Notes on the financial statements

(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In preparing these financial statements, the Group has opted to adopt SSAP 12 "Income taxes" issued in August 2002, which is mandatory for accounting periods beginning on or after 1 January 2003, instead of SSAP 12 "Accounting for deferred tax" issued in 1987. The presentation of these financial statements also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December of each year.

(d) Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when 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 controlled 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.

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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)), 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.

(e) Interest in associate

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

An investment in an associate 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 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 which significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive goodwill charged during the year in accordance with note 1(f).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(i)), 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 investor.

(f) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(i)).

(g) Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).

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 asset, will flow to the Group. 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 income statement on the date of retirement or disposal.

(h) Depreciation

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

Audio and visual equipment	5 - 7 years
Hardware and software	5 years
Furniture and fixtures	7 years
Motor vehicles	5 years

Audio and visual equipment under installation is stated at cost. No depreciation is provided in respect of the fixed assets under installation until substantially all the activities necessary to prepare the assets for its intended use are complete and they are ready for effective use.

During the year, there was a change in accounting estimate in respect of the estimated useful lives of audio and visual equipment and as a result depreciation for the year has been decreased by $7,823,000.

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- investments in subsidiaries;
- interest in associate; and
- positive goodwill.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of 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).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

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 income statement in the year in which the reversals are recognised.

(j) Revenue recognition

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 income statement as follows:

(i) Income from multi-media sales and sponsorship income is recognised when the related advertisements are telecasted or commercials appear before the public. Revenue is stated net of agency commission and rebate.

(ii) Fee income from media sales management and administrative services is recognised when the related services are rendered.

(iii) Revenue from sale of merchandise is recognised when the merchandise is delivered at the customers' premises which is taken to be the point in time when the customer has accepted the merchandise and the related risks and rewards of ownership. Revenue is stated net of trade discounts.

(iv) Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

(v) When goods or services are exchanged or swapped for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. Such revenue, together with the relevant expenses are measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, such revenue and expenses are measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When goods or services are exchanged or swapped for similar goods or services, the exchange is not regarded as a transaction which generates revenue. No revenue or expenses are recognised in the income statement.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in-first-out cost method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Programming library

Programming library consists of commissioned programming and contracted programming cost in respect of programming rights of presentation. Expenditure on contracted programme is charged to the income statement on a straight-line basis over the licence period. Current programmes are written off in the period in which they are incurred.

(m) Accounts receivable

Accounts receivable are recognised and carried in the consolidated balance sheet net of provisions for doubtful debts which are made to the extent that the debts are considered to be doubtful by the Directors.

(n) 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 cash flow statement.

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using the tax rate ruling at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. When the initial recognition of assets or liabilities which affect neither accounting profit nor taxable profit or loss, no deferred tax is provided for.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when 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 expenditures 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.

(q) Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(r) Employee benefits

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.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the income statement as incurred.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

(t) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(u) 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, the Group has chosen geographical segment information as the primary reporting format.

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 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, corporate expenses and minority interests.

2 Changes in accounting policies

(a) Deferred tax assets and liabilities

In prior years, deferred taxation was provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. The Group has opted for the early adoption of SSAP 12 "Income taxes" with effect from 1 January 2002. The new accounting policy of income tax has been set out in note 1(o).

As a result of the adoption of this accounting policy, the profit for the year has been increased by $2,719,000 (2001: decreased by $16,813,000) and the net assets as at the year end have been decreased by $14,971,000 (2001: decreased by $17,690,000). The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

(b) Segment reporting

In previous years, business segments were chosen by the Group as the primary reporting format. With effect from 1 January 2002, the Group has determined that geographical segments be adopted as the primary reporting format and business segments as the secondary reporting format in accordance with the Group's future business strategies.

3 Turnover

The Group is principally engaged in the provision of media sales and management services for MMOB business and the operation of media advertising management services through marketing advertising spaces on transit vehicle exteriors, shelters and outdoor signages.

Turnover comprise income from media sales and management business, net of agency commission and rebate.

4 Other revenue

	2002 $'000	2001 $'000
Sales of merchandise	6,149	-
Interest income from bank deposits	9,094	11,735
Repainting fee income	-	22
Sundry revenue	3,057	714
	18,300	12,471

5 Profit from ordinary activities before taxation

(a) Profit from ordinary activities before taxation is arrived at after charging:

	2002 $'000	2001 $'000
Production cost	11,037	11,300
Contribution to defined contribution scheme	1,497	1,321
Auditors' remuneration	1,560	1,560
Operating lease charges - land and buildings	1,494	1,275
Provision for doubtful debts	2,200	7,500
Depreciation	18,634	18,682
Amortisation of goodwill	585	-
Programming cost	7,112	-
Interest on bank loans	143	-

(b) Staff expenditure of $3,688,000, relating to the acquisition of subsidiaries, have been capitalised in the cost of investments in subsidiaries.

6 Taxation

(a) Taxation in the consolidated income statement represents:

	2002 $'000	2001 $'000 Restated
Current tax expense		
Hong Kong Profits Tax for current year	10,125	16,778
(Over)/under provision in respect of prior years	(1,887)	2
	8,238	16,780
Provision for PRC income tax	2,317	-
	10,555	16,780
Deferred tax expense		
Reversal and origination of temporary differences	(2,891)	17,870
Total income tax expense in income statement	7,664	34,650
Reconciliation of effective tax rate		
Profit from ordinary activities before taxation	71,199	201,835
Income tax using the Hong Kong Profits Tax rate of 16%	11,392	32,294
Effect of PRC tax rates	1,377	-
Non-deductible expenses	94	-
Tax exempt revenues	(1,801)	(1,878)
(Over)/under provision of tax in prior years	(1,887)	2
Others	(1,511)	4,232
	7,664	34,650

The provision for Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the year ended 31 December 2002. Taxation for the People's Republic of China ("PRC") subsidiaries is charged at the appropriate current rates of taxation ruling in the PRC.

(b) Taxation in the consolidated balance sheet represents:

	The Group	
	2002 $'000	2001 $'000
Provision for Hong Kong Profits Tax for the year	10,125	16,778
Provisional Profits Tax paid	(11,138)	(440)
	(1,013)	16,338
Balance of Profits Tax provision relating to prior years	6	978
	(1,007)	17,316
PRC income tax payable	1,264	-
	257	17,316

7 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2002 $'000	2001 $'000
Fees	598	455
Salary, allowances and other benefits	3,405	2,252
Retirement benefit contributions	54	159
	4,057	2,866

Included in the Directors' remuneration were fees and other emoluments of $118,000 (2001: $94,000) paid to the independent Non-Executive Directors during the year.

In addition to the above remuneration, certain Directors were granted share options under the Company's Share Option Schemes. The details of these benefits in kind are disclosed under the paragraph "Share option schemes" in the Report of the Directors and note 26.

The remuneration of the Directors is within the following bands:

	Number of Directors	
	2002	2001
$Nil - $1,000,000	9	8
$1,000,001 - $2,000,000	2	2

Save as disclosed above, no Directors' remuneration has been paid or is payable by the Group during the year. There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

8 Individuals with highest emoluments

The five highest paid individuals of the Group include one (2001: one) Director of the Company whose remuneration is reflected in the analysis presented above. Details of emoluments paid by the Group to the remaining highest paid individuals are set out below:

	2002 $'000	2001 $'000
Salary, allowances and other benefits	7,095	5,872
Retirement benefit contributions	336	237
	7,431	6,109

The emoluments of these remaining highest paid individuals fall within the following bands:

	Number of individuals	
	2002	2001
$Nil - $1,000,000	-	-
$1,000,001 - $1,500,000	-	3
$1,500,001 - $2,000,000	3	1
$2,000,001 - $2,500,000	1	-

During the year, no emoluments were paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a profit of $43,272,000 (2001: $5,855,000) which has been dealt with in the financial statements of the Company.

10 Dividends

(a) Dividend attributable to the year

	2002 $'000	2001 $'000
Final dividend proposed after the balance sheet date of HK2 cents per share (2001: HK3.8 cents per share)	19,947	37,304

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividend attributable to the previous year

	2002 $'000	2001 $'000
Final dividend in respect of previous year on exercised share options	88	-
Final dividend in respect of previous year of HK3.8 cents per share approved and paid during the year	37,304	-
	37,392	-

11 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of $55,027,000 (2001 as restated: $158,295,000) and the weighted average of 990,282,540 ordinary shares (2001: 829,459,995 shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of $55,027,000 and the weighted average number of ordinary shares of 990,440,490 shares after adjusting for the effects of all dilutive potential ordinary shares.

The diluted earnings per shares for the year ended 31 December 2001 is not presented as the potential ordinary shares in respect of the outstanding options were anti-dilutive. The exercise of the share options would not have any dilutive effect on the earnings per share for the year ended 31 December 2001.

(c) Reconciliation

	2002 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	990,282,540
Deemed issue of ordinary shares for no consideration	157,950
Weighted average number of ordinary shares used in calculating diluted earnings per share	990,440,490

12 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Geographical segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Geographical segments

The Group comprises the following main geographical segments:

Hong Kong : Provision of media sales and management services

Mainland China : Provision of media sales and management services

There are no sales between the geographical segments.

	Hong Kong		Mainland China		Group	
	2002 $'000	2001 $'000 Restated	2002 $'000	2001 $'000 Restated	2002 $'000	2001 $'000 Restated
Revenue from external customers	145,433	288,823	9,621	-	155,054	288,823
Other revenue	6,745	526	-	-	6,745	526
Total revenue	152,178	289,349	9,621	-	161,799	289,349
Segment result	56,116	195,611	6,842	-	62,958	195,611
Unallocated operating income and expenses					7,303	6,224
Finance costs					(143)	-
Share of profit of associate	-	-	1,081	-	1,081	-
Income tax expense					(7,664)	(34,650)
Minority interests					(8,508)	(8,890)
Profit attributable to shareholders					55,027	158,295
Depreciation and amortisation for the year	19,117	18,682	102	-	19,219	18,682
Significant non-cash expenses (other than depreciation and amortisation)	2,261	7,581	-	-	2,261	7,581
Segment assets	292,496	319,913	1,330	-	293,826	319,913
Investment in associate	-	-	57,765	-	57,765	-
Unallocated assets					691,020	590,759
Total assets					1,042,611	910,672
Segment liabilities	24,432	22,670	2,850	-	27,282	22,670
Unallocated liabilities					144,158	33,785
Total liabilities					171,440	56,455
Capital expenditure incurred during the year	460	133,765	679	-	1,139	133,765

Business segments

The Group's turnover and operating profit are almost entirely derived from media sales and management services. Accordingly, no analysis by business segment is provided.

13 Fixed assets

	The Group				
	Audio and visual equipment $'000	Hardware and software $'000	Furniture and fixtures $'000	Motor vehicles $'000	Total $'000
Cost:					
At 1 January 2002	140,149	116	383	-	140,648
Additions					
- through acquisition of subsidiaries	-	-	267	705	972
- others	460	2	11	-	473
Disposals	(88)	-	-	-	(88)
At 31 December 2002	140,521	118	661	705	142,005
Accumulated depreciation:					
At 1 January 2002	18,833	11	54	-	18,898
Through acquisition of subsidiaries	-	-	189	104	293
Charge for the year	18,453	23	77	81	18,634
Written back on disposal	(13)	-	-	-	(13)
At 31 December 2002	37,273	34	320	185	37,812
Net book value:					
At 31 December 2002	103,248	84	341	520	104,193
At 31 December 2001	121,316	105	329	-	121,750

14 Goodwill

	Positive goodwill $'000
Cost:	
Addition arising on acquisition of subsidiaries	33,902
At 31 December 2002	33,902
Accumulated amortisation:	
Amortisation for the year	585
At 31 December 2002	585
Carrying value:	
At 31 December 2002	33,317
At 31 December 2001	-

15 Non-current prepayments

Non-current prepayments consisted of deposit for long-term investment, advance payments for concession and rights for advertising and media programme placement on transit vehicles and transit network furniture.

16 Investments in subsidiaries

	2002 $'000	2001 $'000
Unlisted shares, at cost	62,835	62,835

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

Details of the principal subsidiaries are as follows:

Name of the company	Place of incorporation/ operation	Particulars of issued and paid up capital	Attributable equity interest %		Principal activity
			direct	indirect	
AdSociety Advertising Agency Company Limited	Hong Kong	HK$2	-	100	Investment holding
Bus Focus Limited	The British Virgin Islands/ Hong Kong	US$100	-	60	Provision of media sales service for advertising on transit vehicle shelters
CityVision Limited	Hong Kong	HK$10,000	-	90	Operation of multi-media on-board business on transit vehicles
Expert Plus Holdings Limited	The British Virgin Islands/ Hong Kong	US$1	-	100	Investment holding
K-Creations Limited	Hong Kong	HK$2	-	100	Trading of bus souvenir
KM-Vision Limited	Hong Kong	HK$10,000	-	95	Operation of multi-media on-board business on transit vehicles
LW-Vision Limited	Hong Kong	HK$10,000	-	95	Operation of multi-media on-board business on transit vehicles
MB-Vision Limited	Hong Kong	HK$2	-	100	Operation of multi-media on-board business on transit vehicles
RoadShow Creations Limited	Hong Kong	HK$2	-	100	Trading of souvenir
RoadShow Media Holdings Limited	The British Virgin Islands/ Hong Kong	US$1	-	100	Investment holding

Details of the principal subsidiaries are as follows (continued):

Name of the company	Place of incorporation/ operation	Particulars of issued and paid up capital	Attributable equity interest % direct	Attributable equity interest % indirect	Principal activity
RoadShow Media Limited	Hong Kong	HK$2	-	100	Provision of media sales and management services for advertising on transit vehicle exteriors and shelters, and for the multi-media on-board business
RoadShow Productions Holdings Limited	The British Virgin Islands/ Hong Kong	US$1	-	100	Investment holding
RoadShow Productions Limited	Hong Kong	HK$2	-	100	Production of content for multi-media on-board systems
RoadShow Resources Limited	The British Virgin Islands/ Hong Kong	US$1	100	-	Investment holding
RoadVision Holdings (China) Limited	The British Virgin Islands/ Hong Kong	US$1	-	100	Investment holding
RoadVision Holdings Limited	The British Virgin Islands/ Hong Kong	US$2	-	100	Investment holding
RSG Resources Limited	Hong Kong	HK$2	-	100	Provision of employment agency services

On 31 December 2002, the Group acquired 100% interest in AdSociety Advertising Agency Company Limited and 100% interest in Expert Plus Holdings Limited. As a result, the Group's profit for the year and the net assets as at the year end have both been increased by $2,274,000.

17 Interest in associate

	The Group	
	2002 $'000	2001 $'000
Share of net assets	45,458	-
Loan to associate	12,258	-
Amount due from associate	49	-
	57,765	-

Name of the company	Form of business structure	Place of incorporation and operation	Attributable equity interest % indirect	Principal activity
AdSociety Daye Advertising Company Limited	Sino-foreign equity joint venture	The People's Republic of China	49	Provision of full range of advertising services

18 Inventories

All of the inventories are expected to be recovered within one year.

19 Amount due from ultimate holding company

The amount is unsecured, interest-free, repayable on demand and represents normal trade receivables and payables.

20 Accounts receivable

Details of the ageing analysis of accounts receivable are as follows:

	The Group	
	2002 $'000	2001 $'000
Within one month	7,778	80,045
One to two months	4,996	42,304
Two to three months	2,621	39,836
More than three months	86,712	28,495
	102,107	190,680
Less: Provision for doubtful debts	(9,700)	(7,500)
	92,407	183,180

All of the accounts receivable are expected to be recovered within one year.

Customers of media sales business are generally granted credit terms of 90 days. Customers of merchandising business either pay cash or are generally granted credit terms of 30-90 days.

21 Prepayments

Amounts represent the current portion of non-current prepayments as described in note 15.

22 Cash and cash equivalents

	The Group		The Company	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Deposits with banks	495,487	557,382	479,112	529,921
Cash at bank and in hand	13,524	4,964	18	1,005
	509,011	562,346	479,130	530,926

23 Accounts payable

Details of the ageing analysis of accounts payable are as follows:

	The Group	
	2002 $'000	2001 $'000
Within one month	5,477	2,234

All of the accounts payable are expected to be settled within one year.

24 Bank loans and pledged bank deposit

At 31 December 2002, the bank loans were payable as follows:

	The Group		The Company	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Within 1 year or on demand	128,000	-	128,000	-

At 31 December 2002, the bank loans were secured as follows:

Bank loans				
- secured	100,000	-	100,000	-
- unsecured	28,000	-	28,000	-
	128,000	-	128,000	-

At 31 December 2002 the banking facilities amounted to $200,000,000 (2001: $Nil). The Group had bank loans amounting to $128,000,000, of which loans totalling $100,000,000 were secured by fixed deposits placed with the bank .

25 Deferred taxation

(a) The deferred tax liabilities are attributable to the following items:

	The Group	
	2002 $'000	2001 $'000 Restated
Fixed assets	15,901	18,792

(b) Movements in temporary differences multiplied by the applicable tax rate during the year:

	At 1 January 2002 $'000	Recognised in income statement $'000	At 31 December 2002 $'000
Fixed assets	18,792	(2,891)	15,901

26 Equity compensation benefits

The Company has two share option schemes which were adopted on 7 June 2001 as described in Appendix VI of the prospectus dated 19 June 2001 issued by the Company whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including Directors of any Company in the Group, to take up options to subscribe for shares of the Company.

For options granted before 1 September 2001, the exercise price of the options was determined by the Board and was the higher of the nominal value of the shares and will not be less than 80% of the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant. For options granted after 1 September 2001, the exercise price of the options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of the grant and the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of grant.

Each option gives the holder the right to subscribe for one share.

(a) Movements in share options

	2002 Number ('000)	2001 Number ('000)
At 1 January	28,058	-
Granted	23,340	28,579
Exercised	(4,349)	-
Lapsed on grantees ceasing employment with the Group	(6,948)	(521)
At 31 December	40,101	28,058
Options vested at 31 December	40,101	28,058

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

Date granted	Exercise period	Exercise price	2002 Number ('000)	2001 Number ('000)
26 June 2001	28 December 2001 to 27 December 2003	$1.80	21,861	28,058
11 March 2002	12 March 2002 to 11 March 2005	$2.25	18,240	-
			40,101	28,058

(c) Details of share options granted during the year, all of which were granted for nil consideration

Exercise period	Exercise price	2002 Number ('000)	2001 Number ('000)
28 December 2001 to 27 December 2003	$1.80	-	28,579
12 March 2002 to 11 March 2005	$2.25	23,340	-

(d) Details of share options exercised during the year

Exercise dates	Exercise price	Weighted average closing market price per share	Proceeds received $'000	Number ('000)
Various	$1.80	$2.39	7,828	4,349

27 Share capital

	2002		2001	
	Number of shares ('000)	$'000	Number of shares ('000)	$'000
Authorised:				
Ordinary shares of $0.1 each	10,000,000	1,000,000	10,000,000	1,000,000

Issued and fully paid:

		Number of shares ('000)	$'000
At 1 January 2001			
Shares issued to KMB Resources		97,000	9,700
Shares issued under the Reorganisation		623,000	62,300
Shares issued under the Global Offering		240,000	24,000
Shares issued under the over-allotment option		21,694	2,169
At 31 December 2001		981,694	98,169
At 1 January 2002		981,694	98,169
Shares issued in lieu of cash dividend	(a)	11,322	1,133
Shares issued under the Share Option Schemes	(b)	4,349	435
At 31 December 2002		997,365	99,737

(a) On 28 June 2002, 11,322,332 shares were issued as fully paid new shares in lieu of a final cash dividend for the year ended 31 December 2001, at a value of $2.585 per share. The above fully paid new shares were issued under an optional scrip dividend scheme and $1,133,000 was credited to share capital and the balance of $28,136,000 was credited to the share premium account.

(b) During the year, options were exercised to subscribe for 4,349,000 shares in the Company at subscription price of $1.8 per share. The net consideration was $7,769,000 of which $435,000 was credited to share capital and the balance of $7,334,000 was credited to the share premium account.

28 Reserves

(a) The Group

	Share premium $'000	General reserve $'000	Contributed surplus $'000	Exchange reserve $'000	Retained profits $'000	Total $'000
At 1 January 2001 (as previously reported)	-	-	-	-	57,036	57,036
Prior period adjustment in respect of deferred taxation	-	-	-	-	(877)	(877)
As restated	-	-	-	-	56,159	56,159
Reorganisation adjustment	-	-	(200)	-	-	(200)
Profit attributable to shareholders (as restated)	-	-	-	-	158,295	158,295
Capital contribution by KMB Resources	85,500	-	-	-	-	85,500
Proceeds from Global Offering	516,000	-	-	-	-	516,000
Capitalisation issue	(62,300)	-	-	-	-	(62,300)
Global Offering expenses	(50,754)	-	-	-	-	(50,754)
Proceeds from the over allotment option	46,642	-	-	-	-	46,642
At 31 December 2001	535,088	-	(200)	-	214,454	749,342
At 1 January 2002 (as previously reported)	535,088	-	(200)	-	232,144	767,032
Prior period adjustment in respect of deferred taxation	-	-	-	-	(17,690)	(17,690)
As restated	535,088	-	(200)	-	214,454	749,342
Exchange differences on translation of the financial statements of foreign entities	-	-	-	(1)	-	(1)
Profit attributable to shareholders	-	-	-	-	55,027	55,027
Final dividend in respect of previous year	-	-	-	-	(37,392)	(37,392)
Shares issued in lieu of cash dividend	28,136	-	-	-	-	28,136
Net premium on shares issued under the Share Option Schemes	7,334	-	-	-	-	7,334
Adjustment on allotment of shares to KMB Resources (Note (f))	(38,789)	-	-	-	-	(38,789)
Transfer to general reserve	-	238	-	-	(238)	-
At 31 December 2002	531,769	238	(200)	(1)	231,851	763,657

(b) The Company

	Share premium $'000	Contributed surplus $'000	Retained profits $'000	Total $'000
At 1 January 2001	-	-	-	-
Reorganisation adjustment	-	62,635	-	62,635
Profit attributable to shareholders	-	-	5,855	5,855
Capital contribution by KMB Resources	85,500	-	-	85,500
Proceeds from Global Offering	516,000	-	-	516,000
Capitalisation issue	(62,300)	-	-	(62,300)
Global Offering expenses	(50,754)	-	-	(50,754)
Proceeds from the over allotment option	46,642	-	-	46,642
At 31 December 2001	535,088	62,635	5,855	603,578
At 1 January 2002	535,088	62,635	5,855	603,578
Profit attributable to shareholders	-	-	43,272	43,272
Final dividend in respect of previous year	-	-	(37,392)	(37,392)
Shares issued in lieu of cash dividend	28,136	-	-	28,136
Net premium on shares issued under the Share Option Schemes	7,334	-	-	7,334
Adjustment on allotment of shares to KMB Resources (Note (f))	(38,789)	-	38,789	-
At 31 December 2002	531,769	62,635	50,524	644,928

(c) The application of the share premium account is governed by sections 150 and 157 of the Company's Articles of Association and the Companies Act 1981 of Bermuda.

(d) Pursuant to a group reorganisation in 2001, the Company became the holding company of the Group. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the Reorganisation in 2001 was transferred to contributed surplus. Under the Companies Act of Bermuda, contributed surplus is available for distribution to shareholders.

(e) At 31 December 2002, the aggregate amount of reserves available for distribution to shareholders of the Company was approximately $74,370,000 (2001: $68,490,000).

(f) During the year ended 31 December 2001, the Company received $95,000,000 in settlement of $38,789,000 due from the ultimate holding company and for the allotment of 95,000,000 shares of $0.1 each to KMB Resources Limited. At the time of the allotment, $9,500,000 and $85,500,000 were recorded as share capital and share premium respectively. An adjustment has been made in the share premium account in the current year to reflect the net cash proceeds of $56,211,000 received for the allotment.

(g) General reserve is provided by each of the Group's PRC subsidiaries of 10% of the annual net income after tax, based on the subsidiary's PRC statutory financial statements.

The general reserve can be used to set off any accumulated losses or converted into paid-up capital of the respective subsidiary.

(h) Included in the figure for the Group's retained profits is an amount of $1,081,000 (2001: $Nil), being retained profit attributable to associates.

29 Notes on the consolidated cash flow statement

(a) Major non-cash transactions

The following payments were made by the ultimate holding company on the Group's behalf and were recorded as movements in the current account with the ultimate holding company:

	2002 $'000	2001 $'000
Hong Kong Profits Tax paid	-	(2,564)

(b) Acquisition of subsidiaries

	2002 $'000
Net assets acquired:	
Cash	2,933
Inventories	92
Fixed assets	679
Other receivables and deposits	189
Investment in associate	2,142
Accounts payable	(3,741)
Other payables and accruals	(515)
Taxation	673
Minority interests	(38)
Net identifiable assets and liabilities	2,414
Goodwill arising on consolidation	33,902
Total purchase price paid, satisfied in cash	36,316
Less: Cash of subsidiaries acquired	(2,933)
Net cash outflow in respect of the purchase of subsidiaries	33,383

30 Commitments

(a) Capital commitments

At 31 December 2002, the Group had the following capital commitments in relation to the purchase of fixed assets and investments not provided for in the financial statements:

	2002 $'000	2001 $'000
Contracted for	103,144	-
Authorised but not contracted for	236,000	173,000

(b) Operating lease commitments

At 31 December 2002, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	2002 $'000	2001 $'000
Within 1 year	270	1,080

(c) Other commitments

An exclusive licence to conduct the media sales management in relation to bus shelters for a term up to 31 July 2007 has been granted to the Group. The Group has committed to pay a royalty fee on a pre-determined percentage of the net advertising rental received.

An exclusive right to conduct the media sales and management in relation to the exterior panels of the bus body and bus shelters for a term up to 31 May 2003 has been granted to the Group. The Group has committed to pay a licence fee on a pre-determined percentage of the net advertising rental received.

31 Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000.

32 Material related party transactions

The Group is part of a larger group of companies under The Kowloon Motor Bus Holdings Limited ("KMB") and has significant transactions and relationships with members of the KMB Group. Related parties refer to enterprises over which KMB is able to exercise significant influence.

The principal recurring related party transactions with the KMB Group during the year, which were carried out in the ordinary course of business, are as follows:

	Note	2002 $'000	2001 $'000
Management and administration fee income	(i)	17,426	19,930
Licence and royalty fees paid for the right to sell advertising spaces on transit vehicle exteriors and shelters	(ii)	7,321	5,806
Rental expenses	(iii)	1,266	1,275

Notes:
(i) Fee income was earned for the provision of media sales management and administrative services to the KMB Group.
(ii) Licence and royalty fees were paid for selling advertising spaces on certain transit vehicle exteriors and certain transit vehicle shelters owned by the KMB Group.
(iii) The Group paid rental expenses to the KMB Group for leasing properties, computer equipment and software system, furniture and fixtures.

The Directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

These transactions also constitute connected transactions under the Listing Rules.

33 Comparative figures

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP15 (revised 2001) "Cash flow statements".

Certain comparative figures have also been adjusted as a result of changes in accounting policy for deferred taxation and segment reporting, details of which are set out in note 2.

34 Ultimate holding company

The Directors consider the ultimate holding company at 31 December 2002 to be The Kowloon Motor Bus Holdings Limited, which is incorporated in Bermuda and listed in Hong Kong.