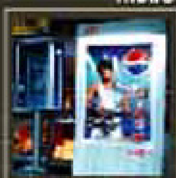
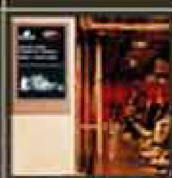
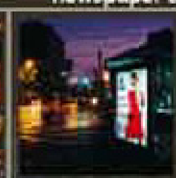
MEDIANATION INC.

Incorporated in the Cayman Islands with limited liability

metro advertising

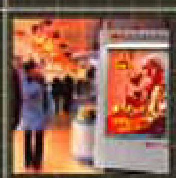






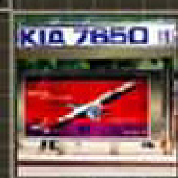
newspaper & magazine kiosk

bus advertising



red cross

in-mall display



bus shelter

First Quarterly Report 2003

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up to date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of MediaNation Inc. ("the Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group operates two core business lines: bus advertising in the PRC and Hong Kong, and metro system advertising in Beijing and Shanghai. The Group also expanded into street furniture advertising business in the PRC at the end of 2001.

Business Review

China

Metro System Advertising

Shanghai Metro advertising operation generated media rental revenues of HK$11.0 million in the first quarter of 2003. While this was comparable to the HK$11.5 million in the first quarter of 2002, it represented a substantial improvement of 50.7% over the HK$7.3 million media rental revenue in the fourth quarter of 2002. The majority of revenue came from Line 2. In order to improve the revenue from Line 3, the Group has been in contact with the relevant authorities and continues to lobby for the approval of additional outdoor billboards along this elevated train line. Shanghai Metro incurred a loss of HK$4.8 million in the first quarter.

The associated company Beijing Metro generated a total sales revenue of HK$17.3 million in the first quarter this year. This represented an improvement of 13.8% compared to the HK$15.2 million generated in the same quarter last year. The Group's share of the net profit of Beijing Metro (after taxation) was HK$1.6 million in this quarter while it was HK$1.9 million in the same quarter last year.

Bus Advertising

The media rental revenue under the Group's exclusive bus concessions in the PRC was HK$35.6 million in the first quarter this year, which was comparable to the HK$37.0 million in the same quarter last year. Occupancy rate remained at a low level of below 40% during the quarter, which is traditionally viewed as a low season. PRC bus incurred a loss of HK$15.5 million in the first quarter as compared to a loss of HK$12.1 million in the same quarter last year. This increase was mainly attributable to the prudent accounting treatment of taking 100% share of the loss of Beijing Top Result Public Transportation Advertising Co., Ltd., instead of 80% based on our ownership percentage, as minority shareholders had no binding obligation to make good the losses in excess of their interest in the equity.

i-Result

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

In the process of closing down the operation of i-Result in this year, the net loss incurred for the three months ended 31st March 2003 amounted to HK$1.2 million as compared to HK$5.0 million in the corresponding period of last year.

Hong Kong

The Hong Kong bus operation generated a media rental revenue of HK$10.4 million in the first quarter this year as compared to HK$15.2 million in the same quarter last year. Under the minimum guaranteed rental arrangements, the concession fees paid to bus companies are fixed. As a result, the operation incurred a higher loss of HK$18.6 million in the first quarter, when compared to the loss of HK$13.3 million in the same quarter last year. The low level of revenue was partly due to the depressed economic environment and partly due to the changes in the management team of the Hong Kong bus operation during the past few months. With the new Hong Kong general manager commencing duty in mid February 2003, the sales team has stabilized and there was marked improvement in the sales contracts secured. The team has been focusing on a major sales campaign to boost interest in bus advertising as an ideal medium for reaching individuals between the ages of 15-35 year olds. This campaign will be launched once the SARS virus is stabilized in Hong Kong. We anticipate significant business lead generation from this campaign.

Street Furniture

As mentioned in the Group's Annual Report 2002 published in March 2003, the Group experienced certain delays in the newspaper kiosk project in Shanghai and decided to first ensure a smooth implementation of the initial 1,000 kiosks before advancing the second phase of the project. In April 2003, the project team continued to work on site selection, installation and advertising license approvals for the initial phase of 1,000 kiosks. Regarding the Red Cross first aid in-mall advertising project, the installation progress was slowed down by the SARS outbreak in April 2003. These two projects incurred start-up losses of approximately HK$2.0 million in the first quarter this year.

Business Outlook

The Group had undergone major management changes in 2002. The new CEO, Mr. Francis Chu, was appointed in December 2002. In the process of restructuring the organization, efforts were made to strengthen and rebuild the middle management team. Most of the vacant positions within middle management have been recently filled by seasoned professionals from the media industry resulting in a significant improvement in sales contracts secured towards the end of the quarter. In April, however, the upward momentum has been slowed by the SARS outbreak. The Group has taken relevant responses to deal with the impact of SARS on the business.

FINANCIAL REVIEW

Revenue and Profitability

The Group recorded a turnover of approximately HK$76.2 million for the three months ended 31st March 2003, which represented a slight decrease of 4.2% as compared to approximately HK$79.5 million for the corresponding period last year. Total turnover generated from the Hong Kong business for the quarter decreased from approximately HK$19.0 million last year to HK$13.9 million this year, which represents a drop of 26.8%. Total turnover generated from the PRC business for the quarter increased by 3.0% from approximately HK$60.5 million last year to HK$62.3 million this year.

Cost of sales for the three months ended 31st March 2003 increased by 10.1% from approximately HK$87.4 million to approximately to HK$96.2 million. Operating lease rentals for advertising spaces (also called concession fees) for the three months ended 31st March 2003 increased by approximately HK$5.4 million or 10.8% to HK$55.2 million from HK$49.8 million last year. This increase in concession fees was mainly attributable to a more prudent accrual of the minimum guaranteed rental fee of Shanghai Metro. The higher level of production activities also resulted in an increase of HK$2.8 million in cost of sales. Production costs increased from HK$8.0 million in the first quarter last year to HK$10.8 million in the first quarter this year.

For the three months ended 31st March 2003, the Group suffered a gross loss of approximately HK$20.0 million compared to approximately HK$8.0 million loss in the same period last year. Concession fees for the three months ended 31st March 2003 increased as a percentage of revenue from 62.6% to 72.4%. The deterioration of gross margin was mainly attributable to a drop in revenue compared to last year; whereas direct cost increased as a result of the above factors.

Selling, general and administrative expenses for the three months ended 31st March 2003 decreased by approximately HK$6.4 million or 18.5% from approximately HK$34.6 million to HK$28.2 million. The decrease was mainly associated with the closure of i-Result business and the tightening of cost control.

Finance costs

Finance cost for the three months ended 31st March 2003 decreased to HK$0.2 million from HK$4.7 million last year which was mainly due to the repayment of convertible loan notes and short-term bank loans and other borrowings in the second quarter of 2002.

Net Loss Attributable to Shareholders

As a result of the above factors, the Group suffered a net loss for the three months ended 31st March 2003 of approximately HK$46.2 million as compared to a net loss of approximately HK$38.8 million for the same period last year.

FINANCIAL RESULTS

The directors of MediaNation Inc. (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31st March 2003 together with the unaudited comparative figures for the corresponding period in 2002 as follows:

		For the three months ended 31st March	
	Note	**2003 HK$'000 (Unaudited)**	2002 HK$'000 (Unaudited)
Turnover	2	**76,175**	79,473
Cost of sales		**(96,182)**	(87,428)
Gross loss		**(20,007)**	(7,955)
Other revenue		**88**	962
Selling, general and administrative expenses		**(28,172)**	(34,578)
Operating loss		**(48,091)**	(41,571)
Finance costs		**(207)**	(4,694)
		(48,298)	(46,265)
Share of profits less losses of an associated company		**2,624**	2,814
Loss before taxation		**(45,674)**	(43,451)
Taxation			
- The Company and subsidiaries		**—**	(103)
- An associated company		**(954)**	(929)
	3	**(954)**	(1,032)
Loss after taxation but before minority interests		**(46,628)**	(44,483)
Minority interests		**474**	5,689
Net loss attributable to shareholders		**(46,154)**	(38,794)
Loss per share (HK cents)			
- Basic	4	**7.68**	6.94
- Diluted	4	**N/A**	N/A

NOTES:

1. **Basis of presentation**

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

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

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

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

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

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

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

The financial statements of the Group are unaudited, but have been reviewed by the audit committee of the Company.

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

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

	For the three months ended 31st March	
	2003	2002
	HK$'000	HK$'000
Media rental	**62,040**	67,375
Production income	**12,952**	9,373
Agency commission income	**1,183**	2,527
Media consultancy services income	**—**	198
Total turnover	**76,175**	79,473
Interest income from bank deposits	**88**	962
Total revenue	**76,263**	80,435

The Group's turnover and revenues analysed by business segments and geographical locations for three months ended 31st March 2003 and 2002 are as follows:

	For the three months ended 31st March					
	The PRC		Hong Kong		Total	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Metro system advertising	**11,505**	11,984	**—**	—	**11,505**	11,984
Bus advertising	**49,498**	47,906	**13,645**	18,577	**63,143**	66,483
i-Result business	**—**	599	**209**	407	**209**	1,006
Other operations	**1,318**	—	**—**	—	**1,318**	—
Total turnover	**62,321**	60,489	**13,854**	18,984	**76,175**	79,473
Interest income from bank deposits	**35**	31	**53**	931	**88**	962
	62,356	60,520	**13,907**	19,915	**76,263**	80,435

3. **Income tax expense**

No provision for Hong Kong profits tax has been provided for as the Group had no estimated assessable profits for the three months ended 31st March 2003 and 2002.

The joint ventures established in the PRC in which the Group has invested are generally subject to enterprise income tax ("EIT") on their taxable income at a combined national and local tax rate of 33% (2002: 33%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation charged represents:

	For the three months ended 31st March	
	2003	2002
	HK$'000	HK$'000
Current taxation - PRC EIT	**—**	103
Share of taxation attributable to:		
An associated company	**954**	929
	954	1,032

4. **Loss per share**

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

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

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

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

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

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

(ii) the 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 ("Capitalisation Issue"), credited as fully paid at par, to the holders of shares registered on the register of members of the Company on 8th January 2002 in proportion to their respective shareholdings.

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

(a) Basic loss per share

The calculation of basic loss per share for the three months ended 31st March 2003 is based on the Group's net loss attributable to shareholders of approximately HK$46,154,000 (2002: HK$38,794,000) and the weighted average of 601,162,995 ordinary shares in issue during the three months ended 31st March 2003 (2002: weighted average of 559,356,000 ordinary shares after the Capitalisation Issue).

(b) Diluted loss per share

The diluted loss per share for the three months ended 31st March 2003 and 2002 is not presented because the effect of the assumed conversion of all potential dilutive ordinary shares is anti-dilutive.

5. **Reserves**

Movements in reserves of the Group for the three months ended 31st March 2003 and 2002 were as follows:

	Share premium HK$'000 (Note (iii))	**Translation reserve** HK$'000	**Capital reserve*** HK$'000 (Note (i) and (iii))	**Retained profits/ (Accumulated losses)** HK$'000	**Capital redemption reserve** HK$'000	**Total** HK$'000
As at 1st January 2002 (Audited)	300,721	1,568	883	19,797	—	322,969
Shares issued in the Capitalisation Issue	(42,128)	—	—	—	—	(42,128)
Ordinary shares issued in the Shares Conversion	(278)	—	—	—	—	(278)
Premium on issue of new shares upon the listing of shares on GEM	428,465	—	—	—	—	428,465
Share issuing expenses	(51,604)	—	—	—	—	(51,604)
Exchange difference arising from the translation of accounts of foreign subsidiaries	—	131	—	—	—	131
Loss for the period	—	—	—	(38,794)	—	(38,794)
As at 31st March 2002 (Unaudited)	635,176	1,699	883	(18,997)	—	618,761
As at 1st January 2003 (Audited)	635,510	1,844	883	(233,376)	390	405,251
Exchange difference arising from the translation of accounts of foreign subsidiaries	—	(57)	—	—	—	(57)
Loss for the period	—	—	—	(46,154)	—	(46,154)
As at 31st March 2003 (Unaudited)	635,510	1,787	883	(279,530)	390	359,040

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

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

(ii) In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after taxation, if any, to certain statutory reserves which comprise the statutory reserve and the enterprise expansion fund. The percentage of the transfer is determined by statute or the board of directors of the subsidiaries. During the three months ended 31st March 2003, no transfer was made by the subsidiaries (2002: nil).

(iii) Under the Companies Law (2001 Second Revision) of the Cayman Islands, the funds in the share premium account and the capital reserve of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. At 31st March 2003, in the opinion of the directors, the Company has no reserves available for distribution to its shareholders.

6. **Comparative figures**

Certain of the 2002 comparative figures have been reclassified to conform to the current year's presentation.

USE OF PROCEEDS

As disclosed in the Company's announcement dated 11th February 2003, the Company has used a portion of the net listing proceeds raised from the listing of the Group on the GEM on 24th January 2002 for the purpose of financing the Group's losses for the year ended 31st December 2002. As at 31st December 2002, the amount of cash and cash equivalents held by the Group was approximately HK$28.7 million. In order to improve the cash position of the Group, Warburg Pincus Ventures, L.P. and SMI Investors (PAPE II) Limited, the two substantial shareholders of the Company, advanced an aggregate amount of HK$40.0 million to the Group as unsecured shareholders' loans in March 2003.

As set out above, the Group incurred losses of approximately HK$46.2 million for the three months ended 31st March 2003. Such losses have been funded out of the Group's working capital. As a result, as at 31st March 2003, the amount of cash and cash equivalents held by the Group was approximately HK$48.2 million. This amount represents cash from the remaining listing proceeds and from the unsecured shareholders' loans.

It is the intention of the Company to continue to adhere to and fulfill all of its business objectives as set out in the prospectus dated 14th January 2002 (save for the business objectives that relate to the i-Result business). For this purpose, the Company has appointed Anglo Chinese Corporate Finance, Limited to advise it on the alternative strategies for raising additional capital, which include the possibility of an open offer (as mentioned in the Company's announcement dated 10th February 2003). In the event that the Company proceeds with the capital raising exercise, it will make appropriate disclosure as to how the remaining business objectives are to be pursued and funded.

INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the three months ended 31st March 2003 (2002: nil).

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st March 2003, 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 shares options plans of the Company to certain directors of the Company, details of such options are set out in the paragraph headed "Pre-IPO Shares 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 Shares Options Plans" below, as at 31st March 2003, 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 March 2003 were as follows:

Name of director	Date of offer	Exercisable period	Exercise price US$	Outstanding as at 31st March 2003
Ms. Chan Sim Ngor, Summerine	1st July 1997	1st July 1998 to 30th June 2007(1)	0.038095	2,712,500
	1st April 2000	1st April 2001 to 31st March 2010(1)	0.038095	2,275,000
	1st April 2000	1st April 2001 to 31st March 2010(1)	0.171429	2,835,000
	1st September 2000	1st September 2001 to 31st August 2010(1)	0.038095	1,715,000
	5th May 2001	5th May 2002 to 4th May 2011(1)	0.171429	2,450,000
	9th June 2001	9th June 2001 to 8th June 2011(2)	0.206841	19,036,535
Mr. Kam Ling	1st July 1997	1st July 1998 to 30th June 2007(1)	0.038095	1,750,000
	1st April 2000	1st April 2001 to 31st March 2010(1)	0.038095	1,750,000
	1st September 2000	1st September 2001 to 31st August 2010(1)	0.038095	1,925,000
	5th May 2001	5th May 2002 to 4th May 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) These Pre-IPO Options were 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.

During the three months ended 31st March 2003, a total number of 5,146,960 options under the Pre-IPO Shares Options Plans have been lapsed but no options are granted nor exercised during this period.

Save as disclosed above, during the three months ended 31st March 2003, 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 (collectively the "Participant") 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 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.

During the three months ended 31st March 2003, a total number of 211,000 options under the Share Option Scheme have been lapsed but no options are granted nor exercised during this period.

Save as disclosed above, at no time during the three months ended 31st March 2003, 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 three months ended 31st March 2003.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2003, 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.	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 March 2003 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 capital of the Company as at 31st March 2003. 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 March 2003.

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.

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 March 2003, 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.

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 comprised a non-executive Director, Ms. Ho Ming Yee and two independent non-executive Directors, namely Mr. Schöter, Johannes (the Chairman of the Committee) and Mr. Liu Hong Ru.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 31st March 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Sun Qiang, Chang
Chairman

Hong Kong, 12th May 2003