MEDIANATION INC.

Incorporated in the Cayman Islands with limited liability

- Bus Advertising
- Metro Advertising
- Street Furniture Advertising

Second Quarterly Report 2004

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

FINANCIAL HIGHLIGHTS

	For the three months ended					For the six months ended		
				YoY	QoQ			
				Fav/(unfav)	Fav/(unfav)			Fav/(unfav)
	30-Jun-04	30-Jun-03	31-Mar-04	2Q04	2Q04	30-Jun-04	30-Jun-03	1H04
	2Q04	2Q03	1Q04	vs 2Q03	vs 1Q04	1H04	1H03	vs 1H03
	(HK'm)	(HK'm)	(HK'm)			(HK'm)	(HK'm)	
Turnover	113.6	87.9	86.3	29.3%	31.6%	199.9	164.1	21.8%
Cost of sales	(95.5)	(103.9)	(76.0)	8.1%	(25.7%)	(171.5)	(200.1)	14.3%
SG&A	(24.2)	(25.4)	(21.7)	4.7%	(11.5%)	(45.9)	(53.5)	14.2%
Adjusted EBITDA (as defined under the section Adjusted EBITDA)	22.6	(14.5)	13.7	255.9%	65.0%	36.3	(39.3)	192.4%
Net profit/(loss)	0.1	(38.0)	(7.1)	100.3%	101.4%	(7.0)	(84.2)	91.7%

In the second quarter of 2004, the Group achieved turnaround of its bottom line and recorded the first profitable quarter since its IPO in early 2002 and reported a net profit of HK$0.1 million. The turnover of the Group continued to grow from HK$86.3 million in the first quarter to HK$113.6 million in the second quarter of 2004, an increase of 31.6%. With the adjusted EBITDA of positive HK$22.6 million reported in this quarter, the Group recorded four consecutive quarters with positive EBITDA.

BUSINESS REVIEW AND OUTLOOK

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

For the three months ended 30th June

	2004					2003				
	PRC Bus HK$'m	**HK Bus HK$'m**	**Shanghai Metro HK$'m**	**Beijing Metro* HK$'m**	**Street Furniture HK$'m**	PRC Bus HK$'m	HK Bus HK$'m	Shanghai Metro HK$'m	Beijing Metro* HK$'m	Street Furniture HK$'m
Turnover	**63.2**	**22.8**	**25.2**	**38.1**	**2.4**	52.4	21.0	13.8	27.4	0.7
Cost of Sales	**(52.9)**	**(23.7)**	**(17.2)**	**(6.3)**	**(1.7)**	(61.1)	(29.4)	(11.8)	(5.0)	(1.5)
Gross Profit/(loss)	**10.3**	**(0.9)**	**8.0**	**31.8**	**0.7**	(8.7)	(8.4)	2.0	22.4	(0.8)

For the six months ended 30th June

	2004					2003				
	PRC Bus HK$'m	**HK Bus HK$'m**	**Shanghai Metro HK$'m**	**Beijing Metro* HK$'m**	**Street Furniture HK$'m**	PRC Bus HK$'m	HK Bus HK$'m	Shanghai Metro HK$'m	Beijing Metro* HK$'m	Street Furniture HK$'m
Turnover	**116.4**	**40.7**	**39.9**	**65.1**	**2.9**	101.9	34.6	25.3	44.7	2.0
Cost of Sales	**(98.6)**	**(38.5)**	**(31.8)**	**(11.0)**	**(2.6)**	(112.3)	(58.6)	(26.4)	(9.0)	(2.5)
Gross Profit/(loss)	**17.8**	**2.2**	**8.1**	**54.1**	**0.3**	(10.4)	(24.0)	(1.1)	35.7	(0.5)

* Note: Beijing Metro is an associated company

China

Bus Advertising

The turnover of PRC bus advertising operation represented 55.6% of the Group's total turnover in the second quarter of 2004. PRC bus operations recorded HK$63.2 million turnover in the second quarter of 2004, which was a 18.8% increase compared to HK$53.2 million in the first quarter of 2004 and 20.6% increase compared to HK$52.4 million in the second quarter of 2003. The loss incurred by PRC bus operations was further narrowed to HK$3.8 million and HK$7.2 million for the three months and six months ended 30th June 2004, respectively, which represented an improvement of 82.5% and 80.8% over the corresponding periods in 2003. This improvement was mainly attributable to the better sales performance and the cost cutting measures implemented by the management in 2003. In 2003, the Group renegotiated bus contracts in some key PRC cities and terminated some unprofitable contracts relating to buses running on non-prime routes in the city or city outskirts, both resulting in substantial reductions in media rental costs. The reduced fixed cost base enables this operation to achieve better financial results this year. The average occupancy rate of the PRC bus advertising space was around 44% in the second quarter of 2004.

Metro System Advertising

Shanghai Metro turnover represented 22.2% of the Group's total turnover in the second quarter of 2004. The turnover of Shanghai Metro recorded strong growth. The turnover was HK$25.2 million and HK$39.9 million for the three months and six months ended 30th June 2004 respectively, which represented a growth of 82.6% and 57.7% as compared to HK$13.8 million and HK$25.3 million for the same periods in 2003. Shanghai Metro recorded a net profit of HK$5.9 million and HK$4.2 million for the three months and six months ended 30th June 2004, respectively, which represented a strong turnaround when compared to the net profit of HK$0.9 million and net loss of HK$3.8 million of the corresponding periods in 2003. The average occupancy rate of the Shanghai Metro advertising space was around 58% in the second quarter of 2004.

The associated company, Beijing Metro, continued to deliver strong financial performance in the second quarter of 2004. The turnover was HK$38.1 million and HK$65.1 for the three months and six months ended 30th June 2004, respectively, which represented a growth of 39.1% and 45.6% over the same periods in 2003. The Group's "share of net profit (after taxation)" of Beijing Metro was HK$6.3 million and HK$10.1 million for the three months and six months ended 30th June 2004, respectively, an improvement of 46.5% and 68.3% over the same periods in 2003.

Street Furniture

The Shanghai Newspaper Kiosk project received the advertising license approvals from government authorities in December 2003 for about 700 newspaper kiosks installed in the streets of Shanghai. Out of these 700 kiosks, approximately 550 kiosks were installed with advertising panels and the remaining kiosks are in the process of being relocated to better locations or being installed with additional advertising panels. The newspaper kiosks in Shanghai recently gained nationwide attention as these kiosks started to sell government publications, such as The People's Daily, that were previously only available through subscription. The Group aims to install another 300 kiosks to complete the installation of the initial phase of 1,000 kiosks in the near term. The First Aid Advertising Display project has so far installed approximately 4,400 light boxes across major cities, including Beijing, Shanghai and Guangzhou, focusing on universities and schools that are not populated by other advertising media. The Group has targeted to enhance the school media network by installing additional light boxes in 2004. In the past few months, the sales and marketing team has started to push advertising sales and the initial response from clients has been encouraging.

These two projects incurred start-up losses of HK$1.7 million and HK$4.4 million for the three months and six months ended 30th June 2004, respectively. In the second quarter of 2004, these two projects generated a combined turnover of HK$2.4 million. The Group expects to see gradual improving sales revenue coming from these projects in the second half of 2004.

Hong Kong

The turnover of Hong Kong bus advertising operation represented 20.1% of the Group's total turnover in the second quarter of 2004. The operation generated turnover of HK$22.8 million and HK$40.7 million for the three months and six months ended 30th June 2004. There was an improvement in revenue of HK$4.9 million in the second quarter when compared to the first quarter of 2004. As disclosed in 2003 Annual Report, the license agreement with The Kowloon Motor Bus Company (1933) Limited will expire in late 2004. While the Group has been prudently exploring different options and will consider contract renewal only if it is commercially viable, a provision for onerous contract was made in 2003. However, as the second quarter operating results of this unit were slightly below expectation, the Hong Kong bus recorded a loss of HK$3.1 million for the second quarter.

Business outlook

Further to achieving the turnaround of EBITDA since the third quarter of 2003, the Group has achieved another important milestone in achieving the turnaround of bottom line in the second quarter of 2004. Given the strong momentum in sales revenue secured by advance bookings, particularly in the two metro operations in Shanghai and Beijing as evidenced by the high level of orders on hand, the management believes the turnaround of bottom line in the second quarter should be sustainable and is cautiously looking forward to achieving better results in the coming quarters.

From the cash flow perspective, this was now the fourth consecutive quarter that the EBITDA continued positive. The business should continue to generate positive operating cash flow in the near future and this will further strengthen the financial resources of the Group. When appropriate opportunities are identified, the Group would cautiously consider further expansion of its metro advertising network and prime bus routes in core cities in China to enhance its existing media network.

FINANCIAL REVIEW

Revenue and Profitability

The Group recorded turnover of HK$113.6 million and HK$199.9 million for the three months and six months ended 30th June 2004 respectively, which represented a strong growth of 29.3% and 21.8%, as compared to HK$87.9 million and HK$164.1 million for the corresponding periods last year. Total turnover generated from the Hong Kong business for the six months period increased from HK$34.8 million last year to HK$40.7 million this year, which represented an increase of 17.0%. Total turnover generated from the PRC business for the six months also increased from HK$129.2 million last year to HK$159.2 million this year, which represented an increase of 23.2%.

Comparing quarter to quarter trend, turnover increased by 31.6% from HK$86.3 million for the first quarter of 2004 to HK$113.6 million for the second quarter of 2004 . The increase was mainly due to the improvement of performance for the metro system advertising and the bus advertising business during the period.

Total turnover for the six months ended 30th June 2004 was generated from: (i) bus advertising of HK$157.1 million (78.6% of total turnover); (ii) metro system advertising of HK$39.9 million (19.9% of total turnover); and (iii) other operations of HK$2.9 million (1.5% of total turnover).

Cost of sales for the six months ended 30th June 2004 decreased by 14.3% to HK$171.5 million from HK$200.1 million for the corresponding period last year. The decrease was mainly due to the reduction of concession fees resulting from (i) a downsized bus media portfolio in the PRC; (ii) the realization of part of the onerous contract provision made in 2003; and (iii) the expiry of New World First Bus Services Limited ("NWFB") bus body advertising agreement in Hong Kong in July 2003.

As a result of the above mentioned increase in turnover and reduction in cost of sales at the same time, the Group recorded a gross profit of HK$28.4 million for the six months ended 30th June 2004, which represented an improvement of 178.9% as compared to HK$36.0 million gross loss for the same period last year.

Selling, general and administrative expenses for the three months and six months ended 30th June 2004 decreased by 4.7% and 14.2% to HK$24.2 million and HK$45.9 million respectively, from HK$25.4 million and HK$53.5 million for the corresponding periods last year. The decrease was mainly due to tightened cost controls, particularly in staff cost and premises rental.

Finance costs

Finance cost for the three months and six months ended 30th June 2004 was negligible (2003: HK$1.3 million). The Group had negligible borrowing as at 30th June 2004.

Share of profit of an associated company

Share of profit of an associated company before taxation increased from HK$6.5 million and HK$9.2 million for the three months and six months ended 30th June 2003 to HK$9.6 million and HK$15.6 million for the corresponding periods this year. Beijing Metro demonstrated continuing improvement and achieved higher revenue during the current period.

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

Adjusted EBITDA represents profit/(loss) from operations excluding (i) depreciation of fixed assets; (ii) amortisation of intangible assets; (iii) interest income and expense; (iv) tax but including the Group's proportional share of EBITDA (with the same definition) from its associated company. The Group uses Adjusted EBITDA to measure its performance. The Adjusted EBITDA for the three months ended 30th June 2004 improved to a profit of HK$22.6 million from a loss of HK$14.5 million in the same period last year. The EBITDA for the six months ended 30th June 2004 also improved to a profit of HK$36.3 million from a loss of HK$39.3 million last year.

Net Profit/(Loss) Attributable to Shareholders

As a result of the above factors, the Group recorded a net profit for the three months ended 30th June 2004 of HK$0.1 million and a net loss for the six months ended 30th June 2004 of HK$7.0 million as compared to net losses of HK$38.0 million and HK$84.2 million for the corresponding periods last year. The net profit for the three months ended 30th June 2004 was increased by HK$7.2 million from HK$7.1 million net loss for the three months ended 31st March 2004.

Financial Resources, Security and Liquidity

The gearing ratio, defined as the ratio of total liabilities to total assets, was 32.4% at 30th June 2004, compared to 30.0% at 31st December 2003.

The Group had net assets of HK$431.4 million at 30th June 2004 (at 31st December 2003: HK$438.3 million), including cash and bank balances of HK$60.6 million (at 31st December 2003: HK$55.3 million) and pledged bank deposit of HK$0.2 million (at 31st December 2003: HK$0.2 million).

Employees

At 30th June 2004, the Group had 527 employees (at 31st December 2003: 507; at 30th June 2003: 544). The total of employee remuneration, including that of the directors, for the six months ended 30th June 2004 amounted to HK$26.0 million (six months ended 30th June 2003: HK$31.4 million). The substantial decrease in employee remuneration was mainly associated with the reduction in headcount resulting from tightened control of expenses.

Foreign Exchange

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 and or officially pegged during the period under review, no hedging or other alternatives were implemented. The Group considers the only potential currency exposure is in Renimbi 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 of the 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 speculative foreign currency activities.

FINANCIAL RESULTS

The Directors of MediaNation Inc. (the "Company") announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30th June 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

		For the three months ended 30th June		**For the six months ended 30th June**	
	Note(s)	**2004 HK$'000 (Unaudited)**	2003 HK$'000 (Unaudited)	**2004 HK$'000 (Unaudited)**	2003 HK$'000 (Unaudited)
Turnover	2	**113,552**	87,901	**199,888**	164,076
Cost of sales		**(95,470)**	(103,908)	**(171,488)**	(200,090)
Gross profit/(loss)		**18,082**	(16,007)	**28,400**	(36,014)
Other revenues		**108**	88	**192**	176
Selling, general and administrative expenses		**(24,209)**	(25,366)	**(45,880)**	(53,538)
Loss from operations		**(6,019)**	(41,285)	**(17,288)**	(89,376)
Finance costs		**(1)**	(1,085)	**(11)**	(1,292)
		(6,020)	(42,370)	**(17,299)**	(90,668)
Share of profits of an associated company		**9,617**	6,546	**15,559**	9,170
Profit/(loss) before taxation	4	**3,597**	(35,824)	**(1,740)**	(81,498)
Income tax expenses					
— Group		**(4)**	—	**(4)**	—
— Associated company		**(3,278)**	(2,264)	**(5,441)**	(3,218)
	5	**(3,282)**	(2,264)	**(5,445)**	(3,218)
Profit/(loss) after taxation but before minority interests		**315**	(38,088)	**(7,185)**	(84,716)
Minority interests		**(172)**	62	**234**	537
Net profit/(loss) attributable to shareholders		**143**	(38,026)	**(6,951)**	(84,179)
Profit/(loss) per share (HK cents)					
— Basic	6	**0.01**	(6.33)	**(0.39)**	(14.00)
— Diluted	6	**N/A**	N/A	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Note(s)	**30th June 2004 HK$'000 (Unaudited)**	31st December 2003 HK$'000 (Audited)
Non-current assets			
Investment deposit placed with a joint venture partner		**14,145**	14,145
Fixed assets, net	7	**75,560**	76,806
Intangible assets, net	8	**222,859**	236,899
Long-term deposits		**—**	35,000
Investment in an associated company		**46,203**	42,559
Deposits for fixed assets		**13,462**	13,544
Deposits for intangible assets	9	**63,440**	76,998
Other non-current assets		**519**	764
		436,188	496,715
Current assets			
Prepayments, deposits and other receivables		**60,290**	18,077
Inventories		**1,729**	4,732
Income tax recoverable		**—**	20
Trade receivables, net	10	**83,562**	56,462
Pledged bank deposit		**241**	241
Bank balances and cash		**60,644**	55,281
		206,466	134,813
Current liabilities			
Trade payables	11	**50,939**	63,685
Provisions, accrued liabilities and other payables	12	**46,118**	48,344
Deferred income		**73,107**	43,352
Amounts due to related companies		**1,073**	1,091
Amount due to an associated company		**30,627**	27,125
Amount due to a joint venture partner		**406**	406
Income tax payable		**—**	32
Bank loans and other borrowings		**84**	—
		202,354	184,035
Net current assets/(liabilities)		**4,112**	(49,222)
Total assets less current liabilities		**440,300**	447,493
Financed by:			
Share capital	14	**180,349**	180,349
Reserves	15	**251,039**	257,998
		431,388	438,347
Minority interests		**3,216**	3,450
Non-current liabilities			
Long-term payables	13	**5,696**	5,696
		440,300	447,493

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30TH JUNE 2004 AND 2003

	2004 HK$'000 (Unaudited)	2003 HK$'000 (Unaudited)
NET CASH INFLOW FROM/(USED IN) OPERATING ACTIVITIES	**13,079**	(55,068)
NET CASH USED IN INVESTING ACTIVITIES	**(7,792)**	(7,846)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**270**	59,769
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5,557**	(3,145)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**53,582**	28,739
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(8)**	146
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**59,131**	25,740
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**60,560**	27,754
Less: Non-cash and cash equivalents	**(1,429)**	(2,014)
	59,131	25,740

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE 2004 AND 2003

	2004	2003
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Total equity as at 1st January	**438,347**	465,367
— Exchange difference arising from the translation of accounts of foreign subsidiaries	**(8)**	146
Net loss for the period	**(6,951)**	(84,179)
Total equity as at 30th June	**431,388**	381,334

NOTES TO THE INTERIM FINANCIAL STATEMENTS:

1. **Basis of presentation**

The condensed interim financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st December 2003.

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

2. **Turnover and revenues**

The Group is principally engaged in the provision of outdoor advertising media services in the People's Republic of China (the "PRC") and Hong Kong. Turnover and revenues comprised:

	For the three months ended 30th June		**For the six months ended 30th June**	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Media rental	**87,505**	67,614	**153,939**	129,654
Production income	**25,324**	19,323	**41,226**	32,275
Agency commission income	**723**	964	**4,723**	2,147
Total turnover	**113,552**	87,901	**199,888**	164,076
Interest income from bank deposits	**108**	88	**192**	176
Total revenue	**113,660**	87,989	**200,080**	164,252

3. **Segment information**

The Group is engaged in providing outdoor media advertising services under three major business segments, namely, Metro system advertising, Bus advertising and street furniture advertising business. The Group's activities are conducted mainly in Hong Kong and the PRC. Analysis by business segments and geographical segments is as follows:

Business segment

For the six months ended 30th June (Unaudited)

	Metro system advertising		Bus advertising		Other operations including street furniture		Corporate		Eliminations		Total	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
TURNOVER												
Sales to external customers	**39,874**	25,318	**157,120**	136,471	**2,894**	2,287	**—**	—	**—**	—	**199,888**	164,076
Inter-segment sales	**559**	23	**9,197**	6,126	**—**	606	**—**	—	**(9,756)**	(6,755)	**—**	—
Total turnover	**40,433**	25,341	**166,317**	142,597	**2,894**	2,893	**—**	—	**(9,756)**	(6,755)	**199,888**	164,076
RESULTS												
Segment profit/(loss) before amortization and depreciation	**5,693**	(2,197)	**22,957**	(32,877)	**(2,798)**	(6,245)	**(6,403)**	(8,579)	**—**	—	**19,449**	(49,898)
Amortization and depreciation	**(1,592)**	(1,611)	**(33,387)**	(35,737)	**(1,844)**	(1,252)	**(106)**	(1,054)	**—**	—	**(36,929)**	(39,654)
Segment profit/(loss) from operation	**4,101**	(3,808)	**(10,430)**	(68,614)	**(4,642)**	(7,497)	**(6,509)**	(9,633)	**—**	—	**(17,480)**	(89,552)
Other revenues											**192**	176
Loss from operations											**(17,288)**	(89,376)
Finance costs											**(11)**	(1,292)
Share of profit of an associated company											**15,559**	9,170
Income tax expenses											**(5,445)**	(3,218)
Loss after taxation but before minority interests											**(7,185)**	(84,716)
Minority interests											**234**	537
Net loss attributable to shareholders											**(6,951)**	(84,179)

Geographical segment

	For the six months ended 30th June					
	2004			2003		
	Hong Kong HK$'000 (Unaudited)	**The PRC HK$'000 (Unaudited)**	**Total HK$'000 (Unaudited)**	Hong Kong HK$'000 (Unaudited)	The PRC HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
TURNOVER						
Metro system advertising	**—**	**39,874**	**39,874**	—	25,318	25,318
Bus advertising	**40,692**	**116,428**	**157,120**	34,583	101,888	136,471
Other operations including street furniture	**—**	**2,894**	**2,894**	262	2,025	2,287
Total turnover	**40,692**	**159,196**	**199,888**	34,845	129,231	164,076
Interest income from bank deposit	**54**	**138**	**192**	85	91	176
	40,746	**159,334**	**200,080**	34,930	129,322	164,252

4. **Profit/(loss) before taxation**

Profit/(loss) before taxation is stated after charging the following:

	For the six months ended 30th June	
	2004 HK$'000 (Unaudited)	2003 HK$'000 (Unaudited)
Charging:		
Depreciation on		
– owned assets	**5,805**	6,739
Loss on disposal of fixed assets, net	**5**	362
Amortization of intangible assets included in cost of sales	**30,883**	32,736
Amortization of intangible assets included in administrative expenses	**160**	163
Amortization of goodwill included in		
– administrative expenses	**81**	16
– share of profit of an associated company	**634**	634
Operating lease rentals for		
– office premises	**4,302**	5,748
– advertising spaces	**85,306**	114,555
Net exchange losses	**12**	154
Staff costs (including directors' emoluments)	**25,955**	31,448
Interest expenses	**11**	1,292

5. **Taxation**

In March 2003, the Hong Kong Government announced an increase in the profits tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the Group's 2003 accounts. No provision for Hong Kong profits tax has been provided as the Group had no estimated assessable profit for the period ended 30th June 2004 (2003: nil).

The joint ventures established in the PRC in which the Group has invested are generally subject to enterprise income tax ("EIT") on their taxable income at a combined national and local tax rate of 33% (2003: 33%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

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

	For the three months ended 30th June		**For the six months ended 30th June**	
	2004 HK$'000 (Unaudited)	2003 HK$'000 (Unaudited)	**2004 HK$'000 (Unaudited)**	2003 HK$'000 (Unaudited)
Current taxation - PRC EIT	**4**	—	**4**	—
Share of taxation attributable to an associated company	**3,278**	2,264	**5,441**	3,218
	3,282	2,264	**5,445**	3,218

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

	For the six months ended 30th June	
	2004 HK$'000 (Unaudited)	2003 HK$'000 (Unaudited)
Loss before taxation	**(1,740)**	(81,498)
Calculated at a taxation rate of 17.5% (2003: 17.5%)	**(304)**	(14,262)
Effect of different taxation rates in other countries	**1,388**	(6,976)
Income not subject to taxation	**(2,887)**	(489)
Expenses not deductible for taxation purposes	**3,680**	1,482
Tax losses not recognized	**3,568**	23,463
Taxation charge	**5,445**	3,218

6. **Profit/(loss) per share**

In August 2003, 1,202,325,990 shares of HK$0.10 each were issued to the shareholders of the Company by way of an open offer, for a total consideration of approximately HK$120.2 million before related issuing expenses. These ordinary shares are included in the calculation of weighted average number of shares for the period under review.

(a) Basic profit/(loss) per share

The calculation of basic profit/(loss) per share for the three months and six months ended 30th June 2004 is based on the Group's net profit/(loss) attributable to shareholders of approximately HK$143,000 and HK$(6,951,000) respectively (three months ended 30th June 2003: approximately HK$(38,026,000); six months ended 30th June 2003: approximately HK$(84,179,000)), divided by the weighted average number of 1,803,488,985 ordinary shares outstanding during the period (three months and six months ended 30th June 2003: 601,162,995 ordinary shares). As at 30th June 2004, there were 1,803,488,985 shares in issue, following the completion of the open offer in August 2003.

(b) Diluted profit/(loss) per share

No diluted profit/(loss) per share for the three months and six months ended 30th June 2004 and 2003 is presented because the effect of the assumed conversion of all potential dilutive ordinary shares is anti-dilutive.

7. **Fixed assets, net**

The movements of fixed assets of the Group were:

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
Net book value, beginning of period/year	**76,806**	69,038
Additions	**4,567**	22,281
Disposal	**(8)**	(681)
Depreciation	**(5,805)**	(13,832)
Net book value, end of period/year	**75,560**	76,806

8. **Intangible assets, net**

Intangible assets of the Group comprised:

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
Net book value, beginning of period/year	**236,899**	298,730
Additions	**19,347**	19,241
Disposal	**(2,263)**	—
Amortization	**(31,124)**	(67,007)
Impairment charge	**—**	(14,065)
Net book value, end of period/year	**222,859**	236,899

9. **Deposits for intangible assets**

As at 30th June 2004, the deposits for intangible assets amounted to approximately HK$63,440,000 (as at 31st December 2003: HK$76,998,000). These deposits were made to a subsidiary of the joint venture partner of China Kiosk Development Limited ("China Kiosk") for the purpose of acquiring the rights to place advertisement on specially designed newspaper kiosks. The Group will contribute these deposits for intangible assets as part of its capital contributions to Shanghai Kiosk.

10. **Trade receivables, net**

An ageing analysis of trade receivables based on due dates is set out below:

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
Current	**9,980**	18,482
1 - 30 days	**30,164**	9,766
31 - 60 days	**16,197**	8,856
61 - 90 days	**9,194**	5,161
91 - 120 days	**7,176**	4,384
Over 120 days	**18,909**	19,171
	91,620	65,820
Less: Provision for doubtful debts	**(8,058)**	(9,358)
	83,562	56,462

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

The debtors turnover days for the period ended 30th June 2004 is 72 days while for the year ended 31st December 2003 is 62 days.

11. **Trade payables**

An ageing analysis of trade payables based on due dates is set out below:

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
Current	**2,164**	16,089
1 - 30 days	**12,879**	8,908
31 - 60 days	**4,481**	5,015
61 - 90 days	**2,632**	1,921
91 - 120 days	**1,927**	710
Over 120 days	**26,856**	31,042
	50,939	63,685

12. **Provisions, accrued liabilities and other payables**

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
Provisions, accrued liabilities and other payables		
Others	**42,300**	34,584
Provision for onerous contract (Note a)	**3,818**	13,760
	46,118	48,344

(a) Provision for onerous contract

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
Beginning of period/year	**13,760**	—
Additions	**—**	13,760
Utilised during the period/year	**(9,942)**	—
End of the period/year	**3,818**	13,760

13. **Long-term payables**

Long-term payables represent payables for the acquisition of advertising licences from bus operators in the PRC. The balance is unsecured, not repayable within one year and is non-interest bearing.

14. **Share capital**

	Notes	**For the six months ended 30th June 2004**		For the twelve months ended 31st December 2003	
		No. of shares	**Amount HK$'000**	No. of shares	Amount HK$'000
		(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Authorized — Ordinary shares of HK$0.10 each					
Beginning and end of period/year		**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid — Ordinary shares of HK$0.10 each					
Beginning of period/year		**1,803,488,985**	**180,349**	601,162,995	60,116
Issue of shares upon the Open Offer	(a)	**—**	**—**	1,202,325,990	120,233
End of period/year		**1,803,488,985**	**180,349**	1,803,488,985	180,349

(a) In August 2003, following the prospectus dated 10th July 2003, 1,202,325,990 shares of HK$0.10 each were issued to the shareholders of the Company by way of the Open Offer on the basis of two Open Offer shares for every one share held (the "Open Offer") for a total consideration of approximately HK$120,233,000 before related issuing expenses. The issuing expenses of approximately HK$3,703,000 were debited to the share premium account and 1,202,325,990 ordinary shares were listed on GEM of The Stock Exchange of Hong Kong Limited in August 2003.

15. **Reserves**

Movements in reserves of the Group for the six months ended 30th June 2004 and 2003 were as follows:

	Share premium HK$'000	Translation reserve HK$'000	Capital reserve* HK$'000	Retained profits/ (Accumulated losses) HK$'000	Capital redemption reserve HK$'000	Total HK$'000
As at 1st January 2003 (Audited)	635,510	1,844	883	(233,376)	390	405,251
Exchange difference arising from the translation of financial statements of overseas subsidiaries	—	146	—	—	—	146
Loss for the period	—	—	—	(84,179)	—	(84,179)
As at 30th June 2003 (Unaudited)	635,510	1,990	883	(317,555)	390	321,218
As at 1st January 2004 (Audited)	**631,807**	**2,069**	**883**	**(377,151)**	**390**	**257,998**
Exchange difference arising from the translation of financial statements of overseas subsidiaries	**—**	**(8)**	**—**	**—**	**—**	**(8)**
Loss for the period	**—**	**—**	**—**	**(6,951)**	**—**	**(6,951)**
As at 30th June 2004 (Unaudited)	**631,807**	**2,061**	**883**	**(384,102)**	**390**	**251,039**

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 six months ended 30th June 2004 and 2003, no transfer was made by the subsidiaries to these statutory reserves.

* Capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganization in February 1995, and the nominal value of the Company's shares issued in exchange therefore.

16. **Commitments**

(a) Capital commitments for fixed assets:

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
Authorized and contracted for	**2,111**	2,111

(b) Capital commitments for investment:

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
Authorized and contracted for	**1,233**	1,233

(c) Commitments under operating leases:

(i) At 30th June 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Others	
	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)	**30th June 2004 HK$'000 (Unaudited)**	31st December 2003 HK$'000 (Audited)
Not later than one year	**6,277**	8,418	**115**	230
Later than one year and not later than five years	**4,706**	6,570	**—**	—
Later than five years	**—**	111	**—**	—
	10,983	15,099	**115**	230

(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 30th June 2004, the Group had future aggregate minimum concession fee payments under the aforementioned contracts as follows:

	30th June 2004 HK$'000 (Unaudited)	31st December 2003 HK$'000 (Audited)
Not later than one year	**111,650**	139,902
Later than one year and not later than five years	**356,696**	330,207
Later than five years	**702,822**	698,026
	1,171,168	1,168,135

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 Beijing 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.

17. **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 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 period, the Group undertook the following significant related party transactions, which were carried out in the normal course of the Group's business:

		For the six months ended 30th June	
	Note	**2004 HK$'000 (Unaudited)**	2003 HK$'000 (Unaudited)
Income			
Equipment leasing income from Pro Photo Processing Limited ("PP")	(i)	**—**	12
Sales of materials to PP	(i)	**—**	96
Expenses			
Sub-contracting fees charged by PP	(i)	**268**	110
Administrative expenses charged by PP	(i)	**102**	185
Interest expenses charged by substantial shareholders	(ii)	**—**	1,065
Interest expenses charged by Shanghai Mecox	(ii)	**—**	47

(i) PP is a minority shareholder of Digital Photo. Income from leasing of equipment and sales of materials are determined based on a cost recovery basis. Sub-contracting fees charged by PP were determined based on terms as agreed between the two parties. Administrative expenses charged by PP are determined based on a cost recovery basis.

(ii) The interest expenses were charged by two substantial shareholders, SMI Investors (PAPE II) Limited and Warburg Pincus Ventures, L.P. and a related company of Warburg Pincus Ventures, L.P., Shanghai Mecox Lane Holdings Company Limited ("Shanghai Mecox"), at 8% per annum.

(b) 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 are determined based on the outsourcing agreement entered into between the two parties in June 1999. For the period ended 30th June 2003, the production income charged to High Tech Company was HK$10,000 and the production cost charged by High Tech Company was HK$2,096,000. Following Mr. Hui's removal from the office on 19th December 2002, starting from 19th December 2003, the transactions between the Group and High Tech Company were no longer treated as connected party transactions according to the GEM Listing Rules.

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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 listing prospectus:	Actual business progress to date:
Maintain and strengthen market leadership position	
Expand the bus-advertising network in China by acquiring additional concessions in new cities or our existing cities.	In June 2002, the Group entered into a new bus advertising concession contract in respect of about 2,800 buses under exclusive agency arrangement in Qingdao.
Install additional advertising displays in metro advertising systems in the Shanghai metro.	The Group has largely completed the media assets development of Shanghai Metro Line 2 and the media assets development in the platforms and ticketing halls of Shanghai Metro Line 3.
Invest in new digital printing machine.	In view of the changing circumstances, the project was shelved. The Group may reassess the feasibility of such investment in the future using cash flow generated from operation.
Develop and implement proprietary Enterprise Resource Planning software ("ERP"), named Media Inventory Management System ("MIMS") to enhance ability to accumulate and analyze data relating to the business.	Instead of engaging external vendors, the Group used in-house resources to develop the software and has 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.	The Group has installed approximately 700 newspaper kiosks, of which approximately 550 are equipped with advertising display panels. The Group experienced certain delays with the implementation and location selection of the remaining 300 kiosks in the first phase of the project and management is taking steps to resolve the outstanding issues. As for the implementation of an additional 1,000 kiosks in the second stage of the project, the Group will reassess the expansion plan based on whether the first phase of the project is successful and proposes to finance such expansion plan, if any, using cash flow generated from the first phase of the project and internally generated cash flow of the Group.

Business objectives as stated in the listing prospectus:	**Actual business progress to date:**
Install and market first aid light boxes in shopping malls in the PRC.	The Group has installed approximately 4,400 advertising light boxes across China. The design of the first aid light box has been modified so that the appearance is more appealing and less bulky. The Group decided to focus on outlets such as schools that are not populated by other advertising media, and in major cities of Beijing, Shanghai, Guangzhou and Shenzhen.
Upgrade and begin marketing New World First Bus Services Limited's (NWFB) bus shelters.	The bus shelter business with NWFB was terminated in July 2004 due to commercial reasons.
Begin development of new mobile broadcasting display units such as LEDs and LCDs in existing bus and metro media portfolio in the PRC.	In view of the changing circumstances, the project was shelved. The Group reassess the feasibility of such investment in the future using cash flow generated from operation.
Provide integrated outdoor advertising	
Further develop and improve the outdoor services media database for i-Result.	As announced in the announcement dated 10th February 2003, the Group decided to discontinue this operation.
Selectively pursue acquisitions	
Selectively pursue acquisitions of high quality assets and outdoor advertising related businesses.	The Group has no current plan to use the IPO proceeds in pursuing this objective but will consider using cash flow generated by operation or using other funding alternatives to finance acquisition if the Group can identify suitable acquisition targets.

USE OF PROCEEDS

GEM Listing

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, the supplemental prospectus dated 22nd January 2002 (collectively the "Prospectus") as follows:

	As stated in the prospectus & supplemental prospectus *HK$ million*	**Actual amount used up to 30th June 2004** *HK$ million*	**Further amount to be used** *HK$ million*
Development of printing and Media Inventory Management System	7.0	—	—
Expansion of street furniture business:			
newspaper kiosks	120.0	70.3	3.4
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	26.0	—
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	—
Working Capital and operating losses	3.0	136.1	—
	394.0	390.6	3.4

As previously disclosed, a substantial portion of the listing proceeds has been used to finance the Group's operating losses and in this connection, this deviates from the original plan stated in the listing prospectus. As set out above, the Group intends to use the remaining listing proceeds of HK$3.4 million for expansion of its street furniture business.

Open Offer

The net proceeds raised from the Open Offer in August 2003 were HK$116.0 million. The net proceeds have been applied to implement various objectives as set out in the prospectus dated 10th July 2003 as follows:

	As stated in the prospectus for the Open Offer dated 10th July 2003	**Actual amount used up to 30th June 2004**	**Further amount to be used**
	HK$ million	*HK$ million*	*HK$ million*
Repayment of certain existing debts from independent third parties including overdue media rental fees	50.3	36.2	14.1
Repayment of outstanding investment commitments for investment buses in China acquired during 2001	5.7	5.7	—
Repayment of shareholders' loan advanced by SMI and Warburg	60.0	60.0	—
	116.0	101.9	14.1

The remaining net proceeds from the Open Offer as at 30th June 2004 was approximately HK$14.1 million.

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30th June 2004 (2003: nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30th June 2004, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors pursuant to Rule 5.46 of the GEM Listing Rules (other than options which have been granted under any Pre-IPO share options plans and Post-IPO Share Options Scheme of the Company to certain Directors, details of such options are set out in the paragraphs headed "Pre-IPO Share Options Plans" and "Post-IPO Share Options Scheme" 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/ chief executive	Personal Interests	Family Interests	Corporate interests	Other interests	Capacity	Total	Approximate percentage of the total number of shares in issue
Mr. Chu Chung Hong, Francis	8,138,000	—	—	—	Beneficial Owner	8,138,000	0.45%
Ms. Chan Man Ki, Summerine	23,252,118	—	—	—	Beneficial Owner	23,252,118	1.29%
Mr. Barry John Buttifant	5,000,000	—	—	—	Beneficial Owner	5,000,000	0.28%
Mr. Schöter, Johannes	7,804,000	—	—	—	Beneficial Owner	7,804,000	0.43%
	44,194,118	—	—	—		44,194,118	

Other than as disclosed above and in the paragraphs headed "Pre-IPO Share Options Plans" and "Post-IPO Share Options Scheme" below, as at 30th June 2004, none of the Directors, chief executive or their associates had any personal, family, corporate or other interests and short positions in the shares, underlying shares or debentures 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 shares or debentures of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES IN THE COMPANY

Pre-IPO Share Options Plans

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

Under the terms of the Pre-IPO Share Options Plans, details of the Pre-IPO Share Options granted to and held by the Directors as at 30th June 2004 were as follows:

Name of Director	Date of offer	Exercisable period	Exercise price US$[3]	Outstanding as at 1st January 2004[3]	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30th June 2004[3]
Ms. Chan Man Ki, Summerine	1st July 1997	1st July 1998 to 30th June 2007[1]	0.038095	2,712,500	—	—	—	2,712,500
	1st April 2000	1st April 2001 to 31st March 2010[1]	0.038095	2,275,000	—	—	—	2,275,000
	1st April 2000	1st April 2001 to 31st March 2010[1]	0.171429	2,835,000	—	—	—	2,835,000
	1st September 2000	1st September 2001 to 31st August 2010[1]	0.038095	1,715,000	—	—	—	1,715,000
	5th May 2001	5th May 2002 to 4th May 2011[1]	0.171429	2,450,000	—	—	—	2,450,000
	9th June 2001	9th June 2001 to 8th June 2011[2]	0.206841	19,036,535	—	—	—	19,036,535
Mr. Kam Wai Sum (former name as Mr. Kam Ling) (resigned on 25th January 2004)	1st July 1997	1st July 1998 to 30th June 2007[1]	0.038095	1,750,000	—	—	1,750,000	—
	1st April 2000	1st April 2001 to 31st March 2010[1]	0.038095	1,750,000	—	—	1,750,000	—
	1st September 2000	1st September 2001 to 31st August 2010[1]	0.038095	1,925,000	—	—	1,925,000	—
	5th May 2001	5th May 2002 to 4th May 2011[1]	0.171429	6,125,000	—	—	6,125,000	—

(1) Each of these Pre-IPO Share 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 Share 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.

(3) Adjustments on the relevant Pre-IPO Share Options Plans are to be made in accordance with the terms of the Pre-IPO Share Options Plans as a result of the Open Offer stated in the Company's prospectus dated 10th July 2003.

During the period ended 30th June 2004, a total number of 11,550,000(3) options under the Pre-IPO Shares Options Plans had lapsed. No options were granted nor exercised during the period.

Save as disclosed above, during the period ended 30th June 2004, no Pre-IPO Share 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 Share Options Plans to any Directors of the Company.

Post-IPO Share Options 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 member 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 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 accepted until fully vested and expiring on not less than third year anniversary but not later than the tenth anniversary from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Under the terms of the Share Option Scheme, details of the options granted to and held by the Directors as at 30th June 2004 were as follows:

Name of Director	Date of offer	Exercise price HK$	Outstanding as at 1st January 2004	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30th June 2004
Mr. Chu Chung Hong, Francis	13th August 2003	0.119	3,000,000	—	—	—	3,000,000
	25th May 2004	0.115	—	4,000,000	—	—	4,000,000
Mr. Barry John Buttifant	25th May 2004	0.115	—	1,000,000	—	—	1,000,000
Mr. Schöter, Johannes	25th May 2004	0.115	—	1,000,000	—	—	1,000,000

During the six months ended 30th June 2004, a total number of 2,703,000 options under the Share Options Scheme had lapsed and 10,000,000 options granted but no options were exercised during the period.

Adjustments on the relevant Post-IPO Share Options are to be made in accordance with the terms of the Share Option Scheme as a result of the Open Offer stated in the Company's prospectus dated 10th July 2003.

Save as disclosed above, at no time during the six months ended 30th June 2004 was the Company or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, or debt security 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 shares or debentures of the Company, or had exercised any such right during the six months ended 30th June 2004.

The Directors consider it is inappropriate to value the options granted as a number of factors, such as the timing of exercise of options, which is crucial for the valuation, cannot be determined. Also given the trading volume of the shares of the Company since its listing on GEM, it is not appropriate to come up with a meaningful expected volatility for the calculation of the option value. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful and would also be misleading to the shareholders.

A summary of the movement of share options granted to employees (including directors) under Pre-IPO Share Options Plans and Post-IPO Share Options Scheme during the period is as follows:

	Pre-IPO Share Options Plans at			Post-IPO Share Options Scheme at		
	exercise price of US$0.038095[(1)]	exercise price of US$0.171429[(1)]	exercise price of US$0.206841[(1)]	exercise price of HK$0.89[(1)]	HK$0.119	HK$0.115
At 1st January 2004	12,640,880[(1)]	15,120,000[(1)]	28,554,750[(1)]	3,734,000[(1)]	17,500,000	—
Granted during the year	—	—	—	—	—	10,000,000
Lapsed during the year*	(5,425,000)[(1)]	(6,125,000)[(1)]	—	(703,000)[(1)]	(2,000,000)	—
At 30th June 2004	7,215,880[(1)]	8,995,000[(1)]	28,554,750[(1)]	3,031,000[(1)]	15,500,000	10,000,000

* During the period, a director who held the 5,425,000[(1)] unvested share options under Pre-IPO Share Options Plan at exercise price of US$0.038095 and the 6,125,000[(1)] unvested share options under Pre-IPO Share Options Plan at exercise price of US$0.171429 had retired and hence, these options had lapsed.

During the period, six employees holding 2,703,000[(1)] unvested share options under Post-IPO Share Options Scheme had retired and hence, these options had lapsed.

(1) Pending adjustments on the relevant Share Options are to be made in accordance with the terms of the relevant share option schemes as a result of the Open Offer stated in the Company's prospectus dated 10th July 2003.

REQUIRED STANDARD OF SECURITIES DEALINGS BY DIRECTORS

The Company had adopted a code of conduct for directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the directors, the directors of the Company had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30th June 2004.

SUBSTANTIAL SHAREHOLDERS HAVING INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 30th June 2004, the following substantial shareholders of the Company (within the meaning of the GEM Listing Rules) had interests or short positions in the shares or underlying shares of the Company as recorded in the register to be kept under section 336 of the SFO (other than those interests of Directors disclosed above):

Name of shareholder	Number of shares of HK$0.10 each in the Company held	Capacity	Approximate percentage of the total number of shares in issue
SMI Investors (PAPE II) Limited ("PAMA")	718,428,083	Beneficial Owner	39.8%
Warburg Pincus Ventures, L.P., ("Warburg Pincus")	718,428,083	Beneficial Owner	39.8%

Save as disclosed above, and as far as the Directors are aware, as at 30th June 2004, no other substantial shareholders had any interest or short position in the shares or underlying shares of the Company which are recorded in the register of the Company to be kept under section 336 of the SFO.

OTHER PERSONS HAVING INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 30th June 2004, no other persons (other than those interests of Directors and substantial shareholders disclosed above and interests of persons as recorded in the register to be kept under section 336 of the SFO pursuant to Division 5 of Part XV of the SFO) had any interest or short position in the shares or underlying shares of the Company which are recorded in the register of the Company to be kept under section 336 of the SFO.

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 30th June 2004. 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 30th June 2004.

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.

Mr. Kam Wai Sum (former name as Mr. Kam Ling), a former non-executive director and Vice Chairman of the board of directors of the Company, also the husband of Ms. Chan Man Ki, Summerine (one of the non-executive directors of the Company), is now holding the position of President-China for JCDecaux SA. One of its subsidiaries, JCDecaux Pearl & Dean is one of the sector players in the outdoor advertising industry which has advertising business in Hong Kong directly competing with the Group.

Save as disclosed above, as at 30th June 2004, 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 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Committee comprised a non-executive director, Ms. Ho Ming Yee and two independent non-executive directors, namely Mr. Schöter, Johannes (the Chairman of the Committee) and Mr. Barry John Buttifant.

The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

As part of the amendments to the GEM Listing Rules which became effective on 31st March 2004, the Company is required under Rules 5.05 (1) and 5.08 of the GEM Listing Rules to have at least three independent non-executive directors (one of whom must have appropriate professional qualifications or accounting or related financial management expertise) by 30th September 2004. As of 30th June 2004, the board of directors of the Company consisted of two independent non-executive directors only. The Company will ensure compliance with such provisions of the GEM Listing Rules by 30th September 2004.

BOARD PRACTICES AND PROCEDURES

In the opinion of the Directors, the Company has complied with the "Board Practices and Procedures" as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the period ended 30th June 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June 2004, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed security.

By Order of the Board
Sun Qiang, Chang
Chairman

Hong Kong, 10th August 2004