

Chairman's Statement >



The financial year 2002 was a challenging period for RoadShow Holdings Limited (the "Company" or "RoadShow") and its subsidiaries (collectively referred to as the "Group"). Our financial performance felt the impact of the weak world and local economic environment that affected most commercial sectors, particularly the advertising industry. Nonetheless, compared to advertising industry norms, RoadShow performed well and continued to implement its growth strategy in a prudent, focused manner.

RoadShow has achieved a lot for a very young company in a highly competitive market. The success is largely attributable to the identification of a niche with a highly innovative concept that gains access to a large and hitherto untapped audience. The Multi-media On-board ("MMOB") business is only one and a half years old and was a largely overlooked medium until RoadShow demonstrated its potential and created value for its stakeholders. We would have accomplished more during the past year if the economic situation had been better. However, the advertising business, of which RoadShow is a part, is very sensitive to corporate results and general economic conditions.

As at the end of 2002 we had 2,600 franchised public buses and 200 public light buses with MMOB. On an average weekday, RoadShow is able to reach around 2.75 million people. MMOB gives the RoadShow Group a significant competitive advantage over traditional media channels in addition to bus body advertising and advertising spaces in passenger shelters.

Our plans are to offer real time news and traffic information when we eventually use bus tracking technology via a Global Positioning System ("GPS") for MMOB transit vehicles.

Going forward it is difficult to predict when the world and local economies will recover, although we anticipate that there will be a lag before the upturn translates into higher advertising spending. Whilst we are in this lacuna, RoadShow continues to lay the groundwork for further expansion, particularly in Mainland China through various joint ventures that involve the best enterprises in the best locations in the country.

Results for the year For the year ended 31 December 2002, the Group reported total operating revenue of HK\$173.4 million and profit attributable to shareholders of HK\$55.0 million, representing a decrease of approximately 42% and 65% respectively from 2001. The Group's revenue was derived principally from its media sales and management business operated in both Hong Kong and Mainland China, with each accounting for approximately 84% and 6% respectively of the Group's total operating revenue for the year ended 31 December 2002.

The decrease in revenue was principally the result of a marked recession in Hong Kong's economy and the contraction of the advertising market in Hong Kong in 2002 as compared to 2001. Declining GDP growth rates, rising unemployment and sliding consumer confidence all indicated an economic environment posed with great challenges, weak market demand and intense price competition. This was particularly reflected in the media sales business of Hong Kong which is significantly related to the profitability of corporate clients.

Dividend At the forthcoming Annual General Meeting, the Directors of the Company will recommend the payment of a final dividend of HK2 cents per share for the year ended 31 December 2002 (2001: HK3.8 cents).

Prospects Having built an almost unassailable position in the markets it serves, RoadShow's successful entry into the mainland of China demonstrated that its innovative concept is readily exportable to markets outside Hong Kong.

Our presence in key Chinese cities, teaming with leading Chinese entities, offers tremendous opportunities. We can expect that with China's entry into the World Trade Organization, as well as her hosting of the 2008 Olympic Games in Beijing and of the 2010 World Expo in Shanghai, the advertising market in China will show a very sharp increase.

In terms of long-term potential, the Mainland market is immeasurably larger than Hong Kong. And, whilst there will be a great deal of competition, we are there with our innovative concept that is unique in the advertising industry.

RoadShow's connections with the KMB Group are a definite advantage in doing business in Mainland China. We have strong relationships with many transport operators and, as a Hong Kong based company, we also have the advantage of possessing great insight into the Chinese market and an indepth understanding of the Chinese culture. As MMOB and our other services are public transport based, these assets give us a significant competitive edge.



Passengers watching MMOB programmes on buses.

We anticipate that given RoadShow's reputation for innovation and quality service, these initial investments will attract the attention of other leading Chinese advertising companies interested in exploring joint venture relationships.

In Hong Kong, our business will continue to grow as we continue to strengthen relationships with existing customers and diversify by aggressively adding to our client base.

We will, however, continue moving ahead in a prudent manner. RoadShow is a cash rich company with low gearing and is able to weather the economic malaise and prepare itself to take advantage of better economic times when they materialise.

Long term strategy Our core strategy is to meet the needs and expectations of public transport operators and advertisers and to continue to expand the business to transit vehicles in the Greater China region and other countries.

We will seek strategic and profitable partnerships in carrying out MMOB business in other modes of transportation to expand our delivery channels and geographical reach and we will also diversify our operations to increase our revenue base and operating efficiency.

System development also remains a top priority. We will pursue the development of GPS that will benefit KMB's bus operations, enable the provision of real time information to our audience and add value to RoadShow's services. The system will also enable the bus operators whom we serve to expand their own systems and develop new applications. We will continue to test GPS applications with various suppliers, but we will not implement a system until our stringent specifications are met or surpassed.

We know from experience that public transit vehicles become the transportation mode of choice during tough times because of cost considerations. Thus the size of our viewing audience should remain strong and complement our efforts at expanding the MMOB system that will ultimately increase to more than 4,000 transit vehicles carrying some four million passengers daily in Hong Kong alone.

We will work diligently to provide our advertisers with a cost effective access to a growing audience consisting of people who are leaving their homes to either earn money or spend it. Our passengers benefit by receiving essential public transit information and infotainment at no extra cost and we are continuously taking steps to improve and enrich the content of our programming.

China's rapid economic growth has led to the country becoming the fastest growing advertising market in the Asia-Pacific. Our strategy includes seeking opportunities to acquire or to invest in complementary businesses or to establish joint ventures that the Company believes will complement its current or future businesses. The Group will continue to monitor developments in Mainland China and pace its strategy to establish this regional network accordingly.

Our vision is to be the leading media sales company in the Greater China region by providing value-added services to passengers and an effective advertising medium for advertisers at competitive prices. While pursuing this goal, the RoadShow Group will build our stakeholders' understanding and confidence in the Group's long-term plans and development through transparency, communication and performance.

Our people The success of RoadShow is dependent on our experienced and professional staff. The Board thanks our employees for their invaluable contributions to the business over the past year and counts on their support for the continuing success of our new business in the future.

Directors Many thanks go to the Audit Committee, chaired by Mr Norman Leung Nai Pang with Ms Carlye Wai-Ling Tsui and Mr Hui Ki On as members, for the painstaking and professional work they have done during the year.

I would like to express my sincere appreciation and thanks to my fellow directors, in particular the Group Managing Director, Ms Winnie J. Ng, for their support and contributions towards the successful performance of the Group.

John CHAN Cho Chak
Chairman