

Financial Review >

For the year ended 31 December

	2002 HK\$'000	2001 HK\$'000 Restated
Total operating revenue	173,354	301,294
Total operating expenses	103,093	99,459
Profit attributable to shareholders	55,027	158,295
Earnings before interest, taxation, depreciation and amortisation	90,561	220,517
Basic earnings per share (in Hong Kong cents)	5.56	19.08

The Group generates its revenue from the following geographical locations:

For the year ended 31 December

	2002 HK\$'000	2001 HK\$'000
Hong Kong	145,433	288,823
Mainland China	9,621	-
Turnover	155,054	288,823

Results For the year ended 31 December 2002, the Group reported total operating revenue of HK\$173.4 million, representing a decrease of 42% compared to last year. Profit attributable to shareholders amounted to HK\$55.0 million, as compared to HK\$158.3 million in year 2001.

Revenues from the media sales and management business operated in both Hong Kong and Mainland China, continue to be the principal revenue source of the Group, with each accounting for approximately 84% and 6% respectively of the Group's total operating revenue for the year ended 31 December 2002.

Operating revenue 2002 presented a challenging environment for the media sales business in Hong Kong. Most commercial sectors in Hong Kong, particularly the advertising industry were affected by the continuous global economic downturn and the slow local economy. RoadShow's media sales revenue decreased to HK\$155.1 million in 2002 (2001: HK\$288.8 million), resulting from 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.

In 2002, RoadShow made its first entry into Mainland China with the provision of media sales and management services on bus shelters, billboards, panel light boxes, telephone booths and signages. The business of outdoor media sales generated an operating revenue of approximately HK\$9.6 million.

Other revenue mainly comprised merchandising business revenue and interest income. Confronted with the cautious consumer sentiment and spending patterns in Hong Kong and historical low interest rates, both merchandising business revenue and interest income had decreased as compared to the previous year.

Operating expenses Total operating expenses amounted to HK\$103.1 million in 2002 (2001: HK\$99.5 million). The increase in operating expenses in 2002 arose from the full commissioning of MMOB business while the comparative figures for 2001 only reflected the operating expenses incurred at different stages of commissioning. Moreover, this year's figures included the operating expenses from the Group's Mainland China operations which began in the second half of 2002. Notwithstanding the above, the Group recorded only a moderate increase of 4% in operating expenses in 2002 as compared to 2001 as a result of the cost control measures taken by the Group throughout the year.

Dividends The Directors have resolved to recommend a final dividend of HK2 cents per share (2001: HK3.8 cents per share with scrip option) in respect of the year ended 31 December 2002 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 6 May 2003. It is expected that the final dividend warrants will be despatched to shareholders on or about Thursday, 3 July 2003.

Cash flow In 2002, cash generated from operations of the Group was HK\$32.7 million (2001: HK\$48.5 million). Payment for capital expenditure in 2002 amounted to HK\$0.5 million (2001: HK\$134.1 million). The consolidated cash flow statement of the Group for the year ended 31 December 2002 is set out on page 46 of this annual report.

Liquidity and financial resources At 31 December 2002, the Group had net current assets of HK\$590.7 million (2001: HK\$751.3 million) and net tangible assets of HK\$830.1 million (2001: HK\$847.5 million).

The Group's cash needs are primarily for working capital to support its media sales business, whereas a sufficient amount of cash is maintained to meet potential business expansion and development.

Bank loans At 31 December 2002, the Group had bank loans amounting to HK\$128.0 million, of which loans totalling HK\$100.0 million were secured by fixed deposits placed with the bank. The gearing ratio, representing the ratio of bank borrowings less pledged bank deposit to the total share capital and reserves of the Group was 3% at 31 December 2002 (2001: Nil). The maturity profile of the bank loans of the Group is set out in note 24 on the financial statements on page 61 of this annual report.

Banking facilities At 31 December 2002, the Group had banking facilities totalling HK\$200.0 million (2001: HK\$Nil).

Cash and deposits at banks At 31 December 2002, the Group's cash and deposits at banks amounted to HK\$609.0 million, comprising cash and cash equivalents of HK\$509.0 million and pledged bank deposit of HK\$100.0 million (2001: HK\$562.3 million), and they were mainly denominated in Hong Kong Dollars and US Dollars. Cash generated from operations, when not needed for working capital requirements, is principally placed in bank deposits. At 31 December 2002, the proceeds from the Global Offering and the exercise of an over-allotment option by the underwriters on 18 July 2001 which had not been utilised had been placed into bank deposits.

Capital expenditure and capital commitment Capital expenditure incurred by the Group during 2002 amounted to HK\$0.5 million (2001: HK\$134.1 million). The breakdown of the capital expenditure incurred is shown in note 13 on the financial statement on page 56 of this annual report.

Capital commitments outstanding and not provided for in the financial statements of the Group as at 31 December 2002 amounted to HK\$339.1 million (2001: HK\$173.0 million) which is mainly for the upgrade of the existing MMOB system for the MMOB business and for potential investment and business development. The commitments are to be financed by the funds raised from the Global Offering, borrowings/fund raising activities and/or working capital of the Group.

Accounting standards and policies The financial statements set out in pages 44 to 67 have been prepared in accordance with the requirements of the Main Board Listing Rules ("Listing Rules") of the Stock Exchange, all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants ("HKSA") and the accounting principles generally accepted in Hong Kong.

Employees and emoluments policies At 31 December 2002, the Group had 53 full-time employees in Hong Kong and 100 in Mainland China. The Group had adopted the Share Option Scheme and Pre-Listing Share Option Scheme ("the Schemes"), details of which are contained in the paragraph headed "Share options schemes" as described on pages 40 to 41 of this annual report.

The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, it offers a performance bonus scheme to its senior staff based on achievement of business objectives and a sales commission scheme to its sales team based on achievement of advertising revenue targets. The Group has adopted a provident fund scheme for its employees in Hong Kong as required under the Mandatory Provident Fund Schemes Ordinance.

Connected transactions For the year ended 31 December 2002, the Group had the following connected transactions, details of which are set out below:

(a) For the year ended 31 December 2002, transactions with the following connected parties: -

Name of connected parties	Nature of transaction	HK\$'000
(1) LW-Vision Limited (Note 1)	Licence fee payable by RoadShow Media Limited ("RoadShow Media") in connection with the provision of media sales services on the MMOB systems	196
(2) Long Win Bus Company Limited (Note 2)	Licence fee payable by RoadShow Media in connection with the provision of media sales services	1,794
(3) The Kowloon Motor Bus Company (1933) Limited (Note 3)	Royalty fee payable by Bus Focus Limited ("Bus Focus") in connection with the provision of media sales services for on-street furniture	5,527
(4) Texon Media Limited (Note 4)	Management fee payable by Bus Focus in connection with the provision of media sales services for on-street furniture	7,784

Notes:

1. LW-Vision Limited ("LW-Vision") is an indirect 95%-owned subsidiary of the Company and an indirect 5%-owned investment of KMB.
2. Long Win Bus Company Limited ("LWB") is an indirect wholly-owned subsidiary of KMB.
3. The Kowloon Motor Bus Company (1933) Limited ("KMB (1933)") is an indirect wholly-owned subsidiary of KMB.
4. Texon Media Limited ("Texon") is a wholly-owned subsidiary of Texon International Limited ("TIL").
5. Bus Focus Limited ("Bus Focus") is an indirect 60%-owned subsidiary of the Company and a direct 40%-owned associate of Immense Prestige Limited ("IPL"). IPL is a wholly-owned subsidiary of TIL.

(b) For the year ended 31 December 2002, the service fee paid or payable by KMB Public Bus Services Holdings Limited, an indirect wholly-owned subsidiary of KMB, to RoadShow Media arising from or in connection with the provision of media sales services by RoadShow Media was HK\$17,426,000.

(c) For the year ended 31 December 2002, the fee paid or payable by RoadShow Media to KMB(1933) arising from or in connection with an office rental agreement between RoadShow Media and KMB(1933) was HK\$1,266,000.

(d) For the year ended 31 December 2002, transactions with the following connected parties:

Name of connected parties	Nature of transaction	HK\$'000
(1) KM-Vision Limited (Note 1)	Shareholder's loan by RoadVision Holdings Limited ("RoadVision") to KM-Vision on the capital expenditure in connection with the purchase of MMOB equipment	108,524
(2) LW-Vision	Shareholder's loan by RoadVision to LW-Vision on the capital expenditure in connection with the purchase of MMOB equipment	516

Note:

1. KM-Vision Limited ("KM-Vision") is an indirect 95%-owned subsidiary of the Company and an indirect 5%-owned investment of KMB.

Independent Non-Executive Directors have reviewed and confirmed that the connected transactions as set out above which had been entered into by the Group are:

- (i)** in the ordinary and usual course of business of the Group;
- (ii)** on normal commercial terms or on terms no less favourable than terms available to/from (as appropriate) independent third parties;
- (iii)** fair and reasonable so far as the shareholders of the Company are concerned; and
- (iv)** in accordance with the waiver conditions granted by the Stock Exchange, that during the year

- (1) the annual amount in respect of (a)(1) above did not exceed 3% of the Group's total turnover;
- (2) the annual amount in respect of each connected transaction (a)(2) to (a)(4) and (b) above individually did not exceed 3% of the Group's total net tangible asset value;
- (3) the annual amount in respect of (c) above did not exceed HK\$1,272,000 ;
- (4) the annual amount in respect of (d)(1) above did not exceed HK\$220,000,000 ; and
- (5) the annual amount in respect of (d)(2) above did not exceed HK\$16,500,000.

Financial Summary For The Five Years Ended 31 December

	2002 HK\$'000	2001 HK\$'000 Restated	2000 HK\$'000 Restated	1999 HK\$'000	1998 HK\$'000
Profit and loss account					
Turnover	155,054	288,823	51,884	31,583	51,297
Profit from ordinary activities before taxation	71,199	201,835	36,497	16,916	24,732
Income tax expense	(7,664)	(34,650)	(6,386)	(2,690)	(3,970)
Profit from ordinary activities after taxation	63,535	167,185	30,111	14,226	20,762
Minority interests	(8,508)	(8,890)	(293)	-	-
Profit attributable to shareholders	55,027	158,295	29,818	14,226	20,762
Balance sheet					
Current assets	746,296	788,922	74,543	40,767	35,003
Current liabilities	(155,539)	(37,663)	(23,625)	(5,032)	(12,888)
Net current assets	590,757	751,259	50,918	35,735	22,115
Fixed assets	104,193	121,750	6,458	606	-
Goodwill	33,317	-	-	-	-
Non-current prepayments	101,040	-	-	-	-
Interest in associate	57,765	-	-	-	-
Deferred taxation	(15,901)	(18,792)	(924)	-	-
Employment of funds	871,171	854,217	56,452	36,341	22,115
Financed by:					
Share capital	99,737	98,169	-	-	-
Reserves	763,657	749,342	56,159	36,341	22,115
Minority interests	7,777	6,706	293	-	-
Shareholders' funds	871,171	854,217	56,452	36,341	22,115

Use of proceeds Since the listing of RoadShow on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 June 2001 (the "Listing Date"), the Group has utilised approximately HK\$139.3 million for the purchase of equipment and development of programme content for use in the MMOB business and approximately HK\$60.0 million for the acquisition of complementary businesses in Mainland China. The balance of the proceeds which have not been utilised have been deposited with licensed banks in Hong Kong.