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

1 PRINCIPAL ACCOUNTING POLICIES - *continued*

(b) Group accounting - *continued*

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Joint ventures

The Group's investment in joint ventures in the People's Republic of China (the "PRC") are in the form of Sino-foreign cooperative joint ventures and Sino-foreign equity joint ventures. In respect of the Sino-foreign cooperative joint ventures, the partners' profit-sharing ratios and share of net assets upon the expiration of the joint venture periods may not be in proportion to their equity ratio, but are as defined in the respective joint venture contracts.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Where the Group's investment is made by means of joint venture structure, such investment is accounted for as a subsidiary when the Group can control the board of directors or is in a position to exercise control over the financial and operating policies of the joint venture. A joint venture, not being treated as a subsidiary, in which the Group can exercise significant influence over its management is treated as an associated company. The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill (net of accumulated amortisation) on acquisition.

(iii) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

1 PRINCIPAL ACCOUNTING POLICIES - *continued*

(b) Group accounting - *continued*

(iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Intangibles

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/joint venture/associated company at the date of acquisition. With respect to investment in the associated company accounted for under the equity method of accounting, goodwill is included in the carrying amount of the investment. Goodwill on acquisitions of subsidiaries is included in the intangible assets. Goodwill is amortised using the straight-line method over the shorter of 20 years or the tenure of the investments.

(ii) Advertising licence rights

Advertising licence rights represent licence fees paid for the acquisition of exclusive rights of advertising on certain buses in the PRC. These fees are capitalised and amortised using the straight-line method over their respective licence periods but not exceeding 20 years.

(iii) Computer software

Expenditure on computer software is capitalised and amortised using the straight-line method over its estimated useful life which is 5 years.

1 PRINCIPAL ACCOUNTING POLICIES - *continued*

(c) Intangibles - *continued*

(iv) Website development costs

Costs directly associated with the development of a specific website, including external direct costs of materials and services consumed in developing or obtaining an external-use website, are capitalised. The capitalisation of such costs ceases no later than the point at which the website is substantially completed and ready for its intended use. Website development costs are amortised on a straight-line basis over a period of three years, which represents the expected useful life of the website.

Research and other development costs relating to website development and website maintenance costs are expensed in the period in which they are incurred.

(v) Premium for redemption of a profit sharing right

Premium for the redemption of a profit sharing right previously granted to a lender under the terms of a loan agreement is capitalised and amortised over the remaining term of the advertising licences from which the subject profit is derived.

(vi) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(d) Fixed assets

(i) Construction-in-progress

Construction-in-progress is an investment in advertising display panels which are not ready for use as at the balance sheet date and management intends to hold for operating purposes. Construction-in-progress is carried at cost that includes development and construction expenditure incurred and other direct costs attributable to the development less accumulated impairment losses. On completion, the construction-in-progress is transferred to other fixed assets at cost less accumulated impairment losses. Construction-in-progress is not depreciated until such time as the assets are completed and ready for their intended use.

(ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, furniture, fixtures and equipment, production equipment, motor vehicles and advertising display panels are stated at cost less accumulated depreciation and accumulated impairment losses.

1 PRINCIPAL ACCOUNTING POLICIES - *continued*

(d) Fixed assets - *continued*

(iii) Depreciation

Fixed assets other than construction-in-progress are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis, and in the case of fixed assets under Beijing Top Result Public Transportation Advertising Co., Ltd., i-Result (Beijing) Technology Development Co., Ltd., China Outdoor Data Center Co., Ltd., Shanghai Top Result Metro Advertising Co, Ltd. and Top Result Kiosk (Shanghai) Development Co., Ltd., all being subsidiaries established in the PRC, after taking into account an estimated residual value of 10% of the costs of the fixed assets. The principal annual rates are as follows:

Leasehold improvements	over the unexpired lease term
Furniture, fixtures and equipment	20% - 33.33%
Production equipment	33.33%
Motor vehicles	20%
Advertising display panels	10%

Major costs incurred in restoring the fixed assets to its normal working condition to allow continued use of the overall asset are capitalised and depreciated over the expected useful lives. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) Impairment and gain or loss on disposal

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

1 PRINCIPAL ACCOUNTING POLICIES - *continued*

(f) Inventories

Inventories comprise stock and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labor and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after the balance sheet date are recognised where the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

1 PRINCIPAL ACCOUNTING POLICIES - *continued*

(j) Employee benefits - *continued*

(iii) Pension obligations

The Group participates in a number of defined contribution plans in the PRC and Hong Kong, the assets of which are generally held in separate trustee - administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies based on a percentage of employees' basic salaries. The Group's contributions to defined contribution plans are expensed as incurred and are reduced by contributions forfeited by those employees who leave the plan prior to the full vesting of their contributions.

(k) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liabilities or an asset was expected to be payable or recoverable in the foreseeable future.

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(m) Revenue recognition

(i) Media rental

Media rental income from the provision of outdoor media advertising services is recognised on a time apportionment basis throughout the contract periods. The unearned portion of media rental attributable to future accounting periods is accounted for as deferred income.

1 PRINCIPAL ACCOUNTING POLICIES - *continued*

(m) Revenue recognition - *continued*

(ii) Production income

Production income from the provision of advertising production services, which generally is of short duration, is recognised when the contracts are completed and the services are rendered.

(iii) Agency commission income

Agency commission income, which is generated from the provision of service in assisting customers in buying advertising spaces, is recognised when the services are rendered.

(iv) Media consultancy services income

Media consultancy services income is recognised when the consultancy services are rendered.

(v) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(n) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) Segment reporting

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

In respect of geographical segment reporting, sales are based on the country in which the customers are located. Total assets and capital expenditure are based on where the assets are located.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure primarily comprises additions to intangible assets, fixed assets, deposits for intangible assets and deposits for fixed assets.

1 PRINCIPAL ACCOUNTING POLICIES - *continued*

(o) Segment reporting - *continued*

Intersegment transactions: segment revenue, segment expenses and segment performance include transfer between geographical segments and business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated in consolidation.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

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

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

2 TURNOVER, REVENUE AND SEGMENT INFORMATION - *continued*

(a) Primary reporting format - geographical segments

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

An analysis by geographical segment is as follows:

	Hong Kong		The PRC		Eliminations		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover								
Sales to external customers	107,986	162,360	262,686	311,522	–	–	370,672	473,882
Inter-segment sales	5,738	11,791	19,536	16,155	(25,274)	(27,946)	–	–
Total turnover	113,724	174,151	282,222	327,677	(25,274)	(27,946)	370,672	473,882
Segment operating (loss)/profit	(78,792)	6,387	(187,677)	8,296	2,141	(2,808)	(264,328)	11,875
Finance costs							(8,853)	(14,412)
Share of profits less losses of associated companies							18,574	16,530
(Loss)/profit before taxation							(254,607)	13,993
Taxation							(7,415)	(10,265)
(Loss)/profit after taxation							(262,022)	3,728
Minority interests							9,239	(267)
Net (loss)/profit attributable to shareholders							(252,783)	3,461
Assets								
Segment assets	182,413	243,373	473,601	498,143	–	–	656,014	741,516
Investment in an associated company							39,781	42,191
Total assets							695,795	783,707
Liabilities								
Segment liabilities	13,035	217,597	216,917	234,715	–	–	229,952	452,312
Other information								
Capital expenditure	370	9,837	158,683	99,855	–	–	159,053	109,692
Provision for doubtful debts:								
Trade receivables	419	–	5,781	1,142	–	–	6,200	1,142
Deposits and other receivables	6,124	–	2,782	–	–	–	8,906	–
Impairment of assets	6,431	–	30,362	–	–	–	36,793	–
Depreciation of fixed assets	2,515	4,046	13,261	6,150	–	–	15,776	10,196
Amortisation of intangible assets	1,315	2,129	68,911	62,690	–	–	70,226	64,819

2 TURNOVER, REVENUE AND SEGMENT INFORMATION - *continued*

(b) Secondary reporting format - business segments

The Group is organised into three main business segments, namely Metro system advertising, Bus advertising and i-Result business. The i-Result business provides outdoor media information, planning, buying and monitoring services in the PRC by launching outdoormachine which is a subscription service featuring an integrated outdoor advertising service platform. On 2nd December 2002 the i-Result business segment was abandoned (Note 3).

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	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Metro system advertising	43,727	32,864	(23,417)	2,158	61,946	49,759	11,670	18,439
Bus advertising	318,951	430,112	(158,754)	38,261	461,165	568,101	52,884	37,832
i-Result business	7,840	10,906	(29,471)	(16,836)	2,527	25,928	3,705	13,524
Other operations	154	–	(9,036)	–	110,975	36,041	90,794	39,897
	370,672	473,882	(220,678)	23,583	636,613	679,829	159,053	109,692
Unallocated costs			(43,650)	(11,708)				
Operating (loss) profit			(264,328)	11,875				
Investment in an associated company					39,781	42,191		
Unallocated assets					19,401	61,687		
Total assets					695,795	783,707		

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 Co., Ltd. and China Outdoor Data Centre Co., Ltd., will be liquidated and are reported as a discontinuing operation. The turnover, results, cash flows and net assets of the i-Result business are as follows:

	2002	2001
	HK$'000	HK$'000
Turnover	7,840	10,906
Cost of sales	(7,536)	(6,666)
Other revenue	5	14
Operating costs	(21,785)	(21,090)
Impairment of assets (Note (i))	(7,995)	—
Operating loss	(29,471)	(16,836)
Finance costs	—	—
Loss before taxation	(29,471)	(16,836)
Taxation	(2)	(4)
Loss after taxation	(29,473)	(16,840)
Minority interests	—	(3)
Net loss	(29,473)	(16,843)
Net operating cash outflow	(5,789)	(22,585)
Net investing cash outflow	(1,813)	(6,047)
Net financing cash outflow	—	—
Total net cash outflow	(7,602)	(28,632)

3 DISCONTINUING OPERATION - *continued*

	2002	2001
	HK$'000	HK$'000
Fixed assets (Note 13)	407	4,782
Intangible assets	—	8,340
Current assets	2,120	12,806
Total assets	2,527	25,928
Total liabilities (Note (ii))	(6,384)	(4,944)
Net (liabilities)/assets	(3,857)	20,984

(i) As a result of the closure of the i-Result business, impairment charges for i-Result business's intangible assets (computer software, goodwill and website development costs) and fixed assets of approximately HK$6,912,000 and HK$1,083,000 respectively have been made in the current year.

(ii) The closure of i-Result business will result in the loss of approximately 160 jobs in the PRC. The involuntary severance and termination benefits payable to those made redundant in accordance with the relevant laws in the PRC of approximately HK$1,535,000 has been recognised in the current year and included in accrued liabilities and other payables in the consolidated balance sheet. Provision for other costs related to the closure of i-Result business was approximately HK$500,000. The provision is expected to be fully utilised during 2003.

4 OPERATING (LOSS)/PROFIT

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

	2002 HK$'000	2001 HK$'000
Crediting		
Gain on disposals of fixed assets	—	4,573
Charging		
Depreciation:		
Owned fixed assets	14,610	8,682
Leased fixed assets	1,166	1,514
Loss on disposals of fixed assets	1,320	—
Impairment of assets:		
Discontinuing operation (Note 3):		
Fixed assets (Note 13)	1,083	—
Intangible assets (Note 12):		
Goodwill	927	—
Computer software	5,875	—
Website development costs	110	—
Continuing operation:		
Intangible assets (Note 12):		
Advertising licence rights	28,798	—
	36,793	—
Loss on disposals of intangible assets	112	141
Staff costs (including directors' emoluments) (Note 10)	91,340	58,982
Auditors' remuneration	1,010	1,000

4 OPERATING (LOSS)/PROFIT - *continued*

	2002	2001
	HK$'000	HK$'000
Charging - *continued*		
Amortisation of intangible assets (Note 12):		
Advertising licence rights (included in cost of sales)	68,396	62,635
Computer software (included in cost of sales)	1,660	1,813
Goodwill (included in administrative expenses)	145	115
Website development costs (included in administrative expenses)	25	33
Premium for redemption of a profit sharing right (included in cost of sales)	—	223
Amortisation of goodwill on acquisition of an associated company (included in share of profits less losses of associated companies)	1,268	1,268
Operating lease rental:		
Office premises	13,892	11,654
Advertising spaces	231,951	184,272
Provision for doubtful debts:		
Trade receivables	6,200	1,142
Deposits and other receivables	8,906	—
Net exchange losses	126	258

5 FINANCE COSTS

	2002	2001
	HK$'000	HK$'000
Interest on convertible loan notes	4,973	8,492
Interest on bank loans and overdrafts	2,298	3,540
Interest on loans from financial institutions	118	338
Interest on loan from a third party	120	47
Interest element of finance leases	245	279
Interest on trade payables	680	1,127
Interest on amount due to an associated company (Note 19)	245	—
Interest on long-term payables (Note 24)	174	589
	8,853	14,412

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

6 TAXATION

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

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

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

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

7 NET (LOSS) / PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately HK$226,759,000 (2001: HK$206,000).

8 DIVIDEND

No dividends were paid or declared by the Company during the year (2001: nil).

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's net loss attributable to shareholders of approximately HK$252,783,000 (2001: profit of HK$3,461,000) and the weighted average of 592,311,526 ordinary shares in issue during the year (2001: weighted average of 433,672,995 ordinary shares after the Capitalisation Issue as described in Note 25). The diluted loss per share for the year ended 31st December 2002 is not presented because the effect of the assumed conversion of all potential dilutive ordinary shares is anti-dilutive. For the year ended 31st December 2001, diluted earnings per share is computed by dividing the Group's net profit attributable to shareholders of approximately HK$3,461,000 by the weighted average of 457,000,530 ordinary shares outstanding during the year adjusted for the effects of all dilutive potential ordinary shares.

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2002	2001
	HK$'000	HK$'000
Wages and salaries	71,930	50,693
Unutilised annual leave	443	—
Termination benefits	6,924	—
Pension costs - defined contribution plan (Note 32)	3,391	2,537
Social security cost	6,920	4,592
Other staff benefits	1,732	1,160
	91,340	58,982

11 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2002	2001
	HK$'000	HK$'000
Directors' fees		
Executive directors	—	—
Non-executive directors	516	300
Independent non-executive directors	492	—
	1,008	300
Consultancy fees		
Non-executive directors	736	—
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	3,390	3,240
Discretionary bonuses	1,320	—
Pension scheme contributions - for other offices	120	132
Compensation for loss of office - as other offices paid by the Company	5,181	—
	11,755	3,672

Former executive directors received individual emoluments for the year ended 31st December 2002 of approximately HK$4,756,000 (2001: HK$1,986,000), HK$4,563,000 (2001: HK$1,386,000) and HK$524,000 (2001: nil) respectively.

During the year, no emoluments were paid to the directors as an inducement to join the Group (2001: nil).

11 DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS - *continued*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for both years include two (2001: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2001: three) individuals during the year are as follows:

	2002	2001
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	4,714	3,696
Discretionary bonuses	700	—
Pension scheme contributions	75	176
Compensation for loss of office – contractual payment	194	—
Total	5,683	3,872

The emoluments (excluding directors) fell within the following bands:

	Number of individuals	
	2002	2001
Emolument bands		
HK$1,500,001 - HK$2,000,000	2	3
HK$2,000,001 - HK$2,500,000	1	—
Total	3	3

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join the Group (2001: nil).

12 INTANGIBLE ASSETS - GROUP

	Advertising licence rights	Computer software	Goodwill	Website development costs	Premium for redemption of a profit sharing right	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2002	342,930	7,556	1,258	135	—	351,879
Acquisition costs	55,474	414	—	—	—	55,888
Disposals of intangible assets	(3,101)	—	—	—	—	(3,101)
Amortisation charge (Note 4)	(68,396)	(1,660)	(145)	(25)	—	(70,226)
Impairment charge (Note 4)	(28,798)	(5,875)	(927)	(110)	—	(35,710)
At 31st December 2002	298,109	435	186	—	—	298,730
At 31st December 2002						
Cost	600,912	10,457	1,373	168	7,595	620,505
Accumulated amortisation	(274,005)	(4,147)	(260)	(58)	(7,595)	(286,065)
Accumulated impairment losses	(28,798)	(5,875)	(927)	(110)	—	(35,710)
Net book amount	298,109	435	186	—	—	298,730
At 31st December 2001						
Cost	549,493	10,043	1,373	168	7,595	568,672
Accumulated amortisation	(206,563)	(2,487)	(115)	(33)	(7,595)	(216,793)
Net book amount	342,930	7,556	1,258	135	—	351,879

The impairment charges on computer software, goodwill and website development costs arose from the closure of the i-Result business (Note 3).

Management have prepared an updated assessment of the value in use of the underlying assets (advertising licence rights) of the Group's outdoor advertising business. In assessing the value in use, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflects the then current market assessment of the time value of money and the risks specific to the assets. As a result of the assessment, the Group recognised an impairment charge of approximately HK$28,798,000 for the year ended 31st December 2002 (2001: nil) against the advertising licence rights.

13 FIXED ASSETS - GROUP

	Leasehold improvements	Furniture, fixtures and equipment	Production equipment	Motor vehicles	Advertising display panels	Construction-in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1st January 2002	16,650	22,170	5,479	3,436	16,680	3,856	68,271
Transfer	–	–	–	–	3,856	(3,856)	–
Additions	5,436	2,259	242	988	20,575	6,690	36,190
Disposals	(1,240)	(2,393)	–	–	–	–	(3,633)
At 31st December 2002	20,846	22,036	5,721	4,424	41,111	6,690	100,828
Accumulated depreciation and impairment							
At 1st January 2002	5,665	7,519	2,394	1,253	368	–	17,199
Charge for the year	6,366	4,141	2,344	651	2,274	–	15,776
Disposals	(1,169)	(1,099)	–	–	–	–	(2,268)
Impairment charge (Note 4)	–	1,083	–	–	–	–	1,083
At 31st December 2002	10,862	11,644	4,738	1,904	2,642	–	31,790
Net book value							
At 31st December 2002	9,984	10,392	983	2,520	38,469	6,690	69,038
At 31st December 2001	10,985	14,651	3,085	2,183	16,312	3,856	51,072

The impairment charge on the fixed assets arose from the closure of the i-Result business (Note 3).

The construction-in-progress of approximately HK$6,690,000 will be contributed to Top Result Kiosk (Shanghai) Development Co., Ltd. ("Shanghai Kiosk") as part of the Group's capital contributions (Note 18(iii)).

14 INVESTMENT DEPOSIT PLACED WITH A JOINT VENTURE PARTNER - GROUP

The amount of approximately HK$28,291,000 (2001: HK$8,727,000) represents a refundable security deposit of RMB30,000,000 placed with a joint venture partner of Shanghai Top Result Metro Advertising Co. Ltd. ("Shanghai Metro") (2001: Beijing Top Result Metro Advertising Co., Ltd. ("BJ Metro")) under an agency agreement entered into by the Group in November 2000. Under the agency agreement, the Group is entitled to place advertisements within designated areas of certain metro stations in Shanghai for 15 years. The deposit is refundable to the Group in three annual installments of RMB10,000,000 (approximately HK$9,984,000) each commencing from the sixth anniversary of the agency agreement through offsetting concession fees payable to the joint venture partner. Subsequent to the balance sheet date, as agreed with the joint venture partner, part of this deposit amounting to RMB15,000,000 was temporarily used to offset a portion of the concession fees payable (included in accrued liabilities and other payables) at 31st December 2002. The total amount of the concession fees payable as at 31st December 2002 was approximately HK$28,537,000 (RMB29,200,000) and will be replenished by the Group during 2003.

15 LONG-TERM DEPOSITS - GROUP

The long-term deposit of HK$35,000,000 (2001: HK$62,219,000) represents amounts placed with a business partner, Kowloon Motor Bus Company (1933) Limited (2001: Kowloon Motor Bus Company (1933) Limited and Shanghai Metro), as a security deposit for the due performance and observance by a subsidiary of the Company of the terms of a media rental contract entered into by the subsidiary in 1998.

This long-term deposit is unsecured and carries interest at the annual standard Hong Kong dollar savings interest rate set by the bank with which the long-term deposit is placed and will be refunded to the subsidiary upon the expiration of the relevant media rental contract on 31st October 2004.

16 DEPOSITS FOR INTANGIBLE ASSETS - GROUP

As at 31st December 2002, the Group has paid approximately HK$74,511,000 (2001: HK$36,041,000) to a subsidiary of the joint venture partner of China Kiosk Development Limited ("China Kiosk") for the purpose of acquiring the rights to place advertisements on specially designed newspaper kiosks (2001: the subsidiary of the joint venture partner and a third party advertising rights owner). The Group will contribute this deposit for intangible assets as part of its capital contributions to Shanghai Kiosk. As at the date of this report, Shanghai Kiosk is in the process of obtaining the official business licence for placing advertisements on the kiosks and registering its share capital (Note 18(iii)).

17 DEPOSITS FOR FIXED ASSETS - GROUP

As at 31st December 2002, the Group has paid approximately HK$27,715,000 (2001: nil) to two independent third parties for acquiring certain advertising display panels. Deposits amounting to approximately HK$16,927,000 will be contributed to Shanghai Kiosk as part of the Group's capital contributions (Note 18(iii)).

18 INVESTMENTS IN SUBSIDIARIES - COMPANY

	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	2,804	2,804
Amounts due from subsidiaries	675,489	289,271
	678,293	292,075
Less: provision for impairment losses and doubtful debts	(210,782)	—
	467,511	292,075

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

The following is a list of the subsidiaries at 31st December 2002:

Name	Place and date of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Legal structure	Attributable percentage of issued capital/registered capital held by the Company		Attributable percentage of profit to the Group	Principal activities
				Directly	Indirectly		
				%	%	%	
Top Result Promotion Limited ("Top Result")	Hong Kong 18th July 1991	HK$1,000,000	Company with limited liability	100	–	100	Provide media advertising services
Top Result Interactive Limited	The Cayman Islands 16th December 1999	US$124	Company with limited liability	100	–	100	Investment holding
i-Result Media Limited	Hong Kong 29th March 2000	US$2	Company with limited liability	–	100	100	Provide media advertising services
i-Result (Beijing) Technology Development Co., Ltd. ("IRT") (Note (i))	The PRC 19th February 2001	HK$9,500,000	Wholly-foreign-owned enterprise	–	100	100	Develop outdoor media database and provide media consultancy services
China Outdoor Data Centre Co., Ltd. ("CODC") (Note (i))	The PRC 9th March 2001	RMB2,800,000	Cooperative joint venture	–	100	57	Provide research, data collection and media monitoring services

18 INVESTMENTS IN SUBSIDIARIES - COMPANY - *continued*

Name	Place and date of incorporation/ registration and operations	Issued and fully paid share capital/ registered capital	Legal structure	Attributable percentage of issued capital/registered capital held by the Company		Attributable percentage of profit to the Group	Principal activities
				Directly	Indirectly		
				%	%	%	
Beijing Top Result Public Transportation Advertising Co., Ltd. ("Beijing Joint Venture") (Note (ii))	The PRC 22nd February 1994	RMB99,600,000	Cooperative joint venture	–	99.5	80	Provide media advertising services
Digital Photo Limited	Hong Kong 6th July 1998	HK$200,000	Company with limited liability	–	51	51	Provide large scale digital colour printing services
Top Photo Imaging Company Limited	The PRC 2nd November 1999	US$400,000	Equity joint venture	–	45.9	45.9	Provide large scale digital colour printing services
China Kiosk Development Limited ("China Kiosk") (Note (iii))	Hong Kong 20th June 2001	HK$1,000	Company with limited liability	–	80	80	Investment holding
Top Result Kiosk (Shanghai) Development Co. Ltd. ("Shanghai Kiosk") (Note (iii))	The PRC 9th April 2002	–	Wholly -foreign-owned enterprise	–	80	80	Develop and manage media assets
Shanghai Top Result Metro Advertising Co. Ltd. ("Shanghai Metro") (Note (iv))	The PRC 20th February 2002	RMB16,000,000	Cooperative joint venture	–	50	90	Provide media advertising services

(i) IRT is a wholly-foreign-owned enterprise established in the PRC for a period of 20 years up to February 2021. CODC is a Sino-foreign cooperative joint venture established in the PRC for a period of ten years up to March 2011. Pursuant to the joint venture agreement, the Group contributed RMB2,800,000 (or approximately HK$2,639,000) in cash as registered capital and agreed to advance RMB1,200,000 (or approximately HK$1,129,000) to CODC as a working capital loan.

18 INVESTMENTS IN SUBSIDIARIES – COMPANY - *continued*

The joint venture partner was not required to make any capital contributions. The Group is entitled to 57% of the operating results of CODC for each year during the joint venture period and 57% of the net assets of CODC upon the expiry of the joint venture agreement. Accordingly, 43% of the capital contributed to CODC by the Group is recorded as goodwill and is amortised over the joint venture contract period of ten years. As a result of the closure of the i-Result business (Note 3), full impairment loss was made against the carrying amount of unamortised goodwill of approximately HK$927,000 in the current year.

(ii) Beijing Joint Venture is a Sino-foreign cooperative joint venture established in the PRC for a period of 15 years up to February 2009. Pursuant to the joint venture agreement and the supplemental agreement, dated 10th December 1993 and 24th May 1995 respectively, signed between Top Result and the Chinese joint venture partner of Beijing Joint Venture, Top Result is entitled to 100% of the distributable profit of Beijing Joint Venture for the first 4 years from the date of issuance of the business licence. Thereafter, Top Result is entitled to 80% of the distributable profit of Beijing Joint Venture. During the year, Beijing Joint Venture distributed the profits for the years from 1998 to 2001. The dividends to the joint venture partner amounted to approximately HK$5,421,000 and was partially settled through offsetting the amount due from the joint venture partner.

Upon the expiry of the joint venture agreement, the net assets of Beijing Joint Venture will be distributed according to the amount of capital contributed. Where there is any surplus of net assets after the return of the capital contributed, the net assets will be distributed to the joint venture partners according to the profit sharing ratio.

(iii) On 29th October 2001, the Group entered into an agreement with business partners to establish a Company in Hong Kong, China Kiosk, in which the Group has 80% beneficial equity interest. Under the agreement, China Kiosk established a wholly-foreign-owned enterprise, Shanghai Kiosk, in Shanghai for a period of 20 years up to April 2022, to expand the street furniture (newspaper kiosk) business in the PRC. The Group was required to provide an investment of US$12,500,000 (approximately HK$97,500,000). The Group will contribute to Shanghai Kiosk the deposits for intangible assets of approximately HK$74,511,000 (Note 16), the deposits for fixed assets of approximately HK$16,927,000 (Note 17) and fixed assets (construction-in-progress) of approximately HK$6,690,000 (Note 13) as the Group's capital contribution of approximately HK$97,500,000 and a working capital loan of approximately HK$628,000. As at the date of this report, Shanghai Kiosk is in the process of obtaining the official business licence for placing advertisements on the kiosks and registering its share capital.

18 INVESTMENTS IN SUBSIDIARIES – COMPANY *- continued*

(iv) Shanghai Metro is a sino-foreign cooperative joint venture established in the PRC for a period of 15 years up to February 2017. Pursuant to the joint venture agreement dated 5th September 2000, which was amended on 8th December 2001, the Group contributed RMB14,800,000 (approximately HK$13,956,000). The amount contributed to Shanghai Metro includes RMB8,000,000 (approximately HK$7,544,000) which represents 50% of the registered capital while the remaining RMB6,800,000 (approximately HK$6,412,000) represents a working capital loan advanced by the Group. The Chinese joint venture partner contributed the remaining portion of the registered capital by way of contributing advertising display panels amounting to RMB8,000,000 (approximately HK$7,544,000). The Group is entitled to 90% of the distributable profits of Shanghai Metro but is required to bear 50% of the operating losses of Shanghai Metro.

Upon the expiry of the joint venture agreement, the Chinese joint venture partner will be entitled to all fixed assets of Shanghai Metro and the Group will be entitled to 50% of the remaining net assets.

19 INVESTMENT IN AN ASSOCIATED COMPANY AND AMOUNT DUE TO AN ASSOCIATED COMPANY - GROUP

	2002	2001
	HK$'000	HK$'000 (Note 35)
Investment in an associated company		
Share of net assets	24,458	25,600
Goodwill on acquisition of an associated company		
Cost	20,280	20,280
Accumulated amortisation	(4,957)	(3,689)
	39,781	42,191
Amount due to an assoicated company	32,936	18,324

The amount due to an associated company is unsecured, non-interest bearing and has no fixed terms of repayment except for an amount of approximately HK$16,658,000 which bears interest at 3% per annum and has a credit term of 45 days from the date of invoice.

19 INVESTMENT IN AN ASSOCIATED COMPANY AND AMOUNT DUE TO AN ASSOCIATED COMPANY - GROUP - *continued*

The following is the details of the associated company at 31st December 2002:

Name	Place and date of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Legal structure	Attributable percentage of issued capital/registered capital held by the Company Indirectly %	Attributable percentage of distributable profit to the Group %	Principal activities
Beijing Top Result Metro Advertising Co., Ltd. ("BJ Metro")	The PRC 28th April 1997	RMB35,000,000	Cooperative joint venture	100	38	Provide media advertising services

BJ Metro was formed under a cooperative joint venture agreement and a supplemental agreement dated 8th November 1996 and 6th April 1999 respectively. BJ Metro obtained its business licence on 11th June 1997 with a term of 18 years. The Group has contributed all the registered share capital of BJ Metro of RMB35,000,000 (approximately HK$32,710,000) in previous years.

In addition, the Group has undertaken to guarantee that the Chinese joint venture partner's share of BJ Metro's distributable profit will not be lower than RMB13,000,000 (approximately HK$12,150,000) each year, effective from 1st January 2000, for the remaining tenure of the joint venture. The Group's share of distributable profit of BJ Metro for the year ended 31st December 2002 amounted to approximately HK$12,869,000 (2001: HK$11,212,000).

The net assets of BJ Metro will be distributed according to the profit sharing ratio upon the expiry of the joint venture agreement. Accordingly, 62% of the capital contributed to BJ Metro by the Group is recorded as goodwill and is amortised over the joint venture period. The amortisation expense for the year ended 31st December 2002 amounted to approximately HK$1,268,000 (2001: HK$1,268,000) and was included in the share of profits less losses of associated companies.

19 INVESTMENT IN AN ASSOCIATED COMPANY AND AMOUNT DUE TO AN ASSOCIATED COMPANY - GROUP - *continued*

The summary of financial information of BJ Metro based on the adjusted accounts prepared under the accounting principles generally accepted in Hong Kong for the year is as follows:

	2002	2001
	HK$'000	HK$'000
Balance sheet		
Current assets	84,591	68,670
Non-current assets	23,314	26,052
Current liabilities	45,647	29,264
Profit and loss account		
Turnover	93,175	84,711
Profit before taxation	52,215	47,169
Profit after taxation	33,864	29,502

20 AMOUNT DUE FROM A SENIOR EXECUTIVE - GROUP

	Amount outstanding at 31st December 2002	Amount outstanding at 31st December 2001	Maximum amount outstanding during the year
	HK$'000	HK$'000	HK$'000
An Ning	—	547	547

The amount due from a senior executive represented a housing loan granted and was unsecured, non-interest bearing and repaid during the year.

21 TRADE RECEIVABLES - GROUP

	2002	2001
	HK$'000	HK$'000
Trade receivables	61,911	107,194
Less: provision for doubtful debts	(8,492)	(4,518)
	53,419	102,676

21 TRADE RECEIVABLES - GROUP *- continued*

At 31st December 2002, the aging analysis of trade receivables is as follows:

	2002	2001
	HK$'000	HK$'000
Current	757	28,092
1 - 30 days	21,017	26,481
31 - 60 days	8,236	16,126
61 - 90 days	9,851	10,988
91 - 120 days	6,742	5,387
Over 120 days	15,308	20,120
	61,911	107,194

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

22 BANK BALANCES AND CASH - GROUP

At 31st December 2002, bank balances and cash of the Group denominated in Renminbi ("RMB") amounted to approximately HK$21,005,000 (2001: HK$12,229,000). RMB is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

23 TRADE PAYABLES - GROUP

At 31st December 2002, the aging analysis of trade payables based on due dates is as follows:

	2002	2001
	HK$'000	HK$'000
Current	35,487	19,584
1 - 30 days	6,368	8,884
31 - 60 days	5,623	6,954
61 - 90 days	12,997	2,011
91 - 120 days	19,939	1,102
Over 120 days	1,370	24,243
	81,784	62,778

24 LONG-TERM PAYABLES - GROUP

Long-term payables represent payables for the acquisition of advertising licences from bus operators in the PRC. The balances are unsecured, not repayable within one year and are non-interest bearing except for an amount of approximately HK$460,000 (2001: HK$7,402,000) which bears interest at 6.435% (2001: 6.435%) per annum.

25 SHARE CAPITAL

		Authorised			
		Ordinary shares of US$0.01 each		Ordinary shares of HK$0.10 each	
	Note	No. of shares	Amount	No. of shares	Amount
			HK$'000		HK$'000
At 1st January 2001 and 31st December 2001		50,000,000	3,880	–	–
Cancellation of authorised ordinary share capital	(a)(i)	(50,000,000)	(3,880)	–	–
Increase in authorised ordinary share capital	(a)(i)	–	–	5,000,000,000	500,000
At 31st December 2002		–	–	5,000,000,000	500,000

25 SHARE CAPITAL - *continued*

	Note	Issued and fully paid: Ordinary shares of of US$0.01 each: No. of shares	Ordinary shares of of US$0.01 each: Amount HK$'000	Ordinary shares of HK$0.10 each: No. of shares	Ordinary shares of HK$0.10 each: Amount HK$'000
At 1st January 2001 and 31st December 2001		12,390,657	961	–	–
Repurchase and cancellation of ordinary shares	(a)(i)	(12,390,657)	(961)	–	–
Issue of ordinary shares	(a)(i)	–	–	12,390,657	1,239
Issue of ordinary shares through Capitalisation Issue	(a)(ii)	–	–	421,282,338	42,128
Issue of ordinary shares upon the Listing	(b)	–	–	171,386,000	17,139
Repurchase and cancellation of ordinary shares	(c)	–	–	(3,896,000)	(390)
As at 31st December 2002		–	–	601,162,995	60,116

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

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

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

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

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

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

25 SHARE CAPITAL - *continued*

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

(b) On 24th January 2002, 171,386,000 ordinary shares of HK$0.10 each were issued to the public by way of a new issue and placement of shares at HK$2.60 each, for a total cash consideration of approximately HK$445,604,000 before share issuing expenses. Accordingly, approximately HK$428,465,000 was credited to the share premium account (Note 27) and the Company's ordinary shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Listing") on 24th January 2002.

(c) During the year, the Company repurchased 3,896,000 ordinary shares of HK$0.10 each in the GEM at a total cash consideration of approximately HK$3,725,000. Accordingly, approximately HK$3,335,000 was debited to the share premium account and approximately HK$390,000 was transferred from accumulated losses to capital redemption reserve (Note 27). These shares were cancelled on repurchase.

26 SHARE OPTIONS

Pre-IPO Share Options Plans

Pursuant to an Executive Share Option Plan ("Plan 1") approved by the shareholders of the Company on 7th April 1995 and amended and restated on 9th June 2001, the board of directors may at its discretion within five years after 1st July 1997, invite employees, including directors of the Company and its subsidiaries, to take up options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under Plan 1 may not exceed 17,500,000 ordinary shares in aggregate. The exercise price of the option post the Capitalisation Issue is US$0.038095 per share.

On 9th June 2001, the shareholders of the Company rectified and approved another Executive Share Option Plan ("Plan 2"). Pursuant to Plan 2, the board of directors may at its discretion within three years after 1st April 2000, invite employees, including directors of the Company and its subsidiaries, to take up their options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under Plan 2 may not exceed 21,000,000 ordinary shares in aggregate. The exercise price of the option post the Capitalisation Issue is US$0.171429 per share.

On 9th June 2001, the shareholders of the Company approved another Executive Share Option Plan ("Plan 3"). Pursuant to Plan 3, the board of directors granted 28,554,750 share options to senior executives to replace all outstanding warrants then held by them. The maximum number of shares in respect of which options may be granted under Plan 3 may not exceed 28,554,750 ordinary shares in aggregate. The exercise price of the option post the Capitalisation Issue is US$0.206841 per share.

26 SHARE OPTIONS - *continued*

Pre-IPO Share Options Plans - *continued*

All the outstanding options, except for those under Plan 3, may be exercised at any time during the period commencing one year after the date of grant of the options and ending 10 years after the date of the options with the following schedule:

Period since date of grant	Portion of shares comprised in options which become exercisable
Date of grant - first anniversary	Zero
The date after the first anniversary - second anniversary	Up to one-third
The date after the second anniversary - third anniversary	Up to two-third (less the portion of shares which arose upon the exercise of options between the first anniversary and the second anniversary)
The date after the third anniversary and thereafter	All shares in respect of which the option has not been previously exercised

The outstanding options under Plan 3 is fully vested upon its grant and may be exercised at any time during the period commencing on the date upon which the offer of the option is accepted and ending 10 years after the date of the options.

Save as disclosed above, no share options have been granted or agreed to be granted by the Company and no further options will be offered or granted by the Company under Plan 1, Plan 2 and Plan 3.

Post-IPO Share Option Scheme

On 8th January 2002 the Company conditionally adopted a further share option scheme (the "Share Option Scheme") for a period of ten years from the date on which the Share Option Scheme was adopted. The Share Option Scheme became unconditional upon the Listing.

The principal purpose of the Share Option Scheme is to recognise the significant contributions of the full-time employees, executive directors, non-executive directors (including independent non-executive directors), any consultants or advisors of or to any members of the Group to the growth of the Group by rewarding them with opportunities to obtain ownership interests in the Company and to further motivate and give incentives to these persons to continue to contribute to the Group's long term success.

26 SHARE OPTIONS - *continued*

Post-IPO Share Option Scheme - *continued*

The subscription price under the Share Option Scheme will be determined by the Company's board of directors and will be the highest of (i) the nominal value of a share, (ii) the closing price of the shares as stated in the Exchange's daily quotation sheet on the date of grant, which must be a business day; and (iii) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the options. An option shall be deemed to have been granted and accepted by an eligible participant (as defined in the Share Option Scheme) and to have taken effect when the duplicate of offer letter as described in the Share Option Scheme, comprising acceptance of the option is signed and returned by the grantee with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant.

The Share Option Scheme shall vest in respect of one third of the total number of shares to which it relates upon each anniversary of the respective date upon which the offer of the option is made until fully vested and expiring on not less than three years nor more than ten years from the date of offer.

A summary of the movement of share options granted to employees (including directors) under Plan 1, Plan 2, Plan 3 and Share Option Scheme during the year is as follows:

	Plan 1 at exercise price of	Plan 2 at exercise price of	Plan 3 at exercise price of	Options granted under Share Option Scheme at exercise price of
	US$0.038095	US$0.171429	US$0.206841	HK$0.89
At 1st January 2002	15,711,150	21,000,000	28,554,750	—
Granted during the year	—	—	—	5,000,000
Retired during the year*	(653,310)	(2,380,000)	—	(493,000)
At 31st December 2002	15,057,840	18,620,000	28,554,750	4,507,000

* During the year, the 653,310 unvested share options under Plan 1 and the 2,380,000 unvested share options under Plan 2 held respectively by two and five employees were retired and returned to the option pool.

During the year, the 493,000 unvested share options under Share Option Scheme held by three employees were retired and returned to the option pool available for granting.

27 RESERVES

	Share premium	Translation reserve	Capital reserve	Retained profits/ (accumulated losses)	Capital redemption reserve	Total
	HK$'000 (Note (iii))	HK$'000	HK$'000 (Note (i) and (iii))	HK$'000	HK$'000	HK$'000
Group						
At 1st January 2001	300,721	1,668	883	16,336	—	319,608
Exchange difference arising from the translation of accounts of foreign subsidiaries	—	(100)	—	—	—	(100)
Profit for the year	—	—	—	3,461	—	3,461
At 1st January 2002	300,721	1,568	883	19,797	—	322,969
Shares issued in the Capitalisation Issue (Note 25(a)(ii))	(42,128)	—	—	—	—	(42,128)
Ordinary shares issued in the Shares Conversion	(278)	—	—	—	—	(278)
Premium on issue of new shares upon the Listing (Note 25(b))	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 (Note 25(c))	(3,335)	—	—	(390)	390	(3,335)
Loss for the year	—	—	—	(252,783)	—	(252,783)
At 31st December 2002	635,510	1,844	883	(233,376)	390	405,251
The Company and subsidiaries	300,721	1,568	883	10,481	—	313,653
Associated companies	—	—	—	9,316	—	9,316
At 31st December 2001	300,721	1,568	883	19,797	—	322,969

27 RESERVES - *continued*

	Share premium	Translation reserve	Capital reserve	Retained profits/ (accumulated losses)	Capital redemption reserve	Total
	HK$'000 (Note (iii))	HK$'000	HK$'000 (Note (i) and (iii))	HK$'000	HK$'000	HK$'000
Group - *continued*						
The Company and subsidiaries	635,510	1,844	883	(240,283)	390	398,344
Associated companies	—	—	—	6,907	—	6,907
At 31st December 2002	635,510	1,844	883	(233,376)	390	405,251
Company						
At 1st January 2001	300,721	—	2,687	(5,981)	—	297,427
Loss for the year	—	—	—	(206)	—	(206)
At 1st January 2002	300,721	—	2,687	(6,187)	—	297,221
Shares issued in the Capitalisation Issue (Note 25(a)(ii))	(42,128)	—	—	—	—	(42,128)
Ordinary shares issued in the Shares Conversion	(278)	—	—	—	—	(278)
Premium on issue of new shares upon the Listing (Note 25(b))	428,465	—	—	—	—	428,465
Share issuing expenses	(47,935)	—	—	—	—	(47,935)
Repurchase and cancellation of shares (Note 25 (c))	(3,335)	—	—	(390)	390	(3,335)
Loss for the year	—	—	—	(226,759)	—	(226,759)
At 31st December 2002	635,510	—	2,687	(233,336)	390	405,251

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

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

27 RESERVES - *continued*

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

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

28 DEFERRED TAXATION

Deferred taxation mainly represents the taxation effect of accelerated depreciation of fixed assets for taxation purpose and tax losses carried forward.

The Group has not recorded deferred tax assets, mainly in respect of tax losses for the operations in Hong Kong and the PRC. Tax losses for the operations in Hong Kong and the PRC were approximately HK$62,114,000 and HK$106,810,000 (2001: HK$43,578,000 and HK$243,000), respectively, which are subject to the agreement by relevant tax authorities. There were no other significant unprovided deferred tax liabilities at 31st December 2002.

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2002	As restated 2001
	HK$'000	HK$'000 (Note 35)
(Loss)/profit before taxation	(254,607)	13,993
Provision for doubtful debts		
Trade receivables	6,200	1,142
Deposits and other receivables	8,906	—
Depreciation	15,776	10,196
Loss/(gain) on disposals of fixed assets	1,320	(4,573)
Loss on disposals of intangible assets	112	141
Impairment loss on fixed assets	1,083	—
Impairment loss on intangible assets	35,710	—
Amortisation of intangible assets	70,226	64,704
Amortisation of goodwill on acquisition of an associated company	1,268	1,268
Share of profits less losses of associated companies	(19,842)	(17,798)
Interest income	(3,259)	(1,553)
Interest expense	8,853	14,412
Operating (loss)/profit before working capital changes	(128,254)	81,932
Decrease/(increase) in prepayments, deposits and other receivables	13,101	(27,124)
Decrease in amounts due from related companies	416	1,904
Decrease/(increase) in amount due from a senior executive	547	(547)
Increase in inventories	(227)	(1,452)
Decrease/(increase) in trade receivables	43,057	(25,301)
Decrease/(increase) in trade payables, accrued liabilities and other payables	15,145	(19,728)
Decrease in deferred income	(8,262)	(26,715)
Increase in amount due to a joint venture partner	264	—
Increase in amounts due to related companies	96	709
Increase/(decrease) in amount due to an associated company	14,612	(18,026)
Decrease in amount due to a director	—	(120)
Net cash outflow used in operations	(49,505)	(34,468)

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT - *continued*

(b) Analysis of changes in financing during the year

	Loans from financial institutions		Loan from a third party		Short-term bank loans		Obligations under finance leases		Convertible loan notes	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	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	4,342	19,500	–	56,602	47,150	944	–	116,960	–
Proceeds from issuance of convertible loan notes	–	–	–	–	–	–	–	–	–	116,960
New bank loans repayable within one year	–	–	–	–	–	56,602	–	–	–	–
Increase in loans from financial institutions	–	22,690	–	–	–	–	–	–	–	
New loan from a third party	–	–	–	19,500	–	–	–	–	–	–
Increase through acquisition of a subsidiary	–	–	–	–	–	–	–	2,237	–	–
Repayment of convertible loan notes	–	–	–	–	–	–	–	–	(116,960)	–
Repayment of borrowings	(27,032)	–	(19,500)	–	(56,602)	(47,150)	–	–	–	–
Repayment of principal portion of obligations under finance leases	–	–	–	–	–	–	(944)	(1,293)	–	–
At 31st December	–	27,032	–	19,500	–	56,602	–	944	–	116,960

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT *- continued*

(c) Analysis of balances of cash and cash equivalents

	2002	2001
	HK$'000	HK$'000
Bank balances and cash	30,613	18,916
Less: Non-cash and cash equivalents*	(1,783)	(1,227)
Bank overdraft	(91)	—
	28,739	17,689

* At 31st December 2002, pursuant to the arrangement with a business partner, bank balances of approximately HK$1,783,000 (2001: HK$1,227,000) 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 certain fixed assets (advertising display panels) of approximately HK$7,544,000 (RMB8,000,000) were acquired through the capital injection from a joint venture partner of Shanghai Metro (Note 18(iv)).

30 COMMITMENTS

(a) Capital commitments for fixed assets - Group

	2002	2001
	HK$'000	HK$'000
Authorised and contracted for	9,103	2,132

(b) Capital commitments for investment - Group

	2002	2001
	HK$'000	HK$'000
Authorised and contracted for	3,725	—

30 COMMITMENTS - *continued*

(c) Commitments under operating leases

(i) At 31st December 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Others	
	2002	2001	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000
Not later than one year	12,210	13,173	1,626	—
Later than one year and not later than five years	11,673	11,649	1,396	—
Later than five years	158	2,698	—	—
	24,041	27,520	3,022	—

(ii) The Group has entered into certain media rental contracts under which the Group has committed to pay to various media owners concession fees calculated based on various arrangements as stipulated in the respective contracts. At 31st December 2002, the Group had future aggregate minimum concession fee payments under the aforementioned contracts as follows:

	2002	2001
	HK$'000	HK$'000
Not later than one year	237,000	215,000
Later than one year and not later than five years	515,000	565,000
Later than five years	854,000	876,000
	1,606,000	1,656,000

The above operating commitments only include those for basic concession fees and do not include any additional fees payable. Additional concession fees would be determined based on the actual media rental revenue generated.

(iii) The Group has undertaken to guarantee that the Chinese joint venture partner's share of BJ Metro's distributable profit will not be lower than RMB13,000,000 (approximately HK$12,150,000) for each year over the remaining joint venture period until 2015 (Note 19).

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or entities.

(a) During the year, the Group undertook the following significant related party transactions, which were carried out in the normal course of the Group's business:

	Note	2002	2001
		HK$'000	HK$'000
Income			
Production income from High Tech Company	(i)	62	512
Costs and expenses			
Production costs charged by High Tech Company	(i)	8,589	10,005
Sub-contracting fees charged by Pro Photo Processing Limited ("PP")	(ii)	24	450
Administrative expenses charged by PP	(ii)	558	672

(i) An ex-non-executive director of the Company, Hui Yick Hun, Patrick, has a beneficial interest in High Tech Company. The Group charged High Tech Company for printing services provided based on negotiations between the two parties in the ordinary course of business and on the basis of estimated market value as determined by the directors. High Tech Company also provides production services to the Group in Hong Kong. Production costs charged by High Tech Company were determined based on the outsourcing agreement entered into between the two parties in June 1999.

(ii) PP is a minority shareholder of Digital Photo Limited. Sub-contracting fees charged by PP were determined based on terms as agreed between the two parties. Administrative expenses charged by PP were determined based on cost recovery.

(b) Save as disclosed in other notes to the accounts, balances with a joint venture partner and related companies are unsecured, non-interest bearing and have no fixed terms of repayment.

32 RETIREMENT BENEFIT OBLIGATION

The Group has participated in the defined contribution Mandatory Provident Fund (the "MPF Scheme") in Hong Kong since 1st December 2000, in which all the employees are entitled to join this scheme. The assets of the MPF Scheme are held separately from those of the Group and are managed by independent professional fund managers. Under the MPF Scheme, the Group makes monthly contributions to the MPF Scheme based on 5% of the employees' basic salaries with the maximum amount of contribution by each of the Group and the employees limited to HK$12,000 per annum per person. Contributions in excess of the 5% or HK$1,000 per month limit are made to the MPF Scheme as voluntary contribution by the Group and its Hong Kong employees so as to maintain the previous level of contributions before the MPF Scheme was established. The pension cost charged to the profit and loss account represents contributions paid or payable by the Group at the aforesaid rates. Where employees leave the scheme prior to the full vesting of their contributions, the amount of forfeited voluntary contributions is used to reduce the future voluntary contributions payable by the Group. During the year, the Group's contributions to the MPF Scheme were approximately HK$650,000 (2001: HK$1,341,000) after deduction of forfeited voluntary contributions of approximately HK$522,000 (2001: HK$48,000).

All subsidiaries of the Company in the PRC provide government-sponsored defined contribution retirement schemes for its full-time employees. The subsidiaries and the employees are required to contribute 19% and 7% respectively of the employees' average salary to the schemes, and the subsidiaries have no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The government sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. During the year, the subsidiaries contributed approximately HK$2,741,000 (2001: HK$1,196,000).

33 CREDIT FACILITIES

Aggregate credit facilities at 31st December 2002 were approximately HK$15,000,000 (2001: HK$111,082,000), all of which were unutilised at the same date (2001: HK$7,968,000). The facilities are secured by a floating charge on certain of the Group's trade receivables, both present and future.

34 SUBSEQUENT EVENT

Save as disclosed in other notes to the accounts, the following significant event took place subsequent to 31st December 2002 and up to the date of this report:

In March 2003, two substantial shareholders, Warburg Pincus Ventures, L.P. and SMI Investors (PAPE II) Limited have advanced HK$20,000,000 each (totaling HK$40,000,000) to the Company as unsecured loans with an interest at 8% per annum. The Company shall repay the loans on 31st March 2004 or within five business days after the date on which all the proceeds of the proposed fund raising exercise of the Company (as referred to Note 1(a)(iii)) are actually received by the Company, whichever is the earlier. Part of the proceeds received was used to repay a short-term loan amounting to HK$8,000,000 advanced by a related company of Warburg Pincus Ventures, L.P. in February 2003.

35 COMPARATIVE FIGURES

Certain of the 2001 comparative figures have been reclassified to conform to the current year's presentation and in accordance with the new presentation and disclosure requirements under the newly adopted SSAPs as disclosed in Note 1.

36 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 27th March 2003.

RESULTS

	1998	1999	2000	2001	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	105,214	236,416	418,781	473,882	370,672
Net profit (loss) attributable to shareholders	(11,529)	(6,128)	12,714	3,461	(252,783)

ASSETS AND LIABILITIES

	1998	1999	2000	2001	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	397,526	583,788	633,166	783,707	695,795
Total liabilities	(245,800)	(275,000)	(307,019)	(452,312)	(229,952)
	151,726	308,788	326,147	331,395	465,843

Notes:

1. The Company was incorporated in the Cayman Islands on 27th February 1995 and became the holding company of the companies now comprising the Group, as a result of the Reorganisation.

2. The results, assets and liabilities of the Group for the two years ended 31st December 2001 and 2002 have been extracted from the audited consolidated profit and loss account and consolidated balance sheet as set out on page 44 and page 45 to 46 respectively of the accounts. Certain figures in 2001 have been reclassified to conform with current year's presentation.

3. The results, assets and liabilities of the Group for the year ended 31st December 2000 have been extracted from the Company's 2001 Annual Report dated 26th March 2002.

4. The results, assets and liabilities of the Group for the years ended 31st December 1998 and 1999, presented above have been extracted from the Prospectus dated 14th January 2002 when listing of the Company's shares was sought on the GEM.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MediaNation Inc. (the "**Company**") will be held at Rooms 3507-09, 35th Floor, The Center, 99 Queen's Road Central, Hong Kong SAR on Monday, 12th May 2003, at 10:30 a.m. for the following purposes:

1. To consider, approve and adopt the audited financial statements of the Company for the year ended 31st December 2002, the report of the directors of the Company (the "**Directors**") for the year ended 31st December 2002 and the report of the auditors of the Company (the "**Auditors**") for the year ended 31st December 2002;

2. To re-elect retiring Directors, namely Ms. Chan Sim Ngor, Summerine; Mr. Cheng Cheung Lun, Julian; Mr. Cheung Leung Hong, Cliff; Mr. Chu Chung Hong, Francis; Ms. Ho Ming Yee; Mr. Kam Ling and Mr. Johannes Schöter for a further and additional term of three years from the date of the Annual General Meeting, and to authorise the Board of Directors to determine their Directors' fees;

3. To re-appoint the Auditors and to authorise the Board of Directors to determine their remuneration;

4. As special business, to consider and, if thought fit, pass, with or without modifications, the following resolution upon the terms set out below which will be proposed as an ordinary resolution (Note 3):

"4. MANDATE TO ALLOT SHARES

THAT:-

(a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the exercise by the directors of the Company ("Directors") during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued ordinary shares of HK$0.10 each in the capital of the Company ("Shares") and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:-

(i) a Rights Issue (as defined below); or,

(ii) the exercise of the subscription rights under any option scheme of the Company or similar arrangement for the time being adopted for the grant or issue to participants of such scheme or arrangement or rights to acquire Shares; or,

(iii) any issue of Shares upon the exercise of the subscription rights attaching to any warrants or convertible notes of the Company or any securities which are convertible into Shares; or,

(iv) any scrip dividend or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association of the Company,

shall not exceed the aggregate of:-

(A) 20 percent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution; and,

(B) an amount representing the aggregate nominal value of Shares repurchased by the Company pursuant to the mandate referred to in ordinary resolution no. 5 set out in the Notice of which this resolution forms part, provided that such value shall not exceed 10 percent of the aggregate nominal value of the share capital of the Company in issue on the date of the passing of the ordinary resolution no. 5 set out in the Notice of which this resolution forms part,

and the said approval shall be limited accordingly; and,

(d) for the purposes of this resolution:-

"Relevant Period" means the period from the date on which this resolution is passed until whichever is the earliest of:-

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or the Companies Law of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and,

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting;

"Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company)."

5. As special business, to consider and, if thought fit, pass, with or without modifications, the following resolution upon the terms set out below which will be proposed as an ordinary resolution (Note 4):

"5. MANDATE TO REPURCHASE SHARES

THAT:-

(a) subject to paragraph (b) below and subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the exercise by the directors of the Company ("Directors") during the Relevant Period (as defined below) of all the powers of the Company to repurchase ordinary shares of HK$0.10 each in the capital of the Company ("Shares") on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the Shares which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 percent of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and,

(c) for the purposes of this resolution:-

"Relevant Period" means the period from the date on which this resolution is passed until whichever is the earliest of:-

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or the Companies Law of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and,

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

6. As special business, to consider and, if thought fit, pass, with or without modifications, the following resolution upon the terms set out below which will be proposed as an ordinary resolution (Note 5):

"6. CONTINUING CONNECTED TRANSACTIONS

THAT:-

(a) the outsourcing contract dated 1st June 1999 (the "**Outsourcing Contract**"), a copy of which is produced to the meeting marked "A" and signed by the Chairman for identification, entered into between Top Result Promotion Limited ("**Top Result**"), a wholly-owned subsidiary of the Company, and High Tech Company, of which Mr. Hui Yick Hun, Patrick, a former non-executive Director, is a partner, pursuant to which High Tech Company has agreed to provide certain posting and deposting services to Top Result with effect from 1st June 1999 until 31st October 2004;

(b) the transactions contemplated under the Outsourcing Contract; and,

(c) the annual cap in the amount of HK$17 million relating to the aggregate amount of all transactions contemplated under the Outsourcing Contract in any given financial year;

be and are hereby re-approved."

By Order of the Board

Sun Qiang, Chang
Chairman

Hong Kong, 27th March 2003

Head office and principal place of business:
Rooms 3507-09, 35th Floor
The Center
99 Queen's Road Central
Hong Kong SAR

Registered office:
P.O. Box 309
Ugland House
George Town
Grand Cayman
Cayman Islands

Notes:

1. Shareholders whose names appear on the register of members of the Company at the close of business on 6th May 2003 are entitled to attend the Annual General Meeting upon completion of the necessary registration process. In order to establish the identity of the members who are entitled to attend and vote at the Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong SAR, Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong SAR for registration, not later than 4:00 p.m. on 5th May 2003. Each of the shareholders of the Company (or his proxy) shall exercise his voting rights according to the number of Shares with voting rights represented by him and shall be entitled to one vote for each Share held.

2. Every shareholder of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a shareholder of the Company. A proxy form is attached. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong SAR at Computershare Hong Kong Investor Services Limited at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong SAR not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the Annual General Meeting in person if the shareholder so desires.

3. In relation to the proposed Resolution No. 4 above, approval is being sought from the shareholders of the Company for the grant to the Directors of a general mandate to authorise the allotment and issue of shares pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). The Directors have no immediate plans to issue any new securities of the Company pursuant to the said general mandate other than shares which may fall to be issued upon the exercise of any options granted under the share option scheme of the Company or any scrip dividend scheme.

4. A circular appended with an explanatory statement containing further details regarding the proposed Resolution No. 5 above of the notice of this Annual General Meeting as required by the GEM Listing Rules will be dispatched to the shareholders of the Company together with the 2002 annual report.

5. As disclosed in the section headed "Waivers from compliance with the GEM Listing Rules and the Companies Ordinance" in the prospectus dated 14th January, 2002 (the "**Prospectus**") issued by the Company, each of the transactions contemplated under the Outsourcing Contract (the "**Connected Transactions**") constitutes a non-exempt continuing connected transaction under the GEM Listing Rules and, except for a waiver granted by The Stock Exchange of Hong Kong Limited, is normally subject to the reporting and announcement requirements set out in Rules 20.34 and 20.35 of the GEM Listing Rules, respectively, and the shareholders' approval requirement set out in Rule 20.36 of the GEM Listing Rules. As the Connected Transactions will be conducted in the normal course of business of Top Result and will occur on a regular basis, the Directors (including the non-executive Directors), as stated in the Prospectus, consider that it would not be practical to make ongoing disclosure of such transactions. Accordingly, the Company has applied for, and the Stock Exchange has granted to the Company, a conditional waiver from the announcement and shareholders' approval requirement as required under Rules 20.35 and 20.36 of the GEM Listing Rules for each of the Connected Transactions. The waiver was granted on the condition that, among other things:

   (a) in each financial year the aggregate amount of all Connected Transactions does not exceed HK$17.0 million; and

   (b) as the annual cap set out in paragraph (a) above exceeds HK$10 million, as required by Rule 20.30 of the GEM Listing Rules, the Outsourcing Contract and the annual cap will be subject to review and re-approval by independent shareholders at the annual general meeting following the initial approval and at each subsequent annual general meeting so long as the Connected Transactions continue.

   Based on the above, pursuant to Rule 20.30 of the GEM Listing Rules, the Outsourcing Contract and the annual cap are required to be subject to review and re-approval by independent shareholders, i.e., shareholders of the Company other than Mr. Hui Yick Hun, Patrick and his associates (as defined in the GEM Listing Rules), at the Annual General Meeting.

6. If two or more persons are joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.