
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in MediaNation Inc., you should at once hand this Composite Document and the Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the Forms of Acceptance, the contents of which form part of the terms of the Offers contained herein.

Neither The Stock Exchange of Hong Kong Limited nor the Securities and Futures Commission of Hong Kong takes any responsibility for the contents of this Composite Document and the Forms of Acceptance, makes any representation as to their accuracy or completeness and each of them expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the Forms of Acceptance.

JCDecaux Pearl & Dean
德高貝登

JCDecaux Pearl & Dean Ltd

(incorporated in Hong Kong with limited liability)



MediaNation Inc.

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8160)

MANDATORY UNCONDITIONAL CASH OFFERS BY



CLSA LIMITED

FOR AND ON BEHALF OF

JCDECAUX PEARL & DEAN LTD

TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF

MEDIANATION INC. OTHER THAN THOSE ALREADY OWNED

OR AGREED TO BE ACQUIRED BY THE OFFEROR

**AND THE CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS
OF MEDIANATION INC.**

Financial Adviser to the Offeror



CLSA Equity Capital Markets Limited

Financial Adviser to MediaNation Inc.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

Anglo Chinese Corporate Finance, Limited

**Independent Financial Adviser to
the Independent Board Committee of MediaNation Inc.**

ALTUS CAPITAL LIMITED

A letter from CLSA Equity Capital Markets Limited containing, amongst other things, the details of the terms of the Offers, is set out on pages 6 to 14 of this Composite Document.

A letter from the board of MediaNation Inc. is set out on pages 15 to 20 of this Composite Document. A letter from the Independent Board Committee of MediaNation Inc. containing its recommendation in respect of the Offers to the Independent Shareholders and Optionholders is set out on pages 21 to 22 of this Composite Document and a letter from the independent financial adviser, Altus Capital, containing its advice on the Offers to the Independent Board Committee of MediaNation Inc. is set out on pages 23 to 34 of this Composite Document.

The procedures for acceptance of the Offers and other related information are set out in Appendix I to this Composite Document and in the Forms of Acceptance. Acceptances should be received by no later than 4:00 p.m. on Friday, 20 May, 2005 (or such later time and/or date as the Offeror may decide and announce in accordance with the Code).

This Composite Document will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trading on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below, unless the context requires otherwise:

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|----------------------------|---|
| “Accepting Shareholder(s)” | the Shareholder(s) who accept(s) the Share Offer by duly completing and returning the WHITE Form of Acceptance |
| “Agreement” | the sale and purchase agreement dated 23 March, 2005 entered into between the Vendors and the Offeror relating to the sale and purchase of the Sale Shares, as supplemented by an agreement entered into between the parties dated 22 April, 2005 |
| “Altus Capital” | Altus Capital Limited, the independent financial adviser to the Independent Board Committee in relation to the Offers, is a licensed corporation under the SFO permitted to engage in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) of the regulated activities under the SFO |
| “Anglo Chinese” | Anglo Chinese Corporate Finance, Limited, the financial adviser to the Company in relation to the Transaction and the Offers and a deemed licensed corporation under the SFO licensed to conduct Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO |
| “Announcement” | the joint announcement of the Offeror and the Company dated 24 March, 2005 in relation to the Agreement and the Offers |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “business day” | a day on which banks are open for the transaction of general banking business in Hong Kong (excluding Saturday and Sunday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) |
| “CCASS” | the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited |
| “CLSA” | CLSA Equity Capital Markets Limited, the financial adviser to the Offeror in relation to the Transaction and the Offers, and a licensed corporation under the SFO, licensed under transitional arrangements (migration application lodged) to conduct Types 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO |
| “CLSA Limited” | CLSA Limited, which is a licensed corporation under the SFO, licensed to conduct Types 1 (dealing in securities) and 4 (advising on securities) regulated activities under the SFO |
| “Code” | the Hong Kong Code on Takeovers and Mergers |

DEFINITIONS

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| “Company” | MediaNation Inc., a company incorporated in the Cayman Islands, the shares of which are listed on GEM |
| “Completion” | completion of the Transaction |
| “Composite Document” | this document dated 29 April, 2005 jointly issued by the Offeror and the Company in connection with the Offers |
| “Compulsory Acquisition” | subject to the Offeror becoming so entitled and choosing to proceed under the provisions of the Companies Law (2004 Revision) of the Cayman Islands and Rule 2.11 of the Code, the compulsory acquisition under those provisions of those Shares which have not been acquired by the Offeror under the Share Offer |
| “Directors” | the directors, including the independent non-executive directors, of the Company or any of them |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “First Closing Date” | the date which is 21 days after the date of despatch of this Composite Document |
| “Forms of Acceptance” | the WHITE form of acceptance and transfer of Shares in respect of the Share Offer (accompanying this Composite Document) and the PINK form of acceptance and cancellation of the outstanding Share Options in respect of the Option Offer being separately despatched to Optionholders |
| “GEM” | the Growth Enterprise Market operated by the Stock Exchange |
| “GEM Listing Rules” | Rules Governing the Listing Securities in the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited |
| “Group” | the Company and its subsidiaries |
| “HK\$” and “cents” | Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong for the time being |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent committee of the Board comprising Mr. Johannes Schöter, Mr. Barry John Buttifant and Mr. Duck Young Song, whom are independent non-executive Directors, appointed to advise the Independent Shareholders and Optionholders in respect of the Offers |
| “Independent Shareholders” | the Shareholders who are not involved in, or interested in, the Agreement, being Shareholders other than the Vendors, the Offeror and their associates or parties acting in concert with any of them |
| “Latest Practicable Date” | 28 April, 2005, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document |

DEFINITIONS

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| “Letter from CLSA” | the letter from CLSA to the Shareholders as set out on pages 6 to 14 in this Composite Document |
| “Listing Rules” | Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange |
| “Offer Price” | HK\$0.282 per Share |
| “Offer Shares” | Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it, including any Shares unconditionally allotted or issued pursuant to the exercise of Share Options |
| “Offeror” | JCDecaux Pearl & Dean Ltd, a company incorporated in Hong Kong |
| “Offeror Directors” | the directors of the Offeror or any of them |
| “Offeror Group” | the Offeror and its subsidiaries |
| “Offers” | the Share Offer and the Option Offer |
| “Option A Share Options” | share options granted by the Company on 1 July, 1997, 1 April, 2000 and 1 September, 2000 pursuant to an executive share option plan (“Plan 1” as detailed in the section headed “Pre-IPO Share Option Plans” in Appendix VI to this Composite Document) approved by the Shareholders on 7 April, 1995 and amended and restated on 9 June, 2001 with an exercise price of HK\$0.266 per Share |
| “Option B Share Options” | share options granted by the Company on 13 August, 2003 pursuant to the Share Option Scheme with an exercise price of HK\$0.119 per Share |
| “Option C Share Options” | share options granted by the Company on 25 May, 2004 pursuant to the Share Option Scheme with an exercise price of HK\$0.115 per Share |
| “Option D Share Options” | share options granted by the Company on (a) 1 April, 2000 and 5 May, 2001 pursuant to an executive share option plan (“Plan 2” as detailed in the section headed “Pre-IPO Share Option Plans” in Appendix VI to this Composite Document) approved by the Shareholders on 9 June, 2001; (b) 9 June, 2001 pursuant to an executive share option plan (“Plan 3” as detailed in the section headed “Pre-IPO Share Option Plans” in Appendix VI to this Composite Document) approved by the Shareholders on 9 June, 2001 and; (c) 10 July, 2002 pursuant to the Share Option Scheme, in each case with an exercise price of between HK\$0.795 and HK\$1.442 per Share |
| “Option Offer” | the offer to the Optionholders made by CLSA Limited, on behalf of the Offeror, on the terms and subject to the conditions contained in this Composite Document and the PINK Form of Acceptance, including any extension or revision thereof |
| “Optionholders” | holders of Share Options |
| “Outstanding Shareholders” | Shareholders whose Shares may become the subject of the Compulsory Acquisition (if applicable) |

DEFINITIONS

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| “PRC” | the People’s Republic of China |
| “Pre-IPO Share Option Plans” | Plan 1, Plan 2 and Plan 3 executive share option plans (as detailed in the section headed “Pre-IPO Share Option Plans” in Appendix VI to this Composite Document) |
| “Registrar” | Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company at Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong |
| “Sale Shares” | 718,428,083 Shares and 718,428,083 Shares beneficially owned by SMI Investors (PAPE II) Limited and Warburg Pincus Ventures, L.P. respectively |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share Offer” | the mandatory unconditional cash offer to acquire the entire issued share capital of the Company made by CLSA Limited, on behalf of the Offeror, on the terms and subject to the conditions contained in this Composite Document and the accompanying WHITE Form of Acceptance, including any extension or revision thereof |
| “Share Option Scheme” | the Company’s share option scheme adopted on 8 January, 2002 (as detailed in the section headed “Share Option Scheme” in Appendix VI to this Composite Document) |
| “Share Options” | Option A Share Options, Option B Share Options, Option C Share Options and Option D Share Options |
| “Shareholder(s)” | registered holder(s) of the Share(s) |
| “Share(s)” | share(s) of HK\$0.10 each of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “trading day” | a day on which Shares can be purchased or sold on or through the Stock Exchange |
| “Transaction” | the sale and purchase of the Sale Shares pursuant to the Agreement |
| “Vendors” | SMI Investors (PAPE II) Limited, a company incorporated in the British Virgin Islands, and Warburg Pincus Ventures, L.P., a limited partnership existing under the laws of the State of Delaware in the United States of America |
| “%” | per cent. |

EXPECTED TIMETABLE

2005

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|--|---------------------------|
| Opening date of the Offers | Friday, 29 April |
| Latest time for acceptance of the Offers | 4:00 pm on Friday, 20 May |
| First Closing Date (<i>Note 1</i>) | Friday, 20 May |
| Announcement of the results of the Offers to be published on the GEM website | Friday, 20 May |
| Latest date of posting of remittances for the amounts due under the Offers in respect of valid acceptances received on or before 4:00 p.m. on Friday, 20 May, 2005 (<i>Note 2</i>) | Monday, 30 May |

Notes:

1. The latest time for acceptance of the Offers is 4:00 p.m., on 20 May, 2005. The Offers, which are unconditional, will close on Friday, 20 May, 2005 unless the Offeror revises or extends the Offers in accordance with the Code. The Offeror will issue an announcement on the GEM website at www.hkgem.com by 7:00 p.m. on Friday, 20 May, 2005 as to whether the Offers have been revised, extended or expired and, in relation to any extension of the Offers, to state either the next closing date or that the Offers will remain open until further notice.
2. The consideration payable for the Offer Shares and the Share Options tendered under the Offers will be paid within 10 days of the date of receipt by the Registrar (in the case of the Share Offer) and the Company (in the case of the Option Offer), from Shareholders accepting the Share Offer and Optionholders accepting the Option Offer, of the valid requisite documents. Please refer to the paragraph headed “Settlement of the Offers” in the letter from CLSA in this Composite Document.
3. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in paragraph 4 headed “Right of withdrawal” in Appendix I headed “Further terms of the Offers” to this Composite Document.

All time references contained in this Composite Document refer to Hong Kong time.



29 April, 2005

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CLSA LIMITED
FOR AND ON BEHALF OF
JCDECAUX PEARL & DEAN LTD
TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF
MEDIANATION INC. OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND THE CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS
OF MEDIANATION INC.**

INTRODUCTION

On 24 March, 2005, the Offeror and the Company jointly announced a possible mandatory cash offer to be made by CLSA Limited on behalf of the Offeror, an indirect wholly owned subsidiary of JCDecaux SA, to acquire all the issued share capital of the Company not already owned or agreed to be owned by the Offeror.

This letter, Appendix I to this Composite Document and the Forms of Acceptance, together set out the terms and the conditions of the Offers and certain related information.

ACQUISITION OF SALE SHARES

In the Announcement, the Offeror and the Company announced that the Offeror entered into the Agreement to acquire from the Vendors a total of 1,436,856,166 Sale Shares, representing approximately 79.67% of the issued share capital of the Company.

On 26 April, 2005, the Offeror announced the Completion whereby it became the owner of the Sale Shares.

The total consideration paid by the Offeror to the Vendors for such Sale Shares was HK\$405,193,438.82 and the purchase price paid per Sale Share to each Vendor was HK\$0.282 per Sale Share.

MANDATORY UNCONDITIONAL CASH OFFERS

The Offeror and any person acting in concert with it are interested in 1,436,856,166 Shares, representing 79.67% of the total issued share capital of the Company. As at the Latest Practicable Date, the total number of Shares in issue is 1,803,488,985. As a result, under Rule 26.1 of the

LETTER FROM CLSA EQUITY CAPITAL MARKETS LIMITED

Code, the Offeror is required to make an unconditional mandatory offer for all the Shares not already owned or agreed to be owned by the Offeror and all the outstanding Share Options respectively.

The Offers are unconditional and are therefore not conditional upon any minimum level of acceptances being received nor subject to any other conditions.

THE SHARE OFFER

CLSA Limited, on behalf of the Offeror, hereby unconditionally offers to acquire, on the terms and subject to the conditions set out in this Composite Document and in the accompanying **WHITE** Form of Acceptance, all of the Shares not already owned or agreed to be owned by the Offeror, on the following basis:

Offer Price

For each Offer Share HK\$0.282 in cash

The Offer Price represents:

- (a) a premium of approximately 38.9% to the closing price of the Shares on GEM of HK\$0.203 per Share, being the last price at which Shares traded immediately prior to the suspension of trading on 17 March, 2005;
- (b) a premium of approximately 95.8% to the average closing price of the Shares as quoted on GEM of approximately HK\$0.144 per Share for the 20 trading days immediately prior to and including the last trading day immediately prior to the suspension of trading on 17 March, 2005;
- (c) a premium of approximately 15.0% to the net asset value per share of the Company as at 31 December, 2004;
- (d) A premium of approximately 0.7% to the closing price of HK\$0.280 per share as quoted on GEM on the Latest Practicable Date.

During the six month period preceding the date of the Announcement, the highest closing price of the Shares on GEM was HK\$0.203 per Share on 17 March, 2005, and the lowest closing price of the Shares as quoted on GEM was HK\$0.100 per Share on 23 September, 2004, 24 September, 2004, 6 October, 2004, 7 October, 2004, 8 October, 2004, 11 October, 2004, 12 October, 2004 and 1 November, 2004.

Acceptances of the Share Offer should be received as soon as possible and in any event by no later than 4.00 p.m. (Hong Kong time) on Friday, 20 May, 2005.

THE OPTION OFFER

As at the Latest Practicable Date, the Company had in aggregate 165,916,890 Share Options outstanding, entitling the Optionholders to subscribe for an aggregate of 165,916,890 Shares at an exercise price of between HK\$0.115 to HK\$1.442 (being 21,647,640 Option A Share Options with

LETTER FROM CLSA EQUITY CAPITAL MARKETS LIMITED

an exercise price of HK\$0.266, 14,000,000 Option B Share Options with an exercise price of HK\$0.119, 10,000,000 Option C Share Options with an exercise price of HK\$0.115 and 120,269,250 Option D Share Options with an exercise price of between HK\$0.795 and HK\$1.442).

CLSA Limited, on behalf of the Offeror, hereby unconditionally offers to the Optionholders to pay the following amounts for the Share Options they renounce and surrender for cancellation.

For cancellation of each Option A Share Option HK\$0.016 in cash

For cancellation of each Option B Share Option HK\$0.163 in cash

For cancellation of each Option C Share Option HK\$0.167 in cash

For cancellation of every 15 Option D Share Options HK\$0.01 in cash

CLSA Limited, on behalf of the Offeror, offers to the Optionholders of Option A Share Options, Option B Share Options and Option C Share Options to pay HK\$0.016, HK\$0.163 and HK\$0.167 respectively in cash for each Option A Share Option, Option B Share Option and Option C Share Option they renounce and surrender for cancellation. The offer prices for such Share Options represent the Offer Price less the amount payable by such Optionholders if they had chosen to exercise the relevant Share Options to subscribe for each Share.

CLSA Limited, on behalf of the Offeror, offers to the Optionholders of Option D Share Options to pay HK\$0.01 in cash for every 15 Option D Share Options they renounce and surrender for cancellation. The offer price for Option D Share Options was determined after taking into account that the Offer Price is substantially lower than the exercise prices of such Option D Share Options.

By accepting the Option Offer, Optionholders will renounce and agree to the cancellation of relevant Share Options. Optionholders will renounce all rights under those Share Options which rights shall thereupon lapse and be fully discharged and be of no further effect.

Save as described above, the Company has no other outstanding options, warrants, derivatives or conversion rights affecting the Shares as at the Latest Practicable Date.

The further terms of the Option Offer are set out in the **PINK** Form of Acceptance which has been separately despatched to Optionholders. If an Optionholder wishes to accept the Option Offer in respect of one or all of his/her Share Option(s), he/she should complete the **PINK** Form of Acceptance.

If an Optionholder accepts the Option Offer, he/she will be deemed, by signing the **PINK** Form of Acceptance, to have irrevocably undertaken not to exercise the Share Options in respect of which he/she has accepted the Option Offer.

In the event that any of the outstanding Share Options are exercised before the close of the Offers in accordance with the provisions of the relevant share option schemes, any Shares issued as a result of such exercise of such outstanding Share Options will be subject to and eligible to participate in the Share Offer.

LETTER FROM CLSA EQUITY CAPITAL MARKETS LIMITED

The omission to despatch the Composite Document or the PINK Form of Acceptance containing the terms of the Option Offer to any person to whom the Option Offer may be made, will not invalidate the Option Offer in any respect. The Option Offer and all acceptances will be governed by, and construed in accordance with, the laws of Hong Kong and the Code.

FINANCIAL RESOURCES FOR THE OFFERS

Based on the total number of 1,803,488,985 Shares in issue upon Completion, the Share Offer would value the Company at approximately HK\$508,583,893.77 (before taking into account the consideration to be paid in respect of outstanding Share Options). The Share Offer is being made in respect of the remaining 366,632,819 Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it. At the Offer Price, the aggregate amount of consideration payable by the Offeror to accepting Shareholders, assuming all such remaining Shares are tendered to the Share Offer, would be approximately HK\$103,390,454.95. Assuming all the Optionholders accept the Option Offer for all of their Share Options, the aggregate amount of consideration payable by the Offeror to Optionholders would be approximately HK\$4,378,541.74.

CLSA is satisfied that sufficient resources are available to the Offeror to satisfy full acceptance of the Offers. The Offeror intends to finance the Offers from internal resources available to the Offeror.

INFORMATION ON THE OFFEROR

The Offeror is an indirect wholly owned subsidiary of JCDecaux SA, a company incorporated in France. JCDecaux SA is listed on Euronext Paris and is part of the Euronext 100 index.

In terms of revenue generated from the outdoor advertising market, JCDecaux SA is the number one outdoor advertising group in Europe and the number two outdoor advertising group globally. With approximately 6,900 employees, JCDecaux SA and its group companies operate in approximately 3,500 cities of more than 10,000 inhabitants in 45 countries worldwide. In 2004, JCDecaux SA generated consolidated revenue of approximately €1,631.4 million (6% of which was generated in Asia) and a net profit of €78.1 million.

The Offeror is one of the leading companies specializing in outdoor advertising in Hong Kong. It has been operating the Hong Kong MTR metro advertising concession for more than 20 years and operates the exclusive advertising concession at Hong Kong International Airport.

INFORMATION ON THE GROUP

The Group operates an outdoor advertising business that offers advertisers access to one of the largest outdoor display advertising networks in the PRC. Advertising is carried on approximately 16,855 buses in 15 cities in the PRC, plus the entire underground metro system in Beijing city centre and two metro lines in Shanghai. The Company has also recently expanded into the street furniture advertising business.

The Group recorded revenue of HK\$439.6 million and net profit of HK\$2.5 million for the year ended 31 December, 2004. The Company is listed on GEM. Revenue and net loss of the Group for the financial year ended 31 December, 2003 were approximately HK\$375.6 million and approximately HK\$143.8 million respectively.

THE OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY

The Offeror anticipates high future growth in the outdoor advertising market in the PRC. Through the combined resources of the Offeror and the Group, it is the intention of the Offeror to grow its presence in the outdoor advertising market in the PRC. The Offeror has stated that, upon completion of the Offers, the Company will continue to carry on its existing public transport and street furniture outdoor advertising business in the PRC. The Offeror intends to conduct a review of the Group's operations with a view to improving the performance and profitability of its existing outdoor advertising concessions, where possible. The Offeror will seek opportunities to expand the combined businesses of the Offeror and the Group, for instance through the acquisition of additional outdoor advertising display networks in China, where available. In addition, opportunities for co-operation exist between the Group's operations in the PRC and the Offeror's current operations in Hong Kong, Macau and the PRC and it is the Offeror's intention to explore these areas of co-operation. The Offeror does not intend to introduce any major changes to the business, including any redeployment of the assets of the Group or to make any material changes to the continued employment of the employees of the Group following the closing of the Offers. The Offeror does not have any current plans or intention to inject assets into the Company.

BOARD COMPOSITION OF THE COMPANY

Pursuant to the terms of the Agreement, the Vendors shall procure that the existing Directors (other than the three independent non-executive Directors) will resign as Directors with effect from the later of Completion or the earliest time permitted under the Code or by the SFC. It is expected that such persons as may be nominated by the Offeror will be appointed to the Board immediately after the posting of this Composite Document. An announcement will be made by the Company in relation to the appointments, the terms of the service contracts and the basis for determination of Directors' emoluments, if any, in accordance with the GEM Listing Rules.

Set out below are the biographies of Mr. Jean-Charles Decaux, Ms. Isabelle Claude Michele Vitry Schlumberger, Mr. Jean-Michel Geffroy, Mr. David Bourg, Mr. Brian Kam Wai Sum and Mr. Stephen Hon Chiu Wong, the proposed Directors to be nominated by the Offeror.

Jean-Charles Decaux, aged 35, will be proposed to be a non-executive Director. Mr. Decaux is the Chairman of the board of JCDecaux SA and 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, will be proposed to be a non-executive Director. Ms. Schlumberger, a graduate of the Institut 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 Officer 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.

LETTER FROM CLSA EQUITY CAPITAL MARKETS LIMITED

Jean-Michel Geffroy, aged 45, will be proposed to be a non-executive Director. 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 35, will be proposed to be a non-executive Director. Mr. Bourg is a graduate of the Institut d'Etudes Politiques de Paris and obtained a master's degree and post-graduate 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.

Brian Kam Wai Sum, aged 43, will be proposed to be the Chairman and an executive Director. Mr. Kam was previously the head of the PRC Division of Dun & Bradstreet Technology and Memorex Telex China prior to joining the Company in March 1997 as Senior Vice President of Corporate Development. He was promoted to the Chief Executive Officer of the Company in July 2000. He became a non-executive director in December 2002 and resigned in January 2004. He has been instrumental in developing the Group. He has over 15 years of experience in business development in the PRC, particularly in the field of information technology and telecommunications and has contributed to the Group's growth and development since its inception. Mr. Kam is a graduate of the Chinese University of Hong Kong.

Stephen Hon Chiu Wong, aged 48, will be proposed to be the Chief Executive Officer and an executive Director. 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 HKICPA. He has 13 years of senior media management experience in Hong Kong, including the last 7 years at the Offeror 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.

None of the above proposed directors has any relationship with any existing directors or senior management or management shareholders or substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, none of the above proposed directors had any discloseable interest in Shares within the meaning of Part XV of the SFO. None of the above proposed directors is proposed to be appointed with a fixed term of service with the Company and each of them will be subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

COMPULSORY ACQUISITION AND SUSPENSION OF DEALINGS

If the Offeror receives valid acceptances of the Share Offer for not less than 90% in value of the Offer Shares, the Offeror intends to exercise any rights it may have under the provisions of the Companies Law (2004 Revision) of the Cayman Islands to acquire compulsorily any outstanding Shares and to apply for a withdrawal of listing of the Shares from GEM. Under Rule 2.11 of the Code, to exercise such rights, the Offeror is required to receive valid acceptances of 90% of the disinterested Shares during the period of 4 months after posting this

LETTER FROM CLSA EQUITY CAPITAL MARKETS LIMITED

Composite Document. In such case, dealings in securities of the Company will be suspended from the closing of the Offers up to the withdrawal of the listing of the Company's securities from GEM pursuant to Rule 9.23 of the Listing Rules.

The Stock Exchange has stated that, if at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by the Company. The Stock Exchange has also stated that if the Company remains a public company listed on GEM, any future acquisitions or disposals of assets by the Company will be subject to the provisions of the GEM Listing Rules. Pursuant to the GEM Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to the Shareholders, where an acquisition or disposal by the Company is proposed irrespective of the size of such proposed acquisition or disposal and in particular where such proposed acquisition or disposal represents a departure from the principal activities of the Company. The Stock Exchange also has the power, pursuant to the GEM Listing Rules in certain circumstances, to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals, may, in any event, result in the Company being treated as a new listing applicant for listing and subject to the requirements for new applicants as set out in the GEM Listing Rules.

PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

Procedures for acceptance of the Offers

The Share Offer

To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms of the Share Offer.

The completed **WHITE** Form of Acceptance should then be forwarded, together with the relevant Share(s) certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand to the Registrar at Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable **and in any event, so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 20 May, 2005** (or such later time and date as the Offeror may determine and announce in accordance with the Code). No acknowledgement of receipt of any **WHITE** Form(s) of Acceptance, Share(s) certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

The Option Offer

To accept the Option Offer, you should complete and sign the **PINK** Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms of the Option Offer. The **PINK** Form of Acceptance has been separately despatched to each Optionholder and is also obtainable from the Company at Room 3507, 35/F., The Center, 99 Queen's Road Central, Hong Kong.

LETTER FROM CLSA EQUITY CAPITAL MARKETS LIMITED

The completed **PINK** Form of Acceptance should then be forwarded, together with the relevant Share Option(s) certificate(s) (if any) for not less than the number of Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the company secretary of the Company marked “MediaNation Option Offer” on the envelope, at Room 3507, 35/F., The Center, 99 Queen’s Road Central, Hong Kong, as soon as practicable **and in any event, so as to reach the Company by no later than 4:00 p.m. (Hong Kong time) on Friday, 20 May, 2005** (or such later time and date as the Offeror may determine and announce in accordance with the Code). No acknowledgement of receipt of any **PINK** Form(s) of Acceptance or Share Option(s) certificate(s) will be given.

Your attention is also drawn to the section headed “Further Terms of the Offers” as set out in Appendix I to this Composite Document and the Forms of Acceptance.

Settlement of the Offers

Provided that a valid Form of Acceptance and the relevant documents required to render the relevant acceptances under the Offers are complete and in good order and have been received by the Registrar (in the case of the Share Offer) or the Company (in the case of the Option Offer) by no later than the latest time for acceptance, a banker’s draft for the amount due to the relevant Accepting Shareholder or Optionholder (as the case may be), less seller’s ad valorem stamp duty (if any) payable by the relevant Accepting Shareholder and the amount of any dividend due to be paid to any such Accepting Shareholder (if any), will be despatched to the relevant Accepting Shareholder or Optionholder (as the case may be) by ordinary post at his/her own risk within 10 days after the date on which such documents are received by the Registrar or the Company (as the case may be). The Offeror will then pay stamp duty to the Hong Kong Stamp Office.

In order for the beneficial owners of Shares, whose investments are registered in nominee names, to accept the Share Offer, it is essential that they provide instructions to their nominee agents of their intentions with regards to the Share Offer. To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately.

The attention of Shareholders and Optionholders with registered addresses outside Hong Kong is drawn to the section headed “Overseas holders of Offer Shares and Share Options” of Appendix I to this Composite Document.

FURTHER TERMS OF THE OFFERS

Further terms

Further terms and conditions of the Offers (including the further procedures for acceptance, the acceptance period, revisions of the Offers and the stamp duty payable by Accepting Shareholders) are set out in Appendix I to this Composite Document and the Forms of Acceptance.

Shares

Shares will be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid after the date of the Announcement.

LETTER FROM CLSA EQUITY CAPITAL MARKETS LIMITED

Stamp Duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer, amounting to 0.1% of the consideration payable in respect of the relevant acceptance by the Shareholders will be deducted from the consideration due to such person on acceptance of the Share Offer. The Offeror will arrange for payment of the stamp duty in connection with such sale.

Taxation and Independent Advice

You are recommended to consult your own professional adviser if you are in any doubt as to the taxation implications of accepting or rejecting the Offers. It is emphasised that none of the Offeror, JCDecaux SA, CLSA Limited or CLSA or any of their respective directors or affiliates or any other person involved in the Offers accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offers.

GENERAL

As far as CLSA is aware, as at the Latest Practicable Date, no person has irrevocably committed himself to accept or reject the Offers.

RECOMMENDATION

As set out in the letter from the Independent Board Committee contained in this Composite Document of which this letter forms a part, the Independent Board Committee having taken into account the terms of the Offers and the advice of Altus Capital, the independent financial adviser to the Independent Board Committee, considers that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned and advises them to accept the Offers. Shareholders and Optionholders should also refer to the recommendation contained in the letter from Altus Capital, which is also contained in this Composite Document.

Yours faithfully,
for and on behalf of
CLSA Equity Capital Markets Limited
Tim Ferdinand
Managing Director

LETTER FROM THE BOARD



MediaNation Inc.

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8160)

Executive Director:

Mr. Chu Chung Hong, Francis

Non-executive Directors:

Mr. Sun Qiang, Chang

Mr. Cheung Leung Hong, Cliff

Ms. Ho Ming Yee

Mr. Cheng Cheung Lun, Julian

Independent non-executive Directors:

Mr. Johannes Schöter

Mr. Barry John Buttifant

Mr. Duck Young Song

Registered office:

P.O. Box 309

Ugland House

George Town

Grand Cayman

Cayman Islands

*Head Office and principal place
of business*

Room 3507, 35/F., The Center

99 Queen's Road Central

Hong Kong

29 April, 2005

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CLSA LIMITED
FOR AND ON BEHALF OF
JCDECAUX PEARL & DEAN LTD
TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF
MEDIATION INC. OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND THE CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS OF
MEDIATION INC.**

INTRODUCTION

On 24 March, 2005, the Offeror and the Company jointly announced that a possible mandatory cash offer might be made by CLSA Limited on behalf of the Offeror to acquire all the issued Shares of the Company other than the Sale Shares agreed to be acquired by the Offeror from the Vendors as referred to in the Agreement. The completion of the Agreement was subject to the fulfillment or waiver of a condition precedent that the results of the Offeror's legal, business and financial due diligence review of the Group were satisfactory in all respects. The condition precedent was fulfilled and the Agreement was completed on 26 April, 2005. The Offeror and any person acting in concert with it are interested in 1,436,856,166 Shares, representing approximately 79.67% of the issued

LETTER FROM THE BOARD

share capital of the Company immediately after the completion of the Agreement. The Offeror is therefore required under Rule 26.1 of the Code to make an unconditional mandatory cash offer for all the Offer Shares and all the outstanding Share Options.

Mr. Chu Chung Hong, Francis is a salaried employee of the Group and Mr. Sun Qiang, Chang, Mr. Cheung Leung Hong, Cliff, Ms. Ho Ming Yee and Mr. Cheng Cheung Lun, Julian are salaried employees of the Vendors and as such they are not considered sufficiently independent to advise the Independent Shareholders and the Optionholders in respect of the Offers. Mr. Johannes Schöter, Mr. Barry John Buttifant and Mr. Duck Young Song, all of whom are independent non-executive Directors, have been appointed as members of the Independent Board Committee for consideration of and making of recommendations in respect of the terms of the Offers to the Independent Shareholders and the Optionholders. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee on the reasonableness and the fairness of the terms of the Offers.

The purpose of this Composite Document is to provide you with, among other matters, information relating to the Group, the Offeror and the Offers as well as setting out the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders and the Optionholders in respect of the Offers and the letter from Altus Capital containing its advice to the Independent Board Committee in respect of the Offers.

THE SHARE OFFER

An unconditional mandatory cash offer for all the Offer Shares, is being made by CLSA Limited, on behalf of the Offeror and the terms of such cash offer are as follows:

For each Offer Share HK\$0.282 in cash

The Offer Price is the same as the price paid by the Offeror for each Sale Share under the Agreement.

The Offer Price represents:

- (a) a premium of approximately 38.9% to the closing price of the Shares on GEM of HK\$0.203 per Share, being the last price traded immediately prior to the suspension of trading on 17 March, 2005;
- (b) a premium of approximately 95.8% to the average closing price of the Shares as quoted on GEM of approximately HK\$0.144 per Share for the 20 trading days immediately prior to and including the last trading day immediately prior to the suspension of trading on 17 March, 2005;
- (c) a premium of approximately 15.0% to the net asset value per share of the Company as of 31 December, 2004; and
- (d) a premium of approximately 0.7% to the closing price of HK\$0.280 per Share as quoted on GEM on the Latest Practicable Date.

During the six months period preceding the date of the Announcement, the highest closing price of the Shares on GEM was HK\$0.203 per Share recorded on 17 March, 2005 and the lowest closing price was HK\$0.10 per Share recorded on 23 September, 2004, 24 September, 2004, 6

LETTER FROM THE BOARD

October, 2004, 7 October, 2004, 8 October, 2004, 11 October, 2004, 12 October, 2004 and 1 November, 2004. While in the six months period preceding the Latest Practicable Date the highest price of the Shares on GEM was HK\$0.28 per Share recorded on 27 April, 2005 and 28 April, 2005 and the lowest price was HK\$0.10 per Share recorded on 1 November, 2004.

Further terms of the Share Offer are set out in the accompanying **WHITE** Form of Acceptance. If a Shareholder wishes to accept the Share Offer in respect of one or all of his/her Share(s), he/she should complete the accompanying **WHITE** Form of Acceptance in accordance with the instructions enclosed therein.

THE OPTION OFFER

As at the Latest Practicable Date, the Company had in aggregate 165,916,890 Share Options outstanding, entitling the Optionholders to subscribe for an aggregate of 165,916,890 Shares at an exercise price of between HK\$0.115 to HK\$1.442 (being 21,647,640 Option A Share Options with an exercise price of HK\$0.266, 14,000,000 Option B Share Options with an exercise price of HK\$0.119, 10,000,000 Option C Share Options with an exercise price of HK\$0.115 and 120,269,250 Option D Share Options with an exercise price of between HK\$0.795 and HK\$1.442).

Details of the Option Offer to the Optionholders for tendering their Share Options for cancellation are set out below:

For cancellation of each Option A Share Option HK\$0.016 in cash

For cancellation of each Option B Share Option HK\$0.163 in cash

For cancellation of each Option C Share Option HK\$0.167 in cash

For cancellation of every 15 Option D Share Options HK\$0.01 in cash

Save for the offer price for Option D Share Options, the offer prices for such Share Options represent the difference between the Offer Price and the amount payable upon exercise of the relevant Share Options to subscribe for each Share. In respect of Option D Share Options, the offer price for Optionholders of Option D Share Options has been determined after taking into account that the Offer Price is substantially lower than the exercise prices of such Option D Share Options. Save as described above, the Company has no other outstanding options, warrants, derivatives or conversion rights affecting the Shares as at the Latest Practicable Date.

By accepting the Option Offer, Optionholders will renounce and agree to the cancellation of relevant Share Options. Optionholders will renounce all rights attached to those Share Options which rights shall thereupon lapse and be fully discharged and have no further effect.

In the event that any of the outstanding Share Options are exercised before the close of the Offers in accordance with the provisions of the relevant share option scheme, any Shares issued as a result of such exercise of such outstanding Share Options will be subject to and eligible to participate in the Share Offer.

Further terms of the Option Offer are set out in the **PINK** Form of Acceptance. If an Optionholder wishes to accept the Option Offer in respect of one or all of his/her Share Option(s), he /she should complete the **PINK** Form of Acceptance which has been separately despatched to

LETTER FROM THE BOARD

Optionholders in accordance with the instructions enclosed thereon. By signing the **PINK** Form of Acceptance, Optionholders will be deemed to have irrevocably undertaken not to exercise the Share Options in respect of which he/she has accepted the Option Offer.

The omission to despatch the Composite Document, or the **PINK** Form of Acceptance containing the terms of the Option Offer to any person to whom the Option Offer may be made, will not invalidate the Option Offer in any respect. The Option Offer and all acceptances will be governed by, and construed in accordance with, the laws of Hong Kong and the Code.

CONDITION OF THE OFFERS

The Offers are unconditional as to the level of acceptances given that the Offeror and parties acting in concert with it are beneficially interested in 1,436,856,166 Shares, representing approximately 79.67% of the issued share capital of the Company immediately after the completion of the Agreement.

It is the intention of the Directors who hold Shares and/or Share Options as at the Latest Practicable Date to accept the Offers.

STAMP DUTY

Hong Kong stamp duty arising in connection with acceptance of the Share Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the amount payable by the Offeror in respect of relevant acceptances by Shareholders, or the market value of the Shares (at the discretion of the collector of stamp duty), will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will arrange for payment of the stamp duty in connection with such sale.

THE LATEST TIME FOR ACCEPTANCE

The latest time for acceptance of the Offers is 4:00 p.m. (Hong Kong time) Friday, 20 May, 2005 (or such later time and as the Offeror may determine and announce in accordance with the Code).

FURTHER INFORMATION

Please refer to the “Letter from CLSA Equity Capital Markets Limited” and Appendix I for information in relation to the Offers the making of the Offers to Shareholders and Optionholders residing in overseas countries, taxation, acceptance and settlement procedures of the Offers.

INFORMATION ON THE GROUP

The Group operates an outdoor advertising business that offers advertisers access to one of the largest outdoor display advertising networks in the PRC. Advertising is carried on approximately 16,855 buses in 15 cities in the PRC, plus the entire underground metro system in Beijing city centre and two metro lines in Shanghai. The Company has also recently expanded into the street furniture advertising business.

The Company recorded consolidated revenue of approximately HK\$439.6 million and net profit of approximately HK\$2.5 million for the year ended 31 December, 2004. Revenue and net loss of the Company for the financial year ended 31 December, 2003 were approximately HK\$375.6 million and approximately HK\$143.8 million respectively.

LETTER FROM THE BOARD

PROFIT FORECAST

On 21 March, 2005, the Company released its announcement of the results for the year ended 31 December, 2004 in which it also included a statement when describing the business outlook that “management believes better results can be achieved in 2005”. This statement has been construed as a forecast of consolidated profit after taxation and minority interests for the Group for the year ending 31 December, 2005, and under the Code is required to be examined, repeated and reported on in the document sent to Shareholders. Set out in Appendices III and IV are the bases and assumptions of the forecast and the letters from the auditors and financial advisers to the Company relating to the forecast.

Shareholders should recognize that the statement relating to the business outlook was not made in relation to the Offers and was made on the assumptions, among others, that the existing business strategies and direction established by the current management and approved by the Board would continue to be carried out in 2005. The existing Directors, other than the independent non-executive Directors, are expected to resign on the first closing day of the Offers and therefore will cease to have influence over the business strategies and direction of the Company thereafter.

INFORMATION ON THE OFFEROR

The Offeror is an indirect wholly owned subsidiary of JCDecaux SA, a company incorporated in France. JCDecaux SA is listed on Euronext Paris and is part of the Euronext 100 index. Please refer to the section headed “Information on the Offeror” in the Letter from CLSA Equity Capital Markets Limited for more information about the Offeror.

THE OFFEROR’S INTENTIONS RELATING TO THE COMPANY

Based on the information provided in the sections headed “Information on the Offeror” and “The Offeror’s Intentions in relation to the Company” in the Letter from CLSA Equity Capital Markets Limited, the Directors are of the view that successful implementation of the actions to be undertaken by the Offeror would be beneficial to the long term business development of the Company.

BOARD COMPOSITION OF THE COMPANY

Pursuant to the terms of the Agreement, the Vendors shall procure that the existing Directors other than the three independent non-executive Directors will resign as Directors with effect from the later of Completion or the earliest time permitted under the Code or by the SFC. It is expected that such persons as may be nominated by the Offeror will be appointed as directors to the Board immediately after the posting of this Composite Document. As announced on 15 April, 2005, Mr. Chu Chung Hong, Francis has already given notice of his resignation as chief executive officer, executive director and compliance officer of the Company on 8 April, 2005. Mr. Chu Chung Hong, Francis, Mr. Sun Qiang, Chang, Mr. Cheung Leung Hong, Cliff, Ms. Ho Ming Yee and Mr. Cheng Cheung Lun, Julian will resign as directors of the Company with effect from the earliest time permitted under the Code or by the SFC.

Please refer to the section headed “Board Composition of the Company” in the Letter from CLSA Equity Capital Markets Limited for information on the proposed Directors to be nominated by the Offeror.

LETTER FROM THE BOARD

WITHDRAWAL OF LISTING OF SECURITIES OF THE COMPANY

If the Offeror receives valid acceptances of the Share Offer for not less than 90% in value of the Offer Shares, the Offeror intends to exercise any rights it may have under the provisions of the Companies Law (2004 Revision) of the Cayman Islands to acquire compulsorily any outstanding Shares and to apply for a withdrawal of listing of the Shares from GEM. Under Rule 2.11 of the Code, to exercise such rights, the Offeror is required to receive valid acceptances of 90% of the disinterested shares during the period of 4 months after posting this Composite Document. Please refer to the section headed “Compulsory Acquisition and suspension of Dealings” in the Letter from CLSA Equity Capital Markets Limited for more information about the intention of the Offeror.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this Composite Document which contains its recommendation to the Independent Shareholders and the Optionholders in respect of the Offers and the letter from Altus Capital which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers, and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee. You are also advised to read the Composite Document and the Forms of Acceptance in respect of the acceptance and settlement procedures of the Offers.

Yours faithfully,
for and on behalf of the Board
Sun Qiang, Chang
Chairman



MediaNation Inc.

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8160)

The Independent Board Committee:

Johannes Schöter
Barry John Buttifant
Duck Young Song

Registered office:

P.O. Box 309
Ugland House
George Town
Grand Cayman
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Room 3507, 35th Floor
The Center
99 Queen's Road Central
Hong Kong

29 April, 2005

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
CLSA LIMITED
FOR AND ON BEHALF OF
JCDECAUX PEARL & DEAN LTD
TO ACQUIRE ALL THE ISSUED SHARES IN
MEDIATION INC. OTHER THAN THOSE
ALREADY OWNED BY THE OFFEROR
OR PARTIES ACTING IN CONCERT WITH IT
AND THE CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS
OF MEDIATION INC.**

We refer to the composite offer and response document, for and on behalf of the Offeror and by the Company to the Shareholders and Optionholders dated 29 April, 2005 (the "Composite Document") of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offers and to make recommendations to the Independent Shareholders and Optionholders in connection with the Offers.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have considered whether the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Altus Capital has been appointed as the independent financial adviser to advise us in respect of the above.

We wish to draw your attention to the letter from the Board, the letter from CLSA Equity Capital Markets Limited and the Letter from Altus Capital as set out in the Composite Document. Having considered the principal factors and reasons considered by, and the advice of, Altus Capital as set out in its letter of advice, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Shareholders and Optionholders to accept the Offers.

Yours faithfully,

The Independent Board Committee of

MediaNation Inc.

Johannes Schöter **Barry John Buttifant** **Duck Young Song**

Independent

Independent

Independent

non-executive director non-executive director non-executive director

LETTER FROM ALTUS CAPITAL LIMITED

The following is the text of the letter from Altus Capital setting out its advice to the Independent Board Committee in relation to the Offers and for the purpose of inclusion in this document.

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

29 April, 2005

To the Independent Board Committee

MediaNation Inc.
Room 3507, 35th Floor
The Center
99 Queen's Road Central
Hong Kong

Dear Sirs/Madams,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CLSA LIMITED
FOR AND ON BEHALF OF
JCDECAUX PEARL & DEAN LTD
TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF
MEDIATION INC. OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND THE CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS
OF MEDIATION INC.**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in the composite document (the "Document") dated 29 April, 2005 to the Independent Shareholders and the Optionholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Document unless the context requires otherwise.

The Independent Board Committee has been established to advise the Independent Shareholders and Optionholders in relation to the Offers. We have been appointed to advise the Independent Board Committee as to whether or not the terms of the Offers are fair and reasonable so far as they are concerned, and to give our opinion in relation to the Offers for their consideration in making recommendations to the Independent Shareholders and Optionholders.

In assessing the eligibility of the Directors to be a member of the Independent Board Committee, we have considered and taken into account the confirmations by each of the Directors in respect of their interests in the Company. We noted that the following Directors are not regarded as independent in making any recommendation in relation to the Offers as: (i) Mr. Chu Chung Hong,

LETTER FROM ALTUS CAPITAL LIMITED

Francis, an executive Director, is a salaried employee of the Group; and (ii) Mr. Sun Qiang, Chang, Mr. Cheung Leung Hong, Cliff, Ms. Ho Ming Yee, and Mr. Cheng Cheung Lun, Julian are non-executive Directors and salaried employees of the Vendors.

Based on the foregoing, we consider that Mr. Chu Chung Hong, Francis, Mr. Sun Qiang, Chang, Mr. Cheung Leung Hong, Cliff, Ms. Ho Ming Yee and Mr. Cheng Cheung Lun, Julian are not eligible to be members of the Independent Board Committee. The Independent Board Committee thus comprises Mr. Johannes Schöter, Mr. Barry John Buttifant and Mr. Duck Young Song, whom are independent non-executive Directors.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information, facts and representations contained or referred to in the Document and the accuracy of the information, facts and representations provided by, and the opinions expressed by the Company and the Directors. We have assumed that all information, facts, opinions and representations made or referred to in the Document were true at the time they were made and continued to be true at the date of the Document. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed; thus we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Document, or the reasonableness of the opinions and representations provided to us by the Group.

The information in the Document relating to the Group has been supplied by the Company. All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Document (other than information relating to the Offeror and any person acting in concert with it, the terms of the Offers and the future intention of the Offeror and any person acting in concert with it regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Document (other than those expressed by the Offeror and any person acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Document (other than those relating to the Offeror or any person acting in concert with it), which would make any statement in the Document misleading if omitted. We have no reason to suspect that such information is inaccurate or that any material facts have been omitted or withheld from the information supplied or opinions expressed in the Document. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Document and to provide a reasonable basis for our recommendation. We have relied on such information and opinions and have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospect of the Group.

All the directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in the Document (other than information relating to the Vendors and the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Document (other than those expressed by the Vendors and the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Document, which would make any statement in the Document misleading if omitted.

We have not considered the tax consequences on the Independent Shareholders and the Optionholders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders and Optionholders

LETTER FROM ALTUS CAPITAL LIMITED

who are residents outside of Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offers and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1. Principal Terms of the Offers

On 23 March, 2005, the Offeror and the Vendors entered into the Agreement pursuant to which the Offeror agreed to purchase an aggregate of 1,436,856,166 Shares, held by the Vendors, representing a total of approximately 79.67% of the total existing issued share capital of the Company, at an aggregate consideration of HK\$405,193,438.82. Pursuant to Rule 26 of the Code, the Offeror is required to make an unconditional general offer for all of the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

The unconditional Offers, comprising the Share Offer and Option Offer, are made by CLSA Limited, for and on behalf of the Offeror, in compliance with the Code on the following basis:

The Share Offer

for each Offer Share **HK\$0.282 in cash**

The Option Offer

For each Share Option renounced and surrendered for cancellation:

for each Option A Share Option with a right to subscribe **HK\$0.016 in cash**
for one Share at an exercise price of **HK\$0.266 per**
Share

for each Option B Share Option with a right to subscribe **HK\$0.163 in cash**
for one Share at an exercise price of **HK\$0.119 per**
Share

for each Option C Share Option with a right to subscribe **HK\$0.167 in cash**
for one Share at an exercise price of **HK\$0.115 per**
Share

for every 15 Option D Share Options with a right to **HK\$0.01 in cash**
subscribe for 15 Shares at an exercise price of between
HK\$0.795 and HK\$1.442 per Share

The exercise price of each of the Option A Share Option, Option B Share Option and Option C Share Option is lower than the Offer Price, and the Option Offer prices for such Share Options represent the Offer Price less the amount payable by Optionholders upon

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exercise of the relevant Share Options to subscribe for each Share. Therefore, Optionholders of Option A Share Options, Option B Share Options and Option C Share Options are not disadvantaged in this respect.

The exercise price of Option D Share Options is higher than the Offer Price. The offer price for 15 Option D Share Options of HK\$0.01 in cash is therefore a nominal sum offered to Optionholders for the transfer to the Offeror of all rights attached to the Option D Share Options, including the subscription rights attaching to Option D Share Options.

Further terms and conditions of the Offers, including the procedures for acceptance, are set out in the Document.

2. Financial Performance of the Group

The Group operates an outdoor advertising business that offers advertisers access to one of the largest outdoor display advertising networks in the PRC. Advertising is carried on approximately 16,855 buses in 15 cities in the PRC, plus the entire underground metro system in Beijing city center and two metro lines in Shanghai. The Company has also recently expanded into the street furniture advertising business.

A summary of the consolidated income statement of the Group for each of the three years ended 31 December, 2004 and the audited financial information of the Group for the two years ended 31 December, 2004 are set out in Appendix II to the Document.

A summary of the audited consolidated results of the Group for the two years ended 31 December, 2004 are set out below:

| | For the year ended 31 December, | |
|--------------------------|---------------------------------|----------|
| | 2003 | 2004 |
| | HK\$'000 | HK\$'000 |
| Turnover | 375,568 | 439,601 |
| (Loss)/profit before tax | (136,322) | 10,829 |
| Net (loss)/profit | (143,775) | 2,526 |

The Group recorded a profit of approximately HK\$2.5 million for the year ended 31 December, 2004 as compared to a loss of approximately HK\$143.8 million for the year ended 31 December, 2003. Turnover in 2004 also grew by approximately 17.0% to approximately HK\$439.6 million from approximately HK\$375.6 million in 2003. According to the Group's annual report for the year ended 31 December, 2004, the significant growth of turnover and net profit of the Group was attributable to the improvement of performance for the metro and bus advertising businesses and the decrease in cost of sales.

3. Price/earnings multiples

We consider that reference to price/earnings multiple is one of the most commonly and appropriately used methods for valuing a company. As the Company's audited consolidated net profit for the year ended 31 December, 2004 was approximately HK\$2.5 million, the Company's audited earnings per Share for the year ended 31 December, 2004 was approximately HK\$0.0014 per Share, based on 1,803,488,985 Shares in issue as at 31 December, 2004. As the Company's audited earnings per Share is approximately HK\$0.0014

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per Share, the price/earnings multiple of the Company based on the Offer Price of HK\$0.282 per Share is approximately 201.4 times. In assessing the fairness and reasonableness of such price/earnings multiples, we attempted to review companies listed on GEM which are primarily engaged in the advertising business. When calculating the price/earnings multiples, we have used the announced profits of these companies for their immediate latest financial year prior to 17 March, 2005 (the “Last Trading Date”). Based on the information issued on the website of the Stock Exchange, we have been able to identify two listed companies that fulfilled the above criteria (the “Comparable Companies”). Set out below is a summary of the comparison of price/earnings multiple among the Company and the two Comparable Companies.

| Company (stock code) | Approximate market capitalisation as at the Last Trading Date (HK\$ million) | Latest audited net profit announced prior to the Last Trading Date (HK\$'000) | Price/earnings multiple as at the Last Trading Date (Times) |
|--|---|--|---|
| Media Partners International Holdings Inc. (stock code: 8072) (“Media Partners”) | 512.3 | 20,235 | 25.3 |
| Nanjing Dahe Outdoor Media Co. Ltd. (stock code: 8243) (“Nanjing Dahe”) (Note 1) | 72.5 | 17,432 | 4.2 |
| Minimum | | | 4.2 |
| Maximum | | | 25.3 |
| Mean | | | 14.75 |
| The Company (Note 2) | 508.6 | 2,526 | 201.4 |

Note:

1. The net profit of Nanjing Dahe is RMB18,478,000 for the year ended 31 December, 2004, which is equivalent to approximately HK\$17,432,000 based on the exchange rate of HK\$1 = RMB1.06.
2. Market capitalisation and the price/earnings multiple of the Company are based on the Offer Price of HK\$0.282 and 1,803,488,985 Shares in issue as at the Latest Practicable Date.

As shown in the table above, the price/earnings multiples of the two Comparable Companies are approximately 25.3 times and 4.2 times respectively and the mean is 14.75 times. As such, the price/earnings multiple of the Company of 201.4 times is substantially higher than the range and the mean.

According to the Directors, in the absence of unforeseen circumstances, better results are expected for the year ending 31 December, 2005 as compared to the year ended 31 December, 2004. Shareholders should note that the aforesaid forward looking statement is made based on certain bases and assumptions set out in Appendix III to this Document and there remains uncertainty as to whether the projected results can be achieved. Please refer to the Appendices III and IV to this Document for basis and assumptions of the forecast and the letters of the auditors and financial advisers to the Company and Appendix II to this Document for the financial information of the Group.

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4. Net asset value

The table below sets out the comparison of the net asset value of the Company and the two Comparable Companies.

| Company (stock code) | Net asset value <i>HK\$'000</i> | Net asset value per share <i>HK\$</i> | (Discount)/ Premium of the closing price as at the Last Trading Date/ Offer Price to net asset value <i>(%)</i> |
|----------------------------|------------------------------------|---|--|
| Media Partners | 448,472 | 0.525 | 14.3 |
| Nanjing Dahe <i>(Note)</i> | 231,558 | 0.926 | (68.7) |
| The Company | 440,864 | 0.245 | 15.1 |

Note: The net asset value of Nanjing Dahe Outdoor Media Co. Ltd. is RMB245,451,000 for the year ended 31 December, 2004, which is equivalent to approximately HK\$231,558,000 based on the exchange rate of HK\$1 = RMB1.06.

Based on the audited consolidated balance sheet of the Company as at 31 December, 2004, the net assets of the Company amounted to approximately HK\$440.9 million, equivalent to approximately HK\$0.245 per Share, based on 1,803,488,985 Shares in issue as at 31 December, 2004. As compared to the Company's audited net asset value of approximately HK\$0.245 per Share, the Offer Price of HK\$0.282 represents a premium of approximately 15.1% to the Company's audited net asset value, which is higher than the two Comparable Companies. As at the Last Trading Date, (i) the closing price of the shares of Media Partners was HK\$0.60, which represented a premium of approximately 14.3% to its audited net asset value as at 31 December, 2004; and (ii) the closing price of the shares of Nanjing Dahe was HK\$0.29, which represented a discount of approximately 68.7% to its audited net asset value as at 31 December, 2004.

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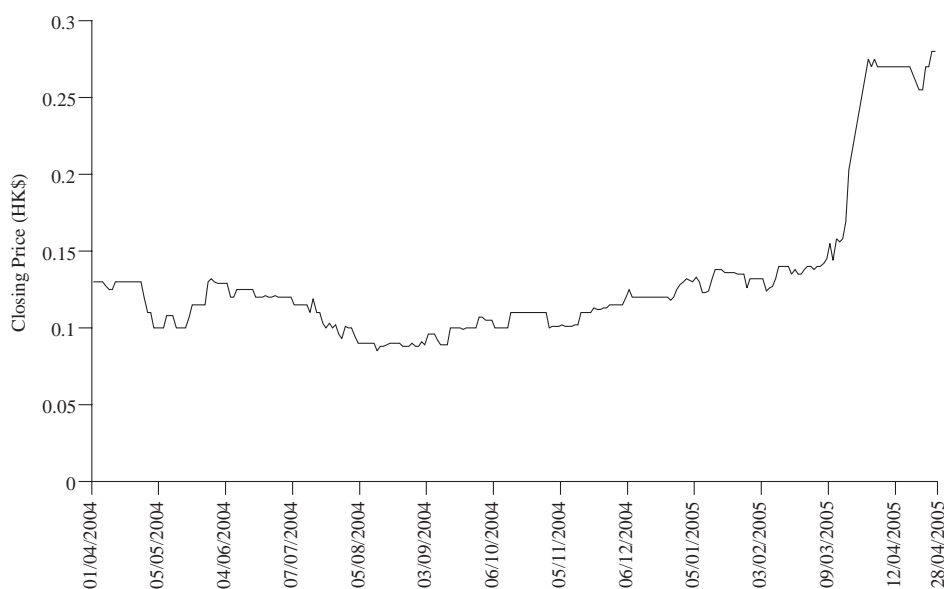
5. Historical Share price performance and trading liquidity

Share price performance

The table below states the closing price as at 17 March, 2005, being the Last Trading Date and the average closing price of the Shares for the 20 trading-day period prior to the Announcement as quoted on GEM.

| Date/Corresponding Period | Closing price/ average closing price (HK\$) | Approximately premium on the Offer Price to the closing price/ average closing price |
|---|--|---|
| As at 17 March, 2005 | 0.203 | 38.9% |
| 20 trading-day period up to and including 17 March, 2005 | 0.148 | 90.5% |

As shown in the table above, the premium of the Offer Price to the closing price/average closing price for the stated periods range from approximately 38.9% to 90.5%. The following chart sets out the daily historical closing prices of the Shares traded on GEM since 1 April, 2004 to the Latest Practicable Date (the “Review Period”).



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The highest, lowest, month-end and average daily closing prices of the Shares for each of the months during the Review Period were as follows:

| | Highest closing price HK\$ | Lowest closing price HK\$ | Month/ period end closing price HK\$ | Average daily closing price HK\$ |
|---|---|--|---|---|
| 2004 | | | | |
| April | 0.130 | 0.110 | 0.110 | 0.127 |
| May | 0.132 | 0.100 | 0.130 | 0.110 |
| June | 0.129 | 0.120 | 0.120 | 0.123 |
| July | 0.120 | 0.093 | 0.100 | 0.109 |
| August | 0.100 | 0.085 | 0.088 | 0.090 |
| September | 0.107 | 0.089 | 0.105 | 0.097 |
| October | 0.110 | 0.100 | 0.110 | 0.107 |
| November | 0.115 | 0.100 | 0.115 | 0.107 |
| December | 0.132 | 0.115 | 0.132 | 0.121 |
| 2005 | | | | |
| January | 0.138 | 0.123 | 0.132 | 0.132 |
| February | 0.140 | 0.124 | 0.140 | 0.134 |
| March (<i>Note 1</i>) | 0.275 | 0.138 | 0.275 | 0.176 |
| April (up to the Latest Practicable Date) (<i>Note 1</i>) | 0.280 | 0.255 | 0.280 | 0.268 |

Note:

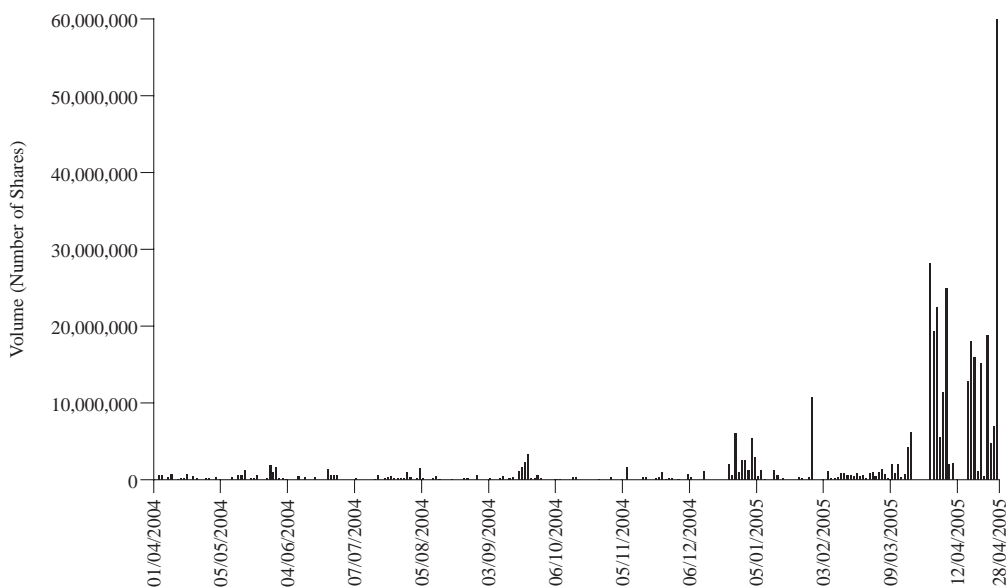
- Trading of the Shares was suspended from 18 to 24 March, 2005 and from 11 to 14 April, 2005.

From May 2004 to August 2004, the closing price of the Share decreased from HK\$0.132 to a low of HK\$0.085. The closing price of the Shares increased gradually thereafter to a high of HK\$0.203 on the Last Trading Day. The closing price of the Share increased to HK\$0.275 on 29 March, 2005 after the Shares resumed trading. The Offer Price of HK\$0.282 represents a premium of approximately 231.8% to the lowest closing price of HK\$0.085 and approximately 38.9% to the highest closing price of HK\$0.203 prior to the suspension of trading.

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Trading Liquidity

The following chart sets out the daily trading volume of the Shares during the Review Period.



The following table sets out the total number and average daily number of Shares traded per month and the respective percentages of monthly trading volume compared to the issued share capital and the Shares held by the public during the Review Period:

| | Total trading volume <i>(shares)</i> | Average daily trading volume <i>(shares)</i> | Percentage of average daily trading volume for the month to total number of issued Shares <i>(Note 1)</i> % | Percentage of average daily trading volume for the month to total number of Shares held by the public <i>(Note 2)</i> % |
|-------------|--|--|--|--|
| 2004 | | | | |
| April | 4,132,000 | 217,474 | 0.012 | 0.059 |
| May | 8,384,000 | 419,200 | 0.023 | 0.114 |
| June | 4,658,000 | 221,810 | 0.012 | 0.060 |
| July | 3,726,000 | 177,429 | 0.010 | 0.048 |
| August | 3,145,000 | 142,955 | 0.008 | 0.039 |
| September | 10,451,000 | 497,667 | 0.028 | 0.136 |
| October | 686,000 | 36,105 | 0.002 | 0.010 |
| November | 4,350,000 | 197,727 | 0.011 | 0.054 |
| December | 18,059,506 | 820,887 | 0.046 | 0.224 |

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| | Total trading volume (shares) | Average daily trading volume (shares) | Percentage of average daily trading volume for the month to total number of issued Shares (Note 1) % | Percentage of average daily trading volume for the month to total number of Shares held by the public (Note 2) % |
|---|--|--|---|---|
| 2005 | | | | |
| January | 23,378,000 | 1,113,238 | 0.062 | 0.304 |
| February | 7,951,000 | 467,706 | 0.026 | 0.128 |
| March | 90,718,000 | 5,669,875 | 0.314 | 1.546 |
| April (up to the Latest Practicable Date) | 199,996,000 | 13,333,106 | 0.739 | 3.637 |

Notes:

1. Based on 1,803,488,985 issued Shares as at the Last Trading Day
2. Based on 366,632,819 Shares held by the public as at the Last Trading Day

As illustrated in the table above, the Shares were thinly traded on the Stock Exchange during the Review Period with less than 0.3% of the Shares held by the public being traded each day, except for January 2005, March 2005 and April 2005 with a percentage higher than 0.3%. The daily trading volume of the Shares was relatively thin and within the range of 0.010% to approximately 0.224% of the total issued share capital of the Company held by the public. For the 238 trading days during 1 April, 2004 to the Last Trading Date, there were 92 trading days when no trading in the Shares was recorded on the Stock Exchange, representing approximately 38.7% of the total trading days of the Shares.

In summary, the Shares have recently traded at a price close to the Offer Price and the trading volume of the Shares was relatively thin.

RECOMMENDATION

Share Offer

Having considered the principal factors discussed above, in summary:

1. the financial performance of the Company for the two years ended 31 December, 2004;
2. the price/earnings multiple of 201.4 times of the Company is higher than those of the Comparable Companies;
3. the Offer Price of HK\$0.282 represents a premium of approximately 15.1% to the audited consolidated net asset value per Share of approximately HK\$0.245;

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4. the Offer Price represents a premium of approximately 38.9% to the closing price of the Shares as at the Last Trading Date; and
5. the relatively thin trading volume of the Shares (as shown in the period from 1 April, 2004 up to the Latest Practicable Date) may make it difficult for the Independent Shareholders to dispose of their Shares in the market after the close of the Share Offer.

We are of the view that the Share Offer, including the Offer Price, is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

Option Offer

Based on our analysis above in relation to the Option Offer, we are of the view that the Option Offer, including the offer price of the Share Options, is fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Optionholders to accept the Option Offer. Nevertheless, Optionholders should note that exercise of the Share Options would result in a total of 165,916,890 Shares being issued. Given the fact that the trading volume of the Shares on the Stock Exchange is relatively thin as discussed above, there is uncertainty in selling this block of Shares in the market within a short period of time without exerting a downward pressure on the market price of the Shares. Therefore, those Optionholders who wish to exercise their Share Options and sell the resulting new Shares may not be able to sell the new Shares in the market at a reasonable price.

However, those Optionholders who wish to realise part or all of their outstanding Share Options may consider converting their outstanding Share Options into new Shares and sell such new Shares in the market if the net proceeds from the sale of the new Shares in the market, after deducting the aggregate exercise price of the outstanding Share Options and all incurred transaction costs, will be more than the net amount receivable under the Option Offer.

For those Independent Shareholders who wish to retain part or all of their investments in the Shares, they should carefully consider the future intentions of the Offeror regarding the Group and the compulsory acquisition and suspension of dealings in Shares, details of which are set out in the “Letter from CLSA Equity Capital Markets Limited” contained in the Document.

We would like to advise the Independent Board Committee to recommend those Independent Shareholders who, having regard to their own circumstances, wish to realise whole or part of their Shares to closely monitor the market price and the liquidity of the Shares in the market during the period of the Offers and consider selling their Shares in the market during the period of the Offers, rather than accepting the Share Offer, if the net proceeds of the sales could exceed the amount receivable under the Share Offer.

Independent Shareholders should read carefully the procedures for accepting the Offers as detailed in Appendix I to the Document and are strongly advised that the decision to realise or hold their investment in the Shares is subject to individual circumstances and investment objectives.

The Stock Exchange has stated that, if at the close of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

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As set out in the “Letter from CLSA Equity Capital Markets Limited” contained in the Document, it is the intention of the Offeror to continue the existing business of the Company. Please note that if the Offeror receives valid acceptances of the Share Offer for not less than 90% in value of the Offer Shares, the Offeror intends to exercise any rights it may have under the provisions of the Companies Law (2004 Revision) of the Cayman Islands to acquire compulsorily any outstanding Shares and to apply for a withdrawal of listing of the Shares from GEM. Under Rule 2.11 of the Code, to exercise such rights, the Offeror is required to receive valid acceptances of 90% of the disinterested shares during the period of 4 months after posting this Composite Document. In such case, dealings in the securities of the Company will be suspended from the closing of the Offers up to the withdrawal of the listing of the Company’s securities from GEM pursuant to Rule 9.23 of the Listing Rules.

Independent Shareholders should note that if they elect not to accept the Offers and the listing of the Shares on GEM is subsequently withdrawn, Shareholders who elect not to accept the Offers would be left holding Shares in an unlisted company, in which circumstances there may not be a liquid market for such Shares.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Arnold Ip **Kevin Chan**
Executive Director *Executive Director*

1. TERMS OF THE OFFERS

Procedure for acceptance of the Share Offer

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the accompanying **WHITE** Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar at Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the Share Offer, you must either:
- (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer, on your behalf and requesting it to deliver the accompanying **WHITE** Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar and send the accompanying **WHITE** Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar.
- (c) If you have lodged transfer(s) of Shares for registration in your name and have not yet received your Share certificate(s) and you wish to accept the Share Offer, you should nevertheless complete the accompanying **WHITE** Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror or its agent(s) to collect from the Company or the Registrar, on your behalf, the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such certificate(s), subject to the terms of the Share Offer, as if it was/they were delivered to the Registrar with the accompanying **WHITE** Form of Acceptance.
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or, any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not readily available and/or is/are lost and you wish to accept the Share Offer, the accompanying **WHITE** Form of Acceptance should nevertheless be completed and delivered to the Registrar and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible

thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar.

- (e) Acceptance of the Share Offer may, at the discretion of the Offeror, be treated as valid in whole or in part even if not entirely in order or accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) but, in such cases, the consideration payable in respect thereof will not be despatched until the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or a satisfactory indemnity or indemnities in respect thereof) has/have been received by the Registrar. Acceptances will be subject to validation and stamping before the consideration payable in respect thereof (less the relevant seller's ad valorem stamp duty) will be despatched to the persons entitled to it provided that the consideration shall be despatched no later than the tenth day after the date on which all the relevant documents are received by the Registrar to render acceptance of the Share Offer complete and valid.
- (f) No acknowledgement of receipt for any **WHITE** Form(s) of Acceptance, Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (g) The address of the Registrar is Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Procedure for acceptance of the Option Offer

- (a) If you accept the Option Offer, you should complete the **PINK** Form of Acceptance which has been separately despatched to each Optionholder and which is obtainable from the head office and principal place of business of the Company at Room 3507, 35/F, The Center, 99 Queen's Road Central, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer.
- (b) The completed **PINK** Form of Acceptance shall be forwarded, together with the relevant Share Option certificate(s) (if any) for not less than the number of Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the company secretary of the Company at Room 3507, 35/F., The Center, 99 Queen's Road Central, Hong Kong, marked "**MediaNation Option Offer**" on the envelope, as soon as practicable **and in any event, so as to reach the Company by no later than 4.00 p.m. (Hong Kong time) on Friday, 20 May, 2005** (or such later time and date as the Offeror may determine and announce in accordance with the Code). No acknowledgement of receipt of any **PINK** Form(s) of Acceptance or Share Option(s) certificate(s) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offeror reserves the right, subject to the Code, to extend the Offers after the despatch of this Composite Document or to revise them.
- (b) Unless the Offers have previously been extended or revised, the Offers will close on Friday, 20 May, 2005.

- (c) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date.
- (d) If the Offers are revised, they will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the revision to the Shareholders and the Optionholders and, unless previously extended or revised shall be closed on the subsequent closing date. The benefit of any revision of the Offers will be available to any Shareholder or Optionholder who has previously accepted the Share Offer or the Option Offer respectively. The execution by or on behalf of any Shareholder or Optionholder who has previously accepted the Offers of any Form(s) of Acceptance shall be deemed to constitute acceptance of the revised Offers unless such holder becomes entitled to withdraw his or her acceptance and duly does so.
- (e) In order to be valid, acceptances must be received by the Registrar (in the case of the Share Offer) or the Company (in the case of the Option Offer) in accordance with the instructions printed on the relevant Form of Acceptance by 4:00 p.m. on Friday, 20 May, 2005, unless the Offers are extended or revised.
- (f) If the closing date of the Offers are extended, any reference in this Composite Document and in the Forms of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.

3. ANNOUNCEMENTS

By 6:00 p.m. on the First Closing Date, or such later time and/or date as the Executive may agree, the Offeror shall inform the Executive and the Stock Exchange of its intentions in relation to the revision or the extension or expiry of the Offers. The Offeror shall publish an announcement on the GEM website at www.hkgem.com by 7:00 p.m. on the First Closing Date of the Offers, being Friday, 20 May, 2005, stating whether the Offers have been revised or extended or have expired. The Offeror shall publish an announcement on the next business day stating whether the Offers have been revised, extended or have expired. The announcement shall state:

- the total number of Offer Shares for which acceptances of the Share Offer have been received;
- the total number of Share Options for which acceptances of the Option Offer have been received;
- the total number of Shares held, controlled or directed by the Offeror or persons acting in concert with it from the date of the Announcement; and
- the total number of Offer Shares acquired or agreed to be acquired from the date of the Announcement by the Offeror or any parties acting in concert with it.

The announcement shall include the details of voting rights, rights over Shares, derivatives and arrangements as required by Rules 3.5(c), (d) and (f) of the Code. The announcement shall also specify the percentages of the relevant classes of share capital and the percentages of voting rights represented by these numbers.

As required under the Code and the Listing Rules, all announcements in relation to the Offers in respect of which the Executive and (if applicable) the Stock Exchange have confirmed that they have no further comments thereon, must be published on the GEM website.

4. RIGHT OF WITHDRAWAL

- (a) Acceptances of the Offers tendered by Shareholders and Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I, the Executive may require that the Independent Shareholders and Optionholders who tendered acceptances of the Offers be granted a right of withdrawal on terms acceptable to the Executive until the requirements set out in that paragraph are met.

5. OFFER SHARES

The Offer Shares acquired under the Share Offer and the Share Options tendered under the Option Offer will be free from all claims, equities, liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including in respect of the Offer Shares the right to receive in full all dividends and other distributions, if any, declared, made or paid after the Announcement.

6. OVERSEAS HOLDERS OF OFFER SHARES AND SHARE OPTIONS

The making of the Offers to overseas Shareholders and Optionholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas holders of the Offer Shares and Share Options should inform themselves about and observe any and all applicable legal requirements. It is the responsibility of each overseas Shareholder and Optionholder wishing to accept the Offers to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Any such overseas Shareholder and Optionholder will be responsible for any such transfer or other taxes by whomsoever payable. Acceptances of the Offers by any such person will constitute a warranty by such person that such person is permitted under the laws of the relevant jurisdictions in connection therewith to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with the laws of the relevant jurisdictions in connection therewith.

7. FORMS OF ACCEPTANCE

Each Shareholder and Optionholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with the Offeror and CLSA Limited, so as to bind him or her, his or her personal representatives, heirs, successors and assigns, to the following effect:

- (a) that the execution of the relevant Form of Acceptance whether or not any boxes are completed shall constitute:
 - (i) an acceptance of the Share Offer or Option Offer in respect of the number of Shares or Share Options (as the case may be) inserted or deemed to be inserted in such form on and subject to the terms and conditions set out or referred to in this Composite Document and in such form and that, subject only to the right of withdrawal set out or referred to in paragraph 4 of this Appendix I, each such acceptance shall be irrevocable; and
 - (ii) an undertaking to execute any further documents, take any further actions and give any further assurances which may be required in connection with the foregoing including, without limitation, to secure the transfer of the Shares in respect of which he or she has accepted or is deemed to have accepted the Offers to the Offeror and the benefit of all dividends and distributions paid, made or declared on or after the close of the Offers;
- (b) the Shares acquired under the Share Offer and Share Options tendered under the Option Offer are sold or tendered by such person or persons free from all claims, equities, liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid after the date of the Announcement;
- (c) if such acceptor is an overseas Shareholder or Optionholder, that he or she has observed the laws of all relevant territories, obtained any and all requisite governmental, exchange control or other consents which may be required, complied with all requisite formalities and paid any and all transfer or other taxes due from him or her in connection with such acceptance in any territory, that he or she has not taken or omitted to take any action which will or may result in the Offeror, CLSA Limited or any other person acting or being in breach of the legal or regulatory requirements of any territory in connection with the Offers or his or her acceptance thereof and he or she is permitted under the laws of the relevant jurisdictions in connection therewith to receive and accept the Offers (and any revision thereof), and that such acceptance is valid and binding in accordance with the laws of the relevant jurisdictions in connection therewith;
- (d) that such Shareholder and Optionholder will deliver or procure the delivery to the Registrar (in the case of the Share Offer) or the Company (in the case of the Option Offer) at the address referred to in paragraph 1 of this Appendix I of his or her relevant Share or Share Option certificate(s) (if any) and/or transfer receipt(s) and/or any other document(s) of title and/or any satisfactory indemnity or indemnities in respect thereof (as the case may be);

- (e) that the execution and delivery of the relevant Form(s) of Acceptance to the Registrar (in the case of the Share Offer) or the Company (in the case of the Option Offer) constitutes a separate and irrevocable authority and request to the Offeror to procure the despatch by post of a cheque in respect of any cash payment in connection with the Offers, at the risk of such Shareholder or Optionholder, to the person or agent whose name and address is set out in the relevant Form of Acceptance or, if none is set out, to the first-named or the sole registered holder of the relevant Shares or Share Options at his or her registered address;
- (f) that the terms and conditions of the Offers contained in this Composite Document shall be incorporated in and form part of the relevant Form of Acceptance, which shall be read and construed accordingly;
- (g) that in relation to the Offers, he or she will do all such acts and things as shall be necessary or expedient to vest in the Offeror, or its nominees or such other person as it may decide, the Shares and/or Share Options to which such acceptance relates;
- (h) that he or she submits, in relation to all matters arising out of the Offers and the Forms of Acceptance, to the jurisdiction of the courts of Hong Kong;
- (i) acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares indicated in the accompanying Forms of Acceptance is the aggregate number of Shares and/or Share Options held by such nominee for such beneficial owners who are accepting the Offers;
- (j) the Offers and all acceptances thereof, the Forms of Acceptance and all contracts made pursuant to the Offers, and all actions taken or made or deemed to be taken or made pursuant to these terms are governed by and shall be construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of the relevant Shareholder or Optionholder will constitute a submission by such Shareholder or Optionholder in relation to all matters arising out of the Offers and the relevant Form of Acceptance to the jurisdiction of the courts of Hong Kong and the agreement of such Shareholder or Optionholder that nothing shall limit the right of the Offeror or CLSA Limited to bring an action, suit or proceeding arising out of or in connection with the creation, validity, effect, interpretation or performance of the legal relations established in relation to the Offers and the Forms of Acceptance in any other manner permitted by law or in any court of competent jurisdiction;
- (k) in relation to any acceptance of the Share Offer in respect of a holding of Shares which is in uncertificated form, the Offeror reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of any of the Share Offer whether in order to comply with the facilities or requirements of CCASS or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Executive;
- (l) the terms, provisions, instructions and authorities contained in or deemed to be contained in the Forms of Acceptance constitute part of the terms of the Offers. The provisions of this Appendix I shall be deemed to be incorporated into the Forms of Acceptance; and

- (m) due execution of the relevant Form of Acceptance in respect of the Offers will constitute an irrevocable authority to the Offeror, CLSA Limited, any director of the Offeror or of CLSA Limited or their respective agents to complete and execute on behalf of the Shareholders and Optionholders who accept the Offers, the Forms of Acceptance and any document and, in relation to the Offers, to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as the Offeror shall direct, the Shares or for the cancellation of the Share Option which are the subject of such acceptance.

8. GENERAL

- (a) All communications, notices, Forms of Acceptance, certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from the Shareholders and Optionholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror, CLSA, CLSA Limited nor the Registrar accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (b) Notwithstanding any other provision in this Appendix I and subject to the provisions of the Code, the Offeror and CLSA Limited reserve the right to treat acceptances as valid if received by or on behalf of either of them at any place or places or in any manner determined by either of them otherwise than as set out in this Composite Document or in the Forms of Acceptance.
- (c) The English text of this Composite Document and of the Forms of Acceptance shall prevail over the Chinese text.
- (d) The accidental omission to despatch this Composite Document and/or the Forms of Acceptance or any of them to any person to whom the Offers is made will not invalidate the Offers in any way.
- (e) If, in the course of the Offers, the Offeror revises the terms of the Offers, all Shareholders and Optionholders, whether or not they have already accepted the Offers, will be entitled to the revised terms. The revised offers must be kept open for at least 14 days following the date on which the revised offers document is posted.
- (f) Settlement of the consideration to which any Shareholder or Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the relevant Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder or Optionholder.

**A. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED
31 DECEMBER, 2004**

The following financial information has been extracted from the audited accounts of the Group from each of the three years ended 31 December, 2004. The auditors' reports of PricewaterhouseCoopers dated 21 March, 2005 and 22 March, 2004 were unqualified for the Group's audited accounts as of and for the years ended 31 December, 2004 and 31 December, 2003 respectively. The auditors' report of PricewaterhouseCoopers dated 27 March, 2003 for the Group's audited accounts as of and for the year ended 31 December, 2002 was modified due to the fundamental uncertainty concerning the adoption of the going concern basis for preparation of the accounts.

| | 2004 | 2003 | 2002 |
|--|---------------------|-------------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 439,601 | 375,568 | 370,672 |
| Cost of sales | <u>(358,148)</u> | <u>(395,430)</u> | <u>(426,593)</u> |
| Gross profit/(loss) | 81,453 | (19,862) | (55,921) |
| Other revenues | 395 | 603 | 3,259 |
| Selling, general and administrative expenses | (101,200) | (110,934) | (174,873) |
| Provision for onerous contract | — | (13,760) | — |
| Impairment of assets | <u>(795)</u> | <u>(14,065)</u> | <u>(36,793)</u> |
| Operating loss | (20,147) | (158,018) | (264,328) |
| Finance costs | (29) | (1,568) | (8,853) |
| Share of profit of an associated company | <u>31,005</u> | <u>23,264</u> | <u>18,574</u> |
| Profit/(loss) before taxation | <u>10,829</u> | <u>(136,322)</u> | <u>(254,607)</u> |
| Taxation | | | |
| — The Company and subsidiaries | (4) | (34) | (442) |
| — An associated company | <u>(10,202)</u> | <u>(7,565)</u> | <u>(6,973)</u> |
| | <u>(10,206)</u> | <u>(7,599)</u> | <u>(7,415)</u> |
| Profit/(loss) after taxation | 623 | (143,921) | (262,022) |
| Minority interests | <u>1,903</u> | <u>146</u> | <u>9,239</u> |
| Net profit/(loss) attributable to shareholders | <u><u>2,526</u></u> | <u><u>(143,775)</u></u> | <u><u>(252,783)</u></u> |
| Dividend | <u>—</u> | <u>—</u> | <u>—</u> |
| Profit/(loss) per share (<i>HK cents</i>) | | | |
| — Basic | 0.14 | (13.25) | (42.68) |
| — Diluted | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

There were no exceptional item and extraordinary item for each of the three years ended 31 December, 2004.

B. FINANCIAL STATEMENTS

The following is a summary of the audited financial statements of the Group for the two financial years ended 31 December, 2004 extracted from the 2003/2004 annual report of the Group:

Consolidated Profit and Loss Account

For the year ended 31 December, 2004

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|-------------|--------------------------------|--------------------------------|
| Turnover | 2 | 439,601 | 375,568 |
| Cost of sales | 28 | <u>(358,148)</u> | <u>(395,430)</u> |
| Gross profit/(loss) | | 81,453 | (19,862) |
| Other revenues | 2 | 395 | 603 |
| Selling, general and administrative expenses | | (101,200) | (110,934) |
| Provision for onerous contract | | — | (13,760) |
| Impairment of assets | 3 | <u>(795)</u> | <u>(14,065)</u> |
| Operating loss | 3 | (20,147) | (158,018) |
| Finance costs | 4 | (29) | (1,568) |
| Share of profit of an associated company | 16 | <u>31,005</u> | <u>23,264</u> |
| Profit/(loss) before taxation | | <u>10,829</u> | <u>(136,322)</u> |
| Taxation | | | |
| — The Company and subsidiaries | | (4) | (34) |
| — An associated company | | <u>(10,202)</u> | <u>(7,565)</u> |
| | 5 | <u>(10,206)</u> | <u>(7,599)</u> |
| Profit/(loss) after taxation | | 623 | (143,921) |
| Minority interests | | <u>1,903</u> | <u>146</u> |
| Net profit/(loss) attributable to shareholders | | <u>2,526</u> | <u>(143,775)</u> |
| Dividend | 7 | <u>—</u> | <u>—</u> |
| Profit/(loss) per share (<i>HK cents</i>) | | | |
| — Basic | 8 | 0.14 | (13.25) |
| — Diluted | 8 | <u>N/A</u> | <u>N/A</u> |

Consolidated Balance Sheet*As at 31 December, 2004*

| | <i>Note(s)</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|----------------|--------------------------------|--------------------------------|
| Non-current assets | | | |
| Intangible assets | 11 | 263,939 | 236,899 |
| Fixed assets | 12 | 74,841 | 76,806 |
| Investment deposit placed with a joint venture partner | 13 | 14,145 | 14,145 |
| Long-term deposits | | — | 35,000 |
| Deposits for intangible assets | | — | 76,998 |
| Deposits for fixed assets | 14 | 5,792 | 13,544 |
| Investment in an associated company | 16 | 49,537 | 42,559 |
| Other non-current assets | | <u>275</u> | <u>764</u> |
| | | <u>408,529</u> | <u>496,715</u> |
| Current assets | | | |
| Prepayments, deposits and other receivables | 17 | 74,638 | 18,077 |
| Inventories | | 1,672 | 4,732 |
| Income tax recoverable | | — | 20 |
| Trade receivables | 18 | 61,422 | 56,462 |
| Pledged bank deposits | | — | 241 |
| Bank balances and cash | 19, 26(c) | <u>92,281</u> | <u>55,281</u> |
| | | <u>230,013</u> | <u>134,813</u> |
| Current liabilities | | | |
| Trade payables | 20 | 55,269 | 63,685 |
| Provisions, accrued liabilities and other payables | 21 | 36,034 | 48,344 |
| Deferred income | | 61,028 | 43,352 |
| Amount due to an associated company | 16 | 42,512 | 27,125 |
| Amount due to a joint venture partner | | — | 406 |
| Amounts due to related companies | 28 | 1,169 | 1,091 |
| Obligations under finance leases | | 25 | — |
| Taxation payable | | <u>—</u> | <u>32</u> |
| | | 196,037 | 184,035 |
| Net current assets/(liabilities) | | <u>33,976</u> | <u>(49,222)</u> |
| Total assets less current liabilities | | <u><u>442,505</u></u> | <u><u>447,493</u></u> |

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|----------------------------------|-------------|--------------------------------|--------------------------------|
| Financed by: | | | |
| Capital and reserves | | | |
| Share capital | 22 | 180,349 | 180,349 |
| Reserves | 24 | <u>260,515</u> | <u>257,998</u> |
| | | 440,864 | 438,347 |
| Minority interests | | 1,547 | 3,450 |
| Non-current liabilities | | | |
| Obligations under finance leases | | 94 | — |
| Long-term payables | | <u>—</u> | <u>5,696</u> |
| | | <u>94</u> | <u>5,696</u> |
| | | <u><u>442,505</u></u> | <u><u>447,493</u></u> |

Balance Sheet*As at 31 December, 2004*

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|--|-------------|--------------------------------|--------------------------------|
| Non-current asset | | | |
| Investments in subsidiaries | 15 | 432,155 | 421,334 |
| Current assets | | | |
| Prepayments, deposits and other receivables | | 613 | 317 |
| Bank balances and cash | | <u>644</u> | <u>18,731</u> |
| | | <u>1,257</u> | <u>19,048</u> |
| Current liabilities | | | |
| Accrued liabilities and other payables | | <u>2,893</u> | <u>2,035</u> |
| Net current (liabilities)/assets | | <u>(1,636)</u> | <u>17,013</u> |
| Total assets less current liabilities | | <u><u>430,519</u></u> | <u><u>438,347</u></u> |
| Financed by: | | | |
| Capital and reserves | | | |
| Share capital | 22 | 180,349 | 180,349 |
| Reserves | 24 | <u>250,170</u> | <u>257,998</u> |
| | | <u><u>430,519</u></u> | <u><u>438,347</u></u> |

Consolidated Statement of Changes in Equity*For the year ended 31 December, 2004*

| | 2004 | 2003 |
|---|-----------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total equity as at 1 January | 438,347 | 465,367 |
| Issue of ordinary shares upon the Open Offer in August, 2003 | — | 120,233 |
| Share issuing expenses | — | (3,703) |
| Net gains not recognised in the consolidated profit and loss account | | |
| — Exchange difference arising from the translation of accounts of foreign subsidiaries | (9) | 225 |
| Net profit/(loss) for the year | <u>2,526</u> | <u>(143,775)</u> |
| Total equity as at 31 December | <u><u>440,864</u></u> | <u><u>438,347</u></u> |

Consolidated Cash Flow Statement*For the year ended 31 December, 2004*

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|-------------|--------------------------------|--------------------------------|
| Net cash inflow/(outflow) from operations | 26(a) | 39,781 | (76,816) |
| Interest paid | | (29) | (1,568) |
| Overseas taxation paid | | <u>(16)</u> | <u>(70)</u> |
| Net cash inflow/(outflow) from operating activities | | 39,736 | (78,454) |
| Investing activities | | | |
| Purchase of fixed assets | | (3,074) | (6,971) |
| Proceeds from disposals of fixed assets | | 47 | 341 |
| Payments for acquisition of intangible assets | | (11,822) | (16,120) |
| Payment for deposits for fixed assets | | — | (1,139) |
| Payment for deposits for intangible assets | | — | (2,487) |
| Dividend received from an associated company | | <u>13,825</u> | <u>12,919</u> |
| Net cash used in investing activities | | <u>(1,024)</u> | <u>(13,457)</u> |
| Net cash inflow/(outflow) before financing | | <u>38,712</u> | <u>(91,911)</u> |
| Financing activities | | | |
| New loans repayable within one year | | — | 68,000 |
| Repayment of loans repayable within one year | | — | (68,000) |
| Issue of new shares upon the Open Offer in August, 2003 | | — | 120,233 |
| Share issuing expenses | | — | (3,703) |
| Repayment of principal portion of obligations under finance lease | | <u>(4)</u> | <u>—</u> |
| Net cash (outflow)/inflow from financing | | <u>(4)</u> | <u>116,530</u> |
| Increase in cash and cash equivalents | | 38,708 | 24,619 |
| Cash and cash equivalents at 1 January | | 53,582 | 28,739 |
| Effect of foreign exchange rates changes | | <u>(9)</u> | <u>224</u> |
| Cash and cash equivalents at 31 December | 26(c) | <u>92,281</u> | <u>53,582</u> |

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below.

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January, 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Joint ventures

The Group’s investment in joint ventures in the People’s Republic of China (the “PRC”) are in the form of Sino-foreign equity joint ventures. In respect of the Sino-foreign cooperative joint ventures, the partners’ profit-sharing ratios and share of net assets upon the expiration of the joint venture periods may not be in proportion to their equity ratio, but are as defined in the respective joint venture contracts.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Where the Group’s investment is made by means of joint venture structure, such investment is accounted for as a subsidiary when the Group can control the board of directors or is in a position to exercise control over the financial and operating policies of the joint venture.

(iii) *Associated companies*

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of the associated company for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated company and goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(iv) *Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transactions dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries and associated company expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated using the average rate during the year. Exchange differences are dealt with as a movement in reserves.

(v) *Related parties*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or entities.

(c) **Intangible assets**

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/joint venture/associated company at the date of acquisition. With respect to investment in the associated company accounted for under the equity method of accounting, goodwill is included in the carrying amount of the investment. Goodwill on acquisitions of subsidiaries is included in the intangible assets. Goodwill is amortised using the straight-line method over the shorter of 20 years or the tenure of the investments.

(ii) *Advertising license rights*

Advertising license rights represent license fees paid for the acquisition of exclusive rights of advertising on certain buses and newspaper kiosks in the PRC. These fees are capitalised and amortised using the straight-line method over their respective license periods that do not exceed 20 years. Amortisation of license rights commence when the rights are available for use.

(iii) *Computer software*

Purchased computer software is capitalised and amortised using the straight-line method over its estimated useful life of 5 years.

(iv) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(d) **Fixed assets**(i) *Construction-in-progress*

Construction-in-progress is an investment in advertising display panels which are not ready for use at the balance sheet date and management intends to hold for operating purposes. Construction-in-progress is carried at cost that includes development and construction expenditure incurred and other direct costs attributable to the development less accumulated impairment losses. On completion, the construction-in-progress is transferred to other fixed assets at cost less accumulated impairment losses. Construction-in-progress is not depreciated until such time as the assets are completed and ready for their intended use.

(ii) *Other fixed assets*

Other fixed assets, comprising leasehold improvements, furniture, fixtures and equipment, production equipment, motor vehicles and advertising display panels are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Depreciation*

Fixed assets other than construction-in-progress are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis and, in the case of fixed assets under Beijing Top Result Public Transportation Advertising Co., Ltd., Shanghai Metro Top Result Advertising Co., Ltd. and Top Result Kiosk (Shanghai) Development Co., Ltd, all being subsidiaries established in the PRC, after taking into account an estimated residual value of 10% of the costs of the fixed assets. The principal annual rates are as follows:

| | |
|-----------------------------------|------------------------------|
| Leasehold improvements | over the period of the lease |
| Furniture, fixtures and equipment | 10%–33.33% |
| Production equipment | 33.33% |
| Motor vehicles | 20% |
| Advertising display panels | 10% |

Major costs incurred in restoring the fixed assets to its normal working condition to allow continued use of the overall asset are capitalised and depreciated over the expected useful lives. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) *Impairment and gain or loss on disposal*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Assets under leases**(i) Finance leases**

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Inventories

Inventories comprise of printing materials and are stated at cost. Cost is calculated on the first-in, first-out basis.

(g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(i) Onerous Contract

The Group recognises a provision for onerous contract when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(j) Employee benefit**(i) Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) *Bonus plans*

Provision for bonus plans due wholly within twelve months after balance sheet date are recognised where the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) *Pension obligations*

The Group participates in a number of defined contribution plans in the PRC and Hong Kong, the assets of which are generally held in separate trustee administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies based on a percentage of employees' basic salaries. The Group's contributions to defined contribution plans are expensed as incurred and are reduced by contributions forfeited by those employees who leave the plan prior to the full vesting of their contributions.

(k) Deferred taxation

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income taxation is provided on temporary differences arising on investments in subsidiaries, associate and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(m) Revenue recognition

(i) *Media rental*

Media rental income from the provision of outdoor media advertising services is recognised on a time apportionment basis throughout the contract periods. The unearned portion of media rental attributable to future accounting periods is accounted for as deferred income.

(ii) *Production income*

Production income from the provision of advertising production services, which generally is of short duration, is recognised when the contracts are completed and the services are rendered.

(iii) *Agency commission income*

Agency commission income, which is generated from the provision of service in assisting customers in buying advertising spaces, is recognised when the services are rendered.

(iv) *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(n) **Borrowing costs**

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) **Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

In respect of geographical segment reporting, sales are based on the country in which the customers are located. Total assets and capital expenditure are based on where the assets are located.

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to intangible assets and fixed assets. Unallocated costs represent corporate expenses. Unallocated assets represent corporate assets.

Inter-segment transactions: segment revenue, segment expenses and segment performance include transfer between geographical segments and business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated on consolidation

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of outdoor advertising media services in Hong Kong and the PRC. Revenues recognised during the year are as follows:

| | 2004 | 2003 |
|--|-----------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | | |
| Media rental | 343,832 | 287,224 |
| Production income | 87,072 | 83,059 |
| Agency commission income | <u>8,697</u> | <u>5,285</u> |
| | 439,601 | 375,568 |
| Other revenues | | |
| Interest income from bank deposits | 357 | 232 |
| Interest income from trade deposits | 38 | 369 |
| Interest income from trade receivables | <u>—</u> | <u>2</u> |
| | <u>395</u> | <u>603</u> |
| Total revenues | <u><u>439,996</u></u> | <u><u>376,171</u></u> |

(a) Primary reporting format — geographical segments

The Group's principal activities are conducted mainly in Hong Kong and the PRC.

An analysis by geographical segment is as follows:

| | Hong Kong | | PRC | | Eliminations | | Total | |
|--|---------------|---------------|----------------|----------------|-----------------|-----------------|-----------------|------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | | | | | | | | |
| Sales to external customers | 74,295 | 87,884 | 365,306 | 287,684 | — | — | 439,601 | 375,568 |
| Inter-segment sales | <u>6,416</u> | <u>7,073</u> | <u>21,092</u> | <u>11,197</u> | <u>(27,508)</u> | <u>(18,270)</u> | <u>—</u> | <u>—</u> |
| Total turnover | <u>80,711</u> | <u>94,957</u> | <u>386,398</u> | <u>298,881</u> | <u>(27,508)</u> | <u>(18,270)</u> | <u>439,601</u> | <u>375,568</u> |
| Segment operating (loss)/profit | (21,523) | (68,648) | 3,612 | (93,628) | (2,236) | 4,258 | (20,147) | (158,018) |
| Finance costs | | | | | | | (29) | (1,568) |
| Share of profit of an associated company | | | | | | | <u>31,005</u> | <u>23,264</u> |
| Profit/(loss) before taxation | | | | | | | 10,829 | (136,322) |
| Taxation | | | | | | | <u>(10,206)</u> | <u>(7,599)</u> |
| Profit/(loss) after taxation | | | | | | | 623 | (143,921) |
| Minority interests | | | | | | | <u>1,903</u> | <u>146</u> |
| Net profit/(loss) attributable to shareholders | | | | | | | <u>2,526</u> | <u>(143,775)</u> |
| Assets | | | | | | | | |
| Segment assets | 180,782 | 195,053 | 408,223 | 393,916 | — | — | 589,005 | 588,969 |
| Interest in an associated company | | | | | | | <u>49,537</u> | <u>42,559</u> |
| Total assets | | | | | | | <u>638,542</u> | <u>631,528</u> |
| Liabilities | | | | | | | | |
| Segment liabilities | <u>17,894</u> | <u>23,929</u> | <u>178,237</u> | <u>165,802</u> | <u>—</u> | <u>—</u> | <u>196,131</u> | <u>189,731</u> |
| Other information | | | | | | | | |
| Capital expenditure | 1,531 | 35 | 9,418 | 22,246 | — | — | 10,949 | 22,281 |
| Provision for doubtful debts | | | | | | | | |
| Trade receivables | 908 | — | 2,186 | 1,517 | — | — | 3,094 | 1,517 |
| Amount due from an associated company | — | 1,252 | — | — | — | — | — | 1,252 |
| Deposits and other receivables | — | — | — | 1,591 | — | — | — | 1,591 |
| Write-off of doubtful debt for amount due from an associated company | — | 401 | — | — | — | — | — | 401 |
| Impairment of assets | — | — | 795 | 14,065 | — | — | 795 | 14,065 |
| Depreciation of fixed assets | 486 | 1,061 | 11,528 | 12,771 | — | — | 12,014 | 13,832 |
| Amortisation of intangible assets | 31 | 67 | 59,914 | 66,940 | — | — | 59,945 | 67,007 |

(b) Secondary reporting format — business segments

The Group is organised into three main business segments, namely metro system advertising, bus advertising and street furniture advertising.

The Group's turnover, segment results, segment assets and capital expenditure for the year, analysed by business segments are as follows:

| | Turnover | | Segment results | | Total assets | | Capital expenditure | |
|---|----------------|----------------|-----------------|------------------|----------------|----------------|---------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Metro system advertising | 91,680 | 55,446 | 15,343 | (9,500) | 88,431 | 51,178 | 661 | 870 |
| Bus advertising | 337,587 | 315,763 | (16,340) | (116,098) | 372,451 | 386,391 | 2,565 | 8,429 |
| Other operations including street furniture | 10,334 | 4,359 | (6,208) | (10,914) | 76,567 | 132,637 | 7,723 | 12,982 |
| | <u>439,601</u> | <u>375,568</u> | (7,205) | (136,512) | 537,449 | 570,206 | <u>10,949</u> | <u>22,281</u> |
| Unallocated costs | | | (12,942) | (21,506) | | | | |
| Operating loss | | | <u>(20,147)</u> | <u>(158,018)</u> | | | | |
| Interest in an associated company | | | | | 49,537 | 42,559 | | |
| Unallocated assets | | | | | <u>51,556</u> | <u>18,763</u> | | |
| Total assets | | | | | <u>638,542</u> | <u>631,528</u> | | |

3. OPERATING LOSS

Operating loss is stated after charging the following:

| | 2004 | 2003 |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Charging | | |
| Depreciation: | | |
| Owned fixed assets | 12,010 | 13,832 |
| Leased fixed asset | 4 | — |
| Loss on disposals of fixed assets | 58 | 340 |
| Impairment of assets: | | |
| Advertising display panel | 795 | — |
| Intangible assets | — | 14,065 |
| Staff costs (including directors' emoluments) (<i>Note 9</i>) | 54,884 | 57,198 |
| Auditors' remuneration | 1,630 | 1,029 |
| Amortisation of intangible assets: | | |
| Advertising license rights (included in cost of sales) | 59,527 | 66,712 |
| Computer software (included in cost of sales) | 231 | 239 |
| Goodwill (included in administrative expenses) | 187 | 56 |
| Operating lease: | | |
| Office premises | 8,631 | 10,911 |
| Advertising spaces | 142,030 | 217,929 |
| Provision for doubtful debts: | | |
| Trade receivables | 3,094 | 1,517 |
| Amount due from an associated company | — | 1,252 |
| Deposits and other receivables | — | 1,591 |
| Provision for onerous contract | — | 13,760 |
| Write-off of doubtful debts for amount due from an associated company | — | 401 |
| Net exchange losses | 49 | 263 |
| | <u>49</u> | <u>263</u> |

4. FINANCE COSTS

| | 2004 | 2003 |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest on bank loans and overdrafts | — | 8 |
| Interest on loans from financial institutions | — | 6 |
| Interest on trade payables | 29 | — |
| Interest on amount due to an associated company | — | 73 |
| Interest on long-term payables | — | 145 |
| Interest on loan from substantial shareholders | — | 1,289 |
| Interest on loan from a related company | — | 47 |
| | <u>29</u> | <u>1,568</u> |

5. TAXATION

Hong Kong profits tax at the rate of 17.5% (2003: 17.5%) has not been provided as the Group's operations in Hong Kong have no estimated assessable profit for the year (2003: Nil).

The joint ventures established in the PRC in which the Group has invested are generally subject to enterprise income tax ("EIT") on their taxable income at a combined national and local tax rate of 33% (2003: 33%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

| | 2004 | 2003 |
|------------------------------------|----------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current taxation | | |
| — PRC EIT | 4 | 34 |
| Share of taxation attributable to: | | |
| An associated company | <u>10,202</u> | <u>7,565</u> |
| Taxation charge | <u><u>10,206</u></u> | <u><u>7,599</u></u> |

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of the country where the Company operates as follows:

| | 2004 | 2003 |
|--|----------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit/(loss) before taxation | <u>10,829</u> | <u>(136,322)</u> |
| Calculated at a taxation rate of 17.5% (2003: 17.5%) | 1,895 | (23,856) |
| Effect of different taxation rates in the PRC | 4,557 | (11,153) |
| Income not subject to taxation | (2,651) | (2,635) |
| Expenses not deductible for taxation purposes | 8,150 | 13,078 |
| Tax losses not recognised | 420 | 32,165 |
| Utilisation of previously unrecognised tax losses | <u>(2,165)</u> | <u>—</u> |
| Taxation charge | <u><u>10,206</u></u> | <u><u>7,599</u></u> |

6. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately HK\$7,828,000 (2003: HK\$143,550,000).

7. DIVIDEND

No dividends were paid or declared by the Company during the year (2003: Nil).

8. PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share is based on the Group's net profit/(loss) attributable to shareholders of approximately HK\$2,526,000 (2003: loss of HK\$143,775,000) and the weighted average of 1,803,488,985 ordinary shares in issue during the year (2003: weighted average of 1,085,387,435 ordinary shares after the Open Offer). The diluted profit per share for the year ended 31 December, 2004 is not presented because the effect of the assumed conversion of all potential dilutive securities is anti-dilutive.

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2004 | 2003 |
|--|----------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Wages and salaries | 41,417 | 45,614 |
| Unutilised annual leave | 70 | 412 |
| Termination benefits | 1,786 | 828 |
| Pension costs — defined contribution plan (<i>Note 29</i>) | 2,868 | 1,338 |
| Social security costs | 4,951 | 5,991 |
| Other staff benefits | <u>3,792</u> | <u>3,015</u> |
| | <u><u>54,884</u></u> | <u><u>57,198</u></u> |

10. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

| | 2004 | 2003 |
|---|---------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Directors' fees | | |
| Executive directors | — | — |
| Non-executive directors | 569 | 700 |
| Independent non-executive directors | <u>452</u> | <u>400</u> |
| | 1,021 | 1,100 |
| Consultancy fees | | |
| Non-executive directors | 58 | 200 |
| Other emoluments: | | |
| Basic salaries, housing allowances, other allowances and benefits in kind | 2,160 | 1,767 |
| Discretionary bonuses | 350 | — |
| Pension scheme contributions | | |
| — for other offices | 12 | 12 |
| Compensation for loss of office | | |
| — as other offices paid by the Company | <u>—</u> | <u>—</u> |
| | <u><u>3,601</u></u> | <u><u>3,079</u></u> |

Details of emoluments paid to individual directors during the year are as follows:

| | 2004 | 2003 |
|--|---------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Executive directors | | |
| Mr. Chu Chung Hong, Francis | | |
| — Fee | — | — |
| — Salaries and other allowances | 2,510 | 1,767 |
| — Retirement benefit scheme contributions | <u>12</u> | <u>12</u> |
| | <u>2,522</u> | <u>1,779</u> |
| Fees paid to non-executive directors and independent non-executive directors | | |
| Non-executive directors | | |
| Mr. Sun Qiang, Chang | 100 | 100 |
| Mr. Cheung Leung Hong, Cliff | 100 | 100 |
| Ms. Ho Ming Yee | 200 | 200 |
| Mr. Cheng Cheung Lun, Julian | 100 | 81 |
| Ms. Chan Man Ki, Summerine | 114 | 200 |
| Mr. Kam Wai Sum | 13 | 200 |
| Mr. Li Chun, Daniel | — | 19 |
| Independent non-executive directors | | |
| Mr. Liu Hong Ru | — | 88 |
| Mr. Barry John Buttifant | 200 | 112 |
| Mr. Johannes Schöter | 220 | 200 |
| Mr. Duck Yong Song | <u>32</u> | <u>—</u> |
| | <u>1,079</u> | <u>1,300</u> |
| | <u><u>3,601</u></u> | <u><u>3,079</u></u> |

During the year, no emoluments were paid to the directors as an inducement to join the Group (2003: Nil). None of the directors (2003: None) waived emoluments in respect of the financial year ended 31 December, 2004.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for 2004 include one (2003: One) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2003: Four) individuals during the year are as follows:

| | 2004 | 2003 |
|---|---------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Basic salaries, housing allowances, other allowances and benefits in kind | 4,344 | 4,945 |
| Discretionary bonuses | 980 | 558 |
| Pension scheme contributions | 89 | 100 |
| Compensation for loss of office — contractual payment | <u>89</u> | <u>—</u> |
| Total | <u><u>5,502</u></u> | <u><u>5,603</u></u> |

The emoluments (excluding directors) fell within the following bands:

| | Number of individuals | |
|-----------------------------|-----------------------|----------|
| | 2004 | 2003 |
| HK\$1,000,001–HK\$1,500,000 | 4 | 3 |
| HK\$1,500,001–HK\$2,000,000 | — | 1 |
| Total | <u>4</u> | <u>4</u> |

During the year, no emoluments were paid to the five highest paid individuals (including directors and employees) as an inducement to join the Group (2003: Nil).

11. INTANGIBLE ASSETS — GROUP

| | Advertising license rights <i>HK\$'000</i> | Computer software <i>HK\$'000</i> | Goodwill <i>HK\$'000</i> | Website development costs <i>HK\$'000</i> | Premium for redemption of a profit sharing right <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|-----------------------------|--|---|--------------------------|
| At 1 January, 2004 | 233,452 | 196 | 3,251 | — | — | 236,899 |
| Transfer (<i>Note 26 b</i>) | 76,998 | — | — | — | — | 76,998 |
| Additions | 9,825 | 162 | — | — | — | 9,987 |
| Amortisation charge (<i>Note 3</i>) | <u>(59,527)</u> | <u>(231)</u> | <u>(187)</u> | <u>—</u> | <u>—</u> | <u>(59,945)</u> |
| At 31 December, 2004 | <u>260,748</u> | <u>127</u> | <u>3,064</u> | <u>—</u> | <u>—</u> | <u>263,939</u> |
| At 31 December, 2004 | | | | | | |
| Cost | 703,855 | 2,021 | 4,494 | — | 7,595 | 717,965 |
| Accumulated amortisation | (400,244) | (1,894) | (503) | — | (7,595) | (410,236) |
| Accumulated impairment losses | <u>(42,863)</u> | <u>—</u> | <u>(927)</u> | <u>—</u> | <u>—</u> | <u>(43,790)</u> |
| Net book value | <u>260,748</u> | <u>127</u> | <u>3,064</u> | <u>—</u> | <u>—</u> | <u>263,939</u> |
| At 31 December, 2003 | | | | | | |
| Cost | 617,032 | 10,457 | 4,494 | 168 | 7,595 | 639,746 |
| Accumulated amortisation | (340,717) | (4,386) | (316) | (58) | (7,595) | (353,072) |
| Accumulated impairment losses | <u>(42,863)</u> | <u>(5,875)</u> | <u>(927)</u> | <u>(110)</u> | <u>—</u> | <u>(49,775)</u> |
| Net book value | <u>233,452</u> | <u>196</u> | <u>3,251</u> | <u>—</u> | <u>—</u> | <u>236,899</u> |

Management have prepared an updated assessment of the value in use of the advertising license rights of the Group's outdoor advertising business. In assessing the value in use, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflects the then current market assessment of the time value of money and the risk specific to the assets.

12. FIXED ASSETS — GROUP

| | Leasehold improvements | Furniture, fixtures and equipment | Production equipment | Motor vehicles | Advertising display panels | Construction- in-progress | Total |
|--|---------------------------|---|-------------------------|-------------------|----------------------------------|------------------------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Cost | | | | | | | |
| At 1 January, 2004 | 21,570 | 22,053 | 5,666 | 4,221 | 60,917 | 7,125 | 121,552 |
| Transfer* | — | (56) | 56 | — | 14,791 | (7,039) | 7,752 |
| Additions | 288 | 800 | 1,422 | — | 687 | — | 3,197 |
| Disposals | (2,187) | (3,522) | (88) | — | — | — | (5,797) |
| Impairment loss (Note 3) | — | — | — | — | (795) | — | (795) |
| At 31 December, 2004 | <u>19,671</u> | <u>19,275</u> | <u>7,056</u> | <u>4,221</u> | <u>75,600</u> | <u>86</u> | <u>125,909</u> |
| Accumulated depreciation and impairment | | | | | | | |
| At 1 January, 2004 | 15,104 | 14,198 | 5,483 | 2,455 | 7,506 | — | 44,746 |
| Transfer | — | (49) | 49 | — | — | — | — |
| Charge for the year (Note 3) | 2,405 | 2,783 | 310 | 528 | 5,988 | — | 12,014 |
| Disposals | (2,187) | (3,417) | (88) | — | — | — | (5,692) |
| At 31 December, 2004 | <u>15,322</u> | <u>13,515</u> | <u>5,754</u> | <u>2,983</u> | <u>13,494</u> | <u>—</u> | <u>51,068</u> |
| Net book value | | | | | | | |
| At 31 December, 2004 | <u>4,349</u> | <u>5,760</u> | <u>1,302</u> | <u>1,238</u> | <u>62,106</u> | <u>86</u> | <u>74,841</u> |
| At 31 December, 2003 | <u>6,466</u> | <u>7,855</u> | <u>183</u> | <u>1,766</u> | <u>53,411</u> | <u>7,125</u> | <u>76,806</u> |

* As disclosed in Note 26b, during the year, an amount of HK\$7,752,000 was transferred from deposits for fixed assets to fixed assets as the advertising display panels were received by the Group.

As at 31 December, 2004, the net book value of fixed assets (furniture, fixtures and equipment) held under finance leases was approximately HK\$119,000 (2003: Nil).

13. INVESTMENT DEPOSIT PLACED WITH A JOINT VENTURE PARTNER — GROUP

The amount of approximately HK\$14,145,000 (2003: HK\$14,145,000) represents the remaining portion of the refundable security deposit of RMB30,000,000 placed with a joint venture partner of Shanghai Metro Top Result Advertising Co. Ltd. ("Shanghai Metro") under an agency agreement entered into by the Group in November, 2000. Under the agency agreement, the Group is entitled to place advertisements within designated areas of certain metro stations in Shanghai for 15 years. The deposit is refundable to the Group in three annual instalments of RMB10,000,000 (approximately HK\$9,984,000) each commencing from the sixth anniversary of the agency agreement through offsetting concession fees payable to the joint venture partner. In 2003, as agreed with the joint venture partner, part of total RMB30,000,000 deposit amounting to RMB15,000,000 (approximately HK\$14,146,000) was temporarily used to offset a portion of the concession fees payable (included in trade payables) at 31 December, 2004. The Group will replenish this security deposit of RMB15,000,000 in 2005.

14. DEPOSITS FOR FIXED ASSETS — GROUP

As at 31 December, 2004, the Group has paid approximately HK\$5,792,000 (2003: HK\$13,544,000) to independent third parties to acquire certain advertising display panels.

15. INVESTMENTS IN SUBSIDIARIES — COMPANY

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--|-----------------------|-----------------------|
| Unlisted shares, at cost | 2,804 | 2,804 |
| Amounts due from subsidiaries | <u>776,099</u> | <u>765,278</u> |
| | 778,903 | 768,082 |
| Less: provision for impairment losses and doubtful debts | <u>(346,748)</u> | <u>(346,748)</u> |
| | <u><u>432,155</u></u> | <u><u>421,334</u></u> |

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

The following is a list of the subsidiaries at 31 December, 2004:

| Name | Place and date of incorporation/ registration and operations | Issued and fully paid share capital/ registered capital | Legal structure | Attributable percentage of issued capital/ registered capital held by the Company | | Attributable percentage of distributable profit to the Group | Principal activities |
|---|--|---|---------------------------------|---|--------------|--|--|
| | | | | Directly % | Indirectly % | | |
| Top Result Promotion Limited ("Top Result") | Hong Kong 18 July, 1991 | HK\$1,000,000 | Company with limited liability | 100 | — | 100 | Provide media advertising services |
| Top Result Interactive Limited | The Cayman Islands 16 December, 1999 | US\$124 | Company with limited liability | 100 | — | 100 | Investment holding |
| i-Result Media Limited | Hong Kong 29 March, 2000 | US\$2 | Company with limited liability | — | 100 | 100 | Provide media advertising services |
| Beijing Top Result Public Transportation Advertising Co., Ltd. ("Beijing Joint Venture") (Note (i)) | The PRC 22 February, 1994 | RMB99,600,000 | Cooperative joint venture | — | 99.5 | 80 | Provide media advertising services |
| Digital Photo Limited | Hong Kong 6 July, 1998 | HK\$200,000 | Company with limited liability | — | 51 | 51 | Provide large scale digital colour printing services |
| Top Photo Imaging Company Limited | The PRC 2 November, 1999 | US\$400,000 | Equity joint venture | — | 45.9 | 45.9 | Provide large scale digital colour printing services |
| China Kiosk Development Limited ("China Kiosk") (Note (ii)) | Hong Kong 20 June, 2001 | HK\$1,000 | Company with limited liability | — | 80 | 80 | Investment holding |
| Top Result Kiosk (Shanghai) Development Co. Ltd. ("Shanghai Kiosk") (Note (ii)) | The PRC 9 April, 2002 | USD2,000,000 | Wholly foreign-owned enterprise | — | 80 | 80 | Develop and manage media assets |
| Shanghai Metro Top Result Advertising Co. Ltd. ("Shanghai Metro") (Note (iii)) | The PRC 20 February, 2002 | RMB16,000,000 | Cooperative joint venture | — | 50 | 90 | Provide media advertising services |

Notes:

- (i) Beijing Joint Venture is a Sino-foreign cooperative joint venture established in the PRC for a period of 15 years up to 22 February, 2009. Pursuant to the joint venture agreement and the supplemental agreement dated 10 December, 1993 and 24 May, 1995, respectively, signed between Top Result and the Chinese joint venture partner of Beijing Joint Venture, Top Result is entitled to 100% of the distributable profit of Beijing Joint Venture for the first 4 years from the date of issuance of the business license. Thereafter, Top Result is entitled to 80% of the distributable profit of Beijing Joint Venture.

Upon the expiry of the joint venture agreement, the net assets of Beijing Joint Venture will be distributed according to the amount of capital contributed. Where there is any surplus of net assets after the return of the capital contributed, the net assets will be distributed to the joint venture partners according to the profit sharing ratio.

- (ii) On 29 October, 2001, the Group entered into an agreement with business partners to establish a Company in Hong Kong, China Kiosk, in which the Group has 80% beneficial equity interest. Under the agreement, China Kiosk established a wholly-foreign-owned enterprise, Shanghai Kiosk in Shanghai, the PRC for a period of 20 years up to 8 April, 2022, to expand the street furniture (newspaper kiosk) business in the PRC. In July, 2002, China Kiosk transferred its 100% equity interest in Shanghai Kiosk to Top Result with 20% equity interest held on behalf of the minority shareholder of China Kiosk. The Group was required to provide an investment of US\$12,500,000 (approximately HK\$97,500,000). The Group will contribute to Shanghai Kiosk the deposits for fixed assets of approximately HK\$5,791,000 (Note 14), fixed assets of approximately HK\$16,915,000 and intangible assets of approximately HK\$75,826,000 as the Group's capital contribution of approximately HK\$97,500,000 and as a working capital loan to be advanced by the Group of approximately HK\$1,032,000. The minority shareholder of China Kiosk will not be required to make any capital contribution for the initial investment of US\$12,500,000.

- (iii) Shanghai Metro is a sino-foreign cooperative joint venture established in the PRC for a period of 15 years up to 19 February, 2017. Pursuant to the joint venture agreement dated 5 September, 2000, the Group contributed RMB14,800,000 (approximately HK\$13,956,000), of which RMB8,000,000 (approximately HK\$7,544,000) represents 50% of the registered capital to Shanghai Metro while the remaining RMB6,800,000 (approximately HK\$6,412,000) represents a working capital loan advanced by the Group. The Chinese joint venture partner contributed the remaining portion of the registered capital by way of contributing advertising display panels amounting to RMB8,000,000 (approximately HK\$7,544,000). The Group is entitled to 90% of the distributable profit of Shanghai Metro but is required to bear 50% of the operating losses of Shanghai Metro.

Upon the expiry of the joint venture agreement, the Chinese joint venture partner will be entitled to all fixed assets of Shanghai Metro and the Group will be entitled to 50% of the remaining net assets.

16. INVESTMENT IN AN ASSOCIATED COMPANY AND AMOUNT DUE FROM/(TO) AN ASSOCIATED COMPANY — GROUP

| | 2004 | 2003 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Investment in an associated company | | |
| Share of net assets | 36,749 | 28,503 |
| Goodwill on acquisition of an associated company | | |
| Cost | 20,280 | 20,280 |
| Accumulated amortisation | <u>(7,492)</u> | <u>(6,224)</u> |
| | <u>49,537</u> | <u>42,559</u> |
| Amount due from an associated company | 1,252 | 7,271 |
| Less: Provision for doubtful debts | <u>(1,252)</u> | <u>(1,252)</u> |
| | — | 6,019 |
| Amount due to an associated company | <u>(42,512)</u> | <u>(33,144)</u> |
| | <u>(42,512)</u> | <u>(27,125)</u> |

The amount due from/(to) an associated company is unsecured, non-interest bearing and has no fixed terms of repayment.

The following are the details of the associated company at 31 December, 2004:

| Name | Place and date of incorporation/registration and operation | Issued and fully paid share capital/registered capital | Legal structure | Attributable percentage of issued capital/registered capital held by the Company indirectly % | Attributable percentage of distributable profit to the Group % | Principal activities |
|--|--|--|---------------------------|--|---|------------------------------------|
| Beijing Top Result Metro Advertising Co., Ltd. ("BJ Metro") | The PRC 28 April, 1997 | RMB35,000,000 | Cooperative joint venture | 100 | 38 | Provide media advertising services |

BJ Metro was formed under a cooperative joint venture agreement and a supplemental agreement dated 8 November, 1996 and 6 April, 1999, respectively. BJ Metro obtained its business license on 11 June, 1997 with a term of 18 years. The Group has contributed all the registered share capital of BJ Metro of RMB35,000,000 (approximately HK\$32,710,000).

In addition, the Group has undertaken to guarantee that the Chinese joint venture partner's share of BJ Metro's distributable profit will not be lower than RMB13,000,000 (approximately HK\$12,150,000) each year, effective from 1 January, 2000, for the remaining tenure of the joint venture. The Group's share of distributable profit of BJ Metro for the year ended 31 December, 2004 amounted to approximately HK\$22,071,000 (2003: HK\$16,966,000).

The net assets of BJ Metro will be distributed according to the profit sharing ratio upon the expiry of the joint venture agreement. Accordingly, 62% of the capital contributed to BJ Metro by the Group is recorded as goodwill and is amortised over the joint venture period. The amortisation expense for the year ended 31 December, 2004 amounted to approximately HK\$1,268,000 (2003: HK\$1,268,000) and was included in the share of profit of an associated company in the consolidated profit and loss account.

The summary of financial information of BJ Metro based on the adjusted accounts prepared under the accounting principles generally accepted in Hong Kong for the year is as follows:

| | 2004 | 2003 |
|-------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance Sheet | | |
| Current assets | 140,228 | 114,136 |
| Non-current assets | 17,191 | 19,295 |
| Current liabilities | 63,012 | 60,523 |
| Profit and loss account | | |
| Turnover | 128,724 | 101,696 |
| Profit before taxation | 84,928 | 64,557 |
| Profit after taxation | <u>58,080</u> | <u>44,648</u> |

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK\$317,000 (2003: Nil) receivable from one of the Group's officers. This amount is non-interest bearing and is repayable within one year. There is no other receivable or payable with officers of the Group that existed during the year or at 31 December, 2004.

18. TRADE RECEIVABLES — GROUP

| | 2004 | 2003 |
|------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | 72,292 | 65,820 |
| Less: provision for doubtful debts | <u>(10,870)</u> | <u>(9,358)</u> |
| | <u>61,422</u> | <u>56,462</u> |

At 31 December, 2004, the ageing analysis of trade receivables was as follows:

| | 2004 | 2003 |
|---------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current | 17,006 | 18,482 |
| 1–30 days | 14,162 | 9,766 |
| 31–60 days | 10,635 | 8,856 |
| 61–90 days | 4,614 | 5,161 |
| 91–120 days | 6,784 | 4,384 |
| Over 120 days | <u>19,091</u> | <u>19,171</u> |
| | <u>72,292</u> | <u>65,820</u> |

The normal credit period granted by the Group ranges from 30 days to 90 days from the date of invoice.

19. BANK BALANCES AND CASH — GROUP

At 31 December, 2004, bank balances and cash of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$83,601,000 (2003: HK\$30,368,000). RMB is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

20. TRADE PAYABLES — GROUP

At 31 December, 2004, the ageing analysis of trade payables based on due date was as follows:

| | 2004 | 2003 |
|---------------|----------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current | 4,564 | 16,089 |
| 0–30 day | 16,413 | 8,908 |
| 31–60 days | 1,762 | 5,015 |
| 61–90 days | 1,216 | 1,921 |
| 91–120 days | 12,758 | 710 |
| Over 120 days | <u>18,556</u> | <u>31,042</u> |
| | <u><u>55,269</u></u> | <u><u>63,685</u></u> |

21. PROVISIONS, ACCRUED LIABILITIES AND OTHER PAYABLES

| | 2004 | 2003 |
|--|----------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Provisions, accrued liabilities and other payables | | |
| Others | 36,034 | 34,584 |
| Provision for onerous contract | <u>—</u> | <u>13,760</u> |
| | <u><u>36,034</u></u> | <u><u>48,344</u></u> |

At 31 December, 2003, the directors considered an advertising contract to which the Group in Hong Kong was a party to had become onerous. Accordingly, a provision for onerous contract was made, based on the excess of the least net loss of terminating this contract over the expected economic benefits to be derived therefrom. This provision for onerous contract was fully utilised in 2004.

22. SHARE CAPITAL

| | Authorised | |
|--|--|-----------------------|
| | Ordinary shares of HK\$0.10 each | |
| | No. of shares | Amount |
| | | <i>HK\$'000</i> |
| At 1 January, 2004 and 31 December, 2004 | <u>5,000,000,000</u> | <u>500,000</u> |
| At 1 January, 2003 and 31 December, 2003 | <u>5,000,000,000</u> | <u>500,000</u> |
| | Issued and fully paid | |
| | Ordinary shares of HK \$0.10 each | |
| | No. of shares | Amount |
| | | <i>HK\$'000</i> |
| At 1 January, 2003 | 601,162,995 | 60,116 |
| Issue of ordinary shares upon the Open Offer | <u>1,202,325,990</u> | <u>120,233</u> |
| As at 31 December, 2003 | <u>1,803,488,985</u> | <u>180,349</u> |
| At 1 January, 2004 and 31 December, 2004 | <u><u>1,803,488,985</u></u> | <u><u>180,349</u></u> |

In August, 2003, following the prospectus dated 10 July, 2003, 1,202,325,990 shares of HK\$0.10 each were issued to the public by way of the Open Offer on the basis of two Open Offer shares for every one share held (the “Open Offer”) for a total consideration of approximately HK\$120,233,000 before related issuing expenses. The issuing expenses of approximately HK\$3,703,000 were debited to the share premium account and 1,202,325,990 ordinary shares were listed on GEM of The Stock Exchange of Hong Kong Limited in August, 2003.

23. SHARE OPTIONS

Pre-IPO Share Options Plans

Pursuant to an Executive Share Option Plan (“Plan 1”) approved by the shareholders of the Company on 7 April, 1995 and amended and restated on 9 June, 2001, the board of directors may at its discretion within five years after 1 July, 1997, invite employees, including directors of the Company and its subsidiaries, to take up options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under Plan 1 may not exceed 17,500,000⁽¹⁾ ordinary shares in aggregate. The exercise price of the option post the Capitalisation Issue is US\$0.038095⁽¹⁾ per share.

On 9 June, 2001, the shareholders of the Company rectified and approved another Executive Share Option Plan (“Plan 2”). Pursuant to Plan 2, the board of directors may at its discretion within three years after 1 April, 2000, invite employees, including directors of the Company and its subsidiaries, to take up their options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under Plan 2 may not exceed 21,000,000⁽¹⁾ ordinary shares in aggregate. The exercise price of the option post the Capitalisation Issue is US\$0.171429⁽¹⁾ per share.

On 9 June, 2001, the shareholders of the Company approved another Executive Share Option Plan (“Plan 3”). Pursuant to Plan 3, the board of directors granted 28,554,750⁽¹⁾ share options to senior executives to replace all outstanding warrants then held by them. The maximum number of shares in respect of which options may be granted under Plan 3 may not exceed 28,554,750⁽¹⁾ ordinary shares in aggregate. The exercise price of the option post the Capitalisation Issue is US\$0.206841⁽¹⁾ per share.

All the outstanding options, except for those under Plan 3, may be exercised at any time during the period commencing one year after the date of grant of the options and ending 10 years after the date of the options with the following schedule:

| Period since date of grant | Portion of shares comprised in options which become exercisable |
|---|--|
| Date of grant — first anniversary | Zero |
| The date after the first anniversary — second anniversary | Up to one-third |
| The date after the second anniversary — third anniversary | Up to two-third (less the portion of shares which arose upon the exercise of options between the first anniversary and the second anniversary) |
| The date after the third anniversary and thereafter | All shares in respect of which the option has not been previously exercised |

The outstanding options under Plan 3 is fully vested upon its grant and may be exercised at any time during the period commencing on the date upon which the offer of the option is accepted and ending 10 years after the date of the options.

Save as disclosed above, no share options have been granted or agreed to be granted by the Company and no further options will be offered or granted by the Company under Plan 1, Plan 2 and Plan 3.

Post-IPO Share Option Scheme

On 8 January, 2002 the Company conditionally adopted a further share option scheme (the “Share Option Scheme”) for a period of ten years from the date on which the Share Option Scheme was adopted. The Share Option Scheme became unconditional upon the Listing.

The principal purpose of the Share Option Scheme is to recognise the significant contributions of the full-time employees, executive directors, non-executive directors (including independent non-executive directors), any consultants or advisors of or to any members of the Group to the growth of the Group by rewarding them with opportunities to obtain ownership interests in the Company and to further motivate and give incentives to these persons to continue to contribute to the Group’s long term success.

The subscription price will be determined by the Company’s board of directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company’s shares on the date of offer of the options, which must be a trade day, and (iii) the average of the quoted closing prices of the Company’s shares on the five trading days immediately preceding the date of offer of the options.

The Share Options Scheme shall vest in respect of one third of the total number of shares to which it relates upon each anniversary of the respective date upon which the offer of the option is made until fully vested and expiring on not less than three years nor more than ten years from the date of offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

A summary of the movement of share options granted to employees (including directors) under Plan 1, Plan 2, Plan 3 and Share Option Scheme during the year is as follows:

| | Pre-IPO Share Options Plans at | | | Post-IPO Share Option Scheme at | | |
|-------------------------|--|--|--|--|--------------------------------|--------------------------------|
| | exercise price of US\$0.038095 ⁽¹⁾ | exercise price of US\$0.171429 ⁽¹⁾ | exercise price of US\$0.206841 ⁽¹⁾ | exercise price of HK\$0.89 ⁽¹⁾ | exercise price of HK\$0.119 | exercise price of HK\$0.115 |
| At 1 January, 2004 | 12,640,880 ⁽¹⁾ | 15,120,000 ⁽¹⁾ | 28,554,750 ⁽¹⁾ | 3,734,000 ⁽¹⁾ | 17,500,000 | — |
| Granted during the year | — | — | — | — | — | 10,000,000 |
| Lapsed during the year* | (5,425,000) ⁽¹⁾ | (6,335,000) ⁽¹⁾ | — | (844,000) ⁽¹⁾ | (2,500,000) | — |
| At 31 December, 2004 | <u>7,215,880⁽¹⁾</u> | <u>8,785,000⁽¹⁾</u> | <u>28,554,750⁽¹⁾</u> | <u>2,890,000⁽¹⁾</u> | <u>15,000,000</u> | <u>10,000,000</u> |

* During the year, a director who held 5,425,000⁽¹⁾ unvested share options under Pre-IPO Share Options Plan at exercise price of US\$0.038095⁽¹⁾ and the 6,125,000⁽¹⁾ unvested share options under Pre-IPO Share Options Plan at exercise price of US\$0.171429⁽¹⁾ had resigned and hence, these options had lapsed.

During the year, an employee holding 210,000⁽¹⁾ unvested share options under Pre-IPO Share Options Plan at exercise price of US\$0.171429⁽¹⁾ had resigned and hence, these options had lapsed. Seven employees holding 3,344,000⁽¹⁾ unvested share options under Share Option Scheme had resigned and hence, these options had lapsed.

Note:

- (1) Pending adjustments on the relevant Share Options are to be made in accordance with the terms of the Pre-IPO Share Options Plans and Share Option Scheme as a result of the Open Offer stated in the Company’s prospectus dated 10 July, 2003.

24. RESERVES

| | Share premium HK\$'000 (Note (iii)) | Translation reserve HK\$'000 | Capital reserve HK\$'000 (Note (i) and (iii)) | Accumulated losses HK\$'000 | Capital redemption reserve HK\$'000 | Total HK\$'000 |
|---|--|------------------------------------|---|-----------------------------------|--|-------------------|
| Group | | | | | | |
| At 1 January, 2003 | 635,510 | 1,844 | 883 | (233,376) | 390 | 405,251 |
| Write-off of share issuance expenses related to the Open Offer (Note 22) | (3,703) | — | — | — | — | (3,703) |
| Exchange difference arising from the translation of accounts of foreign subsidiaries | — | 225 | — | — | — | 225 |
| Loss for the year | — | — | — | (143,775) | — | (143,775) |
| At 31 December, 2003 | <u>631,807</u> | <u>2,069</u> | <u>883</u> | <u>(377,151)</u> | <u>390</u> | <u>257,998</u> |
| At 1 January, 2004 | 631,807 | 2,069 | 883 | (377,151) | 390 | 257,998 |
| Exchange difference arising from the translation of accounts of foreign subsidiaries | — | (9) | — | — | — | (9) |
| Profit for the year | — | — | — | 2,526 | — | 2,526 |
| At 31 December, 2004 | <u>631,807</u> | <u>2,060</u> | <u>883</u> | <u>(374,625)</u> | <u>390</u> | <u>260,515</u> |
| The Company and subsidiaries | 631,807 | 2,069 | 883 | (386,837) | 390 | 248,312 |
| Associated company | — | — | — | 9,686 | — | 9,686 |
| At 31 December, 2003 | <u>631,807</u> | <u>2,069</u> | <u>883</u> | <u>(377,151)</u> | <u>390</u> | <u>257,998</u> |
| The Company and subsidiaries | 631,807 | 2,060 | 883 | (391,289) | 390 | 243,851 |
| Associated company | — | — | — | 16,664 | — | 16,664 |
| At 31 December, 2004 | <u>631,807</u> | <u>2,060</u> | <u>883</u> | <u>(374,625)</u> | <u>390</u> | <u>260,515</u> |
| Company | | | | | | |
| At 1 January, 2003 | 635,510 | — | 2,687 | (233,336) | 390 | 405,251 |
| Write-off of share issuance expenses related to the Open Offer (Note 22) | (3,703) | — | — | — | — | (3,703) |
| Loss for the year | — | — | — | (143,550) | — | (143,550) |
| At 31 December, 2003 | <u>631,807</u> | <u>—</u> | <u>2,687</u> | <u>(376,886)</u> | <u>390</u> | <u>257,998</u> |
| At 1 January, 2004 | 631,807 | — | 2,687 | (376,886) | 390 | 257,998 |
| Loss for the year | — | — | — | (7,828) | — | (7,828) |
| At 31 December, 2004 | <u>631,807</u> | <u>—</u> | <u>2,687</u> | <u>(384,714)</u> | <u>390</u> | <u>250,170</u> |

- (i) Capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a group reorganisation in February, 1995, and the nominal value of the Company's shares issued in exchange therefor.

Capital reserve of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

- (ii) In accordance with the relevant PRC regulations, subsidiaries of the Company established in the PRC are required to transfer a certain percentage of their profit after taxation, if any, to certain statutory reserves which comprise the statutory reserve and the enterprise expansion fund. The percentage of the transfer is determined by statute or the board of directors of the subsidiaries. During the year ended 31 December, 2004, no transfer was made by the subsidiaries (2003: Nil)
- (iii) Under the Companies Law (2001 Second Revision) of the Cayman Islands, the funds in the share premium account and the capital reserve of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. At 31 December, 2004, in the opinion of the directors, the Company had no reserves available for distribution to its shareholders.

25. DEFERRED TAXATION

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses for the operation in Hong Kong and PRC of approximately HK\$189,557,000 and HK\$241,669,000 (2003: HK\$156,717,000 and HK\$246,932,000), respectively, which are subject to the agreement by relevant tax authorities. The tax loss generated from Hong Kong operations has no expiry date while the tax losses from PRC operations will expire in the period of 2005 to 2009. There were no other significant unprovided deferred tax liabilities at 31 December, 2004.

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before taxation to net cash inflow/(outflow) from operations:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--|------------------|------------------|
| Profit/(loss) before taxation | 10,829 | (136,322) |
| Provision for doubtful debts | | |
| Trade receivables | 3,094 | 1,517 |
| Amount due from an associated company | — | 1,252 |
| Deposits and other receivables | — | 1,591 |
| Provision for onerous contract | — | 13,760 |
| Write-off of doubtful debts for amount due from an associated company | — | 401 |
| Depreciation | 12,014 | 13,832 |
| Loss on disposals of fixed assets | 58 | 340 |
| Impairment loss on fixed assets | 795 | — |
| Impairment loss on intangible assets | — | 14,065 |
| Amortisation of intangible assets | 59,945 | 67,007 |
| Amortisation of goodwill on acquisition of an associated company | 1,268 | 1,268 |
| Share of profit of an associated company | (32,273) | (24,532) |
| Interest expense | 29 | 1,568 |
| | <u>55,759</u> | <u>(44,253)</u> |
| Operating profit/(loss) before working capital changes | 55,759 | (44,253) |
| (Increase)/decrease in prepayments, deposits and other receivables | (21,561) | 15,300 |
| Decrease/(increase) in other non-current assets | 489 | (17) |
| Decrease in long-term payables | (5,696) | (6,238) |
| Decrease/(increase) in inventories | 3,060 | (1,991) |
| Increase in trade receivables | (8,054) | (4,560) |
| Decrease in trade payables, provisions, accrued liabilities and other payables | (18,891) | (38,176) |
| Increase in deferred income | 17,676 | 10,433 |
| (Decrease)/increase in amount due to a joint venture partner | (406) | 142 |
| Increase/(decrease) in amounts due to related companies | 78 | (78) |
| Decrease in pledged bank deposits | 241 | — |
| Decrease in restricted cash | 1,699 | 84 |
| Increase/(decrease) in amount due to an associated company | 15,387 | (7,462) |
| | <u>39,781</u> | <u>(76,816)</u> |
| Net cash inflow /(outflow) from operations | <u>39,781</u> | <u>(76,816)</u> |

(b) Major non-cash transactions

During the year, deposits for fixed assets amounting to HK\$7,752,000 were transferred to fixed assets as the advertising display panels were received during the year.

Deposits for intangible assets amounting to HK\$76,998,000 were transferred to intangible assets as the rights to place advertisements on specially designed newspaper kiosks were obtained.

(c) Analysis of balances of cash and cash equivalents

| | 2004 HK\$'000 | 2003 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Bank balances and cash | 92,281 | 55,281 |
| Less: Non-cash and cash equivalents | — | (1,699) |
| | <u>92,281</u> | <u>53,582</u> |

27. COMMITMENTS

(a) Capital commitments for fixed assets — Group

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|-------------------------------|--------------------------------|--------------------------------|
| Authorised and contracted for | <u>2,111</u> | <u>2,111</u> |

(b) Capital commitments for investment — Group

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|-------------------------------|--------------------------------|--------------------------------|
| Authorised and contracted for | <u>29,524</u> | <u>1,233</u> |

(c) Commitments under operating leases

- (i) At 31 December, 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | Land and buildings | | Others | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
| Not later than one year | 6,941 | 8,418 | — | 230 |
| Later than one year and not later than five years | 9,531 | 6,570 | — | — |
| Later than five years | <u>—</u> | <u>111</u> | <u>—</u> | <u>—</u> |
| | <u>16,472</u> | <u>15,099</u> | <u>—</u> | <u>230</u> |

- (ii) The Group has entered into certain media rental contracts under which the Group has committed to pay to various media owners concession fees calculated based on various arrangements as stipulated in the respective contracts. At 31 December, 2004, the Group had future aggregate minimum concession fee payments under the aforementioned contracts as follows:

| | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Not later than one year | 92,414 | 139,902 |
| Later than one year and not later than five years | 351,817 | 330,207 |
| Later than five years | <u>632,890</u> | <u>698,026</u> |
| | <u>1,077,121</u> | <u>1,168,135</u> |

The above operating commitments only include those for basic concession fees and do not include any additional fees payable. Additional concession fees would be determined based on the actual media rental revenue generated.

- (iii) The Group has undertaken to guarantee that the Chinese joint venture partner's share of BJ Metro's distributable profit will not be lower than RMB13,000,000 (approximately HK\$12,150,000) each year effective from 1 January, 2000 for the remaining tenure of the joint venture for each year over the remaining joint venture period until 2015 (Note 16).

28. RELATED PARTY TRANSACTIONS

During the year, the Group undertook the following significant related party transactions, which were carried out in the normal course of the Group's business:

| | <i>Note</i> | 2004 <i>HK\$'000</i> | 2003 <i>HK\$'000</i> |
|---|-------------|--------------------------------|--------------------------------|
| Income | | | |
| Equipment leasing income from Pro Photo Processing Limited ("PP") | (i) | 2 | 14 |
| Sales of materials to PP | (i) | 141 | 149 |
| Agency commission income for marketing services from BJ Metro | (ii) | 5,170 | 3,901 |
| Costs and expenses | | | |
| Sub-contracting fees charged by PP | (i) | 507 | 398 |
| Administrative expenses charged by PP | (i) | 329 | 387 |
| Media rental costs to BJ Metro | (ii) | 1,324 | 1,600 |
| Agency commission expenses charged by BJ Metro | (ii) | <u>604</u> | <u>302</u> |

- (i) PP is a minority shareholder of Digital Photo Limited. Income from leasing of equipment and sales of materials are determined based on a cost recovery basis. Sub-contracting fees charged by PP were determined based on terms as agreed between the two parties. Administrative expenses charged by PP were determined based on cost recovery.

BJ Metro is an associated company of the Group. Agency commission income and expenses is determined based on the agreement executed between the two parties. The commission is based on 12.5% of the sales contract amounts. Media rental costs charged by BJ Metro is determined based on negotiations between the two parties in the ordinary course of business.

Save as disclosed in other notes to the accounts, balances with the related companies are unsecured, non-interest bearing and have no fixed terms of repayment.

29. RETIREMENT BENEFIT OBLIGATION

The Group has participated in the defined contribution Mandatory Provident Fund (the "MPF Scheme") in Hong Kong since 1 December, 2000, in which all the employees are entitled to join this scheme. The assets of the MPF Scheme are held separately from those of the Group and are managed by independent professional fund managers. Under the MPF Scheme, the Group makes monthly contributions to the MPF Scheme based on 5% of the employees' basic salaries with the maximum amount of contribution by each of the Group and the employees limited to HK\$12,000 per annum per person. Contributions in excess of the 5% or HK\$1,000 per month limit are made to the MPF Scheme as voluntary contribution by the Group and its Hong Kong employees so as to maintain the previous level of contributions before the MPF Scheme was established. The pension cost charged to the consolidated profit and loss account represents contributions paid or payable by the Group at the aforesaid rates. Where employees leave the scheme prior to the full vesting of their contributions, the amount of forfeited voluntary contributions is used to reduce the future voluntary contributions payable by the Group. During the year, the Group's contributions to the MPF Scheme were approximately HK\$364,000 (2003: HK\$44,000) after deduction of forfeited voluntary contributions of approximately HK\$225,000 (2003: HK\$712,000).

All subsidiaries of the Company in the PRC provide government-sponsored defined contribution retirement schemes for its full-time employees. The subsidiaries and the employees are required to contribute 19% and 7% respectively of the employees' average salary to the schemes, and the subsidiaries have no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The government sponsored retirement plan is responsible for the entire pension obligations payable to retired employees. During the year, the PRC subsidiaries contributed approximately HK\$2,503,000 (2003: HK\$1,294,000).

30. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 21 March, 2005.

C. INDEBTEDNESS STATEMENT**Borrowings**

As at the Latest Practicable Date for this indebtedness statement, the Group had the following borrowings:

| | Repayable within one year HK\$'000 | Repayable after one year HK\$'000 | Total HK\$'000 |
|---------------------------------|---|--|---------------------------|
| Obligations under finance lease | <u>25</u> | <u>90</u> | <u>115</u> |

Contingent liabilities

As at the Latest Practicable Date, the Group had no significant contingent liabilities.

D. MATERIAL CHANGE

The Directors confirm that there were no material change in the financial or trading position or prospects of the Group subsequent to 31 December, 2004, being the date to which the last audited financial statements of the Company were made up, and up to the Latest Practicable Date.

Disclaimer

Save as disclosed in the section headed “Indebtedness Statement” in this Appendix, no companies within the Group had outstanding as at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, obligation under finance lease contracts, liabilities under acceptance (other than normal trade bills), acceptance credits, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

E. IMPLICATION OF THE NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“New HKFRSs”) which are effective for accounting periods beginning on or after 1 January, 2005. The Group has adopted the New HKFRSs in the preparation of accounts for the period from 1 January, 2005 onward, and the applicable HKFRSs are set out below:

| | |
|-------------|--|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 2 | Inventories |
| HKAS 7 | Cash Flow Statements |
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| HKAS 10 | Events After the Balance Sheet Date |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 17 | Leases |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates |
| HKAS 23 | Borrowing Costs |
| HKAS 24 | Related Party Disclosures |
| HKAS 27 | Consolidated and Separate Financial Statements |
| HKAS 28 | Investments in Associates |
| HKAS 31 | Investments in Joint Ventures |
| HKAS 32 | Financial Instruments: Disclosure and Presentation |
| HKAS 33 | Earnings per share |
| HKAS 36 | Impairment of Assets |
| HKAS 38 | Intangible Assets |
| HKAS 39 | Financial Instruments: Recognition and Measurement |
| HKFRS 2 | Share-based Payment |
| HKFRS 3 | Business Combinations |
| HKAS Int 15 | Operating Leases — Incentives |
| HKFRS-Int 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |

Except for the adoption of HKFRS 2 and HKFRS 3, the adoption of New HKFRSs did not result in substantial changes to the Group’s accounting policies. The Group’s accounting policies are set out in the audited accounts of the Group for the year ended 31 December, 2004 which have been included in Appendix II to this Composite Document.

Under HKFRS 2 “Share-based payment”, the Group is required to determine the fair value of all share-based payments to employees as remuneration and recognise an expense in the profit and loss account. This treatment results in a reduction in profit as such items have not been recognised as expenses under the previous accounting policy. Under the specific transitional provisions of HKFRS 2, this treatment applies to equity-settled share-based payment transactions where shares, share options or other equity instruments were granted after 7 November, 2002 and had not yet vested on 1 January, 2005 and to liabilities arising from share-based payment transactions existing on 1 January, 2005.

Under HKFRS 3 “Business Combinations”, goodwill is no longer amortised but instead will be subject to rigorous annual impairment testing. This has resulted in a change to the Group’s accounting policy under which goodwill was amortised over the shorter of 20 years or the tenure of the investments and assessed for indications of impairment at each balance sheet date. Under the

new policy, amortisation is no longer charged, but goodwill is tested annually for impairment, as well as when there are indications of impairment. According to HKFRS 3, this new HKFRS is applied prospectively.

Based on the Group's latest assessment, had the new HKFRSs (except for those new standards for which retrospective application was not required) been adopted from 1 January, 2004 onwards, there will be no material impact to the Group's shareholders' equity as at 31 December, 2004 and the Group's net profit attributable to shareholders for the year then ended would be decreased by approximately HK\$574,000.

The forecast for the unaudited net profit attributable to the shareholders of the Group for the financial year ending 31 December, 2005 is set out in the “Letter from the Board” to this Composite Document.

BASES

The board of Directors has prepared the forecast of the consolidated profit after taxation and minority interests of the Group for the year ending 31 December, 2005 (the “Forecast”). The Forecast has been prepared based on the unaudited management accounts of the Group for the three months ended 31 March, 2005 and a forecast of the consolidated results of the Group for the remaining nine months of the year ending 31 December, 2005.

The Forecast has been prepared in accordance with Hong Kong Financial Reporting Standards which are effective for accounting periods beginning on or after 1 January, 2005.

Assumptions:

The Forecast is prepared by the board of Directors based on the following principal assumptions at the time when the profit forecast statement was made which was before the announcement of the Agreement and the Offers:

1. There will be no material changes in existing government policies or political, legal, fiscal, market or economic conditions or rules and regulations concerning the industries of advertising in Hong Kong and in the People’s Republic of China (the “PRC”);
2. There will be no changes in legislation or regulations in the PRC, which will materially affect the advertising business carried on by the Group;
3. There will be no material changes in the bases or rates of taxation or duties applicable to the activities of the Group;
4. There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing; and
5. The Forecast is prepared based on the existing business strategies and direction established by the current management and approved by the current board of Directors.

As set out in the “Letter from the Board” to this Composite Document, the existing Directors (other than the three independent non-executive Directors) are expected to resign on the first closing day of the Offers and therefore will cease to have influence on the business strategies and direction of the Company thereafter. It is not certain whether the new directors nominated by the Offeror will adopt the same business strategies and direction as currently adopted by the Company.

The following is the text of a letter, prepared for inclusion in this Composite Document, received by the Directors from PricewaterhouseCoopers in connection with the profit forecast of the Group for the year ending 31 December, 2005.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
33/F, Cheung Kong Centre
2 Queen's Road Central
Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

The Board of Directors
MediaNation Inc.
Anglo Chinese Corporate Finance, Limited

29 April, 2005

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the profit forecast of the consolidated profit after taxation and minority interests of MediaNation Inc. (the “Company”) and its subsidiaries (collectively referred to in this letter as the “Group”) for the year ending 31 December, 2005 (the “Profit Forecast”) as set out in the “Letter from the Board” to this composite document dated 29 April, 2005 (the “Composite Document”).

We conducted our work in accordance with the Auditing Guideline 3.341 on “Accountants’ report on profit forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the Directors of the Company are solely responsible, has been prepared by them based on the unaudited management accounts for the three months ended 31 March, 2005 and a forecast of the consolidated results of the Group for the nine months ending 31 December, 2005.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the Directors of the Company as set out in the “Financial Information” section of Appendix II to this Composite Document, and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in the aforesaid appendix.

In the preparation of the Profit Forecast, the Directors of the Company assumed that there would be no changes in the existing business strategies and direction established by the current management and approved by the current Board of Directors. As set out in the “Letter from the Board” to this Composite Document, the existing Directors, other than the three independent non-executive directors are expected to resign on the first closing day of the Offers and therefore will cease to have influence on the business strategies and direction of the Company thereafter. On the basis that the existing Directors of the Company, other than the three independent non-executive directors are expected to resign from the Company, it is uncertain whether the directors nominated by the Offeror will adopt the same business strategies and direction as currently adopted by the Company. The Profit Forecast does not include any adjustments that would result from such changes during the remaining forecast period.

Yours faithfully,

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

The following is the text of a letter, prepared for inclusion in this Composite Document, received by the Directors from Anglo Chinese in connection with the profit forecast of the Group for the year ending 31 December, 2005.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

The board of Directors
MediaNation Inc.
Hong Kong

29 April, 2005

Dear Sirs,

We refer to the forecast of consolidated profit after taxation and minority interests of MediaNation Inc. (the “Company”) and its subsidiaries (collectively the “Group”) for the financial year ending 31 December, 2005 (the “Profit Forecast”) as set out in the section headed “Profit Forecast” in the Letter from the Board to this composite document dated 29 April, 2005 (the “Composite Document”).

We have discussed with you the basis and assumptions made by the directors of the Company as set out in Appendix III to the Composite Document upon which the Profit Forecast has been made. We have also considered the letter dated 29 April, 2005 addressed to yourselves and ourselves from PricewaterhouseCoopers, as set out also in Appendix IV to this Composite Document, relating to the accounting policies and calculations upon which the Profit Forecast has been made.

Based on the foregoing, we are of the opinion that the Profit Forecast for which the directors of the Company are solely responsible, has been prepared after due and careful consideration.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Dennis Cassidy
Director

1. RESPONSIBILITY

- 1.1 The issue of this Composite Document has been approved by the Offeror Directors.
- 1.2 This Composite Document includes particulars given in compliance with the Code for the purpose of giving information with regard to the Offeror and the Offers.
- 1.3 The Offeror Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Vendors and the Group) and confirm, having made all reasonable enquiries, that, to the best of their knowledge, the opinions expressed in this Composite Document (other than that relating to the Vendors and the Group) have been arrived at after due and careful consideration and there are no other facts (other than that relating to the Vendors and the Group) not contained in this Composite Document the omission of which would make any of the statements in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS IN THE SECURITIES OF THE COMPANY

- 2.1 The Offeror owns 1,436,856,166 Shares, representing 79.67% of the total issued share capital of the Company as at the Latest Practicable Date.
- 2.2 Save for the acquisition of the Sale Shares as disclosed herein:
 - (a) neither the Offeror, nor any person acting in concert with it for the purpose of the Code, owned or controlled;
 - (b) none of the Offeror Directors (including their respective spouses, children under the age of 18, related trusts and companies controlled by any of them) was beneficially interested in; and
 - (c) none of the Directors had indicated to the Offeror nor any person acting in concert with it that any persons who, prior to the posting of this Composite Document, have irrevocably committed themselves to accept or reject the Offers, owned or controlled,

directly or indirectly, any Shares, options, warrants, derivatives or any securities convertible into Shares as at the Latest Practicable Date and no such person has dealt for value in any Shares, options, warrants, derivatives or any securities convertible into Shares, during the period beginning six months prior to the date of the Announcement and ending with the Latest Practicable Date.

- 2.3 No arrangement has been entered into by the Offeror for the transfer by it to any other person of any Shares acquired pursuant to the Offers.
- 2.4 There was no agreement, understanding or benefit which shall be given by the Offeror to any Director as compensation for loss of office or otherwise in connection with the Offers.

2.5 As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Director or recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers.

2.6 As at the Latest Practicable Date, no arrangement has been entered into by the Offeror or any person acting in concert with it of the kind referred to in Note 8 to Rule 22 of the Code in relation to the relevant securities (as defined in the Code) of the Company.

3. INFORMATION ON THE OFFEROR

The Offeror Directors are Mr. Jean-Michel Geffroy and Mr. Stephen Hon Chiu Wong. The registered office of the Offeror is 22/F, Admiralty Centre, Tower 2, 18 Harcourt Road, Hong Kong.

The Offeror is an indirect wholly-owned subsidiary of JCDecaux SA, a company incorporated in France. JCDecaux SA is listed on Euronext Paris and is part of the Euronext 100 index. The members of the Executive Board of JCDecaux SA are “Jean-Charles Decaux, Jean-François Decaux, Robert Caudron, Gérard Degonse, and Jeremy Male”. The address of JCDecaux SA is 17 rue Soyer, 92200 Neuilly-sur-Seine, France.

4. CONSENT AND QUALIFICATIONS

CLSA and CLSA Limited have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion therein of their respective letters and/or the references to their name in the form and context in which they appear.

CLSA is a licensed corporation under the SFO, licensed under transitional arrangements (migration application lodged) to conduct Types 4 and 6 regulated activities under the SFO, including advising on securities and corporate finance.

CLSA Limited is a licensed corporation under the SFO, licensed to conduct Types 1 and 4 regulated activities under the SFO.

5. MARKET PRICES OF THE SHARES

- (a) The highest and lowest closing prices of the Shares as quoted on GEM during the period from the date falling six months prior to the date of the Announcement up to the Latest Practicable Date were HK\$0.280 on 27 April, 2005 and 28 April, 2005 and HK\$0.10 on 23 September, 2004, 24 September, 2004, 6 October, 2004, 7 October, 2004, 8 October, 2004, 11 October, 2004, 12 October, 2004 and 1 November, 2004.
- (b) The table below sets out the closing prices of the Shares as quoted on GEM on the last business day of each of the six calendar months immediately preceding the date of the Announcement on which trading of the Shares took place:

| | Closing price (HK\$) |
|--------------------|---------------------------------|
| 30 September, 2004 | 0.1050 |
| 29 October, 2004 | 0.1100 |
| 30 November, 2004 | 0.1150 |
| 31 December, 2004 | 0.1320 |
| 31 January, 2005 | 0.1320 |
| 28 February, 2005 | 0.1400 |
| 31 March, 2005 | 0.2750 |

- (c) The closing price of the Shares quoted on GEM on 17 March, 2005, being the last trading day immediately prior to the release of the Announcement was HK\$0.203 per Share.
- (d) The closing price of the Shares in the Company as quoted on GEM on the Latest Practicable Date was HK\$0.280 per Share.

6. MISCELLANEOUS

- 6.1 The English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text for the purpose of interpretation.
- 6.2 The address of CLSA and CLSA Limited is 18/F, One Pacific Place, 88 Queensway, Hong Kong.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Code for the purpose of giving information with regard to the Group. The information contained herein relating to the Group (other than information relating to the Offeror and any party acting in concert with it) has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of such information and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror or any party acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document (other than those relating to the Offeror or any party acting in concert with it) the omission of which would make any statement herein misleading.

2. CORPORATE INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 27 February, 1995. The registered office of the Company is at P.O. Box 309, Ugland House, George Town, Grand Cayman, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is at Room 3507, 35/F., The Center, 99 Queen's Road Central, Hong Kong. The company secretary of the Company is Mr. Cheng Ka Chung (AHKICPA).

3. SHARE CAPITAL OF THE COMPANY**(a) Authorized and issued share capital**

As at the Latest Practicable Date, the authorized and issued share capital of the Company were as follows:

| <i>Shares</i> | | <i>HK\$</i> |
|-------------------------------|--|-----------------|
| <i>Authorized:</i> | | |
| 5,000,000,000 | Authorized share capital of HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each | HK\$500,000,000 |
| <i>Issued and fully paid:</i> | | |
| 1,803,488,985 | Paid up share capital of HK\$180,349,000 divided into 1,803,488,985 Shares of HK\$0.10 each | HK\$180,349,000 |

No Share has been issued since 31 December, 2004, being the end of the last financial year of the Company, and up to the Latest Practicable Date. All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital.

(b) Pre-IPO Share Option Plans

Pursuant to an executive share option plan (“Plan 1”) approved by the Shareholders on 7 April, 1995 and amended and restated on 9 June, 2001, the Board may at its discretion within five years after 1 July, 1997, invite employees, including the Directors, and its subsidiaries, to take up options to subscribe for Shares. The Board granted the Option A Share Options pursuant to Plan 1. The exercise price of such Option A Share Options after the open offer stated in the Company’s prospectus dated 10 July, 2003 is adjusted to HK\$0.266 per Share.

On 9 June, 2001, the Shareholders rectified and approved another executive share option plan (“Plan 2”). Pursuant to Plan 2, the Board may at its discretion within three years after 1 April, 2000, invite employees, including the Directors, and its subsidiaries, to take up options to subscribe for Shares. The Board granted the Option D Share Options pursuant to Plan 2. The exercise price of such Option D Share Options after the open offer stated in the Company’s prospectus dated 10 July, 2003 is adjusted to HK\$1.195 per Share.

On 9 June, 2001, the Shareholders approved another executive share option plan (“Plan 3”). Pursuant to Plan 3, the Board granted Option D Share Options to senior executives to replace all outstanding warrants then held by them. Pursuant to the adjustments for the open offer stated in the Company’s prospectus dated 10 July, 2003, the exercise price of such Option D Share Options is adjusted to HK\$1.442. The outstanding number of such Option D Share Options is 85,664,250 as of the Latest Practicable Date.

All the outstanding share options under the Pre-IPO Share Option Plans, except for those under Plan 3, may be exercised at any time during the period commencing one year after the date of grant of such share options and ending 10 years after the date of such share options with the following schedule:

| Period since date of grant | Portion of Shares comprised in the share options under the Pre-IPO Share Option Plans which become exercisable |
|---|--|
| Date of grant — first anniversary | Zero |
| The date after the first anniversary — second anniversary | Up to one-third |
| The date after the second anniversary — third anniversary | Up to two-third (less the number of Shares issued upon the exercise of options between the first anniversary and the second anniversary) |
| The date after the third anniversary and thereafter | All Shares in respect of which the option has not been previously exercised |

The Option D Share Options under Plan 3 are fully vested upon their grant and may be exercised at any time during the period commencing on the date upon which the offer of the Option D Share Option is accepted and ending 10 years after the date of the Option D Share Option.

Save as disclosed above, no share options have been granted or agreed to be granted by the Company and no further options will be offered or granted by the Company under Plan 1, Plan 2 and Plan 3.

(c) Share Option Scheme

On 8 January, 2002 the Company conditionally adopted the Share Option Scheme for a period of ten years from the date on which the Share Option Scheme was adopted. The Share Option Scheme became unconditional upon the listing of the Shares on GEM.

The principal purpose of the Share Option Scheme is to recognise the significant contributions of the full-time employees, executive Directors, non-executive Directors (including independent non-executive Directors), any consultants or advisors of or to any members of the Group to the growth of the Group by rewarding them with opportunities to obtain ownership interests in the Company and to further motivate and give incentives to these persons to continue to contribute to the Group's long term success.

The subscription price will be determined by the Board and will be the highest of (i) the nominal value of the Shares, (ii) the quoted closing price of the Shares on the date of offer of the options, which must be a trading day, and (iii) the average of the quoted closing prices of the Shares on the five trading days immediately preceding the date of offer of the options.

The Share Option Scheme shall vest in respect of one third of the total number of Shares to which it relates upon each anniversary of the respective date upon which the offer of the option is made until fully vested and expiring on not less than three years nor more than ten years from the date of offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The Board granted Option B Share Options, Option C Share Options and Option D Share Options pursuant to the Share Option Scheme.

A summary of the movement of Share Options granted to employees (including Directors) under Plan 1, Plan 2, Plan 3 and the Share Option Scheme during the year is as follows:

| | Pre-IPO Share Option Plans at | | | Share Option Scheme at | | |
|----------------------------|--------------------------------|--------------------------------|--------------------------------|------------------------|-------------------|-------------------|
| | exercise price of HK\$0.266 | exercise price of HK\$1.195 | exercise price of HK\$1.442 | exercise price of | | |
| | | | | HK\$0.795 | HK\$0.119 | HK\$0.115 |
| At 1 January, 2005 | 7,215,880 | 8,785,000 | 28,554,750 | 2,890,000 | 15,000,000 | 10,000,000 |
| Open Offer adjustment | 14,431,760 | 17,570,000 | 57,109,500 | 5,500,000 | — | — |
| Granted during the year | — | — | — | — | — | — |
| Lapsed during the year* | — | — | — | (140,000) | (1,000,000) | — |
| At Latest Practicable Date | <u>21,647,640</u> | <u>26,355,000</u> | <u>85,664,250</u> | <u>8,250,000</u> | <u>14,000,000</u> | <u>10,000,000</u> |

Note:

* During the period from 1 January, 2005 to the Latest Practicable Date, four employees holding 1,140,000 unvested options under the Share Option Scheme have resigned and hence, these options have lapsed.

Save as described in sub-sections (b) and (c) under this section, the Company has no other outstanding options, warrants, derivatives or conversion rights affecting the Shares as at the Latest Practicable Date.

(d) Listing

The Shares are listed and traded on GEM. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on any other stock exchange.

4. DISCLOSURE OF INTERESTS

(a) Directors' Interests or Short Positions in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors pursuant to Rule 5.46 of the Listing Rules (other than options which have been granted under any Pre-IPO Share Option Plans and Share Option Scheme to certain Directors, details of such options are set out in the paragraphs headed "Pre-IPO Share Options Plans" and "Share Option Scheme" below), were as follows:

| Name of Director | Number of issued ordinary Shares of HK\$0.10 each in the Company held and nature of interests | | | | | Total | Approximate percentage of the total number of Shares in issue |
|--------------------------|---|------------------|---------------------|-----------------|------------------|-------------------|---|
| | Personal Interests | Family Interests | Corporate interests | Other interests | Capacity | | |
| Mr. Barry John Buttifant | 5,000,000 | — | — | — | Beneficial Owner | 5,000,000 | 0.28% |
| Mr. Johannes Schöter | 10,152,000 | — | — | — | Beneficial Owner | 10,152,000 | 0.56% |
| | <u>15,152,000</u> | <u>—</u> | <u>—</u> | <u>—</u> | | <u>15,152,000</u> | |

Other than as disclosed above and in the paragraphs headed "Pre-IPO Share Option Plans" and "Share Option Scheme" below, as at the Latest Practicable Date, none of the Directors or their associates had any personal, family, corporate or other interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations and none of the Directors or any of their spouses or children under the age of 18 were granted any right, and the Company had not made any arrangement enabling any of them to subscribe for any Shares or debentures of the Company.

*Directors' Rights to Acquire Shares in the Company**Pre-IPO Share Option Plans*

During the period from 1 January, 2005 to the Latest Practicable Date, no share option under the Pre-IPO Share Option Plan were granted or agreed to be granted by the Company and no further options will be offered or granted by the Company under any of the Pre-IPO Share Option Plans to any Directors of the Company. There were no share option under the Pre-IPO Share Option Plan held by any Directors of the Company as at the Latest Practicable Date.

Share Option Scheme

Under the terms of the Share Option Scheme, details of the options granted to and held by the Directors as at the Latest Practicable Date were as follows:

| Name of Director | Date of offer* | Exercisable period | Exercise price HK\$ | Outstanding | Granted | Exercised | Cancelled/ | Outstanding as |
|--------------------------------|-----------------|---------------------------------------|---------------------|-----------------------------|--|--|--|----------------------------------|
| | | | | as at 1 January, 2005 | during the period from 1 January, 2005 to Latest Practicable Date | during the period from 1 January, 2005 to Latest Practicable Date | Lapsed during the period from 1 January, 2005 to Latest Practicable Date | at Latest Practicable Date |
| Mr. Chu Chung Hong, Francis | 13 August, 2003 | 13 August, 2004 to 12 August, 2013 | 0.119 | 3,000,000 | — | — | — | 3,000,000 |
| | 25 May, 2004 | 25 May, 2005 to 24 May, 2014 | 0.115 | 4,000,000 | — | — | — | 4,000,000 |
| Mr. Barry John Buttifant | 25 May, 2004 | 25 May, 2005 to 24 May, 2014 | 0.115 | 1,000,000 | — | — | — | 1,000,000 |
| Mr. Johannes Schöter | 25 May, 2004 | 25 May, 2005 to 24 May, 2014 | 0.115 | 1,000,000 | — | — | — | 1,000,000 |

Note:

- * The options shall vest in respect of one third of the total number of Shares upon each anniversary of the date of offer until fully vested.

Save as disclosed above, at no time during the period from 1 January, 2005 to the Latest Practicable Date was the Company or its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares, or debt security of the Company or any other body corporate and none of the Directors, their spouses or their children under the age of 18, had any right to subscribe for any Shares or debentures of the Company, or had exercised any such right during this period.

(b) Substantial Shareholders Having Interests or Short Positions in the Shares and Underlying Shares of the Company

So far as is known to any Director, as at the Latest Practicable Date, the following substantial Shareholders (within the meaning of the Listing Rules) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register to be kept under section 336 of the SFO (other than those interests of Directors disclosed above):

| Name of Shareholder | Number of Shares of HK\$0.10 each held in the Company | Capacity | Approximate percentage of the total number of Shares in issue |
|--------------------------------|--|---------------------------------------|--|
| JCDecaux Pearl & Dean Ltd* | 1,436,856,166 | Beneficial Owner, direct holding | 79.67% |
| JCDecaux Asia (S) Pte. Ltd* | 1,436,856,166 | Beneficial Owner, indirect holding | 79.67% |
| JCDecaux SA* | 1,436,856,166 | Beneficial Owner, indirect holding | 79.67% |
| JCDecaux Holding* | 1,436,856,166 | Beneficial Owner, indirect holding | 79.67% |
| Mr. Jean-Claude Decaux* | 1,436,856,166 | Beneficial Owner, indirect holding | 79.67% |

* 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 the Latest Practicable Date, 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.

(c) Other Persons Having Interests or Short Positions in the Shares and Underlying Shares of the Company

So far as is known to any Director, as at the Latest Practicable Date, no other persons (other than those interests of Directors and substantial Shareholders disclosed above and interests of persons as recorded in the register to be kept under section 336 of the SFO pursuant to Division 5 of Part XV of the SFO) 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.

(d) Service Contracts

None of the Directors has any existing or proposed service contract with any member of the Group or any associated company of the Company which has more than twelve months to run nor has any of the Directors entered into or amended any service contract with any member of the Group or any associated company of the Company within the period beginning six months prior to the date of the Announcement and ending with the Latest Practicable Date.

(e) Other Interests

As at the Latest Practicable Date,

- (i) neither the Company nor any of the Directors held any interest in the securities of the Offeror;
- (ii) to the best knowledge of the Directors after making reasonable enquiries, no subsidiary of the Company, or any pension fund of the Company or of a subsidiary of the Company owned or controlled any securities in the Company;
- (iii) none of the professional advisers named under the section headed “Consents” in this Appendix VI or any adviser to the Company as specified in class (2) of the definition of “associate” in the Code owned or controlled any securities in the Company;
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Code; and
- (v) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund manager) connected with the Company.

5. DEALINGS IN SECURITIES

During the period beginning six months prior to the date of the Announcement and ending with the Latest Practicable Date, save for Mr. Chu Chung Hong, Francis, an executive Director, who had sold 8,138,000 Shares at HK\$0.27 each on 6 April, 2005, neither the Company nor any of the Directors had dealt for value in the securities of the Offeror or the Company.

During the period from the date of the Announcement and ending with the Latest Practicable Date,

- (i) none of the subsidiaries of the Company, nor any pension funds of the Company or of any of its subsidiaries, nor any of the professional advisers named under the section headed “Consents” in this Appendix VI, nor any adviser to the Company as specified in class (2) of the definition of “associate” in the Code had dealt for value in any securities in the Company;

- (ii) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Code had dealt for value in any securities in the Company; and
- (iii) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in any securities in the Company.

6. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or its subsidiaries) have been entered into by the members of the Group within two years preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

- (a) the shareholder’s loan agreement dated 20 May, 2003 between the Company and SMI Investors (PAPE II) Limited pursuant to which SMI Investors (PAPE II) Limited has agreed to advance an unsecured loan in the amount of HK\$10 million to the Company;
- (b) the shareholder’s loan agreement dated 20 May, 2003 between the Company and Warburg Pincus Ventures, L.P. pursuant to which Warburg Pincus Ventures, L.P. has agreed to advance an unsecured loan in the amount of HK\$10 million to the Company; and
- (c) the loan agreement and guarantee dated 8 March, 2005 and supplemented on 22 April, 2005 between Top Result Promotion Limited (as lender) and CGEN Technology Company Limited (as borrower), Shanghai CGEN Digital Media Network Co., Ltd., New Media Technology Limited, Chan Yi Sing, 曹曉峰, 姚放, 朱海光 and 田冠勇 (as guarantors) whereby Top Result Promotion Limited agreed to make available a loan facility in the amount of up to US\$1,500,000 to CGEN Technology Company Limited.

8. CONSENTS

Anglo Chinese, Altus Capital and PricewaterhouseCoopers have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion therein of their respective letters and/or the references to their names, in the form and context in which they appear.

9. GENERAL

- (a) No benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director or any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.
- (c) No material contracts have been entered into by the Offeror in which any Director has a material personal interest.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. Monday to Friday at the head office and principal place of business of the Company in Hong Kong at Room 3507, 35/F., The Center, 99 Queen's Road Central, Hong Kong up to the final closing date of the Offers:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December, 2003 and 31 December, 2004;
- (c) the letter from CLSA Equity Capital Markets Limited as set out on pages 6 to 14 of this Composite Document;
- (d) the letter from the Board as set out on pages 15 to 20 of this Composite Document;
- (e) the letter from the Independent Board Committee as set out on pages 21 to 22 of this Composite Document;
- (f) the letter from Altus Capital as set out on pages 23 to 34 of this Composite Document;
- (g) the letters from PricewaterhouseCoopers and Anglo Chinese as set out on pages 79 to 81 of this Composite Document;
- (h) the written consents referred to in the paragraphs headed "Consent and Qualifications" in Appendix V and "Consents" in this Appendix VI; and
- (i) the material contracts referred to in paragraph headed "Material contracts" in this Appendix VI.

Forms of Acceptance will be available for collection from the Registrar and the Company.