Media Partners International Holdings Inc.
媒體伯樂集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8072)

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Annual Report 2005

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This Annual Report, for which the directors (the "Directors") of Media Partners International Holdings Inc. ("MPI" or 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 for the purpose of giving information with regard to MPI. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this Annual Report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Annual Report misleading; and (iii) all opinions expressed in this Annual Report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE PROFILE

Media Partners International Holdings Inc., together with its subsidiaries, associate and jointly controlled entities ("MPI" or the "Group"), is a leading outdoor advertising media network provider in China, offering comprehensive services in a wide range of outdoor advertising media services, including billboards, street furniture and transport advertising. MPI was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 31 January 2002 (Stock Code : 8072).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Summary

The Group's turnover was HK$428.6 million for 2005, representing an increase of 22% compared with 2004. The Group's net profit attributable to shareholders for 2005 was HK$21.2 million, representing an increase of 5% compared with 2004.

Turnover

The increase in the Group's turnover for 2005 was mainly attributable to the better performance of the bus operations in mainland China, which improved by HK$15.5 million, and the metro operations in Hong Kong and mainland China, which improved by another HK$30.3 million.

Other revenue

Other revenue included mainly bank interest income, incentives from local governments in mainland China and consultancy service income. The increase in other revenue for 2005 was mainly due to the increases in bank interest income by HK$3.5 million and HK$3.2 million government incentives received in mainland China.

Operating expenses

Site rentals, being the single largest component of the Group's operating expenses, amounted to HK$154.9 million for 2005, representing an increase of 32% compared with 2004, which is mainly due to turnover growth and the start of new advertising concessions in 2005.

Other direct costs are mainly variable costs and comprised media buying, business tax and production costs. Other direct costs amounted to HK$145.1 million for 2005, representing an increase of 26% compared with 2004. The increase was in line with the increase in turnover.

Staff costs, including directors' fees, of the Group for 2005 amounted to HK$39.3 million, representing an increase of 15% compared with 2004. Such increase was mainly due to an average 7% salary increment and a management bonus for the year.

Depreciation and amortisation for 2005 increased to HK$49.1 million (2004: HK$42.1 million). The increase was mainly due to amortisation of the advertising rights from some contracts which commenced operations in 2005.

Other operating expenses of the Group for 2005 amounted to HK$42.7 million, representing an increase of 13% compared with 2004. Higher operating expenses were mainly due to relocation of offices in various cities.

Finance costs

Finance costs for 2005 amounted to HK$13.8 million which represented a decrease of 12% compared with 2004. Lower finance costs were incurred mainly because the Group repaid some of the bank loans during the year.

Profit attributable to shareholders

As a result of the above factors, the profit attributable to shareholders for 2005 amounted to HK$21.2 million which represented an increase of 5% as compared with 2004.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank balances at 31 December 2005 amounted to HK$255.3 million (2004: HK$208.7 million). Pledged deposits with banks for banking facilities made available to the Group at 31 December 2005 amounted to HK$136.0 million (2004: HK$130.6 million). At 31 December 2005, the Group had short term and long term bank loans of HK$264.7 million (2004: HK$220.5 million) and a Convertible Bond of HK$84.2 million (2004: HK$85.0 million) issued to the substantial shareholder. The maturity date of the Convertible Bond is 31 December 2007. At 31 December 2005, the Group's net cash balance, being cash and cash equivalents plus pledged bank deposits less bank loans amounted to HK$126.6 million (31 December 2004: HK$118.8 million).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 54% as of 31 December 2005 (31 December 2004: 48%).

TREASURY POLICIES

The Group's assets, liabilities, revenues and expenses are principally denominated in Renminbi with certain other assets, liabilities, revenues and expenses denominated in Hong Kong dollars and United States dollars. The Group has been using the receipts from customers and bank loans to pay its suppliers and meet its capital requirements. These are generally denominated in the local currency of the place in which its subsidiaries and joint ventures operate. Management is aware of the recent appreciation of Renminbi and considers the effect of such appreciation to be positive for the Group. Management will continue to monitor the relevant circumstances and will take such measures, such as currency hedging, as it deems prudent.

CONTINGENT LIABILITIES

At 31 December 2005, the Group had contingent liabilities totalling HK$4.5 million (2004: HK$13.3 million) in respect of bank guarantees given to independent third parties in the ordinary course of business to ensure the due performance and observance of the obligations of a subsidiary.

EMPLOYEE INFORMATION

At 31 December 2005, the Group had a total of 295 (31 December 2004: 294) employees.

The salary and benefit levels of the Group's employees are kept at a market competitive level and employees are rewarded on a performance related basis.

The Group has adopted a share option scheme for the purpose of recognising employees' contribution and encouraging employees' continuous contribution to the Group.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

The Group established a joint venture namely "南京梅迪派勒地鐵廣告有限公司" ("Nanjing Metro JV") with Nanjing Metro Industrial Company, the metro operator, for a term of 18 years to operate the advertising concessions on the Nanjing Metro.

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the accounting period covered by this annual report and the subsequent period up to the date of this annual report.

Below are the major corporate governance practices adopted by the Company with specific reference to the Code.

(A) DIRECTORS' SECURITIES TRANSACTIONS

The Company adopts standards of conduct regarding Directors' dealing in securities as set out in the GEM Listing Rules. In addition, the Company makes specific enquiries of all Directors on a quarterly basis, to ascertain that the Directors of the Company have complied with the required standards.

(B) BOARD OF DIRECTORS

Board members		**Attendance at meetings held in 2005**
Executive directors		
Mr. George Ka Ki Chang	(resigned in November 2005)	3/4
Ms. Winnie Pik Shan To	(resigned in December 2005)	4/4
Mr. Tony Cheung Kin Au-Yeung	(resigned in November 2005)	4/4
Mr. Kam Wai Sum, Brian *(Chairman)*	(appointed in October 2005)	1/1
Mr. Wong Hon Chiu, Stephen	(appointed in October 2005)	1/1
Non-executive directors		
Mr. Gerald Lok Chung Chan *(ex-Chairman)*	(resigned in November 2005)	4/4
Mr. Jean-Charles Decaux	(appointed in October 2005)	0/1
Ms. Isabelle Claude Michele Vitry Schlumberger	(appointed in October 2005)	0/1
Mr. Jean-Michel Jacques Geffroy	(appointed in October 2005)	1/1
Mr. David Bourg	(appointed in October 2005)	1/1
Independent non-executive directors		
Mr. Philip Tit Hon Hung	(resigned in November 2005)	4/4
Mr. Meocre Kwok Wing Li	(resigned in November 2005)	3/4
Mr. Paul Laurence Saffo	(resigned in November 2005)	2/4
Mr. Francis Wen-hou Chen	(appointed in July 2005)	2/2
Mr. Johannes Schöter	(appointed in November 2005)	0/0
Mr. Barry John Buttifant	(appointed in November 2005)	0/0

Operation of the Board

The Board meets regularly at least four times a year at approximately quarterly intervals. Such regular meetings will normally involve the active participation, either in person or through other electronic means of communication, of a majority of Directors entitled to be present.

Notice of a regular board meeting is usually given at least 14 days in advance to give all Directors an opportunity to attend. An agenda for each Board Meeting will be prepared and normally distributed to the Directors together with necessary Board materials papers at least 4 days before the Board Meeting. Directors are free to add any items on the agenda as they may think fit. The Company Secretary is responsible for recording the matters considered and decisions reached by the Board including any concerns or dissenting views expressed raised by Directors. Minutes of Board Meetings and the Board Committee Meetings will be sent to all Directors for their comments and records as soon as after the board meeting.

Minutes of Board Meetings and meetings of Board Committees are kept by the Company Secretary and such minutes are open for inspection within reasonable advance notice.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of written resolutions or by a committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board Meeting) but will be resolved in a Board Meeting. Directors who, and whose associates, have no material interest in the transaction will be present at such board meetings.

(C) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman:	Mr. Kam Wai Sum, Brian
Chief Executive Officer:	Mr. Wong Hon Chiu, Stephen

As a matter of good corporate governance, segregation of the roles of Chairman and Chief Executive Officer has been implemented within the Company since its listing to avoid the monopoly of power by any one individual or the controlling shareholder in the decision making process.

(D) REMUNERATION COMMITTEE

Members		Attendance at meetings held in 2005
Mr. Gerald Lok Chung Chan *(ex-Chairman)*	(resigned in November 2005)	The matters being discussed and decided by the Remuneration Committee are in the form of written resolutions of the directors
Mr. Tony Cheung Kin Au-Yeung	(resigned in November 2005)	
Mr. Meocre Kwok Wing Li	(resigned in November 2005)	
Mr. Philip Tit Hon Hung	(resigned in November 2005)	
Mr. Johannes Schöter *(Chairman)*	(appointed in November 2005)	
Mr. Barry John Buttifant	(appointed in November 2005)	
Mr. Francis Wen-hou Chen	(appointed in November 2005)	
Mr. Jean-Michel Jacques Geffroy	(appointed in November 2005)	
Mr. David Bourg	(appointed in November 2005)	

The duties of the Remuneration Committee comprise:–

i. review and make recommendations for (a) the Share Option Scheme, (b) the salary, bonus and benefits structure for Company officers and management, and (c) any subsequent adjustments to (a) and (b), to the Board;

ii. approve any changes to the Provident Fund Scheme of the Company;

iii. determine which staff members will receive share options under the Company's Share Option Scheme, as well as the number and subscription price of the options awarded;

iv. make such other decisions or determinations as it deems appropriate in the administration of the Company's Share Options Scheme.

(E) AUDIT COMMITTEE

Members		Attendance at meetings held in 2005
Mr. Philip Tit Hon Hung *(ex-Chairman)*	(resigned in November 2005)	4/4
Mr. Meocre Kwok Wing Li	(resigned in November 2005)	3/4
Mr. Paul Laurence Saffo	(resigned in November 2005)	3/4
Mr. Francis Wen-hou Chen	(appointed in September 2005)	0/1
Mr. Johannes Schöter *(Chairman)*	(appointed in November 2005)	0/0
Mr. Barry John Buttifant	(appointed in November 2005)	0/0

The Audit Committee was established in 2002 to provide advice and recommendations to the Board. Their duties and responsibilities are set out clearly in the terms of reference which include:–

i. to discuss with the external auditors before the audit commences, the nature and scope of audit and ensure co-ordination where more than one audit firm is involved.;

ii. to review the Company's draft annual report and accounts, half yearly and quarterly reports before submission to, and providing advice and comments thereon on to the Board of Directors;

iii. to consider the appointment of external auditors, their audit fees and questions of resignation or dismissal; and

iv. to discuss problems and reservations arising from the quarterly reviews and final audits and matters that the external auditors may wish to discuss.

(F) COMPLIANCE OFFICER, QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Compliance Officer:	Mr. Wong Hon Chiu, Stephen
Qualified Accountant:	Mr. Cheng Ka Chung (member of The Association of Chartered Certified Accountant and the Hong Kong Institute of Certified Public Accountants)
Company Secretary:	Mr. Cheng Ka Chung (member of The Association of Chartered Certified Accountant and the Hong Kong Institute of Certified Public Accountants)

DIRECTORS

EXECUTIVE DIRECTORS

Kam Wai Sum, Brian, aged 44, became the Chairman and an executive director of the Company in October 2005. Mr. Kam was previously the head of the PRC Division of Dun & Bradstreet Technology and Memorex Telex China prior to joining MediaNation Inc. in March 1997 as Senior Vice President of Corporate Development. He was promoted to the Chief Executive Officer of MediaNation Inc. between July 2000 and December 2002 and has been the Chairman of MediaNation Inc. since April 2005. He has over 15 years of experience in business development in the PRC, particularly in the field of information technology and telecommunications. Mr. Kam is a graduate of the Chinese University of Hong Kong.

Wong Hon Chiu, Stephen, aged 49, became the Chief Executive Officer and an executive director of the Company in October 2005. Mr. Wong holds a bachelor's degree in economics from Sydney University and a master's degree in commerce from the University of New South Wales of Australia. He is an Australian chartered accountant and a Fellow of Hong Kong Institute of Certified Public Accountants. He has 13 years of senior media management experience in Hong Kong, including the last 7 years at JCDecaux Pearl & Dean Ltd., the substantial shareholder of the Company, where he has been appointed as Managing Director since 2003. Before joining the media industry, he had over 10 years of experience in merchant banking in Australia. He is also the Chief Executive Officer of MediaNation Inc. since April 2005.

NON-EXECUTIVE DIRECTORS

Jean-Charles Decaux, aged 36, became a non-executive director of the Company in October 2005. Mr. Decaux is co-Chief Executive Officer of the JCDecaux group. He joined JCDecaux SA in 1989 and moved to Spain to set up and develop the Spanish subsidiary. He then developed subsidiaries in Southern Europe, Asia and South America, primarily through organic growth. He has also served as Chairman and Chief Executive of Avenir since June 1999.

Isabelle Claude Michele Vitry Schlumberger, aged 43, became a non-executive director of the Company in October 2005. Ms. Schlumberger, a graduate of the Institute d'Etudes Politiques de Paris and of the Paris Dauphine University, joined the Finance Department of the Havas Group in 1984 where she was responsible for investor relations after two years in the Audit Department. She joined the Avenir Havas Media Group in 1990 as Deputy Finance Director. In 1994, she was appointed Finance and Administrative Director for the English and Irish subsidiaries, Sky Sites, Mills & Allen, and David Allen in London. In October 1998, she became Chief Operating Officer for Sky Sites London, the subsidiary in charge of the transport activities for the Group in Great Britain. In June 2000, following the merger with Avenir (June 1999), she was appointed Chief Executive Office of JCDecaux Airport in Paris, in charge of the Airport Activity in France, its worldwide coordination and the development of the Transport activity of the Group in the Southern part of the world. Since June 2003, she is also the Chief Executive Officer of JCDecaux Artvertising, offering premium communication means like neonlights and giant wraps.

Jean-Michel Jacques Geffroy, aged 46, became a non-executive director of the Company in October 2005. Mr. Geffroy, a graduate of ESSEC Business school in Paris with a Engineering Master degree from ENSAM in Paris, joined the JCDecaux group in 1997 as Regional City Relations Management before moving in 1998 to start-up the JCDecaux group development in Asia. In June 1999, following the merger with Asian operations of Avenir, namely Pearl & Dean companies, he was appointed Chief Executive Officer of JCDecaux Asia, to coordinate the JCDecaux group expansion throughout the region. Before joining the JCDecaux group, Mr. Geffroy held for 8 years various Business Development and Management positions at French subsidiaries of the Photo Me Group in the United Kingdom.

David Bourg, aged 36, became a non-executive director of the Company in October 2005. Mr. Bourg is a graduate of the Institut d'Etudes Politiques de Paris and obtained a master's degree and postgraduate diploma in economics (DEA) from the University of Paris Dauphine. He first joined the JCDecaux group in June 2001 as a development officer whose principal responsibilities lay with merger & acquisition projects. Mr. Bourg is now the Regional Finance Director for Asia of JCDecaux SA. Before joining JCDecaux SA, Mr. Bourg held various positions of responsibility in Deloitte & Touche, including audit supervisor in Buenos Aires and audit manager in Paris.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Johannes Schöter, aged 50, became an independent non-executive director of the Company in November 2005. He is also the managing partner of Victoria Capital Limited in Hong Kong. Victoria Capital is a corporate finance advisory firm with main activities in merger and acquisition and fundraising. Mr. Schöter joined Deutsche Bank AG ("DB") in 1979 and became the chief representative of DB in Beijing from 1983 till 1988. Mr. Schöter then returned to Germany and joined the Duisburg branch of DB as general manager. In 1991 Mr. Schöter was appointed as the general manager of the Tokyo branch of DB. Mr. Schöter became the general manager of DB for China, Hong Kong and Macau in 1995 before he founded Victoria Capital in 1998 together with a partner. Mr. Schöter was an independent non-executive director of MediaNation Inc. from July 2002 to December 2005. Mr. Schöter holds a master degree in business administration from the Augsburg University.

Mr. Barry John Buttifant, aged 61, became an independent non-executive director of the Company in November 2005. He is the managing director of Hsin Chong International Holdings Ltd. and is an alternate director to Mr. V-Nee Yeh, chairman of Hsin Chong Construction Group Ltd., and Mrs. Yvette Yeh Fung, deputy chairman of Synergis Holdings Ltd. He has over 30 years of experience in corporate and financial management and has lived in Hong Kong for over 25 years. Prior to joining Hsin Chong Group, Mr. Buttifant has held senior positions at Baring Private Equity Asia Ltd., IDT International Limited, Sime Darby Hong Kong Limited and Polly Peck Group. From 2001 to 2002, he was the managing director of Wo Kee Hong (Holdings) Ltd. and an adviser to the board of directors of Wo Kee Hong (Holdings) Ltd. from November 2002 to April 2004. He was an independent non-executive director of MediaNation Inc. from June 2003 to December 2005. He is also an independent non-executive director of Giordano International Limited, Daiwa Associate Holdings Limited, China Merchants DiChain (Asia) Limited, Alltronics Holdings Ltd. and a non-executive director of Global-Tech Appliances Inc. (listed on the New York Stock Exchange.) Mr. Buttifant is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Chartered Management Institute, the Hong Kong Management Association and the Hong Kong Institute of Directors.

Mr. Francis Wen-hou Chen, aged 56, became an independent non-executive director of the Company in July 2005. Mr. Chen is a co-founder and chairman of Pacific Advantage International, a sales, marketing and technical support organization that assists U.S. and European high-tech companies to establish sales and distribution channels in Asia. Mr. Chen is also a co-founder and board member of Antara Systems that provides a software platform that optimizes online advertising. Mr. Chen serves as board member and President of International Operations at Velocity Services, a leader in the provision of affinity-based Internet access and web-mail services to some of the world's leading brands. Mr. Chen has more than twenty years of senior management experience in the healthcare industry (Becton-Dickinson, Baxter, Hygeia Sciences/Tambrands). Mr. Chen has also been an active board member of several civic, cultural and educational organizations, such as the Macula Foundation, the Burnham Institute, Groton School, and San Francisco Opera Association. Mr. Chen holds a Ph.D. in immunology from Harvard University. Mr. Chen also holds a M.S. and B.S. in chemistry from Tufts University.

Mr. Jean-Michel Jacques Geffroy, Mr. David Bourg and Mr. Wong Hon Chiu, Stephen are directors of the substantial shareholder of the Company. Mr. Jean-Charles Decaux, Ms. Isabelle Claude Michele Vitry Schlumberger and Mr. Kam Wai Sum, Brian are officers and/or employees of the group companies of the substantial shareholder and/or its parent company. These six directors of the Company are also directors of MediaNation Inc., a company formerly listed on the Growth Enterprise Market of the Stock Exchange and a subsidiary of the substantial shareholder.

Save as disclosed above, none of the above directors of the Company has any relationship with any existing directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

Mr. Francis Wen-hou Chen has entered into a service contract with the Company which will expire in July 2007. There are no service contracts entered into between the other directors of the Company and the Company.

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries, together with its associates and jointly controlled entities, are to manage and operate a network of outdoor advertising media in Mainland China and Hong Kong.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries are set out in note 12 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to major customers and suppliers, respectively, during the financial year is as follows:

	Percentage of the Group's total %
The largest customer	2.91
Five largest customers in aggregate	7.35
The largest supplier	6.90
Five largest suppliers in aggregate	20.50

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in any of the major customers and suppliers referred to above.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2005 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements.

The Directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2005.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 34 to the financial statements.

Details of the Company's share option scheme are set out in the section headed "Share Option Scheme" of this report.

RESERVES

Details of movements in the reserves of the Group during the year are set out in note 35 to the financial statements.

CONVERTIBLE BOND

Details of the Convertible Bond are set out in note 32 to the financial statements.

DIRECTORS

The Directors of the Company who held office during the year up to the date of this report were as follows:

Executive directors

Kam Wai Sum, Brian *(Chairman)*	(appointed on 31 October 2005)
Wong Hon Chiu, Stephen *(CEO)*	(appointed on 31 October 2005)
George Ka Ki Chang	(resigned on 21 November 2005)
Winnie Pik Shan To	(resigned on 31 December 2005)
Tony Cheung Kin Au-Yeung	(resigned on 21 November 2005)

Non-executive directors

Jean-Charles Decaux	(appointed on 31 October 2005)
Isabelle Claude Michele Vitry Schlumberger	(appointed on 31 October 2005)
Jean-Michel Jacques Geffroy	(appointed on 31 October 2005)
David Bourg	(appointed on 31 October 2005)

Independent non-executive directors

Johannes Schöter	(appointed on 21 November 2005)
Barry John Buttifant	(appointed on 21 November 2005)
Francis Wen-hou Chen	(appointed on 1 July 2005)
Philip Tit Hon Hung	(resigned on 21 November 2005)
Meocre Kwok Wing Li	(resigned on 21 November 2005)
Paul Laurence Saffo	(resigned on 21 November 2005)

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors of the Company and the five highest paid individuals of the Group are set out in notes 7 and 8 to the financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the costs charged to the consolidated profit and loss account for the year ended 31 December 2005 are set out in notes 5(b) and 30 to the financial statements.

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARES

As at 31 December 2005, the Directors and the chief executive of the Company have no interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme approved by way of written resolution of the Company on 7 January 2002 (the "Scheme"). The major terms of the Scheme are summarised as follows:–

I. Summary of the Scheme

(a) Purpose of the Scheme

The purpose of the Scheme is to reward the participants who have contributed to the Group. The Directors, at their sole discretion, will consider one or more of the following criteria in deciding whether a person has contributed to the Group:

i. contribution to the development and performance of the Group;

ii. quality of work performed for the Group;

iii. initiative and commitment in performing his/her duties; and

iv. length of service or contribution to the Group.

(b) *Participants of the Scheme*

Pursuant to the terms of the Scheme, the Company may grant options to any employees, certain consultants and suppliers or customers of the Group who at the sole discretion of the Board, have, subject to paragraph (a) above, contributed to the Group.

(c) *Total number of shares available for issue under the Scheme*

The maximum number of shares in respect of which options may be granted under the Scheme must not exceed 30% of total number of shares of the Company in issue from time to time.

The shares of the Company which may be issued upon exercise of all Share Options to be granted under the Scheme and any other share option schemes of the Company shall not exceed the Scheme Mandate Limit, being 10% of the shares of the Company in issue on Listing Date ("Scheme Mandate Limit") subject to the renewal of the Scheme Mandate Limit by Shareholders in general meeting from time to time provided the Scheme Mandate Limit as renewed must not exceed 10% of the shares of the Company in issue as at the date of the relevant Shareholders' approval. Share Options lapsed in accordance with the terms of the Scheme however will not be counted for the purpose of calculating the Scheme Mandate Limit.

(d) *Maximum entitlement of each participant*

The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant or grantee (as the case may be) (including both exercised and outstanding options) in any 12 month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant.

(e) *Timing of exercise of options*

Pursuant to the terms of the Scheme, an option may be exercised in accordance with the terms of the Scheme at any time during the option period but may not be exercised after the expiry of ten years from the date of grant of the option. The Directors may provide restrictions on the exercise of an option during the option period including, if appropriate:–

i. a minimum period during which all or part of an option may be exercised; and

ii. performance targets which must be achieved before the options can be exercised.

(f) *Payment on acceptance of an option*

Pursuant to the terms of the Scheme, HK$1.00 is payable by the grantee to the Company on acceptance of an option within 28 days from the date of offer.

(g) Basis of determining the subscription price

The subscription price per share under the Scheme is determined by the Directors of the Company and notified to the grantee and shall be no less than the higher of:

i. the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant;

ii. the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

iii. the nominal value of a share of the Company on the date of grant of the option.

(h) Duration of the Scheme

Subject to the terms of the Scheme, the Scheme shall be valid for a period of 10 years commencing 31 January 2002.

The other principal terms of the Scheme are set out in the Prospectus of the Company dated 15 January 2002.

II. Share option

As at 31 December 2005, there are no outstanding options granted under the Scheme. Details of movements in the options under the Scheme are set out in note 34 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and set out below are also details of the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital:–

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
JCDecaux Pearl & Dean Ltd*	848,985,612	Beneficial Owner, direct holding	99.43%
JCDecaux Asia (S) Pte. Ltd*	848,985,612	Beneficial Owner, indirect holding	99.43%
JCDecaux SA*	848,985,612	Beneficial Owner, indirect holding	99.43%
JCDecaux Holding*	848,985,612	Beneficial Owner, indirect holding	99.43%
Mr. Jean-Claude Decaux*	848,985,612	Beneficial Owner, indirect holding	99.43%

* *Mr. Jean-Claude Decaux holds 84% equity interest in JCDecaux Holding*
JCDecaux Holding holds 70.29% equity interest in JCDecaux SA
JCDecaux SA holds 100% equity interest in JCDecaux Asia (S) Pte. Ltd
JCDecaux Asia (S) Pte. Ltd holds 100% equity interest in JCDecaux Pearl & Dean Ltd

Save as disclosed above, and as far as the Directors are aware, as at 31 December 2005, 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.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, either directly or indirectly in which a Director of the Company had a material interest, either directly or indirectly subsisted at the end of the year or at any time during the year.

SIGNIFICANT CONTRACT

Upon the completion of a sales and purchase agreement on 26 October 2005, the existing substantial shareholder, JCDecaux Pearl & Dean Ltd., has acquired from the Company's previous substantial shareholder the Convertible Bond of HK$85 million issued by the Company before.

Details of significant related party transactions and continuing connected transactions entered between the Company or one of each subsidiary and a controlling shareholder or any of its subsidiary are set out in note 38 to the financial statement.

Save as disclosed above, there was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

DIRECTORS' SERVICE CONTRACT

There was a service contract entered into between the Company and Mr. Francis Wen-hou Chen (one of the independent non-executive directors of the Company) for an initial period of two years commencing from 1 July 2005 which shall continue thereafter unless otherwise terminated in accordance with the respective provisions set out therein.

None of the directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Confirmation of Independence

The Company has received from each of Mr. Johannes Schöter, Mr. Barry John Buttifant and Mr. Francis Wen-hou Chen an annual confirmation on his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers the Independent Non-Executive Directors to be independent.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

JCDecaux Pearl & Dean Ltd., the substantial shareholder of the Company, has business operations in the outdoor advertising markets in Hong Kong which may compete with the business of the Group. The group companies of JCDecaux Pearl & Dean Ltd. also have business operations in the outdoor advertising markets in Mainland China that may compete with the business of the Group. Except for the above, none of the Directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, have engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor its subsidiaries had purchased, sold or redeemed any of Company's listed securities.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2005 are set out in note 26 and 27 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 88 of the annual report.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2005, which do not constitute connected transactions under the GEM Listing Rules, are disclosed in note 38 to the financial statements.

Details of the continuing connected transactions are also set out in note 38 to the financial statements.

(1) Connected transactions

On 13 October 2004, the Company entered into a Convertible Bond Agreement with the previous substantial shareholder pursuant to which the Company agreed to issue a Convertible Bond in the principal amount of HK$85,000,000. Upon the completion of a sales and purchase agreement on 26 October 2005, the existing substantial shareholder, JCDecaux Pearl & Dean Ltd., has acquired from the Company's previous substantial shareholder the Convertible Bond of HK$85 million issued by the Company.

(2) Continuing connected transactions

Advertising agency agreement

On 31 May 2002 a subsidiary of the Company, Chengdu MPI Public Transport Advertising Co. Ltd. ("Chengdu MPI") entered into an Advertising Agency Agreement with 成都運興公交有限公司 ("Bus JV") whereby Chengdu MPI will provide advertising agency and management services to the Bus JV. The annual cap amount for the year ended 31 December 2004 was HK$29,000,000. The annual cap amount was determined with reference to the projected amount payable to the Bus JV by Chengdu MPI in the relevant year, which shall be 70% of the amount received by Chengdu MPI for the placement of advertisements on bus bodies. Details of this transaction were set out in the circular dated 26 June 2002 issued by the Company. The aforesaid transaction was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 12 July 2002. During the year, the aggregate consideration paid by Chengdu MPI to the Bus JV in respect of the Advertising Agency Agreement amounted to HK$5,854,188.

At the extraordinary general meeting of the Company held on 13 December 2004 (the "EGM"), the ordinary resolution approving the Post 2004 Continuing Connected Transactions (as defined and more particularly described in the circular of the Company to its shareholders dated 26 November 2004) was duly passed by the Shareholders in respect of the Continuing Connected Transactions contemplated under the Advertising Agency Agreement for the period after 31 December 2004 up to 31 December 2007. The annual cap amounts for the three years ending 31 December 2005, 2006 and 2007 are HK$15,000,000, HK$19,000,000 and HK$25,000,000 respectively.

The Independent Non-Executive Directors have reviewed the above Continuing Connected Transactions and have confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditors of the Company have confirmed that the Continuing Connected Transactions above (a) have received the approval of the Board of Directors of the Company; (b) are in accordance with the pricing policies of the Group where transactions involve provision of goods and services by the Group; (c) have been entered into in accordance with the relevant agreements governing the transactions; and (d) have not exceeded the respective cap.

The Company confirms that the Continuing Connected Transactions as disclosed above fall under the definition of continuing connected transactions in Chapter 20 of the GEM Listing Rules and that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

Pursuant to the completion of a sales and purchase agreement on 26 October 2005 regarding the Sales of Shares from the previous substantial shareholder to the existing substantial shareholder, the abovementioned continuing connected transactions will be no longer regarded as such because the Bus JV was no longer a connected party of Chengdu MPI afterwards.

BOARD PRACTICES AND PROCEDURES

During the year ended 31 December 2005, the Company has complied with GEM Listing Rules 5.34 concerning the Board practices and procedures, which applied pursuant to the amendment of the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report effective on 1 January 2005.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.46 to 5.67 of the GEM Listing Rules (where applicable) concerning securities transactions by Directors throughout the accounting period covered by this Report and all Directors have complied with the required standard of dealings set out herein.

AUDIT COMMITTEE

The Company established an audit committee on 7 January 2002 with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.33 of the GEM Listing Rules.

The primary duties of the audit committee are to review the Company's annual report and financial statements, half-yearly reports and quarterly reports and to provide advice and comments to the Board. The audit committee is also responsible for reviewing the financial reporting process and internal control procedures of the Group.

The audit committee currently comprises three Independent Non-Executive Directors, Mr. Johannes Schöter, Mr. Barry John Buttifant and Mr. Francis Wen-hou Chen. The audit committee has met four times during the year.

AUDITORS

KPMG retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Cheng Ka Chung
Company Secretary

Hong Kong, 31 March 2006

AUDITOR'S REPORT

Auditors' report to the shareholders of
Media Partners International Holdings Inc.
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 87 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of the financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

Hong Kong, 31 March 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005
(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 $'000 (Restated)
Operating revenue			
Turnover	3	**428,567**	352,637
Other revenue	4(a)	**21,883**	14,174
Other net income/(loss)	4(b)	**687**	(974)
Operating expenses			
Site rental		**(154,929)**	(117,639)
Other direct costs		**(145,161)**	(115,081)
Staff costs	5(b)	**(39,338)**	(34,134)
Depreciation and amortisation	5(c)	**(49,099)**	(42,074)
Other operating expenses		**(42,664)**	(37,747)
Profit from operations		**19,946**	19,162
Finance costs	5(a)	**(13,831)**	(15,719)
Share of profits of an associate		**7,121**	4,938
Share of profits less losses of jointly controlled entities		**26,125**	19,268
Profit before taxation	5	**39,361**	27,649
Income tax	6	**(10,344)**	(4,448)
Profit for the year		**29,017**	23,201
Attributable to:			
Equity shareholders of the Company		**21,220**	20,235
Minority interests		**7,797**	2,966
Profit for the year		**29,017**	23,201
Earnings per share			
– Basic	11(a)	**2.5 cents**	2.4 cents
– Diluted	11(b)	**2.2 cents**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2005
(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 $'000
Non-current assets			
Fixed assets	13	**25,075**	14,210
Interest in an associate	15	**10,606**	9,365
Interest in jointly controlled entities	16	**73,429**	68,206
Amounts due from a jointly controlled entity	16	**19,231**	18,868
Advertising rights	17	**328,958**	249,339
Other investments	18	**50,481**	49,528
Goodwill	19	**2,235**	2,235
Deferred tax assets	33(a)	**4,662**	4,256
		514,677	416,007
Current assets			
Accounts receivable	20	**60,091**	43,675
Other receivables, deposits and prepayments	20	**113,818**	81,457
Amounts due from jointly controlled entities	21	**20,991**	25,348
Amounts due from minority shareholders	22	**866**	2,514
Amounts due from related companies	23	**–**	9
Pledged bank deposits	24	**135,990**	130,594
Cash and cash equivalents	25	**255,294**	208,677
		587,050	492,274
Current liabilities			
Bank loans	26	**214,712**	220,472
Entrusted loan	27	**19,760**	19,387
Accounts payable	28	**68,723**	20,532
Other payables, deposits and provisions	28	**71,470**	61,896
Amounts due to jointly controlled entities	29	**16,419**	18,416
Amounts due to related companies	23	**76**	6,401
Taxation payable	31	**3,872**	2,431
		395,032	349,535
Net current assets		**192,018**	142,739
Total assets less current liabilities		**706,695**	558,746

CONSOLIDATED BALANCE SHEET

At 31 December 2005
(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 $'000
Non-current liabilities			
Bank loan	26	**50,000**	–
Convertible bond	32	**84,196**	85,000
Accounts payable	28(a)	**64,100**	–
Deferred tax liabilities	33(a)	**45**	45
		198,341	85,045
NET ASSETS		**508,354**	473,701
Share capital	34	**85,389**	85,380
Reserves		**390,902**	363,092
Shareholders' equity	35(a)	**476,291**	448,472
Minority interests	35(a)	**32,063**	25,229
TOTAL EQUITY	35(a)	**508,354**	473,701

Approved and authorised for issue by the board of directors on 31 March 2006.

Kam Wai Sum, Brian
Director

Wong Hon Chiu, Stephen
Director

BALANCE SHEET

At 31 December 2005
(Expressed in Hong Kong dollars)

	Note	2005 $'000	2004 $'000
Non-current assets			
Investments in subsidiaries	14	**345,249**	342,804
Current assets			
Other receivables, deposits and prepayments	20	**246**	189
Amount due from a jointly controlled entity	21	**313**	213
Cash and cash equivalents	25	**36,281**	45,037
		36,840	45,439
Current liabilities			
Other payables and deposits	28	**2,610**	2,723
Net current assets		**34,230**	42,716
Total assets less current liabilities		**379,479**	385,520
Non-current liabilities			
Convertible bond	32	**84,196**	85,000
NET ASSETS		**295,283**	300,520
Share capital	34	**85,389**	85,380
Reserves	35(b)	**209,894**	215,140
TOTAL EQUITY		**295,283**	300,520

Approved and authorised for issue by the board of directors on 31 March 2006.

Kam Wai Sum, Brian
Director

Wong Hon Chiu, Stephen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005
(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Share premium $'000	Merger Reserves $'000	Other capital reserves $'000	Convertible bond and Share Option reserves $'000	Exchange reserves $'000	Revenue reserves $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 January 2004		85,380	233,715	255,366	(61,518)	–	1,064	(85,713)	428,294	20,992	449,286
Movement for the year		–	–	–	–	–	(57)	–	(57)	1,271	1,214
Net profit for the year		–	–	–	–	–	–	20,235	20,235	2,966	23,201
At 31 December 2004		85,380	233,715	255,366	(61,518)	–	1,007	(65,478)	448,472	25,229	473,701
At 1 January 2005											
– as previously reported		85,380	233,715	255,366	(61,518)	–	1,007	(65,478)	448,472	25,229	473,701
– opening balance adjustment in respect of the convertible bond	*2(b)*	–	–	–	–	2,433	–	–	2,433	–	2,433
– transfer to revenue reserves from other capital reserves in respect of negative goodwill	*2(a)*	–	–	–	(12,527)	–	–	12,527	–	–	–
– as restated		85,380	233,715	255,366	(74,045)	2,433	1,007	(52,951)	450,905	25,229	476,134
Movement in respect of share options during the year	*34*	9	46	–	–	–	–	–	55	–	55
Movement during the year*		–	–	–	–	–	–	503	503	4,679	5,182
Dividends paid to minority interests by a subsidiary		–	–	–	–	–	–	–	–	(5,642)	(5,642)
Movement arising from changes in exchange rates		–	–	–	–	–	3,608	–	3,608	–	3,608
Profit for the year		–	–	–	–	–	–	21,220	21,220	7,797	29,017
At 31 December 2005		85,389	233,761	255,366	(74,045)	2,433	4,615	(31,228)	476,291	32,063	508,354

* Movement during the year includes the establishment of a share option reserve of $503,000 in respect of share options granted during the year ended 31 December 2005 which was released to revenue reserves at 31 December 2005 upon cancellation of outstanding share options following the acquisition of the Company by JCDecaux in October 2005 as described in note 1 to these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005
(Expressed in Hong Kong dollars)

	Note	**2005**		2004	
		$'000	***$'000***	*$'000*	*$'000*
Operating activities					
Profit from operations		**19,946**		19,162	
Adjustments for:					
– Interest income		**(6,955)**		(3,481)	
– Depreciation and amortisation	*5(c)*	**49,099**		42,074	
– Loss on disposal of fixed assets and advertising rights	*4(b)*	**68**		974	
– Utilisation of provision for onerous contracts	*28(c)*	**(408)**		(998)	
– Addition of provision for onerous contracts	*28(c)*	**279**		–	
– Exchange gain		**(755)**		(57)	
– Equity-settled share-based payments	*35(a)*	**503**		–	
Operating profit before changes in working capital			**61,777**		57,674
Increase in accounts receivable		**(14,739)**		(10,834)	
(Increase)/decrease in other receivables, deposits and prepayments		**(32,361)**		16,510	
Decrease/(increase) in amounts due from jointly controlled entities		**4,375**		(11,482)	
Decrease in amounts due from minority shareholders		**953**		4,281	
Decrease in amounts due from related companies		**9**		1	
Increase/(decrease) in accounts payable		**9,418**		(6,095)	
Increase in other payables, deposits and provisions		**9,703**		15,145	
(Decrease)/increase in amounts due to jointly controlled entities		**(1,997)**		8,766	
Decrease in amounts due to related companies		**(6,325)**		(3,424)	
Cash generated from operations			**30,813**		70,542
Tax paid					
– PRC tax paid		**(9,309)**		(7,660)	
Net cash generated from operating activities			**21,504**		62,882

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005
(Expressed in Hong Kong dollars)

	Note	**2005** $'000	**2005** $'000	2004 $'000	2004 $'000
Investing activities					
(Placement)/uplift of pledged deposits		**(5,396)**		71,594	
Payments for the purchase of fixed assets		**(17,744)**		(6,331)	
Proceeds from disposal of fixed assets		**191**		19	
Net payments for the purchase of advertising rights		**(15,565)**		(17,831)	
Increase in deposits in respect of acquisition/use of advertising rights		**–**		(12,927)	
Payment for other investments		**–**		(13,679)	
Share capital contributed by minority shareholders		**5,374**		596	
Interest received		**6,955**		3,481	
Dividends received from an associate		**5,880**		–	
Dividends received from jointly controlled entities		**20,884**		14,116	
Net cash generated from investing activities			**579**		39,038
Financing activities					
Net proceeds from/(repayment of) bank loans		**40,711**		(36,930)	
Receipt of entrusted loan		**–**		19,387	
Proceeds from shares issued under share option scheme		**55**		–	
Finance costs paid		**(12,202)**		(15,719)	
Dividends paid to minority shareholders		**(5,642)**		(269)	
Net cash generated from/(used in) financing activities			**22,922**		(33,531)
Net increase in cash and cash equivalents			**45,005**		68,389
Cash and cash equivalents at 1 January			**208,677**		140,288
Effect of foreign exchange rates changes			**1,612**		–
Cash and cash equivalents at 31 December	*25*		**255,294**		208,677

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) The Company

The Company was incorporated in the Cayman Islands on 14 May 2001 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands.

The Company obtained a listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 31 January 2002.

JCDecaux Pearl & Dean Ltd. ("JCDecaux"), a subsidiary of JCDecaux SA, which is listed on Euronext Paris, France, entered into a conditional sale and purchase agreement on 15 September 2005 to acquire from Morningside CyberVentures Holdings Limited, its holding of 73.4% of the issued shares of the Company by means of a cash offer of HK$1.141 per share. The transaction was completed on 26 October 2005 ("the Acquisition").

JCDecaux has also made a general offer to acquire the rest of the issued shares of the Company in public float.

(b) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(c) Basis of preparation of the financial statements

(i) The measurement basis used in the preparation of the financial statements is historical cost except as otherwise set out in the accounting policies below.

(ii) The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(iii) The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intra-group transactions and balances are eliminated on consolidation.

(e) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the consolidated profit and loss account.

Where losses attributable to the minority exceed the minority's interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise. The results of subsidiaries are accounted for by the Company on the basis of dividends declared or approved in the Company's accounting period.

(f) Associate and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activities of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associate and jointly controlled entities for the year, including any impairment of goodwill relating to the investment in associate and jointly controlled entities recognised for the year in accordance with note 1(g).

Unrealised profits and losses resulting from transactions between the Group and its associate and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

(g) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(k)). In respect of associate or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the consolidated profit and loss account.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	over the terms of the lease
Advertising displays	over the terms of the contract
Computer equipment	3 years
Furniture, fixtures and equipment	5 years
Motor vehicles	4 to 5 years

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing assets, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated profit and loss account on the date of retirement or disposal.

(i) Advertising rights

Advertising rights represent fees paid to secure exclusive rights to sell advertising space on certain specified assets or at certain specified locations for a specific period of time.

Advertising rights are stated at cost less accumulated amortisation and impairment losses (see note 1(k)).

Amortisation is calculated on a straight-line basis over the agreed periods of use of the advertising rights, which range from 5 to 20 years, starting from the date of commencement of the commercial use of the advertising rights.

Subsequent expenditure on advertising rights after their purchase or their completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the advertising rights.

(j) Other investments

Other investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment losses (see note 1(k)).

Other investments are recognised/derecognised on the date the Group enters into a contractual agreement to purchase/sell the investment or it expires.

(k) Impairment of assets

The carrying amounts of non-current assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

– *Recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised as an expense in the consolidated profit and loss account whenever the carrying amount exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated profit and loss account in the year in which the reversals are recognised.

(l) Receivables

Receivables are initially recognised at fair value and thereafter stated net of provision for bad and doubtful debts except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases the receivables are stated at cost less provision for bad and doubtful debts. Provision for bad and doubtful debts is made against receivables based on the assessment on the recoverability of these outstanding amounts at the balance sheet date.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Jointly controlled assets

Jointly controlled assets are held under a contractual arrangement whereby the Group and at least one other party undertake an economic activity which is subject to joint control and none of the parties involved unilaterally has control over the economic activity.

The Group's share of jointly controlled assets, and its share of any liabilities incurred in relation to the jointly controlled assets are recognised in the balance sheet and classified according to the nature of the relevant item. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred in relation to its interests in the jointly controlled assets, are recognised when it is probable that economic benefits associated with the transactions will flow to or from the Group, as applicable.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

(p) Accounts and other payables

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Convertible bond

Convertible bonds that are convertible to share capital at the option of the holder, where the number of shares which may be issued does not vary with changes in their fair value, are accounted for as compound financial instruments with both a liability and an equity component.

– The liability component of a convertible bond is calculated as the present value of the future interest and principal payments, discounted at a market rate of interest applicable to similar liabilities that do not have a conversion option. The liability component is stated net of unamortised transaction costs and unamortised discounts on issue, if any.

– The equity component is calculated as the excess of the issue proceeds over the liability component.

– Transaction costs incurred on issuance of convertible bonds are allocated to the component parts in proportion to the allocation of proceeds.

– If the convertible bond is converted, the liability component, the accrued interest together with the equity component would constitute the consideration for the shares which are issued.

(t) Recognition of income

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated profit and loss account as follows:

(i) Advertising and other advertising-related fees are recognised in the year in which the services are provided.

(ii) Signage production and maintenance service fees are recognised in the year in which the services are provided.

(iii) Management and consultancy fee income is recognised in the year in which the services are provided.

(iv) Interest income is recognised as it accrues using the effective interest method.

(v) Government incentives are recognised when the right to receive such incentives is established and receipt thereof is probable.

(vi) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(u) Translation of foreign currencies

The consolidated financial statements are prepared in Hong Kong dollars.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separately component of equity.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relates to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(v) Operating leases

Rentals payable under operating leases are accounted for in the consolidated profit and loss account on a straight-line basis over the periods of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments payable.

Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

(w) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and central pension schemes operated by the local governments in the People's Republic of China ("PRC"), are recognised as an expense in the consolidated profit and loss account as incurred.

(iii) The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit and loss account for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(x) Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(y) Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly, or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Company or of any entity that is a related party of the Company.

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen geographical segment information as the primary reporting format and business segment information as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the relevant year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings from the ultimate holding company, corporate and financing expenses and minority interests.

2 CHANGES IN ACCOUNTING POLICIES

In 2004, the HKICPA issued a number of new or revised HKASs and HKFRSs (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The same accounting policies adopted in the consolidated financial statements of the Group for the year ended 31 December 2004 have been applied to the 2005 annual financial statements except for the changes in accounting policies set out in notes 2(a) to 2(d).

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year.

(a) Amortisation of goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior years, positive goodwill was capitalised and amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life which did not exceed 20 years.

With effect from 1 January 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including the year of its initial recognition. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated. The cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the consolidated profit and loss account for the year ended 31 December 2005. This has increased the Group's profit after tax for the year ended 31 December 2005 by $319,000.

In addition, the carrying amount of negative goodwill as at 1 January 2005 in respect of the amounts previously credited to the capital reserve, has been credited to the opening balance of revenue reserves at 1 January 2005. As a result, the Group's opening revenue reserves as at 1 January 2005 increased by $12,527,000 with a corresponding decrease in the other capital reserves of $12,527,000 at that date.

(b) Convertible bond (HKAS 32, Financial instruments: disclosure and presentation and HKAS 39, Financial instruments: recognition and measurement)

In prior years, the convertible bond issued by the Company was stated at cost and interest on the convertible bond was charged to the consolidated profit and loss account on an accruals basis.

Following the adoption of HKAS 32 and HKAS 39, convertible bonds that are convertible to share capital at the option of the holder, where the number of shares which may be issued does not vary with changes in their fair value, are accounted for as compound financial instruments with both a liability and an equity component.

– The liability component of a convertible bond is calculated as the present value of the future interest and principal payments, discounted at a market rate of interest applicable to similar liabilities that do not have a conversion option. The liability component is stated net of unamortised transaction costs and unamortised discounts on issue, if any.

– The equity component is calculated as the excess of the issue proceeds over the liability component.

– Transaction costs incurred on issuance of convertible bonds are allocated to the component parts in proportion to the allocation of proceeds.

– If the convertible bond is converted, the liability component, the accrued interest together with the equity component would constitute the consideration for the shares which are issued.

The adoption of HKAS 32 and HKAS 39 has decreased the Group's profit for the year ended 31 December 2005 by $1,629,000 (2004: $Nil) and increased the net assets of the Group at 31 December 2005 by $804,000 (1 January 2005: $2,433,000).

The change in accounting policy relating to accounting for the convertible bond was adopted by way of an opening balance adjustment to the convertible bond reserve as at 1 January 2005. Comparative figures have not been restated as this is prohibited by the transitional arrangements of HKAS 39.

(c) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options to subscribe for shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the consolidated profit and loss account, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the proceeds received upon exercise. If the options lapse unexercised the related capital reserve is transferred directly to revenue reserves.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has followed the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the options granted to employees on or before 7 November 2002.

The amount charged to the consolidated profit and loss account as a result of the share options granted in 2005 increased staff costs for the year ended 31 December 2005 by $503,000 with corresponding amounts credited to other capital reserves. Following the acquisition described in note 1(a), all share options granted to the employees have been cancelled and the corresponding amounts of $503,000 previously charged to capital reserves were transferred to revenue reserves at 31 December 2005.

Details of the employee share option scheme can be found in the note 34 to these financial statements.

(d) HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements

(i) In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated profit and loss account as a deduction before arriving at the profit attributable to equity shareholders of the Company.

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, profit and loss account and statement of changes in equity for the comparative year has been restated accordingly.

(ii) In prior years, the Group's share of taxation of associates/jointly controlled entities' was presented as a component of taxation in the consolidated profit and loss account. Following the adoption of HKAS 1, the Group has changed the presentation and includes the share of taxation of associate/jointly controlled entities as a component of the Group's share of profits or associate/jointly controlled entities for the year. The change in presentation has been applied retrospectively with comparatives restated.

3 TURNOVER

The principal activities of the Group comprise acting as an advertising agent and advertising licensor and licensee, providing consultancy services related to outdoor advertising, the production of advertisement signage and the provision of signage maintenance services.

Turnover represents income from advertising and other advertising-related services rendered to customers during the year, net of returns and discounts allowed, after eliminating intra-group transactions. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2005	2004
	$'000	*$'000*
Advertising fees	**352,558**	291,978
Signage production and maintenance fees	**76,009**	60,659
	428,567	352,637

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2005	2004
	$'000	*$'000*
(a) Other revenue		
Interest income from bank deposits	**6,952**	3,458
Interest income from minority shareholders	**3**	23
Management fee income from jointly controlled entities	**9,884**	9,517
Training income from customers	**–**	392
PRC government incentives		
– NJMPI *(note (a))*	**3,809**	–
– CQMPI *(note (b))*	**–**	585
Forfeited deposit	**1,037**	–
Sundry income	**198**	199
	21,883	14,174

Note: **PRC government incentives**

(a) PRC government incentives in 2005 represented amounts received and receivable by Nanjing Media Partners International Public Transportation Advertising Co. Ltd ("NJMPI"), a non-wholly owned subsidiary of the Group. NJMPI is classified by the local PRC government as an approved "Technology and Development Entity".

(b) PRC government incentives in 2004 represented amounts received by Chongqing MPI Public Transportation Advertising Co., Ltd ("CQMPI"), a non-wholly owned subsidiary of the Group, in recognition of its business development in Chongqing.

Included in total interest income are amounts totalling $3,000 (2004: $23,000) earned from financial assets which are not stated at fair value through profit or loss.

(b) Other net income/(loss)

	2005	2004
Loss on disposal of fixed assets and advertising rights	**(68)**	(974)
Exchange gain	**755**	–
	687	(974)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2005	2004
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	**11,483**	13,611
Interest on convertible bond *(note 32)*	**1,629**	2,108
Other borrowing costs	**719**	–
	13,831	15,719

Included in total interest costs are amounts totalling $13,112,000 (2004: $15,719,000) paid in respect of floating rate bank loans and the convertible bond that are not stated at fair value through profit or loss.

	2005	2004
	$'000	*$'000*
(b) Staff costs:		
Contributions to defined contribution retirement schemes *(note 30)*	**2,720**	1,865
Equity-settled share-based payment expenses	**503**	–
Salaries, wages and other benefits	**36,115**	32,269
	39,338	34,134
(c) Depreciation and amortisation:		
Depreciation of fixed assets	**7,047**	4,904
Amortisation of advertising rights	**42,052**	36,851
Amortisation of goodwill	**–**	319
	49,099	42,074
(d) Other items:		
Exchange (gain)/loss	**(755)**	80
Auditors' remuneration		
– Audit services	**2,708**	1,417
– Other services	**–**	337
Provision for bad debts	**2,971**	5,814
Operating lease charges		
– properties	**8,821**	5,498
– site rentals	**154,929**	118,637
Share of associate's taxation	**1,569**	1,070
Share of jointly controlled entities' taxation	**14,196**	10,140

6 INCOME TAX

(a) Taxation in the consolidated profit and loss account represents:

	2005	2004
	$'000	*$'000*
Provision for Foreign Enterprise Income Tax ("FEIT")	**10,750**	8,704
Deferred tax *(note 33(a))*	**(406)**	(4,256)
Total income tax expense	**10,344**	4,448

(b) The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year ended 31 December 2005 of each subsidiary with operations subject to Hong Kong Profits Tax.

No provision for Hong Kong Profits Tax has been made in respect of subsidiaries of the Group operating in Hong Kong as these subsidiaries has taxable losses brought forward against which the assessable profits for the year ended 31 December 2005 have been offset.

(c) Taxation for subsidiaries operating in the PRC, except as noted hereinafter, is calculated at 33% (2004: 33%) of the estimated assessable profits of these entities for the year ended 31 December 2005.

Pursuant to the relevant laws and regulations in the PRC, Chongqing MPI Public Transportation Advertising Co., Ltd. ("CQMPI"), a non-wholly owned subsidiary of the Group is entitled to a reduction in the applicable rate of PRC FEIT from 33% to 30% for two years commencing from its first profit-making year of operations (i.e. for the years ended 31 December 2002 and 2001) and thereafter, it is entitled to a reduction in the applicable rate of PRC FEIT from 33% to 31.5% for the following three years, with effect from the year ended 31 December 2003.

(d) Share of associate's and jointly controlled entities' taxation for the year ended 31 December 2005 of $1,569,000 (2004: $1,070,000) and $14,196,000 (2004: $10,140,000) respectively are included in the share of profits losses of associate and jointly controlled entities.

(e) Reconciliation between tax expense and profit before taxation at applicable tax rates

	2005	2004
	$'000	*$'000*
		(restated)
Profit before taxation		
– As previously stated		38,859
– Less: Share of associate's and jointly controlled entities' taxation		(11,210)
– As restated	**39,361**	27,649
Notional tax, calculated at the rates applicable to profits in the countries concerned	**4,825**	3,756
Tax effect of non-deductible expenses	**7,308**	8,409
Tax effect of non-taxable revenue	**(1,734)**	(2,120)
Tax effect of temporary differences not recognised	**–**	52
Tax effect of tax losses not recognised	**1,666**	608
Tax effect of prior year's tax losses utilised this year	**(899)**	(2,001)
Tax effect of recognition in the current year of prior year's tax losses not previously recognised	**(822)**	(4,256)
Actual tax expense	**10,344**	4,448

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 18.29 of the GEM Listing Rules is as follows:

		2005	2004
	Note	***$'000***	*$'000*
Fees	*7(a)&7(b)*	**851**	579
Basic salaries, housing and other allowances and benefits in kind	*7(b)*	**1,560**	1,967
Discretionary bonuses	*7(b)*	**150**	650
Retirement scheme contributions	*7(b)*	**79**	131
		2,640	3,327

Notes:

(a) Independent non-executive directors and non-executive directors

For the years ended 31 December 2004 and 2005, the fees paid to independent non-executive and non-executive directors were as follows:

	Date of appointment	Date of resignation	2005 $'000	2004 $'000
Independent non-executive directors				
– Mr Francis Wen-hou CHEN	1 July 2005		**71**	–
– Mr Johannes SCHÖTER	21 November 2005		**16**	–
– Mr Barry John BUTTIFANT	21 November 2005		**16**	–
– Mr Meocre Kwok Wing LI		21 November 2005	**125**	140
– Mr Paul Laurence SAFFO		21 November 2005	**125**	140
– Mr Philip Tit Hon HUNG		21 November 2005	**125**	94
– Mr Lawrence Juen Yee LAU		30 April 2004	**–**	65
Non-executive directors				
– Mr Jean-Charles DECAUX	31 October 2005		**–**	–
– Ms Isabelle Claude Michele Vitry SCHLUMBERGER	31 October 2005		**–**	–
– Mr Jean-Michel Jacques GEFFROY	31 October 2005		**–**	–
– Mr David BOURG	31 October 2005		**–**	–
– Mr Gerald Lokchung CHAN		21 November 2005	**125**	140
			603	579

(b) Executive directors

For the years ended 31 December 2004 and 2005, the remuneration paid to executive directors was as follows:

	Date of appointment	Date of resignation	Fees	Basic salaries, housing and other allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
			$'000	*$'000*	*$'000*	*$'000*	*$'000*
2005							
Executive directors							
– Mr Stephen, Hon Chiu WONG	31 October 2005		–	–	–	–	–
– Mr Brian, Wai Sum KAM	31 October 2005		–	–	–	–	–
– Ms Winnie Pik Shan TO		31 Decmeber 2005	–	1,560	150	79	1,789
– Mr George Ka Ki CHANG		21 November 2005	124	–	–	–	124
– Mr Tony Cheung Kin AU-YEUNG		21 November 2005	124	–	–	–	124
			248	1,560	150	79	2,037
2004							
Executive directors							
– Ms Winnie Pik Shan TO				1,687	650	117	2,454
– Mr George Ka Ki CHANG				140	–	7	147
– Mr Tony Cheung Kin AU-YEUNG				140	–	7	147
				1,967	650	131	2,748

During the years ended 31 December 2004 and 2005, there were no amounts paid to former directors in connection with their retirement from employment with the Group.

No amounts were paid or payable to directors as an inducement to join or upon joining the Group.

8 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Set out below are analyses of the emoluments of the four (2004: four) employees of the Group who, not being directors of the Company or its subsidiaries, were among the top five paid individuals (including directors and other employees of the Group) employed by the Group.

	2005	2004
	$'000	*$'000*
Basic salaries, housing and other allowances and benefits in kind	**4,529**	4,601
Discretionary bonuses	**409**	964
Retirement scheme contributions	**103**	221
	5,041	5,786

An analysis of senior management's emoluments by number of employees and emolument ranges is as follows:

	2005	2004
	Number of individuals	*Number of individuals*
Not more than $1,000,000	**1**	–
$1,000,001 – $1,500,000	**2**	2
$1,500,001 – $2,000,000	**1**	2
	4	4

No amounts were paid or payable to senior management as an inducement to join the Group or as compensation for loss of office during the years ended 31 December 2005 and 2004.

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to equity shareholders of the Company includes a loss of $8,228,000 (2004: $8,462,000) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

The Company has not declared or paid any dividend for the year ended 31 December 2005 (2004: $Nil).

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $21,220,000 for the year ended 31 December 2005 (2004: $20,235,000) and the weighted average of 853,815,000 ordinary shares (2004: 853,800,000 ordinary shares) in issue.

Weighted average number of ordinary shares

	2005	2004
	'000	*'000*
Issued ordinary shares at 1 January	**853,800**	853,800
Effect of share options exercised	**15**	–
Weighted average number of ordinary shares at 31 December	**853,815**	853,800

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2005 is based on the adjusted profit attributable to equity shareholders of the Company of $22,563,000 (2004: $20,235,000) after adding back the finance costs of the convertible bond, and the weighted average of 1,023,815,000 ordinary shares (2004: 853,800,000 shares), after adjusting for the effects of all dilutive potential ordinary shares, as if the convertible bond had been converted into ordinary shares at the date of issuance.

(i) Profit attributable to equity shareholders to the Company (diluted)

	2005	2004
	$'000	*$'000*
Profit attributable to equity shareholders	**21,220**	20,235
After tax effect of effective interest on liability component of convertible bonds	**1,343**	–
Profit attributable to equity shareholders (diluted)	**22,563**	20,235

(ii) Weighted average number of ordinary shares

	2005	2004
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**853,815**	853,800
Effect of conversion of convertible bonds *(note 32)*	**170,000**	–
Weighted average number of ordinary shares (diluted) at 31 December	**1,023,815**	853,800

No diluted earnings per share for the year ended 31 December 2004 has been presented, as there were no dilutive potential ordinary shares during the year.

12 SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of the advertisements placed by customers and the location of the provision of advertising and related services rendered to customers is chosen as the reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions.

Geographical segments by the location of customers and by the location of assets

The Group's business can be subdivided into the Mainland China and Hong Kong markets.

The Group's geographical segments are classified according to the location of the advertisements placed by customers and the location of the provision of advertising and related services rendered to customers. No separate disclosure of the Group's geographical segments according to the location of assets has been made as there is no material difference between the Group's geographical segments classified by location of customers or by location of assets.

Management consider that all items in the consolidated profit and loss account and assets included in the consolidated balance sheet can be reasonably allocated to each geographical segment.

Business segments

No information has been disclosed in respect of the Group's business segments as the Group operates only one business segment which is the provision of advertising and related services.

	Year ended 31 December									
	Hong Kong		Mainland China		Inter-segment elimination		Unallocated		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover	**79,956**	54,439	**348,611**	298,198	**–**	–	**–**	–	**428,567**	352,637
Other revenue	**1,367**	19	**18,944**	13,682	**–**	–	**1,572**	473	**21,883**	14,174
Total revenue	**81,323**	54,458	**367,555**	311,880	**–**	–	**1,572**	473	**450,450**	366,811
Segment result and profit/ (loss) from operations	**5,689**	(694)	**21,286**	27,276	–	–	**(7,029)**	(7,420)	**19,946**	19,162
Finance costs	**(487)**	(162)	**(10,404)**	(13,449)	**–**	–	**(2,940)**	(2,108)	**(13,831)**	(15,719)
Share of profits of an associate	**7,121**	4,938	**–**	–			**–**	–	**7,121**	4,938
Share of profits less losses of jointly controlled entities	**–**	–	**26,125**	19,268			**–**	–	**26,125**	19,268
Profit/(loss) before taxation	**12,323**	4,082	**37,007**	33,095			**(9,969)**	(9,528)	**39,361**	27,649
Income tax	**822**	–	**(11,166)**	(4,448)			**–**	–	**(10,344)**	(4,448)
Profit/(loss) after taxation	**13,145**	4,082	**25,841**	28,647			**(9,969)**	(9,528)	**29,017**	23,201
Minority interests	**43**	39	**(7,840)**	(3,005)			**–**	–	**(7,797)**	(2,966)
Profit/(loss) attributable to equity shareholders of the Company	**13,188**	4,121	**18,001**	25,642			**(9,969)**	(9,528)	**21,220**	20,235
Depreciation and amortisation	**461**	491	**48,638**	41,583			**–**	–	**49,099**	42,074
Capital expenditure incurred during the year	**1,613**	42	**134,208**	21,557			**–**	–	**135,821**	21,599
Utilisation of provision for onerous contracts	**408**	998	**–**	–			**–**	–	**408**	998
Segment assets #	**47,757**	48,699	**1,030,413**	833,909	**(116,549)**	(116,205)	**36,840**	45,439	**998,461**	811,842
Interest in an associate	**10,606**	9,365	**–**	–	**–**	–	**–**	–	**10,606**	9,365
Interest in jointly controlled entities	**–**	–	**73,429**	68,206	**–**	–	**–**	–	**73,429**	68,206
Amounts due from a jointly controlled entity	**–**	–	**19,231**	18,868	**–**	–	**–**	–	**19,231**	18,868
Total assets									**1,101,727**	908,281
Segment liabilities #	**(169,985)**	(183,335)	**(448,504)**	(277,343)	**116,549**	116,205	**(7,237)**	(5,107)	**(509,177)**	(349,580)
Unallocated liabilities							**(84,196)**	(85,000)	**(84,196)**	(85,000)
Total liabilities									**(593,373)**	(434,580)
Minority interests	**(82)**	(126)	**(31,981)**	(25,103)					**(32,063)**	(25,229)

Segment assets and liabilities are before elimination of inter-segment balances.

* Inter-segment elimination of $116,549,000 (2004: $116,205,000) represents inter-segment current accounts.

13 FIXED ASSETS

The Group

	Leasehold improvements	Advertising displays	Computer equipment	Furniture, fixtures and equipment	Motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:						
At 1 January 2005	5,126	18,977	11,897	3,521	2,761	42,282
Additions	326	13,598	2,360	301	1,159	17,744
Disposals	–	–	(515)	(176)	(10)	(701)
Exchange difference	88	469	207	33	51	848
At 31 December 2005	5,540	33,044	13,949	3,679	3,961	60,173
Accumulated depreciation:						
At 1 January 2005	3,795	14,404	6,200	2,316	1,357	28,072
Charge for the year	436	2,350	3,351	269	641	7,047
Written back on disposals	–	–	(388)	(54)	–	(442)
Exchange difference	48	227	98	22	26	421
At 31 December 2005	4,279	16,981	9,261	2,553	2,024	35,098
Net book value:						
At 31 December 2005	1,261	16,063	4,688	1,126	1,937	25,075

	Leasehold improvements *$'000*	Advertising displays *$'000*	Computer equipment *$'000*	Furniture, fixtures and equipment *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost:						
At 1 January 2004	4,408	17,434	10,238	3,015	2,336	37,431
Additions	718	1,543	3,235	174	661	6,331
Disposals	–	–	(1,164)	(80)	(236)	(1,480)
Reclassification	–	–	(412)	412	–	–
At 31 December 2004	5,126	18,977	11,897	3,521	2,761	42,282
Accumulated depreciation:						
At 1 January 2004	3,208	12,564	4,744	1,978	1,064	23,558
Charge for the year	587	1,840	1,769	302	406	4,904
Written back on disposals	–	–	(218)	(59)	(113)	(390)
Reclassification	–	–	(95)	95	–	–
At 31 December 2004	3,795	14,404	6,200	2,316	1,357	28,072
Net book value:						
At 31 December 2004	1,331	4,573	5,697	1,205	1,404	14,210

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	$'000	*$'000*
Unlisted shares, at cost	**100**	100
Loans to subsidiaries	**184,728**	184,728
Amounts due from subsidiaries	**170,208**	162,010
Amounts due to subsidiaries	**(9,787)**	(4,034)
	345,249	342,804

The loans to subsidiaries and the amounts due from/to subsidiaries are non-current as these are not expected to be receivable/payable within the next twelve months.

The following list contains only the particulars of subsidiaries which principally affect the results or net assets of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(e) and have been consolidated into the financial statements.

Name of company	Place of incorporation/ establishment and operation (Form of business structure)	Proportion of attributable equity interest held directly	indirectly	Issued share capital/ registered capital	Principal activities
Polyland Holdings Limited	British Virgin Islands	100%	–	US$1	Investment holding
Media Partners International Limited ("MPIL")	Hong Kong	–	100%	HK$647	Outdoor advertising agent and nvestment holding
Media Partners International (Hong Kong) Limited	Hong Kong	–	100%	HK$2	Outdoor advertising agent
Signmaker Company Limited	Hong Kong	–	100%	HK$2	Signage production and maintenance
Shanghai Media Partners International Ltd.	People's Republic of China (Sino-foreign equity joint venture)	–	100%	US$15,300,000	Advertising agent, advertising licensor and licensee, and advertising consultant
Nanjing Media Partners International Public Transport Advertising Co., Ltd.	People's Republic of China (Sino-foreign co-operative joint venture)	–	87.6%	RMB68,500,000	Advertising agent and advertising consultant
Chongqing MPI Public Transportation Advertising Co., Ltd.	People's Republic of China (Sino-foreign co-operative joint venture)	–	60%	US$500,000	Advertising agent and advertising consultant
Chengdu MPI Public Transport Advertising Co., Ltd.	People's Republic of China (Sino-foreign co-operative joint venture)	–	50%	US$500,000	Advertising agent and advertising consultant
Nanjing Metro Media Partners Advertising Co., Limited	People's Republic of China (Sino-foreign co-operative joint venture)	–	70%	RMB60,000,000	Advertising agency business on Nanjing Metro Line 1
Shanghai Donghu MPI Advertising Company Limited	People's Republic of China (Sino-foreign co-operative joint venture)	–	70%	US$1,200,000	Outdoor advertising agency business on Shanghai Metro Line 4

15 INTEREST IN AN ASSOCIATE

	The Group	
	2005	2004
	$'000	*$'000*
Share of net assets other than goodwill	**10,606**	9,365

Name of company	Place of incorporation/ operation	Issued share capital/ registered capital	Attributable proportion of equity interest directly	Attributable proportion of equity interest indirectly	Principal activities
POAD Group Limited ("POAD")	Hong Kong	$1,000	–	49%	Provision of advertising production and agency services

The Group's share of assets and liabilities and results of the associate is summarised below:

	2005	2004
	$'000	*$'000*
Non-current assets	**4,226**	4,808
Current assets	**69,236**	43,697
Current liabilities	**(51,779)**	(29,299)
Non-current liabilities	**(38)**	(94)
Total equity	**21,645**	19,112
Share of net assets	**10,606**	9,365
Revenue	**151,441**	131,084
Profit after tax and minority interests	**14,533**	10,078
Dividends	**(12,000)**	–
Group's share of profit after tax	**7,121**	4,938
Share of retained profits (after dividends) attributable to the Group	**1,241**	4,938

16 INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2005	2004
	$'000	*$'000*
Share of net assets other than goodwill	**73,429**	68,206
Amounts due from a jointly controlled entity	**19,231**	18,868
	92,660	87,074

Details of the Group's interest in the jointly controlled entities are as follows:

Name of company	Form of business structure	Place of incorporation/ establishment and operation	Particulars of registered capital	Group's share of profits or losses	Principal activities
Shanghai Metro-ads Advertising Co., Ltd *(Note a)*	Co-operative joint venture	People's Republic of China	US$ 2,100,000	90%	Outdoor advertising agent
Guangzhou Yong Tong Metro Advertising Company Limited *(Note b)*	Co-operative joint venture	People's Republic of China	RMB 23,400,000	32.5%	Outdoor advertising agent
Shanghai Zhongle Vehicle Painting Co. Ltd *(Note c)*	Equity joint venture	People's Republic of China	US$300,000	40%	Vehicle signage production

Notes:

a) **Shanghai Metro-ads Advertising Co., Ltd ("Shanghai Metro JV")**

The Group's interest in Shanghai Metro JV is held through a wholly-owned subsidiary which has contributed 100% of the registered capital.

Notwithstanding the contribution of 100% of the registered capital and the profit sharing arrangements of Shanghai Metro JV, the Group accounts for this investment as a jointly controlled entity as it only has joint control of the board of directors.

b) **Guangzhou Yong Tong Metro Advertising Company Limited ("Guangzhou Metro JV")**

The Group is entitled to share 32.5% of the financial results and net assets of Guangzhou Metro JV in accordance with the terms of the joint venture agreement. The Group's interest in Guangzhou Metro JV is held through a wholly-owned subsidiary which has contributed 100% of the registered capital.

Amounts due from the jointly controlled entity of $19,231,000 (2004: $18,868,000) are non-interest bearing, unsecured and have no fixed terms of repayment. These amounts represent part of the total cost of purchase of a property in Guangzhou and are not expected to be settled before 31 December 2006 (see note 38 for further details).

c) **Shanghai Zhongle Vehicle Painting Co, Ltd ("Shanghai Production JV")**

The Group is entitled to share 40% of the financial results and net assets of Shanghai Production JV in accordance with the terms of the joint venture agreement. The Group's interest in Shanghai Production JV is held through a wholly-owned subsidiary which has contributed 40% of the registered capital.

The Group's share of assets and liabilities and results of the jointly controlled entities are summarised below:

	2005		**2004**	
	Total	**Share**	Total	Share
	$'000	***$'000***	*$'000*	*$'000*
Non-current assets	**45,241**	**17,957**	47,676	20,301
Current assets	**97,604**	**74,827**	126,745	101,000
Current liabilities	**(63,568)**	**(42,956)**	(102,170)	(77,076)
Non-current liabilities	**(19,231)**	**(6,250)**	(19,231)	(6,250)
Total equity	**60,046**	**43,578**	53,020	37,975
Additional capital injection		**30,594**		30,016
Net exchange translation difference		**(743)**		215
Share of net assets of jointly controlled entities		**73,429**		68,206
Turnover	**254,395**	**172,153**	217,376	144,045
Profits for the year	**28,507**	**25,817**	20,097	19,637
Amortisation of investment cost		**(291)**		(291)
Net exchange translation difference		**599**		(78)
Share of results of jointly controlled entities		**26,125**		19,268

17 ADVERTISING RIGHTS

	The Group	
	2005	2004
	$'000	*$'000*
Cost:		
At 1 January	**459,374**	467,068
Additions	**118,077**	1,589
Disposals	**–**	(9,283)
Exchange difference	**5,749**	–
At 31 December	**583,200**	459,374
Accumulated amortisation:		
At 1 January	**210,035**	175,485
Charge for the year	**42,052**	36,851
Written back on disposals	**–**	(2,301)
Exchange difference	**2,155**	–
At 31 December	**254,242**	210,035
Net book value:		
At 31 December	**328,958**	249,339

Pursuant to agreements signed between certain subsidiaries of the Group and various companies in the PRC, the Group has acquired exclusive advertising rights to certain bus routes, billboards and street furniture in major cities in the PRC. The cost of advertising rights represents fees paid to secure exclusive advertising rights over fixed periods of time which normally range from 5 to 20 years.

The amortisation charge for the year is included in "profit from operations" in the consolidated profit and loss account.

18 OTHER INVESTMENTS

Other investments represent an amount of $50,481,000 (equivalent to RMB52,500,000) (2004: $49,528,000 (equivalent to RMB52,500,000) paid by a subsidiary of the Company to an independent third party in respect of a commercial arrangement for the planning, development and marketing of certain existing and future advertising media in Shanghai ("the Arrangement").

The term of the Arrangement is for the period of 20 years from 1 November 2002 to 31 October 2022. For the period from the effective date of the Arrangement to 31 December 2005, the independent third party warrants that the subsidiary shall receive (i) a predetermined payment (the "Guaranteed Return") from the independent third party, being $11,321,000 (RMB12,000,000) for the year ended 31 December 2003, $16,509,000 (RMB17,500,000) for the year ended 31 December 2004 and $17,925,000 (RMB19,000,000) for the year ended 31 December 2005), and (ii) an additional amount per annum (if any) representing 35% of the annual pre-tax operating profit derived from the Arrangement after deducting the relevant Guaranteed Return payable.

For each year of the remainder of the Arrangement, the independent third party will undertake to pay 35% of the annual pre-tax operating profit derived from the Arrangement to the subsidiary.

Barring unanticipated developments, it is the present intention of the Group to replace the current Arrangement by establishing a joint venture with the independent third party in the foreseeable future subject to and in compliance with the prevailing PRC legislation and government policies.

Subsequent to the balance sheet date, the Group entered into an agreement to convert the other investments of $50,481,000 into an 18% equity interest in the independent third party.

19 GOODWILL

	The Group	
	2005	2004
	$'000	*$'000*
Cost:		
At 1 January	**3,059**	3,059
Opening balance adjustments *(note (b))*	**(824)**	–
At 1 January (restated) and 31 December	**2,235**	3,059
Accumulated amortisation:		
At 1 January	**824**	505
Opening balance adjustments *(note (b))*	**(824)**	–
At 1 January (restated)	**–**	505
Charge for the year	**–**	319
At 31 December	**–**	824
Carrying amount:		
At 31 December	**2,235**	2,235

(a) Goodwill arose from the acquisition of the remaining 5% interest in Metrolink Investments Ltd. ("Metrolink") from the minority shareholders for a consideration of $3,500,000 in 2002.

(b) As explained further in note 1(g), with effect from 1 January 2005 the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date.

20 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Accounts receivable	**60,091**	43,675	**–**	–

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Other receivables and prepayments	**13,255**	11,821	**239**	189
Utility and rental deposits	**85,906**	56,404	**7**	–
Amounts due from joint venture partners	**9,820**	10,003	**–**	–
Others	**4,837**	3,229	**–**	–
	113,818	81,457	**246**	189

The amount of other receivables, deposits, and prepayments of the Group expected to be recovered after more than one year is $15,343,000 (2004: $32,676,000). The remaining amount is expected to be recovered within one year.

An ageing analysis of accounts receivable at the year end is as follows:

	The Group	
	2005	2004
	$'000	*$'000*
Current	**15,613**	25,363
One to three months overdue	**22,157**	17,490
More than three months overdue	**22,321**	822
	60,091	43,675

Debts are due within 30 days from the date of billing.

21 AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts due from jointly controlled entities are interest free, unsecured and repayable on demand.

22 AMOUNTS DUE FROM MINORITY SHAREHOLDERS

The amounts due from minority shareholders are non-interest bearing, unsecured and repayable on demand except for amounts of $240,000 (2004: $1,138,000) which are interest bearing at a rate of 2% (2004: 2%) per annum.

All amounts due from minority shareholders are expected to be recovered within one year.

23 AMOUNTS DUE FROM/TO RELATED COMPANIES

The amounts due from/to related companies are interest free, unsecured and repayable on demand.

24 PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits placed with banks as security for banking facilities made available to the Group. Of the total pledged deposits, $133,735,000 (2004: $128,229,000) was utilised to secure the bank loans set out in note 26.

25 CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks and other financial institutions	**106,536**	68,655	**33,249**	43,150
Cash at bank and in hand	**148,758**	140,022	**3,032**	1,887
Cash and cash equivalents in the balance sheet *(note (a))*	**255,294**	208,677	**36,281**	45,037

Notes:

(a) In July 2002, the subsidiary of the Group placed aggregate cash equivalents of $76,923,000 (equivalent to RMB80,000,000) into a jointly controlled bank account for the construction of advertising media facilities pursuant to an agreement with an independent third party. At 31 December 2005, cash held by the Group under a jointly controlled bank account of $52,025,000 (2004: $51,135,000) is included in cash and cash equivalents of the Group.

(b) Cash and cash equivalents include $140,583,000 (2004: $121,929,000) which is denominated in Renminbi ("RMB") in the amount of RMB146,207,000 (2004: RMB129,245,000). RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, in certain circumstances the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Included in cash and cash equivalents and pledged bank deposits are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:–

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
United States dollars	**166,910**	181,048	**10,114**	44,373
Renminbi	**140,583**	121,929	**–**	–
Hong Kong dollars	**83,791**	36,294	**–**	–

26 BANK LOANS

	The Group	
	2005	2004
	$'000	*$'000*
Bank loans (secured)	**264,712**	220,472
Less: Bank loans repayable after one year	**(50,000)**	–
	214,712	220,472

The banking facilities of certain subsidiaries are secured by deposits of $135,990,000 (2004: $130,594,000) placed with banks at 31 December 2005. Such banking facilities, amounting to $407,881,000 (2004: $421,887,000), were utilised in respect of bank loans and bank guarantees to the extent of $264,712,000 (2004: $220,472,000) and $4,510,000 (2004: $4,730,000) respectively.

The secured bank loans of $264,712,000 (2004: $220,472,000) are secured by term deposits of $133,735,000 (2004: $128,229,000) pledged with banks and guarantees granted by the Company.

27 ENTRUSTED LOAN

Pursuant to an entrusted loan agreement entered into between a subsidiary of the Group and a jointly controlled entity of the Group in August 2004, a designated account with a balance of RMB20,550,000 (equivalent to $19,760,000) ("designated deposit") was placed by the jointly controlled entity of the Group as security for a loan of the same amount advanced to the subsidiary of the Group ("entrusted loan").

The entrusted loan is interest free and is secured by the designated deposit placed by the jointly controlled entity of the Group. The entrusted loan of RMB20,550,000 (equivalent to $19,760,000) at 31 December 2005 is expected to be settled on or before 31 December 2006.

28 ACCOUNTS PAYABLE, OTHER PAYABLES, DEPOSITS AND PROVISIONS

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Accounts payable	**132,823**	20,532	**–**	–
Less: accounts payable to be settled after one year	**(64,100)**	–	**–**	–
	68,723	20,532	**–**	–

	The Group		The Company	
	2005	2004	**2005**	2004
	$'000	*$'000*	***$'000***	*$'000*
Other payables	**13,446**	10,093	**–**	33
Deferred revenue	**3,237**	2,750	**–**	–
Deposits received in advance	**31,363**	33,603	**–**	–
Accrued expenses	**23,046**	14,943	**2,610**	2,690
Provision for onerous contracts *(note 28(c))*	**378**	507	**–**	–
	71,470	61,896	**2,610**	2,723

Deferred revenue represents the amounts received before the related work was performed.

Deposits received in advance represent advertising site rental deposits received from advertisers and advances from customers.

(a) Included in the accounts payable of $132,823,000 are amounts of $64,100,000 which are expected to be settled after more than one year.

(b) Included in accounts payable, other payables, deposits and accruals are accounts payable with the following ageing analysis:

	The Group	
	2005	2004
	$'000	*$'000*
Current	**5,593**	2,479
One to three months	**43,919**	6,343
More than three months	**19,211**	11,710
	68,723	20,532

(c) Provision for onerous contracts

	The Group	
	2005	2004
	$'000	*$'000*
Balance at 1 January	**507**	1,505
Additions during the year	**279**	–
Provisions utilised during the year	**(408)**	(998)
Balance at 31 December	**378**	507

29 AMOUNTS DUE TO JOINTLY CONTROLLED ENTITIES

The amounts due to jointly controlled entities are interest free, unsecured and repayable on demand.

30 EMPLOYEE RETIREMENT BENEFITS

Set out below are certain particulars of defined contribution retirement schemes operated by the Group.

(a) Nature of the schemes

The Group participates in Mandatory Provident Fund ("MPF") schemes operated by an approved MPF trustee. All employees of the Group's subsidiaries in Hong Kong make monthly contributions to the MPF schemes at 5% of the employees' monthly salaries and the Group makes monthly contributions to the MPF schemes at 5% to 10% of the employees' monthly salaries. The Group's mandatory contributions which comply with the minimum requirements of the Mandatory Provident Fund Schemes Ordinance will be fully and immediately vested in the employees' accounts as their accrued benefits in the schemes. In respect of the Group's voluntary contributions to the MPF schemes for the employees, the employees are entitled to receive 100% of the Group's contributions and accrued interest thereon upon retirement or upon leaving the Group after completion ten years of service, or at a reduced scale of between 10% to 90% after completing one to nine years of service.

The employees of the Group's subsidiaries in the PRC, are members of central pension schemes operated by the local governments in the PRC and these subsidiaries make mandatory contributions to these central pension schemes to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on certain percentages of the employees' salaries cost in accordance with the relevant regulations in the PRC, which range from 9% to 22% (2004: 9% to 22%), and are charged to the consolidated profit and loss account as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

(b) Retirement benefit costs for the year were as follows:

	The Group	
	2005	2004
	$'000	*$'000*
Retirement contributions payable to retirement schemes	**2,860**	1,942
Forfeited contributions refunded to the Group	**(140)**	(77)
Total net contributions payable to retirement schemes	**2,720**	1,865

At 31 December 2005, there were no forfeited contributions (2004: $Nil), which arose upon employees leaving the retirement schemes up to 31 December 2005, available to reduce the contributions payable by the Group in future periods.

31 TAXATION

	The Group	
	2005	2004
	$'000	*$'000*
Provision for FEIT in the PRC for the year	**10,750**	8,704
Tax paid during the year	**(6,878)**	(6,273)
Taxation payable	**3,872**	2,431

None of the taxation payable in the balance sheet is expected to be settled after more than one year.

32 CONVERTIBLE BOND

	The Group and the Company	
	2005	2004
	$'000	*$'000*
Original convertible bond *(note (a))*		
At 1 January	–	85,000
Cancelled during the year	–	(85,000)
At 31 December	–	–
New convertible bond		
At 1 January	**82,567**	–
Issued during the year *(note (b))*	–	85,000
Finance costs for the year *(note (c))*	**1,629**	–
At 31 December	**84,196**	85,000

Notes:

(a) Details of the original convertible bond ("Original CB") were set out in note 31 of the 2004 annual report.

(b) **New convertible bond**

On 13 October 2004, the Company entered into an agreement with bond holder whereby the Company agreed to issue a new convertible bond ("New CB") in the principal amount of $85,000,000. The New CB was issued to bond holder on 31 December 2004 in return for the cancellation of the Original CB which expired on 31 December 2004.

The term of the New CB is for the period from 31 December 2004 to 31 December 2007 (the "maturity date"). No interest is payable by the Company to the Bond Holder for the period from 31 December 2004 to 31 December 2007.

The New CB or any part thereof is convertible into the Company's shares at a price of $0.50 per share (subject to adjustments), at the option of the Bond Holder during the period commencing from 31 December 2004 to 31 December 2007.

Unless previously repurchased, cancelled, redeemed or converted, the New CB will be redeemed by the Company on the maturity date at a redemption amount equal to 103% of the principal amount, which implies a yield to maturity of approximately 0.99% per annum to the new bond holder.

JCDecaux entered into a conditional sale and purchase agreement on 15 September 2005 to acquire from Morningside CyberVentures Holdings Limited the New CB in the cash sum of $85,000,000. The acquisition was completed on 26 October 2005.

(c) Finance costs

Interest expense on the New CB for the year ended 31 December 2005 was calculated based on the effective interest method as required upon the adoption of HKAS 32 and 39, details of which are set out in note 2(b).

33 DEFERRED TAXATION

(a) Deferred tax (assets)/liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation	**Future benefit of tax losses**	**Total**
	$'000	*$'000*	*$'000*
At 1 January 2004	45	–	45
Credited to the consolidated profit and loss account *(note 6(a))*	–	(4,256)	(4,256)
At 31 December 2004	45	(4,256)	(4,211)
At 1 January 2005	45	(4,256)	(4,211)
Credited to the consolidated profit and loss account *(note 6(a))*	–	(406)	(406)
At 31 December 2005	45	(4,662)	(4,617)

	The Group	
	2005	2004
	$'000	*$'000*
Net deferred tax assets recognised in the consolidated balance sheet *(note 6(a))*	**(4,662)**	(4,256)
Net deferred tax liabilities recognised in the consolidated balance sheet	**45**	45
	(4,617)	(4,211)

At 31 December 2005, the Group recognised deferred tax assets arising from the future benefits of tax losses of $4,662,000 (2004: $4,256,000). The deferred tax assets are recognised to the extent that the directors consider that it is probable that the subsidiaries of the Group will generate future taxable profits against which the deferred tax assets can be utilised, prior to their expiry.

(b) The major component of unprovided deferred taxation of the Group is the future benefit of tax losses of $6,181,000 (2004: $7,066,000).

The Group has not accounted for the deferred taxation assets attributable to the future benefit of tax losses generated from the Hong Kong operations as the availability of future taxable profits from the Hong Kong operations against which the assets can be utilised is uncertain at 31 December 2005. The tax losses of the Hong Kong operations do not expire under current tax legislation.

34 SHARE CAPITAL

	2005		2004	
	Number of shares	**Amount**	Number of shares	Amount
		$'000		*$'000*
Authorised:				
At 1 January	**1,500,000,000**	**150,000**	1,000,000,000	100,000
Increase during the year	**–**	**–**	500,000,000	50,000
At 31 December	**1,500,000,000**	**150,000**	1,500,000,000	150,000
Issued and fully paid:				
At 1 January	**853,800,000**	**85,380**	853,800,000	85,380
Shares issued during the year	**90,000**	**9**	–	–
At 31 December	**853,890,000**	**85,389**	853,800,000	85,380

On 13 December 2004, the authorised share capital of the Company was increased from $100,000,000 to $150,000,000 by the creation of an additional 500,000,000 shares of $0.10 each ranking pari passu with the then existing shares in all respects.

During the year ended 31 December 2005, 90,000 share options were exercised by an ex-employee at an exercise price of $0.62 per share.

Share option scheme (the "Scheme")

The Company conditionally adopted the Scheme on 7 January 2002 whereby any employees (whether or not full-time or part-time and, for the avoidance of doubt, including the Directors of the Group except Mr Gerald Lokchung Chan) who, at the sole discretion of the Directors have, subject to the terms of the Scheme, contributed to the Group, may be granted options to subscribe for shares in the Company. Details of the Scheme are disclosed in the Directors' Report.

The maximum number of shares in respect of which options may be granted under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time.

Pursuant to written resolutions of all the members of the Remuneration Committee dated 20 May 2002 and 13 August 2002 respectively and the minutes of a Directors' meeting dated 13 August 2002, the Company granted options to subscribe for a total of 18,448,000 shares of the Company at exercise price of $0.62 per share which are exercisable during the period from 14 August 2002 to 13 August 2012, both dates inclusive.

Pursuant to written resolutions of all the members of the Remuneration Committee dated 25 May 2005 and 20 June 2005, the Company granted options to subscribe for a total of 13,050,000 shares and 5,000,000 shares of the Company at exercise price of $0.59 per share and $0.55 per share respectively, which were exercisable during the period from (a) 25 May 2005 to 24 May 2015 and (b) 13 June 2005 to 12 June 2015, both dates inclusive.

(a) Movements in share options

	2005	2004
	Number	*Number*
At 1 January	**15,448,000**	15,938,000
Granted	**18,050,000**	–
Exercised	**(90,000)**	–
Cancelled	**(28,828,000)**	–
Lapsed	**(4,580,000)**	(490,000)
At 31 December	**–**	15,448,000
Options vested at 31 December	**–**	7,661,500

(b) Terms of unexpired and unexercised share options at the balance sheet date

Date granted	**Exercise period**	**Exercise price**	**2005**	2004
			Number	*Number*
14 August 2002	14 August 2002 to 13 August 2012	$0.62	**–**	15,448,000
25 May 2005	25 May 2005 to 24 May 2015	$0.59	**–**	–
13 June 2005	13 June 2005 to 12 June 2015	$0.55	**–**	–

(c) Following the Acquisition by JCDecaux Pearl and Dean Limited in October 2005 as described in note 1 to the financial statements, the share options outstanding at 31 December 2004 and share options granted during the year ended 31 December 2005 have either been cancelled or have lapsed. No share options were outstanding at 31 December 2005.

35 RESERVES

(a) The Group

	Note	Share capital $'000	Share premium $'000	Merger Reserves $'000	Other capital reserves $'000	Convertible bond and Share option reserves $'000	Exchange reserves $'000	Revenue reserves $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 January 2004		85,380	233,715	255,366	(61,518)	–	1,064	(85,713)	428,294	20,992	449,286
Movement for the year		–	–	–	–	–	(57)	–	(57)	1,271	1,214
Net profit for the year		–	–	–	–	–	–	20,235	20,235	2,966	23,201
At 31 December 2004		85,380	233,715	255,366	(61,518)	–	1,007	(65,478)	448,472	25,229	473,701
At 1 January 2005											
– as previously reported		85,380	233,715	255,366	(61,518)	–	1,007	(65,478)	448,472	25,229	473,701
– opening balance adjustment in respect of the convertible bond	2(b)	–	–	–	–	2,433	–	–	2,433	–	2,433
– transfer to revenue reserves from other capital reserves in respect of negative goodwill	2(a)	–	–	–	(12,527)	–	–	12,527	–	–	–
– as restated		85,380	233,715	255,366	(74,045)	2,433	1,007	(52,951)	450,905	25,229	476,134
Movement in respect of share options during the year	34	9	46	–	–	–	–	–	55	–	55
Movement during the year		–	–	–	–	–	–	503	503	4,679	5,182
Dividends paid to minority interests by a subsidiary		–	–	–	–	–	–	–	–	(5,642)	(5,642)
Movement arising from changes in exchange rates		–	–	–	–	–	3,608	–	3,608	–	3,608
Profit for the year		–	–	–	–	–	–	21,220	21,220	7,797	29,017
At 31 December 2005		85,389	233,761	255,366	(74,045)	2,433	4,615	(31,228)	476,291	32,063	508,354

* Movement during the year includes the establishment of a share option reserve of $503,000 in respect of share options granted during the year ended 31 December 2005 which was released to revenue reserves at 31 December 2005 upon cancellation of outstanding share options following the acquisition of the Company by JCDecaux in October 2005 as described in note 1 to these financial statements.

Other capital reserves represent the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the net tangible assets acquired by the Group at the date of acquisition.

Merger reserves represent the amount of reserves of subsidiaries that has been capitalised as a result of share-for-share exchanges.

	2005	2004
	$'000	*$'000*
Profit for the year is retained by:		
– The company and its subsidiaries	**14,738**	10,145
– Associate	**1,241**	4,938
– Jointly controlled entities	**5,241**	5,152
	21,220	20,235

Included in the figure for revenue reserves at 31 December 2005 are reserves of $10,236,000 (2004: $8,995,000) attributable to associate and reserves of $21,432,000 (2004: $16,191,000) attributable to the jointly controlled entities.

(b) The Company

		Share premium	**Revenue reserves**	**Total**
	Note	*$'000*	*$'000*	*$'000*
At 1 January 2004		233,715	(10,113)	223,602
Loss for the year		–	(8,462)	(8,462)
At 31 December 2004		233,715	(18,575)	215,140
At 1 January 2005				
– As previously reported		233,715	(18,575)	215,140
– Opening balance adjustment	*2(b)*	–	2,433	2,433
– As restated		233,715	(16,142)	217,573
Shares issued during the year		46	–	46
Movement for the year		–	503	503
Loss for the year		–	(8,228)	(8,228)
At 31 December 2005		233,761	(23,867)	209,894

36 FINANCIAL INSTRUMENTS

Financial assets of the Company include (a) accounts receivable, (b) other receivables, deposits and prepayments, (c) pledged bank deposits, (d) cash and cash equivalents and (e) amounts due from group companies. Financial liabilities of the Company include (a) bank loans, (b) entrusted loan, (c) accounts and other payables and (d) amounts due to group companies. The Company did not enter into any foreign exchange contracts, interest rate swaps or other financial instruments during the year ended 31 December 2005.

(a) Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, accounts and other receivables and amounts due from group companies. The company has a defined credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The general credit terms allowed range from 0 to 60 days. Normally, the company does not obtain collateral from customers.

The Company's cash and cash equivalents and pledged deposits are placed with major financial institutions.

At the balance sheet date, the Company has a certain concentration of credit risk as 6% (2004: 3%) and 17% (2004: 14%) of the total accounts receivable which were due from the Company's largest customer and the five largest customers respectively.

(b) Liquidity risk

The company maintained cash at bank and in hand of $255,294,000 at 31 December 2005 (2004: $208,677,000). The company regularly monitors its current and future funding requirements and its compliance with lending covenants, if any. The company maintains sufficient reserves of cash and maintains adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

All of the Company's borrowings are advanced from (a) financial institutions and (b) group companies. Details of the interest rates and terms of repayment of these borrowings are disclosed in notes 23, 26, 27 and 29 to the financial statements.

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they are related. The currencies giving rise to this risk are primarily United States dollars and Renminbi.

(e) Fair values

The fair values of receivables, bank balances, payables and accruals, current borrowings, provisions, non-current borrowings, non-current payable and convertible bond are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities.

37 COMMITMENTS AND CONTINGENCIES

(i) Commitments under operating leases

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases payable as follows:

	2005			2004		
	Property	**Site rentals**	**Total**	Property	Site rentals	Total
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Within one year	**2,595**	**103,849**	**106,444**	4,094	84,646	88,740
After one year but within five years	**7,428**	**391,559**	**398,987**	4,228	285,709	289,937
After five years	**1,298**	**475,390**	**476,688**	1,792	495,886	497,678
	11,321	**970,798**	**982,119**	10,114	866,241	876,355

The Group leases a number of properties and advertising sites under operating leases. The leases typically run for an initial period of one to eighteen years. Certain leases contain an option to renew upon expiry when all terms are renegotiated. Certain leases contain a contingent rental element which is based on advertising fees receivable from customers.

(ii) Other commitments

As at 31 December 2005, CQMPI, a subsidiary of the Group was a party to an agreement with its PRC joint venture partner to pay an annual fee in respect of the granting of certain bus media rights. For the years from 2011 and onwards, the annual fee will be determined through commercial negotiation between CQMPI and its PRC joint venture partner. In view of the above, the commitments mentioned above have not taken into account the annual fee to be payable by CQMPI to its PRC joint venture partner during the years from 2011 to 2029 as the amounts payable cannot be reasonably estimated.

	2005	2004
	$'000	*$'000*
Within one year	**7,788**	7,642
After one year but within five years	**40,673**	36,792
After five years	**–**	10,755
	48,461	55,189

The above commitments are not included in the operating lease commitments disclosed in note 37(i) above.

(iii) Capital commitments

Capital commitments in respect of an investment in the PRC which have been contracted for by the Group as at 31 December 2005 are as follows:

	RMB'000	***$'000***
Capital commitments contracted for:		
– In the second year from the date of issue of the business licence	**19,600**	**18,846**
– In the third year from the date of issue of the business licence	**9,800**	**9,423**

(iv) Contingent liabilities

At 31 December 2005, the Group had contingent liabilities amounting to $4,510,000 (2004: $13,315,000) in respect of bank guarantees given to independent third parties in the ordinary course of business to ensure the due performance and observance of the obligations of a subsidiary and a jointly controlled entity to certain agreements.

At 31 December 2005, guarantees given by the Company to banks to secure banking facilities made available to subsidiaries amounted to $333,731,000 (2004: $229,340,000).

38 MATERIAL RELATED PARTY TRANSACTIONS

The following transactions represent material and significant related party transactions between the Group and related parties identified by management:

In the Directors' opinion, the transactions noted below were entered into in the ordinary course of business and on normal commercial terms.

	Notes	**Year ended 31 December 2005**	Year ended 31 December 2004
		$'000	*$'000*
Income			
Management fees and other related service fees	*(a)*		
– Guangzhou Yong Tong Metro Advertising Company Limited	*(i)*	**5,924**	5,557
– Shanghai Metro-ads Advertising Co., Ltd.	*(i)*	**3,960**	3,960
		9,884	9,517

	Notes	**Year ended 31 December 2005**	Year ended 31 December 2004
		$'000	*$'000*
Advertising and other related service fees from	*(b)*		
– POAD	*(v)*	**778**	1,236
– Guangzhou Yong Tong Metro Advertising Company Limited	*(i)*	**2,355**	8,391
– Shanghai Metro-ads Advertising Co., Ltd.	*(i)*	**1,550**	1,121
		4,683	10,748
Loan interest income			
– Minority shareholder	*(c)*	**3**	23

	Notes	Period from 1 January 2005 to 26 October 2005 $'000	Year ended 31 December 2005 $'000	Year ended 31 December 2004 $'000
Expenses				
Advertising and other related services	*(b)*			
– Shanghai Zhongle	*(i)*		**20,767**	18,975
– Guangzhou Yong Tong Metro Advertising Company Limited	*(i)*		**5,111**	1,315
– POAD	*(v)*		**139**	313
			26,017	20,603
Office rentals	*(d)*			
– Hang Lung Real Estate Agency Limited	*(iv)*	**468**	**–**	628
– Noble State Company Limited	*(ii)*	**1,180**	**–**	1,349
		1,648	**–**	1,977
Administrative fees	*(e)*			
– MTI Administration Limited	*(ii)*	**228**		300
Consultancy fees	*(f)*			
– Springfield Financial Advisory Limited	*(ii)*	**105**		156
Advertising fees	*(g)*			
– 成都運興公交有限公司	*(iii)*	**5,854**		6,607
Interest on convertible bond	*(h)*			
– Morningside CyberVentures Holdings Limited	*32 & (ii)*	**1,221**	**–**	2,108
– JCDecaux Pearl & Dean Limited		**–**	**408**	–
		1,221	**408**	2,108

Notes:

Nature and the basis of the related party transactions are set out below:

(a) Management fees for accounting, administration and other related service fees are calculated based on the pre-determined rates specified in the underlying management fee agreements signed between the Group and the jointly controlled entities.

(b) Advertising and other related service fees are charged based on the amounts agreed between the Group and the related parties by reference to similar transactions with outside customers.

(c) Loan interest income received from the minority shareholder of Best Reward Venture Limited is calculated at a rate of 2% per annum on the outstanding loan advanced to the minority shareholder.

(d) Office rentals are payable at a pre-determined amount per month by reference to market rates in accordance with the terms of the tenancy agreements signed by the Group and the related parties.

(e) On 9 January 2002, the Company entered into an administrative services agreement with MTI Administration Limited ("MTI"), a wholly owned subsidiary of MSCV, the former ultimate holding company, to provide or procure the provision of administrative services to the Group. The Company agreed to pay MTI, on a monthly basis, a proportion of the monthly total staff costs in relation to such administrative services.

(f) Consultancy fees are charged based on the services provided to the Group by the related party by reference to similar transactions with outside customers.

(g) CDMPI pays 成都運興公交有限公司 ("Bus JV") 70% of the amounts received by it for the placement of advertisements on the buses owned by Bus JV and retains the remaining 30% to cover its agency fees and management fees.

(h) Interest on the convertible bond for the year ended 31 December 2004 payable to MSCV was calculated at a rate of 2.5% per annum, semi-annually in arrears. Interest on the convertible bond for the year ended 31 December 2005 was calculated based on the effective interest method, details of which are set out in note 32(c).

Details of the relationship between the related parties and the Group are set out below:

(i) Jointly controlled entities of the Group.

(ii) Part of the Morningside group, companies controlled by various trusts established by Madam Chan Tan Ching Fen, the mother of Mr Gerald Lokchung Chan (the non-executive director of the Company) for the benefit of certain members of her family and other charitable objects, excluding Hang Lung Group Limited ("Hang Lung") and its subsidiaries.*

(iii) Bus JV, a PRC sino-foreign co-operative joint venture where the foreign partner, MPI Transportation Company Limited, is part of the Morningside group and contributed 64% of the registered capital.*

(iv) A member of Hang Lung which is controlled by the trustees of trusts established by Madam Chan Tan Ching Fen, the discretionary objects of one of which includes an Associate (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) of Mr Gerald Lokchung Chan, the non-executive director of the Company.

(v) Associate of the Group.

* These companies are considered to be related to the Group for the period from 1 January 2005 to 26 October 2005. Following the acquisition of the Company by JC Decaux Pearl and Dean Limited as described in note 1(a) on the financial statements, these companies were not considered to be related parties of the Group as from 27 October 2005. Accordingly, the related party transactions cover the period from 1 January 2005 to 26 October 2005.

Transfers of assets from the Group to Guangzhou Metro JV

The Group holds the legal title of a property in Guangzhou, the PRC. The property was transferred to Guangzhou Metro JV pursuant to an agreement signed between the Guangzhou Metro Corporation and MPIL on 26 August 1999. The agreement was signed in respect of the establishment of Guangzhou Metro JV. The property is currently occupied as an office by Guangzhou Metro Corporation, the PRC partner of Guangzhou Metro JV and 廣州地鐵實業有限公司, a subsidiary of Guangzhou Metro Corporation, whereas Guangzhou Metro JV currently occupies a property as an office being held by the PRC partner in the same building. Such occupancy arrangements were determined after arm's length negotiation. The property was transferred at a value of $27,830,000 (RMB29,778,000), being the original cost to MPIL, with no profit or loss incurred on disposal by MPIL. Of the $27,830,000, $9,138,000 (RMB9,778,000) was transferred to Guangzhou Metro JV by way of an asset injection. As at 31 December 2005, the remaining amount of $19,231,000 (RMB20,000,000) (2004: $18,868,000 (RMB20,000,000) was due from Guangzhou Metro JV in respect of the above transfer which amount is non-interest bearing, unsecured and has no fixed terms of repayment.

Amounts due to and from related parties

Amounts due to and from related parties at 31 December 2005 are set out in the consolidated balance sheet of the Group.

Entrusted loan advanced by a subsidiary of the Group

Pursuant to an entrusted loan agreement entered into between a subsidiary of the Group and a jointly controlled entity of the Group in August 2004, a designated account with a balance of RMB20,550,000 (equivalent to $19,760,000) ("designated deposit") was placed by the jointly controlled entity of the Group as security for a loan of the same amount advanced to the subsidiary of the Group ("entrusted loan").

The entrusted loan is interest free and is secured by the designated deposit placed by the jointly controlled entity of the Group. The entrusted loan of RMB20,550,000 (equivalent to $19,760,000) at 31 December 2005 is expected to be settled on or before 31 December 2006.

Contingent liabilities

At 31 December 2005, a subsidiary had contingent liabilities amounting to $4,510,000 (2004: $8,585,000) in respect of a bank guarantee given to an independent third party in the ordinary course of business to ensure the due performance and the observance of the obligations of a jointly controlled entity to an agreement.

39 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.

40 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(i) Key sources of estimation uncertainty

Note 36 contains information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Assessment of impairment of non-current assets

The Directors assess the recoverable amount of non-current assets based on their value in use or on their net selling price (by reference to market prices), taking into account the anticipated future plans for the non-current assets. Estimating the value in the use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

(b) Recognition of deferred tax assets

The recognition of deferred tax assets requires formal assessment by the Group in respect of the future profitability of the related operations. In making this judgment, the Group evaluates, amongst other factors, the forecast financial performance, operations and financing cashflows.

(ii) Critical accounting judgements in applying the Group's accounting policies

The Group does not consider that there were any critical accounting judgements in applying the Group's accounting policies set out in note 1 to the consolidated financial statements.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005

Up to the date of issue of these financial statements, the HKICPA has issued certain amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2005 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

42 PARENT AND ULTIMATE HOLDING COMPANY

The directors consider the parent and ultimate holding company at 31 December 2005 to be JCDecaux SA which is incorporated in France. JCDecaux SA produces financial statements available for public use.

FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	2005	2004	2003	2002	2001
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Turnover	**428,567**	352,637	277,205	290,804	258,976
Profit/(loss) attributable to equity shareholders of the Company	**21,220**	20,235	(21,774)	(29,941)	23,387

	2005	2004	2003	2002	2001
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Assets and liabilities					
Total assets	**1,101,727**	908,281	910,292	880,655	583,713
Total liabilities	**(593,373)**	(434,580)	(461,006)	(411,318)	(401,325)
Minority interests	**(32,063)**	(25,229)	(20,992)	(20,333)	(22,438)
Capital and reserves	**476,291**	448,472	428,294	449,004	159,950

Notes:

(1) The results of the Group for the year ended 31 December 2001 have been prepared on a proforma combined basis as if the Group structure immediately after the formation of the Group for the purpose of the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Listed ("the Reorganisation") had been in existence throughout that year.

(2) The Company was incorporated in the Cayman Islands on 14 May 2001 and became the holding company of the companies now comprising the Group as a result of the Reorganisation which was completed on 9 January 2002.