

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the Company is investment holding and the Group is principally engaged in provision of media sales and management services for the Multi-media On-board ("MMOB") business and the operation of media advertising management services through marketing advertising spaces on transit vehicle exteriors, shelters and outdoor signages.

Particulars of the Company's principal subsidiaries are set out in note 16 on the financial statements. Analysis of the principal activities of the operations of the Company and its subsidiaries during the financial year are set out in note 12 on the financial statements.

Financial statements

The profit of the Group for the year ended 31 December 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 44 to 67 of this annual report.

Dividend

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 the shareholders whose name appear on the Register of Members on Tuesday, 6 May 2003.

Charitable donations

Charitable donations made by the Group during the year amounted to HK\$ Nil (2001: HK\$1,101,000).

Fixed assets

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

Share capital

Details of the movements in share capital of the Company during the year are set out in note 27 on the financial statements.

Reserves

Details of movements in the reserve of the Group and the Company during the year are set out in note 28 on the financial statements.

Directors

The Directors during the financial year and up to the date of this report were:

John CHAN Cho Chak, GBS, JP	Chairman
Norman LEUNG Nai Pang, GBS, JP	Deputy Chairman
Winnie J. NG	Group Managing Director
MAK Chun Keung	
Amanda LUI Yee Fai	
James Conrad LOUEY	
Anthony NG	
Michael WONG Yick-kam	
LAU Mei Mui, May	appointed on 8 March 2002
Carlye Wai-Ling TSUI, MBE, JP*	
HUI Ki-On, GBS, CBE, QPM, CPM*	
LAU Shung Oi, Susanna	Alternate Director to Mr Michael WONG Yick-kam

(* Independent Non-Executive Director)

In accordance with Bye-Law 87, Ms Amanda LUI Yee Fai, Mr Michael WONG Yick-kam and Ms Carlye Wai-Ling TSUI retire from the board by rotation and, being eligible, offer themselves for re-election.

Brief biographical details of the Directors of the Company are set out on pages 33 to 36 of this annual report.

Directors' interests in securities

At 31 December 2002 the interests of the following Directors in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Directors' interests in shares of the Company

The Directors of the Company who held office at 31 December 2002 had the following interests in the issued share capital of the Company at that date as recorded in the register of Directors' interests in shares:

Name of Directors	Ordinary shares of HK\$0.1 each				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Winnie J. NG	1,000,000	-	-	-	1,000,000
James Conrad LOUEY	283,500	300,000	-	-	583,500
Anthony NG (Note)	-	-	112,494	-	112,494

Note: Mr Anthony NG is the beneficial owner of one-third of the entire issued share capital of Si Chong Investment Company Limited ("Si Chong") which holds 112,494 shares and is deemed to be interested in the same number of shares held by Si Chong by virtue of the SDI Ordinance.

(b) Directors' interests in associated corporation

Name of Directors	Name of associated corporation	Number of shares in associated corporation				Total
		Personal interests	Family interests	Corporate interests	Other interests	
John CHAN Cho Chak	KMB	2,000	-	-	-	2,000
Winnie J. NG (Note 1)	KMB	41,416	-	-	19,226,233	19,267,649
James Conrad LOUEY	KMB	13,929	-	-	-	13,929
Anthony NG (Notes 1 & 2)	KMB	233,954	-	1,774,376	19,226,233	21,234,563

Notes:

- Each of Ms Winnie J. NG and Mr Anthony NG has interest, as a potential beneficiary, in certain private trusts which beneficially held 19,226,233 shares in The Kowloon Motor Bus Holdings Limited ("KMB").
- Mr Anthony NG is the beneficial owner of one-third of the entire issued share capital in Si Chong which held 1,774,376 shares in KMB and is deemed to be interested in the same number of shares in KMB held by Si Chong by virtue of the SDI Ordinance.

Save as disclosed herein, at 31 December 2002, none of the Directors had any personal, family, corporate or other interests in the share capital of the Company or its associated corporations as required to be recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange.

(c) Directors' right to subscribe shares

Details of Directors' right to acquire shares of the Company are set out in the section "Share option schemes" below.

Directors' service contracts

No Director proposed for re-election at the forthcoming Annual General Meeting 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.

Directors' interests in contracts

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

Substantial interests in the share capital of the Company

At 31 December 2002, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests in the Company's issued share capital being 10% or more of the shares in issue:

Name	Number of shares
KMB Resources Limited	728,127,410
KMB (note)	728,127,410

Note: As KMB Resources Limited ("KMB Resources") is a wholly-owned subsidiary of KMB, which in turn holds 73.01% of the entire issued share capital in the Company, KMB is deemed to be interested in the same number of shares held by KMB Resources under the SDI Ordinance.

Share option schemes

The Company has two share option schemes, Pre-Listing Share Option Scheme and Share Option Scheme, which were adopted on 7 June 2001. Under which the Directors may, at their discretion, offer any employee (including any Directors) of the Company or any of its wholly-owned subsidiaries options to subscribe for shares in the Company to recognise his/her contributions to the growth of the Group, subject to the terms and conditions stipulated in the schemes.

The total number of securities available for issue under the Pre-Listing Share Option Scheme and the Share Option Scheme as at 31 December 2002 was 21,861,000 shares and 18,240,000 shares respectively which represented 4% of the issued share capital of the Company at 31 December 2002. In respect of the maximum entitlement of each participant under the schemes, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12 month period is limited to 1% of the Company's ordinary shares in issue.

At 31 December 2002, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2002 is HK\$1.23) granted for nil consideration under the share option schemes of the Company. Each option gives the holder the right to subscribe for one share. The options granted are not recognised in the financial statements until they are exercised.

(a) Pre-Listing Share Option Scheme

Directors	Number of options outstanding at beginning of the year	Number of options outstanding at end of the year	Number of shares acquired on exercise of options during the year	Exercise price per share	Market value per share at date of grant of options	Weighted average closing market value per share on exercise of options
John CHAN Cho Chak	2,380,000	2,380,000	Nil	HK\$1.80	Note 2	-
Norman LEUNG Nai Pang	2,380,000	2,380,000	Nil	HK\$1.80	Note 2	-
Winnie J. NG	3,380,000	3,380,000	Nil	HK\$1.80	Note 2	-
MAK Chun Keung	2,380,000	2,380,000	Nil	HK\$1.80	Note 2	-
Amanda LUI Yee Fai	2,380,000	2,380,000	Nil	HK\$1.80	Note 2	-
James Conrad LOUEY	128,000	128,000	Nil	HK\$1.80	Note 2	-
Employees and other	15,030,000	8,833,000	4,349,000	HK\$1.80	Note 2	HK\$2.39

The above options were granted on 26 June 2001 and are exercisable during the period from 28 December 2001 to 27 December 2003 (Note 1). 1,848,000 options have lapsed during the year because the grantees ceased their employment with the Group. 4,349,000 options have been exercised during the year.

(b) Options granted on 11 March 2002

Directors	Number of options outstanding at beginning of the year	Number of options outstanding at end of the year	Number of shares acquired on exercise of options during the year	Exercise price per share	Market value per share at date of grant of options	Weighted average closing market value per share on exercise of options
Winnie J. NG	-	3,800,000	Nil	HK\$2.25	HK\$2.25	-
Amanda LUI Yee Fai	-	2,800,000	Nil	HK\$2.25	HK\$2.25	-
Employees	-	11,640,000	Nil	HK\$2.25	HK\$2.25	-

A total of 23,340,000 options was granted on 11 March 2002 and they are exercisable during the period from 12 March 2002 to 11 March 2005. 5,100,000 options have lapsed during the period from date of grant to 31 December 2002 because the grantees ceased employment with the Group.

Notes:

- The exercise period of these options is two years commencing six months from 28 June 2001, ("the Listing Date") except that for grantees who were granted 1,000,000 or more options, they could (a) during the period from the beginning of the seventh month up to the end of the twelfth month from 28 June 2001 exercise up to 50% of the number of options that they have been granted under the Pre-Listing Share Option Scheme, and (b) exercise the remaining unexercised options after the end of the twelfth month from the Listing Date up to the end of the exercise period.
- The exercise price is HK\$1.80 per share representing 80% of the issue price of HK\$2.25 per share pursuant to the Hong Kong Offering and the International Placing ("the Global Offering").

According to the Black-Scholes model (Note), the total value of the options granted under the Share Option Scheme during the year was estimated at HK\$23,510,620 as at 11 March 2002 with the following variables and assumptions:

- Risk free rate : 5.903%
- Expected volatility : 66.49%
- Expected dividend yield : 1.7%
- Expected life of the options : 3 years

Note: The Black-Scholes model is developed to estimate the fair value of publicly trade options that have no vesting restriction and are fully transferable. The model is only one of the commonly used models to estimate the fair value of an option. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The model does not necessarily provide a reliable measure of the fair value of the options.

Apart from the foregoing, at no time during the year was the Company, its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Major customers and suppliers

Income attributable to the five largest customers of the Group accounted for less than 30% of the total income of the Group for the year.

Purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the value of the Group's total purchases for the year.

At no time during the year, have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interests in these major customers and suppliers.

Purchase, sale or redemption of the Company's shares

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

Bank loans

Particulars of bank loans of the Company and the Group at 31 December 2002 are set out in note 24 on the financial statements.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-Laws and the Law in Bermuda.

Senior management profiles

Brief biographical details of the members of senior management of the Company are set out on pages 33 to 37 of this annual report.

Five year summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 32 of this annual report.

Compliance with the Code of Best Practice

The Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules, except that the independent Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Bye-Laws of the Company.

Audit Committee

The Audit Committee comprises Deputy Chairman and two independent Non-Executive Directors and reports to the Board of Directors. The Audit Committee meets with Group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

Auditors

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

By Order of the Board

John CHAN Cho Chak

Chairman

Hong Kong, 19 March 2003