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

If you have sold or transferred all your shares in **RoadShow Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ROADSHOW HOLDINGS LIMITED

路訊通控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 888)

**DISCLOSEABLE TRANSACTION AND
MAJOR AND CONNECTED TRANSACTION**

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee
and the independent Shareholders**



A letter from the board of directors of RoadShow Holdings Limited (the “Company”) is set out on pages 6 to 19 of this circular. A letter from the independent board committee of the Company is set out on page 20 of this circular.

A letter from Platinum Securities Company Limited, the independent financial adviser to the independent board committee and the independent shareholders of the Company, is set out on pages 21 to 37 of this circular.

Hong Kong, 31 July 2006

* For identification purposes only

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Advertising Right Transfer Contract”	權益轉讓合同書(advertising right transfer contract) entered into between RS Joint Venture as transferor and Hainan White Horse as transferee on 19 June 2006 in respect of the transfer of the Beijing Advertising Right and related liabilities to Hainan White Horse
“associates”	has the meaning ascribed to it in the Listing Rules
“Beijing Advertising Right”	the right to carry on advertising business in relation to the 634 advertising lamp-boxes of certain bus shelters in Beijing, the PRC as particularised in and under the Undertaking Contracts
“Beijing Public Transport”	北京公交廣告有限責任公司(Beijing Public Transport Advertising Company Limited), a limited liability company in Beijing, the PRC
“Board”	the Board of Directors
“Business Day(s)”	a day (other than Saturdays, Sundays and PRC statutory holidays) on which banks are generally open for banking business in the PRC
“Caizhu”	廣東采珠廣告有限公司(Guangdong Caizhu Advertising Company Limited), a PRC limited liability company, whose shareholders are Independent Third Parties, but is contractually bound to act as the nominee of the Group with regard to the 2.5% interest in RS Joint Venture
“Caizhu Interest Transfer Agreement”	股權轉讓協議(equity interest transfer agreement), inclusive of attachment thereto, entered into between Caizhu as transferor and Key Advertising as transferee on 30 June 2006 in respect of the transfer of 2.5% interest in RS Joint Venture
“Clear Media”	Clear Media Limited, a company incorporated in Bermuda and an Independent Third Party, whose shares are listed on the Main Board of the Stock Exchange (Stock code: 100)
“Company”	RoadShow Holdings Limited, a company incorporated in Bermuda, whose shares are listed on the Main Board of the Stock Exchange

DEFINITIONS

“Completion”	the completion of the sale and purchase of the Sale Share and the assignment of the benefits of the Sale Loan pursuant to and under the Sale and Purchase Agreement
“Dalian”	RoadVision (Dalian) Limited, a company incorporated in the British Virgin Islands, which is a wholly owned subsidiary of RHC
“Directors”	the director(s) of the Company
“GAIC”	中國廣州市工商行政管理局 (Administration for Industry and Commerce of Guangzhou, the PRC)
“Group”	the Company and its subsidiaries
“Hainan White Horse”	海南白馬廣告媒體投資有限公司 (Hainan White Horse Advertising Media Investment Company Limited), an indirect non-wholly owned subsidiary of Clear Media and a Sino-foreign co-operative joint venture established in the PRC and an Independent Third Party
“Handover Day”	the 1st working day on which Hainan White Horse carries out the handover procedures for the advertising lamp-boxes of the bus shelters as particularised in and pursuant to the Advertising Right Transfer Contract
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising Ms. Carlye Wai-Ling TSUI, Mr. HUI Ki On and Dr. Eric LI Ka Cheung, all being the independent non-executive Directors, established for the purpose of reviewing and advising the independent Shareholders in respect of the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement
“Independent Third Party(ies)”	third party(ies) independent of the Company, Transport International and their respective connected persons (as defined in the Listing Rules)

DEFINITIONS

“Key Advertising”	廣州市關鍵廣告有限公司 (Guangzhou Key Advertising Company Limited), a limited liability company established in Guangzhou, the PRC, which is a connected person of the Company by virtue of it being a substantial shareholder (as defined in the Listing Rules) of RS Joint Venture
“Latest Practicable Date”	26 July 2006, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans Repayment”	repayment to be made by RS Joint Venture to (i) Dalian of all the shareholder’s loans and advances provided by Dalian to RS Joint Venture, together with all interest accrued thereon; (ii) Caizhu of the shareholder’s loan provided by Caizhu to RS Joint Venture; and (iii) Key Advertising of a part of the shareholder’s loan provided by Key Advertising to RS Joint Venture
“Mr. Liang”	the ultimate shareholder of Southern Star, the controlling shareholder of Key Advertising and a director of RS Joint Venture
“Platinum”	Platinum Securities Company Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial advisor appointed to advise the Independent Board Committee and the independent Shareholders in respect of the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“RHC”	RoadVision Holdings (China) Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“RS Joint Venture”	廣州市關鍵媒體廣告有限公司 (Guangzhou Key Media Advertising Company Limited), a Sino-foreign co-operative joint venture established in Guangzhou, the PRC by Dalian, Caizhu and Key Advertising
“Sale and Purchase Agreement”	the agreement entered into between RHC as vendor, the Company as guarantor for the vendor and Southern Star as purchaser on 30 June 2006 for the sale and purchase of the Sale Share and the Sale Loan
“Sale Loan”	the amount of approximately HK\$22.8 million which is expected to be outstanding and owing by Dalian to RHC as at the date of Completion after Dalian’s partial repayment to RHC prior to Completion of the existing loan of approximately HK\$94.4 million owing by Dalian to RHC
“Sale Share”	means the one share of US\$1.00 in the issued share capital of Dalian legally and beneficially owned by RHC representing the entire issued share capital of Dalian
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of shares of the Company
“Southern Star”	Southern Star Group Limited, a company incorporated in the British Virgin Islands, which is owned as to 100% by Mr. Liang
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transport International”	Transport International Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange, which is the ultimate holding company of the Company (Stock code: 062)

DEFINITIONS

“Undertaking Contracts”	the agreement dated 16 July 2002 as supplemented by a supplemental agreement dated 23 September 2003, the agreement dated 23 September 2003 as supplemented by a supplemental agreement dated 8 June 2004, and the confirmation of the number of advertising lamp-boxes of bus shelters dated 23 August 2004, all entered into between RS Joint Venture and Beijing Public Transport in relation to the Beijing Advertising Right
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For illustration purpose, in this circular, amounts in RMB have been translated into HK\$ at the exchange rate of HK\$1.00 to RMB1.06 for all items for the year ended 31 December 2004, at the exchange rate of HK\$1.00 to RMB1.04 for balance sheet items and at the exchange rate of HK\$1.00 to RMB1.05 for profit and loss items for the year ended 31 December 2005, and at the exchange rate of HK\$1.00 to RMB1.04 for all items for the year ending 31 December 2006 respectively. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rates.

LETTER FROM THE BOARD



ROADSHOW HOLDINGS LIMITED 路訊通控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 888)

Board of Directors:

John CHAN Cho Chak (Chairman)

GBS, JP, DBA (Hon), BA, DipMS,

FIMgt, FCILT, FHKIoD

Michael WONG Yick-kam (Deputy Chairman)

BBA, MBA

Winnie J. NG (Group Managing Director)

BA, MBA (Chicago)

Anthony NG *BA, MBA (Ivey)*

James Conrad LOUEY *BSc*

Carlye Wai-Ling TSUI[#] *BBS, MBE, JP, BA(Econ),*

FHKIoD, FBCS, CITP, FHKIE, HonFACE, PDipCD

HUI Ki On[#] *GBS, CBE, QPM, CPM*

MAK Chun Keung

LAU Mei Mui, May

Dr. Eric LI Ka Cheung[#] *GBS, OBE, JP, LLD, DSocSc, BA,*

FCPA (Practising), Hon HKAT, FCA, FCPA (Aust.), FCIS

Andrew SO Sing Tak

[#] *Independent Non-executive Director*

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of business
in Hong Kong:*

No. 1, Po Lun Street

Lai Chi Kok

Kowloon

Hong Kong

31 July 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND MAJOR AND CONNECTED TRANSACTION

1. INTRODUCTION

In an announcement dated 20 June 2006 and published on 21 June 2006, the Company announced that on 19 June 2006, RS Joint Venture, a non-wholly owned subsidiary of the Company, and Hainan White Horse entered into the Advertising Right Transfer

* *For identification purposes only*

LETTER FROM THE BOARD

Contract pursuant to which RS Joint Venture has conditionally agreed to dispose of the Beijing Advertising Right to Hainan White Horse for a consideration of RMB80.0 million (equivalent to approximately HK\$76.9 million). The Advertising Right Transfer Contract constitutes a discloseable transaction for the Company under the Listing Rules.

In an announcement dated 7 July 2006 and published jointly with Transport International on 10 July 2006, the Company, together with Transport International, announced that on 30 June 2006, RHC (a wholly owned subsidiary of the Company) as vendor, the Company as guarantor for RHC and Southern Star as purchaser entered into the Sale and Purchase Agreement pursuant to which RHC has conditionally agreed to dispose to Southern Star of the Sale Share and the Sale Loan for a total consideration of approximately RMB50.0 million (equivalent to approximately HK\$48.1 million). Also on 30 June 2006, Caizhu (as nominee of the Group) as transferor and Key Advertising as transferee entered into the Caizhu Interest Transfer Agreement pursuant to which Caizhu has conditionally agreed to dispose to Key Advertising of the 2.5% interest in RS Joint Venture for a consideration of approximately RMB1.41 million (equivalent to approximately HK\$1.36 million). The Sale and Purchase Agreement together with the Caizhu Interest Transfer Agreement constitute both a major transaction and a connected transaction for the Company under the Listing Rules.

The purpose of this circular is to provide the Shareholders with further details of the Advertising Right Transfer Contract, the Sale and Purchase Agreement, the Caizhu Interest Transfer Agreement and other information in compliance with the requirements of the Listing Rules.

2. ADVERTISING RIGHT TRANSFER CONTRACT

Date:

19 June 2006

Parties:

Transferor: RS Joint Venture, a non-wholly owned subsidiary of the Company

Transferee: Hainan White Horse

To the best knowledge, information and belief of the Company having made all reasonable enquiries, Hainan White Horse and its ultimate beneficial owners are Independent Third Parties.

As far as the Company is aware, Hainan White Horse's principal business includes obtaining advertising right, constructing and installing bus shelters and marketing advertising space on such bus shelters in the PRC.

LETTER FROM THE BOARD

Subject matter:

Beijing Advertising Right, which is the contractual right obtained by RS Joint Venture from Beijing Public Transport under the Undertaking Contracts to carry on advertising business in relation to the 634 advertising lamp-boxes of certain bus shelters in Beijing, the PRC.

The net book value of the Beijing Advertising Right included in the audited consolidated financial statements of the Group is approximately RMB29.4 million (equivalent to approximately HK\$28.3 million) as at 31 December 2005. The media sales revenue and net profit (calculated as sales revenue less direct costs but before allocation of corporate overhead and tax) attributable to the Beijing Advertising Right as included in the audited consolidated financial statements of the Group amounted to approximately RMB4.1 million (equivalent to approximately HK\$3.9 million) and RMB0.71 million (equivalent to approximately HK\$0.67 million) respectively for the year ended 31 December 2004. The media sales revenue and net loss (calculated as sales revenue less direct costs but before allocation of corporate overhead and tax) attributable to the Beijing Advertising Right as included in the audited consolidated financial statements of the Group amounted to approximately RMB12.6 million (equivalent to approximately HK\$12.1 million) and RMB3.2 million (equivalent to approximately HK\$3.1 million) respectively for the year ended 31 December 2005.

Consideration:

The consideration for the transfer of the Beijing Advertising Right is RMB80.0 million (equivalent to approximately HK\$76.9 million), which is payable in cash to RS Joint Venture by Hainan White Horse in one single lump sum within 10 working days commencing on the date of the Advertising Right Transfer Contract.

The consideration was determined after arm's length negotiations between RS Joint Venture and Hainan White Horse after considering the cost and net book value of the Beijing Advertising Right as disclosed above, and the potential of the Beijing Advertising Right in generating future media sales revenue during the average unexpired period of approximately 9 years of the Beijing Advertising Right under the Undertaking Contracts.

Condition to the Advertising Right Transfer Contract

The Advertising Right Transfer Contract is conditional on Beijing Public Transport having given written approval of the transaction contemplated by the Advertising Right Transfer Contract.

LETTER FROM THE BOARD

Either party is entitled to terminate the Advertising Right Transfer Contract by notice in writing if the condition above is not satisfied by the 30th working day immediately after the date of the Advertising Right Transfer Contract. In that event, RS Joint Venture shall refund to Hainan White Horse the consideration paid, together with interest accrued in bank saving account, within 3 working days commencing on the date of termination of the Advertising Right Transfer Contract.

Arrangement is being made to obtain the approval of Beijing Public Transport to the transaction contemplated by the Advertising Right Transfer Contract.

Completion and other major terms of the Advertising Right Transfer Contract

1. Subject to the obtaining of the approval mentioned in the condition above, RS Joint Venture and Hainan White Horse will complete the transaction by arranging for handover of the advertising lamp-boxes on the Handover Day in accordance with the provisions of the Advertising Right Transfer Contract.
2. If any of the relevant bus shelters is found damaged on handover, RS Joint Venture shall repair it up to the standard required for handover purpose within 10 working days commencing on the Handover Day. If the advertising lamp-boxes to be handed over on the Handover Day are less than 634 advertising lamp-boxes, RS Joint Venture shall rebuild the relevant advertising lamp-box(es) within 30 working days, failing which Hainan White Horse shall have the right to demand RS Joint Venture to refund to it the amount for the omitted advertising lamp-box(es) on the basis of the average price of the 634 advertising lamp-boxes (i.e. the consideration for transfer of the Beijing Advertising Right divided by 634).
3. RS Joint Venture shall be responsible for obtaining from Beijing Public Transport the written approval of the transaction contemplated by the Advertising Right Transfer Contract within 30 working days after the date of the Advertising Right Transfer Contract.
4. Hainan White Horse shall take up and bear all the liabilities of RS Joint Venture under the Undertaking Contracts commencing on the Handover Day.

The transfer of the Beijing Advertising Right does not require regulatory approval from the PRC authorities.

LETTER FROM THE BOARD

3. SALE AND PURCHASE AGREEMENT

Date:

30 June 2006

Parties:

Vendor: RHC, a wholly owned subsidiary of the Company

Purchaser: Southern Star

Vendor's guarantor: the Company

To the best knowledge of the Company, Southern Star is owned as to 100% by Mr. Liang and Key Advertising is owned as to more than 50% by Mr. Liang. Key Advertising is a substantial shareholder of RS Joint Venture in which it has 49% interest. Further, Mr. Liang is a director of RS Joint Venture, which is an indirect non-wholly owned subsidiary of the Company. Therefore, Southern Star is a connected person of the Company within the meaning of the Listing Rules. Other than Mr. Liang's directorship in RS Joint Venture, his interest in RS Joint Venture through Key Advertising and the entering into of the Sale and Purchase Agreement by Southern Star, Mr. Liang and Southern Star are Independent Third Parties.

To the best knowledge of the Company, Southern Star is principally engaged in the business of investment holding.

Subject matter:

The Sale Share and the Sale Loan, which represent respectively the entire issued share capital of Dalian and shareholder's loan (as at Completion) owing by Dalian to RHC.

Dalian is a company incorporated in the British Virgin Islands with limited liability. Its sole business is its investment holding in RS Joint Venture, which is principally engaged in the business of provision of media advertising agency service and design and production of advertisements. RS Joint Venture, a Sino-foreign co-operative joint venture established in Guangzhou, the PRC, is owned as to 48.5% by Dalian, 2.5% by Caizhu and 49.0% by Key Advertising. However, the Group is currently controlling 51.0% interest in RS Joint Venture as a result of:

- (1) Dalian's direct holding of 48.5% interest in RS Joint Venture; and

LETTER FROM THE BOARD

- (2) Caizhu, a PRC company and whose shareholders are Independent Third Parties, which holds 2.5% interest in RS Joint Venture, being contractually bound to act as the nominee of the Group with regard to the 2.5% interest in RS Joint Venture.

Accordingly, RS Joint Venture has been considered and accounted for as a 51% owned subsidiary of the Company.

Based on the unaudited non-consolidated financial statements of Dalian, the net asset value of Dalian as at 31 December 2005 was approximately HK\$2.7 million. The non-consolidated net profit (both before and after tax) of Dalian for the year ended 31 December 2004 and 2005 were approximately HK\$0.9 million and HK\$2.1 million respectively.

Consideration:

The consideration for the transaction is approximately RMB50.0 million (equivalent to approximately HK\$48.1 million) and is payable in cash to RHC by Southern Star in the following manner:

- (a) as to RMB10.0 million being the deposit and first part payment which are payable in its Hong Kong dollars equivalent upon execution of the Sale and Purchase Agreement;
- (b) as to approximately RMB2.4 million being the second part payment which is payable in Renminbi on or before the 10th Business Day immediately after the execution of the Sale and Purchase Agreement; and
- (c) as to approximately RMB37.6 million being the balance payable on Completion (of which (i) approximately RMB26.4 million is payable in Renminbi or its Hong Kong dollars equivalent and (ii) approximately RMB11.2 million is payable in Renminbi or its Hong Kong dollars equivalent (*Note*)).

(Note: Pursuant to the recent mutual consent and agreement in writing between RHC and Southern Star after the signing of the Sale and Purchase Agreement, this sum of approximately RMB11.2 million shall be payable in Renminbi or its Hong Kong dollars equivalent rather than purely in Hong Kong dollars as disclosed in the joint announcement of Transport International and the Company dated 7 July 2006.)

The above deposit and the second part payment (if paid by Southern Star) shall be refunded to Southern Star without interest in case that Completion will not proceed as a result of the conditions mentioned in the following paragraph headed “Conditions to the Sale and Purchase Agreement” not having been fulfilled. Notwithstanding the aforesaid, the deposit shall be forfeited to RHC as liquidated damages suffered by RHC in case that the transaction contemplated by the Sale and Purchase Agreement falls through as a

LETTER FROM THE BOARD

result of unilateral cancellation or termination of (including other defaults as provided in) the Sale and Purchase Agreement by Southern Star. On the other hand, if the transaction contemplated by the Sale and Purchase Agreement falls through as a result of RHC's unilateral cancellation or termination of (including other defaults as provided in) the Sale and Purchase Agreement, RHC shall refund to Southern Star the deposit and the second part payment (if paid by Southern Star), together with interest accrued and an amount equivalent to the refunded deposit as liquidated damages suffered by Southern Star.

Conditions to the Sale and Purchase Agreement

The Sale and Purchase Agreement is conditional on:

- (a) a resolution of the shareholders of the Company passed at a general meeting or a written approval by the Company's majority shareholder (i.e. KMB Resources Limited, a wholly owned subsidiary of Transport International) pursuant to the Listing Rules, in either case, approving the execution and performance of the Sale and Purchase Agreement by RHC, the transactions contemplated thereby and the guarantee made by the Company therein;
- (b) a bank guarantee to guarantee the obligation of Southern Star to pay the balance of the consideration under the Sale and Purchase Agreement having been provided by Southern Star to RHC at the time of execution of the Sale and Purchase Agreement;
- (c) the transactions contemplated by the Advertising Right Transfer Contract having been duly completed; and
- (d) the Loans Repayment having been duly performed and made by RS Joint Venture.

If the conditions set out in (a), (c) and (d) are not fulfilled on or before 30 September 2006 (or such later date as RHC and Southern Star may agree in writing) or the condition set out in (b) above is not fulfilled at the time stated therein, the Sale and Purchase Agreement shall become void and of no further effect (save for any antecedent breaches).

On the Latest Practicable Date, conditions (a) and (b) above have been fulfilled.

LETTER FROM THE BOARD

Completion and other major terms of the Sale and Purchase Agreement

1. Subject to fulfillment of the conditions mentioned above, Completion shall take place:
 - (a) no later than the completion of the transactions contemplated by the Caizhu Interest Transfer Agreement; and
 - (b) on any of (but not later than) the 5 Business Days after the conditions set out in the above paragraph headed “Conditions to the Sale and Purchase Agreement” having been satisfied and the date of obtaining from GAIC the documents for registration of change resulting from the transfer of the 2.5% interest in RS Joint Venture pursuant to the Caizhu Interest Transfer Agreement, or such other time and/or date as the parties hereto may agree,and in any event Completion shall take place no later than 1 November 2006 (the “Final Date”) irrespective of whether the documents for registration of change resulting from the transfer of the 2.5% interest in RS Joint Venture pursuant to the Caizhu Interest Transfer Agreement has been obtained from GAIC by the Final Date.
2. Under the Sale and Purchase Agreement, the Company has guaranteed to Southern Star the performance and observance by RHC of its obligations under the Sale and Purchase Agreement.

4. CAIZHU INTEREST TRANSFER AGREEMENT

Date:

30 June 2006

Parties:

Transferor: Caizhu (as nominee of the Group)

Transferee: Key Advertising

To the best knowledge of the Company, Key Advertising is owned as to more than 50% by Mr. Liang. Key Advertising is a substantial shareholder of RS Joint Venture in which it has 49% interest. Further, Mr. Liang is a director of RS Joint Venture, which is an indirect non-wholly owned subsidiary of the Company. Therefore, Key Advertising is a connected person of the Company within the meaning of the Listing Rules. Save as disclosed herein and other than Mr. Liang’s directorship in RS Joint Venture, his interest in RS Joint Venture through Key Advertising and the entering into of the Caizhu Interest Transfer Agreement by Key Advertising, Mr. Liang and Key Advertising are Independent Third Parties.

LETTER FROM THE BOARD

To the best knowledge of the Company, Key Advertising is principally engaged in the business of providing outdoor advertising services in the PRC and Caizhu is principally engaged in the business of providing advertising services in the PRC.

Subject matter:

The 2.5% interest in RS Joint Venture.

Based on the unaudited non-consolidated financial statements of RS Joint Venture, the net asset value of RS Joint Venture as at 31 December 2005 was approximately HK\$36.1 million.

Consideration:

The consideration for the transaction is approximately RMB1.41 million (equivalent to approximately HK\$1.36 million) and is payable in cash to Caizhu by Key Advertising in the following manner:

- (a) as to RMB0.3 million being the deposit and RMB1.1 million being part payment of the consideration, which are payable within 10 Business Days from the date of signing of the Caizhu Interest Transfer Agreement; and
- (b) as to approximately RMB0.01 million being the balance of the consideration, which is payable within 5 days from the date on which the documents for registration of change resulting from the transfer of the 2.5% interest in RS Joint Venture are obtained from GAIC.

After the signing of the Caizhu Interest Transfer Agreement and upon receipt by Caizhu the deposit and the part payment under (a) above, Caizhu shall, within 10 Business Days from the date on which the condition set out below is fulfilled, sign and deliver to Key Advertising certain transfer documents in relation to the transfer of the 2.5% interest in RS Joint Venture. If Key Advertising fails to pay the balance of the consideration under (b) above before 1 November 2006, the above deposit shall be forfeited to Caizhu as liquidated breach of contract damages and Caizhu shall have the right to require Key Advertising to continue to perform its obligations under the Caizhu Interest Transfer Agreement. On the other hand, if Caizhu fails to sign and deliver to Key Advertising the abovementioned transfer documents pursuant to the Caizhu Interest Transfer Agreement, Caizhu shall refund to Key Advertising the deposit and pay to Key Advertising an amount equivalent to the refunded deposit as liquidated breach of contract damages, and Key Advertising shall have the right to require Caizhu to continue to perform its obligations under the Caizhu Interest Transfer Agreement.

LETTER FROM THE BOARD

Condition:

The Caizhu Interest Transfer Agreement is subject to the condition precedent that RS Joint Venture repays the loans due to its shareholders (including Dalian and Caizhu) as specified in the Caizhu Interest Transfer Agreement. If this condition is not fulfilled by 30 September 2006, the transaction contemplated by the Caizhu Interest Transfer Agreement will be cancelled and Caizhu will remain holding 2.5% interest in RS Joint Venture. In the event that the Caizhu Interest Transfer Agreement is cancelled as set out above, completion of the Sale and Purchase Agreement shall not be affected.

Completion:

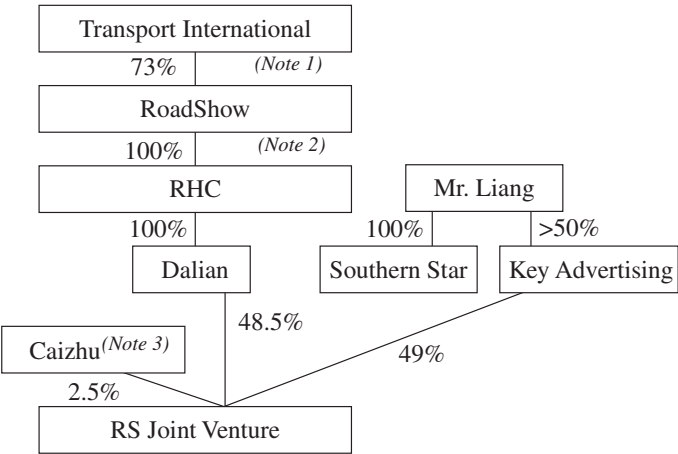
The Caizhu Interest Transfer Agreement shall be completed upon full payment of the consideration by Key Advertising to Caizhu.

5. INFORMATION ON DALIAN AND RS JOINT VENTURE

Upon completion of the respective transactions contemplated by the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement, it is expected that RS Joint Venture will be owned as to (i) 51.5% by Key Advertising and (ii) 48.5% by Southern Star through Dalian. The Group will then cease to have any interest in Dalian or RS Joint Venture.

The shareholding structure of Dalian and RS Joint Venture immediately before and after completion of the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement can be summarised in the following two charts:

Shareholding structure immediately before disposal of Dalian by RHC and disposal of the 2.5 % interest in RS Joint Venture by Caizhu

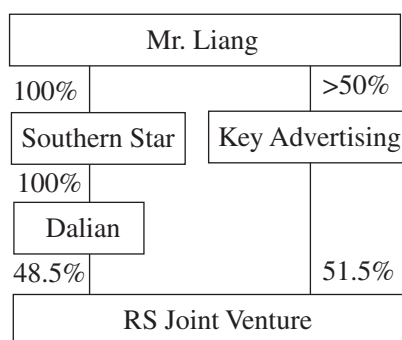


LETTER FROM THE BOARD

Notes:

1. Transport International's shareholding in the Company is through its wholly owned subsidiary KMB Resources Limited.
2. The Company's shareholding in RHC is through its wholly owned subsidiaries.
3. Caizhu is contractually bound to act as the nominee of the Group with regard to the 2.5% interest in RS Joint Venture.

Shareholdings structure immediately after disposal of Dalian by RHC and disposal of the 2.5% interest in RS Joint Venture by Caizhu



6. REASONS FOR AND BENEFITS OF ENTERING INTO THE ADVERTISING RIGHT TRANSFER CONTRACT, THE SALE AND PURCHASE AGREEMENT AND THE CAIZHU INTEREST TRANSFER AGREEMENT

The Group is principally engaged in the provision of media sales and management services for the multi-media on-board business and the operation of media advertising management services through marketing advertising spaces on transit vehicle exteriors, shelters and outdoor signages. The principal business of RHC is investment holding.

RS Joint Venture was established as a Sino-foreign co-operative joint venture in Guangzhou, the PRC in 2003 to carry on the business of provision of media advertising agency service and design and production of advertisements. Due to increase in cost of sales and keen competition in the PRC market, both the Beijing Advertising Right and the operations of RS Joint Venture have not been generating satisfactory return for the Group.

As disclosed in the paragraph headed "Advertising Right Transfer Contract" above, the Beijing Advertising Right generated net loss (calculated as sales revenue less direct costs but before allocation of corporate overhead and tax) of approximately RMB3.2 million (equivalent to approximately HK\$3.1 million) for the year ended 31 December 2005. As included in the audited consolidated financial statements of the Group, RS Joint Venture recorded non-consolidated loss (before and after tax) of approximately

LETTER FROM THE BOARD

HK\$6.9 million and HK\$16.5 million for the year ended 31 December 2004 and 2005 respectively. In light of the loss making track record of the Beijing Advertising Right and RS Joint Venture and the expected gain to be recorded as a result of the Advertising Right Transfer Contract, the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement as described in the paragraph headed “Financial effects of the Advertising Right Transfer Contract, the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement” below, the Directors consider the Advertising Right Transfer Contract, the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement represent good opportunities for the Group to realise its investment in the Beijing Advertising Right and RS Joint Venture on favourable terms.

The aggregate consideration under the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement was determined after arm’s length negotiations among the parties after considering factors including the latest book value of the Group’s 51% interest in RS Joint Venture held by Dalian and Caizhu (the “combined 51% interest”) and the past performance of RS Joint Venture, as well as the expected increase in the net asset value of the combined 51% interest as a result of the expected gain on the transfer of the Beijing Advertising Right as disclosed in the paragraph headed “Financial effects of the Advertising Right Transfer Contract, the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement” below.

It is expected that a proceed of RMB80.0 million will be received by the Group from the transfer of the Beijing Advertising Right as contemplated by the Advertising Right Transfer Contract. It is also expected that a proceed in the amount of approximately RMB51.4 million will be received by the Group from the sale of Dalian and the 2.5% interest in RS Joint Venture held by Caizhu. The Directors consider that the prospects of the advertising market in the PRC is positive and will continue to expand the media sales business in the PRC if the management is convinced that the investment will provide a reasonable return to the Group. The Company intends that the aforesaid proceeds will be retained for future investments and enhancement in the media sales business and/or for other uses. However, the Group is not in negotiations for investments in any specific targets as at the date of this circular.

7. FINANCIAL EFFECTS OF THE ADVERTISING RIGHT TRANSFER CONTRACT, THE SALE AND PURCHASE AGREEMENT AND THE CAIZHU INTEREST TRANSFER AGREEMENT

Based on the net book value of the Beijing Advertising Right of approximately RMB29.4 million (equivalent to approximately HK\$28.3 million) as at 31 December 2005 and the consideration of RMB80.0 million (equivalent to approximately HK\$76.9 million) under the Advertising Right Transfer Contract, the disposal of the Beijing Advertising Right is expected to generate a gain (net of PRC business tax and PRC city construction tax but before PRC income tax) of approximately RMB44.1 million (equivalent to

LETTER FROM THE BOARD

approximately HK\$42.4 million), of which approximately RMB22.5 million (equivalent to approximately HK\$21.6 million) is attributable to the equity shareholders of the Company.

Based on (i) the net liabilities of the combined 51% interest of approximately HK\$1.5 million included in the audited consolidated balance sheet of the Group as at 31 December 2005, (ii) the expected increase in the net asset value of the combined 51% interest of approximately HK\$21.6 million arising from the gain (net of PRC business tax and PRC city construction tax but before PRC income tax) on sale of the Beijing Advertising Right, (iii) the expected outstanding balance of the Sale Loan of approximately HK\$22.8 million as at Completion, and (iv) the aggregate consideration of approximately RMB51.4 million (equivalent to approximately HK\$49.4 million) under the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement, a gain of approximately HK\$6.5 million is expected to arise from the disposal by the Group of Dalian and the 2.5% interest in RS Joint Venture held by Caizhu.

Save as disclosed herein, it is not expected that the Group's earnings would be materially and adversely affected following the disposal of its interest in the Beijing Advertising Right and RS Joint Venture. The assets and liabilities of the Group are also not expected to be materially affected as a result of completion of the Advertising Right Transfer Contract, the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement.

8. IMPLICATIONS UNDER THE LISTING RULES

Pursuant to the Listing Rules, the Advertising Right Transfer Contract constitutes a discloseable transaction for the Company, whilst the Sale and Purchase Agreement together with the Caizhu Interest Transfer Agreement constitute both a major transaction and a connected transaction for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules. As no shareholders of the Company have any interest in the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement and the transactions contemplated thereby, no shareholders of the Company are required to abstain from voting on the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement. KMB Resources Limited, a wholly owned subsidiary of Transport International and the intermediate controlling shareholder of the Company holding approximately 73% of the issued share capital of the Company, has approved in writing the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement and the transactions contemplated thereby. The Company has obtained from the Stock Exchange a waiver of the requirement for a general meeting of shareholders to approve the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement. According to Rules 14A.43 and 14.44 of the Listing Rules, the Company need not convene a general meeting of shareholders to approve the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement.

LETTER FROM THE BOARD

9. VIEW OF THE DIRECTORS

The Directors are of the view that the respective terms of the Advertising Right Transfer Contract, the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The independent non-executive Directors, after considering the opinion of Platinum, are also of the view that the respective terms of the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

10. ADDITIONAL INFORMATION

Your attention is drawn to the letter of the Independent Board Committee set out on page 20 of this circular, the letter of advice from Platinum set out on pages 21 to 37 of this circular and the information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
RoadShow Holdings Limited
Winnie J. Ng
Group Managing Director



ROADSHOW HOLDINGS LIMITED

路訊通控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 888)

31 July 2006

To the independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 31 July 2006 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the independent Shareholders in respect of the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement.

We wish to draw your attention to the letter of advice from Platinum as set out on pages 21 to 37 of the Circular and letter from the Board set out on pages 6 to 19 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Platinum as stated in its letter of advice, we consider that the respective terms of the Sale and Purchase Agreement and of the Caizhu Interest Transfer Agreement are fair and reasonable so far as the Company and the Shareholders are concerned, and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

Yours faithfully,

Ms. Carlye Wai-Ling TSUI, Mr. HUI Ki On and Dr. Eric LI Ka Cheung

Independent Board Committee

* For identification purposes only

LETTER FROM PLATINUM

The following is the text of the letter of advice from the independent financial adviser to the Independent Board Committee and the independent Shareholders for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700

31 July 2006

To the Independent Board Committee and the independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the disposal of the Group's combined 51% interest (the "combined 51% interest") in RS Joint Venture held by Dalian and Caizhu (the "Disposal"), details of which are contained in the letter from the Board as set out in the circular of the Company to the Shareholders dated 31 July 2006 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the independent financial adviser, our role is to make recommendations to the Independent Board Committee and the independent Shareholders as to whether the Disposal is entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things: (i) the Sale and Purchase Agreement; (ii) the Caizhu Interest Transfer Agreement; (iii) the annual reports and audited consolidated financial statements of the Company for the three financial years ended 31 December 2005; and (iv) the unaudited consolidated management accounts of Dalian for the first quarter of the financial year ending 31 December 2006. We have also discussed with management of the Company about their plans and the business prospects of the Group.

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We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that no material facts have been omitted from the information supplied to us. The Directors have confirmed that they take full responsibility for the contents of the Circular, and have made all reasonable enquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Company. Furthermore, we have no reasons to suspect the reasonableness of the opinions and representations expressed by the Company and/or the Directors which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Disposal.

We are independent from, and are not associated with, the Company nor the parties to the Disposal, or their respective substantial shareholders or connected person(s), as defined under the Listing Rules and, accordingly, are considered eligible to give independent advice on the Disposal. We will receive a fee from the Company for our role as the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Disposal. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company and another party to the Disposal or their respective substantial shareholders or connected person(s), as defined under the Listing Rules.

As stated in the Circular, an Independent Board Committee, comprising the independent non-executive Directors, namely, Ms. Carlye Wai-Ling TSUI, Mr. HUI Ki On and Dr. Eric LI Ka Cheung has been established to advise the independent Shareholders in relation to the Disposal.

LETTER FROM PLATINUM

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the Disposal, and giving our independent financial advice to the Independent Board Committee and the independent Shareholders, we have considered the following principal factors and reasons:

A. Reasons for and benefit of the Disposal

1. *Background of the Disposal*

(a) *The Disposal*

On 30 June 2006, RHC (a wholly owned subsidiary of the Company) as vendor, the Company as guarantor for the vendor and Southern Star as purchaser entered into the Sale and Purchase Agreement. Principal terms and conditions of the Sale and Purchase Agreement are as follows:

- (i) RHC agreed to sell, and Southern Star agreed to purchase, the Sale Share and the Sale Loan, representing the entire issued share capital of and shareholder's loan (as at Completion) due from Dalian, for a consideration of approximately RMB50.0 million (equivalent to approximately HK\$48.1 million);
- (ii) the consideration is payable in cash to RHC by Southern Star in the following manner:
 - (1) as to RMB10.0 million being the deposit and first part payment which are payable in its Hong Kong dollars equivalent upon execution of the Sale and Purchase Agreement;
 - (2) as to approximately RMB2.4 million being the second part payment which is payable in Renminbi on or before the 10th Business Day immediately after the execution of the Sale and Purchase Agreement; and
 - (3) as to approximately RMB37.6 million being the balance payable on Completion (of which (i) approximately RMB26.4 million is payable in Renminbi or its Hong Kong dollars equivalent and (ii) approximately RMB11.2 million is payable in Renminbi or its Hong Kong dollars equivalent (*Note*)).

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(Note: Pursuant to the recent mutual consent and agreement in writing between RHC and Southern Star after the signing of the Sale and Purchase Agreement, this sum of approximately RMB11.2 million shall be payable in Renminbi or its Hong Kong dollars equivalent rather than purely in Hong Kong dollars as disclosed in the joint announcement of Transport International and the Company dated 7 July 2006.)

In addition, on 30 June 2006, Caizhu (the nominee of the Group with regard to the 2.5% interest in RS Joint Venture) as transferor and Key Advertising as transferee entered into the Caizhu Interest Transfer Agreement. Subject to the condition precedent that RS Joint Venture repays the loans due to its shareholders (including Dalian and Caizhu) as specified in the Caizhu Interest Transfer Agreement, Caizhu has agreed to dispose of the 2.5% interest in RS Joint Venture to Key Advertising for a consideration of RMB1.41 million (equivalent to approximately HK\$1.36 million). If the aforesaid condition is not fulfilled by 30 September 2006, the transaction contemplated by the Caizhu Interest Transfer Agreement will be cancelled and Caizhu will remain holding the 2.5% interest in RS Joint Venture. In the event that the Caizhu Interest Transfer Agreement is cancelled as set out above, completion of the Sale and Purchase Agreement will not be affected.

Further details on the terms and conditions of the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement are set out in the letter from the Board.

(b) *Conditions to the Sale and Purchase Agreement*

The Sale and Purchase Agreement is conditional on:

- (i) a resolution of the Shareholders passed at a general meeting or a written approval by the Company's majority shareholder (i.e. KMB Resources Limited, a wholly owned subsidiary of Transport International) pursuant to the Listing Rules, in either case, approving the execution and performance of the Sale and Purchase Agreement by RHC, and the transactions contemplated and the guarantee made by the Company therein;
- (ii) a bank guarantee to guarantee the obligation of Southern Star to pay the balance of the consideration under the Sale and Purchase Agreement having been provided by Southern Star to RHC at the time of execution of the Sale and Purchase Agreement;

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- (iii) the transactions contemplated by the Advertising Right Transfer Contract having been duly completed; and
- (iv) the Loans Repayment having been duly performed and made by RS Joint Venture.

If the conditions set out in (i), (iii) and (iv) are not fulfilled on or before 30 September 2006 (or such later date as RHC and Southern Star may agree in writing) or the condition set out in (ii) above is not fulfilled at the time stated therein, the Sale and Purchase Agreement shall become void and of no further effect (save for any antecedent breaches).

(c) *The Completion*

Subject to fulfillment of the conditions mentioned in the paragraph above headed “Conditions to the Sale and Purchase Agreement”, Completion shall take place:

- (i) no later than the completion of the transactions contemplated by the Caizhu Interest Transfer Agreement; and
- (ii) on any of (but not later than) the 5 Business Days after: (i) the conditions set out in the section above headed “Conditions to the Sale and Purchase Agreement” having been satisfied; and (ii) the date of obtaining from GAIC the documents for registration of change resulting from the transfer of the 2.5% interest in RS Joint Venture under the Caizhu Interest Transfer Agreement, or such other time and/or date as the parties hereto may agree,

and in any event Completion shall take place no later than 1 November 2006 (the “Final Date”) irrespective of whether the documents for registration of change resulting from the transfer of the 2.5% interest in RS Joint Venture under the Caizhu Interest Transfer Agreement has been obtained from GAIC by the Final Date.

(d) *Use of proceeds*

The Company intends to retain the proceeds of the Disposal for future investments and enhancement in the media sales business and/or for other uses.

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2. *Business of the Company*

The Company is incorporated in Bermuda with limited liabilities and whose shares are listed on the Main Board of the Stock Exchange. As stated in the letter from the Board, the Group is principally engaged in the provision of media sales and management services for the multi-media on-board business and the operation of media advertising management services through marketing advertising spaces on transit vehicle exteriors, shelters and outdoor signages.

The Group also has business operations in Hong Kong and the PRC. The contribution of the Group's PRC business segment to the Group's total revenue is set out in Table 1 below:

Table 1: Contribution of the Group's PRC business segment to the Group's total revenue

	For the year ended 31 December						Annual growth rate	
	2003		2004		2005		2004	2005
	HK\$'000	%	HK\$'000	%	HK\$'000	%	%	%
PRC	77,149	39.27	104,677	43.01	134,300	46.23	35.68	28.30
Hong Kong	102,325	52.09	122,595	50.38	134,613	46.34	19.81	9.80
Others	16,983	8.64	16,095	6.61	21,583	7.43	(5.23)	34.10
Total revenue	<u>196,457</u>	<u>100.00</u>	<u>243,367</u>	<u>100.00</u>	<u>290,496</u>	<u>100.00</u>		

Source: 2004 and 2005 annual reports and accounts of the Company

As illustrated in Table 1 above, the percentage contribution of the Group's PRC business segment to the Group's total revenue recorded an increase for the three financial years ended 31 December 2005 from approximately 39.3% in 2003 to approximately 46.2% in 2005.

Furthermore, the turnover from the Group's PRC business segment increased at an annual rate of approximately 35.7% and approximately 28.3% for the year of 2004 and 2005 respectively. Therefore, we consider that the Group's PRC business segment is growing and represents a significant portion of the total operating revenue of the Group for the three financial years ended 31 December 2005.

3. *Overview of the advertising industry in the PRC*

According to the State Administration of Industry and Commerce of the PRC (“SAIC”), total advertising expenditure of the PRC in 2005 reached approximately RMB141.6 billion at an annual growth rate of approximately 12% from a total advertising expenditure in 2004 of approximately RMB126.5 billion.

The market statistics for the PRC advertising industry are illustrated in Table 2 below.

Table 2: PRC’s total advertising expenditure from 2003 to 2005

	For the year ended			Annual growth rate	
	2003	2004	2005	2004	2005
	RMB billion	RMB billion	RMB billion	%	%
Total advertising expenditure	107.87	126.46	141.60	17.23	11.97

Source: SAIC

Moreover, we note from the National Bureau of Statistics of China that the gross domestic product (“GDP”) of the PRC experienced an annual growth rate of approximately 9.1%, 9.5% and 9.9% for the year 2003, 2004 and 2005 respectively. In addition, for the first quarter of 2006, the GDP of the PRC rose to approximately RMB4,339.0 billion, which represents an approximate 10.3% increase from that in the first quarter of 2005.

With respect to the aforesaid, we consider that the PRC advertising industry has shown considerable growth in recent years and it is expected that this stable increase will continue in the coming years as the national economy of the PRC continues to grow. As such, we concur with the Directors’ view that the prospect of the advertising market in the PRC is positive.

Pursuant to statistics published by the *Modern Advertising* (Issue 7, December 2005), a magazine published by the China Advertising Association under the supervision of the SAIC, there were a total of 76,210 licensed advertising companies (excluding TV stations, radio stations, newspaper and magazine operators and others) in the PRC in 2004, and these advertising companies altogether generated total revenue of approximately RMB56.5 billion. However, the top ten advertising companies generated approximately 33.0% of such total

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revenue. Table 3 below sets out the revenues generated by these ten companies and the percentage of contribution to the total revenue of PRC advertising companies in 2004.

Table 3: Revenues generated by these top ten companies and the percentage of contribution to the total revenue of PRC advertising companies in 2004

	Company name	Turnover	Contribution
		RMB million	%
1.	Leo Burnett Shanghai Advertising (上海李奧貝納廣告有限公司)	4,217.68	7.46
2.	Saatchi & Saatchi Great Wall (盛世長城國際廣告有限公司)	3,110.79	5.50
3.	McCann-Erickson Guangming (麥肯光明廣告有限公司)	2,775.45	4.91
4.	Beijing Dentsu Advertising (北京電通廣告有限公司)	2,503.74	4.43
5.	Beijing Future Advertising (北京未來廣告公司)	1,700.00	3.01
6.	Guangdong Province Advertising (廣東省廣告有限公司)	1,338.00	2.37
7.	Shanghai Advertising (上海廣告有限公司)	1,223.16	2.16
8.	Shanghai Zhongrun Advertising (上海中潤廣告有限公司)	590.83	1.05
9.	Shanghai LOWE Advertising (上海靈獅廣告有限公司)	589.52	1.04
10.	TOM Outdoor Media Group (TOM戶外傳媒集團)	586.20	1.04
Total revenue of the top 10 PRC advertising companies in 2004		<u>18,635.37</u>	<u>32.97</u>
Total revenue of the PRC advertising companies in 2004		<u>56,529.56</u>	<u>100.00</u>

As shown in Table 3 above, we note the ten advertising companies has dominated the market and in aggregate contributed to approximately 33.0% of the total revenues of the PRC advertising companies in 2004.

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Given the vast number of advertising companies in the PRC and the dominating position of the few major players, we consider that the PRC advertising industry is extremely competitive and it is likely that the market will continue to be dominated by a few major players in the coming years. In light of the above, we concur with Directors' view that, in order to improve its competitiveness, the Group's continuing expansion into the PRC's advertising market must be conditioned upon that the investment will provide a reasonable return to the Group.

4. *Long term strategy of the Company*

As stated in the letter from the Board, the Directors consider that the prospect of the advertising market in the PRC is positive and will continue to expand the media sales business in the PRC if the management is convinced that the investment will provide a reasonable return to the Group.

As included in the audited consolidated financial statements of the Group for the two financial years ended 31 December 2005, Dalian (including the 2.5% interest in RS Joint Venture held by Caizhu) recorded consolidated loss (before and after tax, and before minority interests) of approximately HK\$6.0 million and HK\$14.5 million respectively.

In addition, we note that pursuant to the unaudited consolidated management accounts of Dalian for the first quarter of the financial year ending 31 December 2006, Dalian (including the 2.5% interest in RS Joint Venture held by Caizhu) recorded consolidated loss of HK\$2.8 million, which represents 19.3% of Dalian's consolidated loss after tax of HK\$14.5 million as included in the audited consolidated financial statement of the Group for the financial year ended 31 December 2005.

Moreover, based on our discussion with the management of the Company, we understand that the performance of RS Joint Venture might not be fully satisfactory to the Group due to the competitive market and the uncertain business outlook.

In light of the above, we consider that the operations of RS Joint Venture have not been generating satisfactory returns to the Group. As such, we note that the Group's continuing investment in RS Joint Venture no longer coincides with the Group's investment strategy and selection criteria.

Pursuant to the annual report of the Company for the financial year ended 31 December 2005, we understand that the Group plans to increase its presence in the PRC by establishing a wholly-owned media sales company with a full media licence, and the Group will subsequently consolidate its media assets so that one

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sales team will handle all regional sales. Based on our discussions with the management of the Company, we understand that the Company is in the process of preparing the establishment of a wholly-owned media sales company with a full media licence in the PRC pursuant to the CEPA and the Disposal is a part of the Group's consolidation process regarding its media assets in the PRC.

As stated in the letter from the Board, the Company intends that the proceeds of the Disposal will be retained for future investments and enhancement in the media sales business and/or for other uses.

In light of the above, especially after taken into consideration that:

- (i) the Group's PRC business segment is growing and represents a significant portion of the total revenue of the Group;
- (ii) the PRC advertising industry is extremely competitive and it is likely that the market will continue to be dominated by a few major players in the coming years;
- (iii) the Group's investment strategy and investment criteria regarding reasonable return on the investments in order to improve its competitiveness; and
- (iv) the Group's plan to establish a wholly-owned media sales company with a full media license and to consolidate its media assets so that one sales team will handle all regional sales,

we are of opinion that although the Disposal is not in the usual and ordinary course of business of the Group, it is nevertheless in line with the long-term strategy of the Group.

B. Basis of the consideration of the Disposal

As stated in the letter from the Board, the aggregate consideration under the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement was determined after arm's length negotiations among the parties after considering factors including the latest book value of the combined 51% interest and the past performance of RS Joint Venture, as well as the expected increase in the net asset value of the combined 51% interest as a result of the expected gain on the transfer of the Beijing Advertising Right pursuant to the Advertising Right Transfer Contract as described in the announcement of the Company dated 20 June 2006.

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The consideration payable by Southern Star to RHC pursuant to the Sale and Purchase Agreement is RMB50.0 million (equivalent to approximately HK\$48.1 million). In addition, the consideration under the Caizhu Interest Transfer Agreement is RMB1.41 million (equivalent to approximately HK\$1.36 million). Accordingly, the aggregate consideration of the Disposal is approximately RMB51.4 million (equivalent to approximately HK\$49.4 million). In accessing the fairness and reasonableness of the aggregate consideration for the Disposal, we have considered the following:

The Recent Transactions

Based on our review of the recent corporate transactions in the PRC advertising industry (the “Recent Transactions”), we have noted the following Recent Transactions which were completed during the period from 1 January 2005 to the Latest Practicable Date. The key evaluation parameters of which are summarized in Table 4 below. The Recent Transactions were selected based on the following selection criteria:

- (i) the underlying asset(s) are principally engaged in outdoor advertising media sales;
- (ii) the underlying asset(s) generate turnover in the PRC;
- (iii) the nature of the transaction is acquisition or disposal of equity interest and the consideration is at least HK\$50 million; and
- (iv) the details of the transaction are publicly available.

We have made an attempt to select a list of corporate transactions of the companies engaged in the outdoor advertising media sales in the PRC during the period from 1 January 2005 to the Latest Practicable Date. Based on the above selection criteria, to our best endeavour, we were only able to identify a total of three Recent Transactions in our analysis.

The Recent Transactions are historical acquisitions or disposals identified by us, to our best endeavour, in our research through published information on the Stock Exchange’s website and other news sources. Therefore, the Shareholders should note that the information of the Recent Transactions below may not be exhaustive and is for information and reference only.

In our analysis, we have adopted premium/(discount) of consideration to the book value of assets, price to sales ratio (“PSR”) and price to earnings ratio (“PER”) as the evaluation parameters. Given that RS Joint Venture is in a loss-making position, we consider that the PER ratio might not be an accurate evaluation parameter for our analysis. However, for illustrative purpose, we have included the PER multiples in our review.

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The Recent Transactions provide an indicative market range and average for the key evaluation parameters for the purpose of comparing the terms of the Disposal.

Table 4: The Recent Transactions

Announcement date	Purchaser	Vendor	Assets to be sold	Consideration <i>HK\$ million</i>	Book value of the assets to be sold <i>HK\$ million</i>	Payment term	Premium/ (discount) to the book value %	PSR	PER
28 March 2006	Singapore Press Holdings Limited	TOM Group Limited	35% equity interest in TOM Outdoor Media Group	202.8	287.0	N/A ¹	(29.3)	N/A ²	N/A ³
20 September 2005	JCDecaux Pearl & Dean Ltd	Morningside Cyber Ventures Holdings Limited	remaining 73.38% issued share capital of Media Partners International Holdings Inc. (8072.HK)	714.9	338.6	cash	111.1	2.0	47.5
24 March 2005	JCDecaux Pearl & Dean Ltd	SMI Investors (PAPE II) Limited and Warburg Pincus Ventures, L.P.	remaining 79.67% issued share capital of MediaNation Inc. (8160.HK)	405.2	351.3	cash	15.4	0.9	201.4
Average							32.4	1.5	124.5
Maximum							111.1	2.0	201.4
Minimum							(29.3)	0.9	47.5
7 July 2006	Southern Star and Key Advertising	RHC	51% interest of RS Joint Venture	49.4	42.9	cash	15.2	1.0	N/A

Note 1: The payment terms of this transaction cannot be ascertained from the press release dated 28 March 2006 of the TOM Group Limited.
Note 2: The revenue of TOM Outdoor Media Group cannot be ascertained from the annual report of TOM Group Limited.
Note 3: The earnings of TOM Outdoor Media Group cannot be ascertained from the annual report of TOM Group Limited.
Source: TOM Group Limited announced news and the circulars of the Media Partners International Holdings Inc. and MediaNation Inc.

(a) Premium/(discount) to the book value:

As shown in Table 4 above, the premium/(discount) to the book valuation of the assets range from a discount of approximately 29.3% to a premium of approximately 111.1% with an average of premium at approximately 32.4%. As

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stated in the letter from the Board, (i) the net liabilities of the combined 51% interest was approximately HK\$1.5 million as at 31 December 2005, (ii) the expected increase in the net asset value of the combined 51% interest is approximately HK\$21.6 million arising from the gain (net of PRC business tax and PRC city construction tax but before PRC income tax) on sale of the Beijing Advertising Right as disclosed in the announcement of the Company dated 20 June 2006, and (iii) the expected outstanding balance of the Sale Loan is approximately HK\$22.8 million as at Completion. Therefore, the aggregate consideration of the Disposal of approximately RMB51.4 million (equivalent to approximately HK\$49.4 million) represents a premium of approximately 15.2% to the book value of the combined 51% interest as at Completion, which is in line with the market range of the premium/(discount) value of the Recent Transactions.

In view of the above, we are of the view that the Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole on a premium/(discount) to the book value of the assets basis.

(b) PSR:

As shown in Table 4 above, the PSR of the Recent Transactions range from approximately 0.9 times to approximately 2.0 times with an average of approximately 1.5 times. As included in the audited consolidated financial statements of the Group for the financial year ended 31 December 2005, the combined 51% interest recorded consolidated total revenue of approximately RMB51.0 million (approximately HK\$49.0 million). Therefore, the consideration of the Disposal represents a PSR of approximately 1.0 times, which is lower than the average PSR of the Recent Transactions but falls within the range of the PSR of the Recent Transactions. In view of the above, we are of the opinion that the consideration of the Disposal is acceptable and generally in line with the PSRs of the Recent Transactions. Therefore, we consider the Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole on a PSR basis.

(c) PER:

As shown in Table 4 above, the PER of the Recent Transactions range from approximately 47.5 times to approximately 201.4 times with an average of approximately 124.5 times. As included in the audited consolidated financial statements of the Group for the financial year ended 31 December 2005, Dalian (including the 2.5% interest in RS Joint Venture held by Caizhu) recorded a consolidated loss after tax of approximately HK\$14.5 million.

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As stated above, we consider that PER might not be meaningful evaluation parameter in our analysis, and therefore, the above PER analysis is for illustrative purpose only.

In light of the above, based on the above-mentioned selection criteria, we are of the opinion that the consideration of the Disposal, based on a comparison with the Recent Transactions, is fair and reasonable, and the Disposal will allow the Company to realise its investment in RS Joint Venture and is entered into on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

C. Payment terms of the consideration

Pursuant to the Sale and Purchase Agreement, the consideration is payable in cash to RHC by Southern Star in the following manner: (i) as to RMB10.0 million being the deposit and first part payment which are payable in its Hong Kong dollars equivalent upon execution of the Sale and Purchase Agreement; (ii) as to approximately RMB2.4 million being the second part payment which is payable in Renminbi on or before the 10th Business Day immediately after the execution of the Sale and Purchase Agreement; and (iii) as to approximately RMB37.6 million being the balance payable on Completion (of which (i) approximately RMB26.4 million is payable in Renminbi or its Hong Kong dollars equivalent and (ii) approximately RMB11.2 million is payable in Renminbi or its Hong Kong dollars equivalent).

We note that, pursuant to the Sale and Purchase Agreement, Southern Star has warranted to RHC, inter alia, it will provide to RHC at the time of execution of the Sale and Purchase Agreement a bank guarantee to guarantee the obligation of Southern Star to pay the balance of the consideration under the Sale and Purchase Agreement. In addition, we note that the Sale and Purchase Agreement is conditional on, inter alia, a bank guarantee to guarantee the obligation of Southern Star to pay the balance of the consideration under the Sale and Purchase Agreement having been provided by Southern Star to RHC at the time of execution of the Sale and Purchase Agreement and that such a condition was satisfied. Moreover, we note that if Southern Star fails to provide the bank guarantee at the time of execution of the Sale and Purchase Agreement, the Sale and Purchase Agreement shall become void and of no further effect (save for any antecedent breaches).

Moreover, we note that, the Caizhu Interest Transfer Agreement is conditional upon RS Joint Venture repays the loans due to its shareholders (including Dalian and Caizhu), and if such condition is not fulfilled by 30 September 2006, the transaction contemplated by the Caizhu Interest Transfer Agreement will be cancelled.

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In light of the above, we are of the view that the payment terms of the consideration of the Disposal are fair and reasonable and are acceptable to the Company and Shareholders as a whole.

D. Financial impact of the Disposal

1. *Effect on working capital*

As stated in the letter from the Board, based on (i) the net liabilities of the combined 51% interest of approximately HK\$1.5 million included in the audited consolidated balance sheet of the Group as at 31 December 2005, (ii) the expected increase in the net asset value of the combined 51% interest of approximately HK\$21.6 million arising from the gain (net of PRC business tax and PRC city construction tax but before PRC income tax) on sale of the Beijing Advertising Right as disclosed in the announcement of the Company dated 20 June 2006, (iii) the expected outstanding balance of the Sale Loan of approximately HK\$22.8 million as at Completion, and (iv) the aggregate consideration of approximately RMB51.4 million (equivalent to approximately HK\$49.4 million) under the Sale and Purchase Agreement and the Caizhu Interest Transfer Agreement, a gain of approximately HK\$6.5 million is expected to arise from the Disposal.

In light of the above, we are of the view that the Disposal will increase the Company's working capital and enhance its financial position.

2. *Effect on net asset value*

According to the annual report of the Company for the financial year ended 31 December 2005, the net asset value of the Group amounted to approximately HK\$863.0 million as at 31 December 2005. As mentioned above, the Group is expected to derive a gain of approximately HK\$6.5 million from the Disposal.

In light of the above, we are of the view that the expected gain to be derived from the Disposal will improve the net asset value of the Group.

3. *Effect on earnings*

As mentioned above, upon Completion, the Group is expected to derive a gain of approximately HK\$6.5 million from the Disposal. In addition, we note that pursuant to the unaudited consolidated management accounts of Dalian for the first quarter of the financial year ending 31 December 2006, Dalian (including the 2.5% interest in RS Joint Venture held by Caizhu) recorded consolidated loss of HK\$2.8 million, which represents 19.3% of Dalian's consolidated loss after tax of HK\$14.5 million as included in the audited consolidated financial statement of the Group for the financial year ended 31 December 2005.

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In light of the above, we are of the view that the Disposal will have a positive effect on the earnings of the Group.

Taking into account the discussions above, in particular:

- (i) the proceeds from the Disposal increases the Company's working capital and hence its financial conditions;
- (ii) the improvement on the net asset value of the Company as a result of the Disposal; and
- (iii) the positive effect on the earnings of the Group as a result of the Disposal,

we are of the opinion that the financial effects of the Disposal are positive and the Disposal is in the interest of the Company and the Shareholders as a whole.

E. Other material terms

According to Chapter 14A of the Listing Rules, the Disposal would require to be made conditional on approval by the independent Shareholders in a general meeting. As the Company has obtained a written approval of, among other things, the Disposal, from KMB Resources Limited, the intermediate controlling shareholder of the Company holding approximately 73% of the issued capital of the Company, the Company has applied to the Stock Exchange for acceptance of such written approval in lieu of holding a general meeting of the Company and the Stock Exchange has granted its approval to the Company. Consequently, no general meeting of the Company will be convened for the approval of the Disposal.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, have taken into account the following factors in arriving at our opinion:

- (i) RS Joint Venture has been in a loss-making position;
- (ii) the Disposal is not in ordinary and usual course of business of the Group but is nevertheless in line with the long-term strategy of the Group;
- (iii) the consideration of the Disposal is fair and reasonable;
- (iv) the payment terms of the consideration of the Disposal are fair and reasonable;

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- (v) the Disposal allows the Company to realise its investment in RS Joint Venture; and
- (vi) the financial effects of the Disposal are positive.

Having considered the above, we are of the view that the Disposal is: (i) not entered into in the usual and ordinary course of business of the Group nevertheless in line with the long term strategy of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Alvin Lai
Director

Ross Cheung
Director

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the results as well as the assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements of the Group, is set out below:

Three Year Financial Summary (*Expressed in Hong Kong dollars*)

	For the year ended 31 December		
	2005	2004	2003
	<i>\$'000</i>	<i>(restated)</i> <i>\$'000</i>	<i>(restated)</i> <i>\$'000</i>
RESULTS			
Group turnover	191,105	181,965	156,394
Share of associate's turnover	77,808	45,307	23,080
Subtotal	268,913	227,272	179,474
Other revenue	21,583	16,095	16,983
Total operating revenue	<u>290,496</u>	<u>243,367</u>	<u>196,457</u>
Profit/(loss) from operations	22,693	18,718	(37,588)
Finance costs	(2,385)	(1,348)	(1,437)
Share of profit of associate	12,129	9,454	6,934
Profit/(loss) before taxation	32,437	26,824	(32,091)
Income tax (expense)/credit	(5,267)	(3,053)	1,634
Profit/(loss) for the year	<u>27,170</u>	<u>23,771</u>	<u>(30,457)</u>
Attributable to:			
Equity shareholders of the Company	26,270	20,114	(36,953)
Minority interests	900	3,657	6,496
Profit/(loss) for the year	<u>27,170</u>	<u>23,771</u>	<u>(30,457)</u>

	At 31 December		
	2005	2004	2003
		(restated)	(restated)
	\$'000	\$'000	\$'000
ASSETS AND LIABILITIES			
Fixed assets	85,315	112,552	152,419
Media assets	95,805	114,722	61,313
Goodwill	12,487	12,487	13,208
Non-current prepayments	62,610	106,343	104,643
Interest in associate	144,388	111,271	101,799
Deferred tax assets	7,076	7,214	5,332
Net current assets	484,281	425,727	432,389
Total assets less current liabilities	891,962	890,316	871,103
Deferred tax liabilities	(13,571)	(14,806)	(14,186)
Other unsecured loan	(15,423)	(21,123)	(21,123)
Net Assets	862,968	854,387	835,794
Capital and reserves			
Share capital	99,737	99,737	99,737
Reserves	742,995	727,017	706,849
Total equity attributable to equity shareholders of the Company	842,732	826,754	806,586
Minority interests	20,236	27,633	29,208
Total Equity	862,968	854,387	835,794

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE LAST TWO FINANCIAL YEARS ENDED 31 DECEMBER 2005

Set out below is the audited consolidated income statement, consolidated balance sheet, balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements as extracted from the annual report of the Company for the year ended 31 December 2005:

Consolidated Income Statement

for the year ended 31 December 2005 (Expressed in Hong Kong dollars)

		2005	2004
	Note	\$'000	(restated) \$'000
Group turnover	3	191,105	181,965
Share of associate's turnover		77,808	45,307
Subtotal		268,913	227,272
Other revenue	4	21,583	16,095
Total operating revenue		<u>290,496</u>	<u>243,367</u>
Group turnover	3	191,105	181,965
Other revenue	4	21,583	16,095
Operating expenses			
Licence and royalty fees		(6,980)	(9,880)
Cost of inventories		(3,714)	(3,727)
Depreciation and amortisation		(39,559)	(35,907)
Site rentals		(24,076)	(23,655)
Staff expenditure		(27,468)	(28,378)
Impairment loss of accounts receivable		(3,141)	(1,784)
Impairment loss of media assets		(3,026)	—
Other operating expenses	5	(82,031)	(76,011)
Total operating expenses		<u>(189,995)</u>	<u>(179,342)</u>
Profit from operations		22,693	18,718
Finance costs	5	(2,385)	(1,348)
Share of profit of associate		12,129	9,454
Profit before taxation	5	32,437	26,824
Income tax	6(a)	(5,267)	(3,053)
Profit for the year		<u>27,170</u>	<u>23,771</u>
Attributable to:			
Equity shareholders of the Company	9	26,270	20,114
Minority interests		900	3,657
Profit for the year		<u>27,170</u>	<u>23,771</u>
Dividend payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	10(a)	<u>16,955</u>	<u>13,963</u>
Earnings per share (in Hong Kong cents)			
Basic	11(a)	<u>2.63</u>	<u>2.02</u>
Diluted	11(b)	<u>N/A</u>	<u>N/A</u>

Consolidated Balance Sheet*at 31 December 2005 (Expressed in Hong Kong dollars)*

		2005	2004
	<i>Note</i>	<i>\$'000</i>	<i>(restated)</i> <i>\$'000</i>
Non-current assets			
Fixed assets	13	85,315	112,552
Media assets	14	95,805	114,722
Goodwill	15	12,487	12,487
Non-current prepayments	16	62,610	106,343
Interest in associate	18	144,388	111,271
Deferred tax assets	25(b)	7,076	7,214
		<u>407,681</u>	<u>464,589</u>
Current assets			
Inventories	19	2,237	2,143
Amount due from ultimate holding company	20(a)	2,764	4,437
Accounts receivable	21	51,815	54,295
Other receivables and deposits		21,009	25,168
Prepayments	16	43,734	15,734
Current tax recoverable	25(a)	2,507	4,607
Bank deposits and cash	22	452,279	521,455
		<u>576,345</u>	<u>627,839</u>
Current liabilities			
Accounts payable	23	10,986	14,320
Other payables and accruals		41,142	49,153
Bank loans	24	38,000	138,000
Current tax payable	25(a)	1,936	639
		<u>92,064</u>	<u>202,112</u>
Net current assets		<u>484,281</u>	<u>425,727</u>
Total assets less current liabilities		<u>891,962</u>	<u>890,316</u>
Non-current liabilities			
Deferred tax liabilities	25(b)	13,571	14,806
Other unsecured loan	26	15,423	21,123
		<u>28,994</u>	<u>35,929</u>
NET ASSETS		<u>862,968</u>	<u>854,387</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

		2005	2004
	Note	\$'000	(restated) \$'000
CAPITAL AND RESERVES			
Share capital	28(a)	99,737	99,737
Reserves		742,995	727,017
Total equity attributable to equity shareholders of the Company	28(a)	842,732	826,754
Minority interests	28(a)	20,236	27,633
TOTAL EQUITY		862,968	854,387

Balance Sheet*at 31 December 2005 (Expressed in Hong Kong dollars)*

	<i>Note</i>	2005 \$'000	2004 \$'000
Non-current asset			
Investments in subsidiaries	17	62,835	62,835
Current assets			
Amount due from ultimate holding company	20(a)	4,773	4,211
Amounts due from subsidiaries	20(b)	381,309	359,983
Other receivables and deposits		1,154	1,086
Bank deposits and cash	22	394,235	460,254
		781,471	825,534
Current liabilities			
Amounts due to subsidiaries	20(b)	89,173	21,235
Other payables and accruals		4,921	6,508
Bank loans	24	38,000	138,000
		132,094	165,743
Net current assets		649,377	659,791
NET ASSETS		712,212	722,626
CAPITAL AND RESERVES			
Share capital	28(b)	99,737	99,737
Reserves		612,475	622,889
TOTAL EQUITY	28(b)	712,212	722,626

Consolidated Statement of Changes in Equity*for the year ended 31 December 2005 (Expressed in Hong Kong dollars)*

		2005		2004 (restated)	
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Total equity at 1 January			854,387		835,794
Net income recognised directly in equity:					
Exchange differences on translation of the financial statements of foreign operations	28(a)		3,671		54
Net profit for the year	28(a)				
Attributable to:					
Equity shareholders of the Company		26,270		20,114	
Minority interests		900	27,170	3,657	23,771
Total recognised income and expense for the year (2004: as restated)			30,841		23,825
Attributable to:					
Equity shareholders of the Company		29,941		20,168	
Minority interests		900		3,657	
		30,841		23,825	
Dividend declared or approved during the year	10(b)		(13,963)		—
Dividends paid to minority interests	28(a)		(8,297)		(5,232)
Total equity at 31 December			862,968		854,387

Consolidated Cash Flow Statement*for the year ended 31 December 2005 (Expressed in Hong Kong dollars)*

	2005	2004
		(restated)
<i>Note</i>	\$'000	\$'000
Operating activities		
Profit before taxation	32,437	26,824
Adjustments for:		
Finance costs	2,385	1,348
Share of profit of associate	(12,129)	(9,454)
Interest income	(14,363)	(8,096)
Depreciation and amortisation	39,559	35,907
Impairment loss on media assets	3,026	—
Loss on disposal of fixed assets	66	82
Foreign exchange loss	425	54
Operating profit before changes in working capital	51,406	46,665
Decrease in prepayments (non-current and current)	15,733	15,734
(Increase)/decrease in inventories	(94)	501
Decrease/(increase) in amount due from ultimate holding company	1,673	(2,205)
Decrease/(increase) in accounts receivable	2,480	(9,977)
Decrease/(increase) in other receivables and deposits	12,895	(1,954)
(Decrease)/increase in accounts payable	(3,334)	3,563
Decrease in other payables and accruals	(8,011)	(12,029)
Cash generated from operations	72,748	40,298
Interest received	3,467	1,215
Tax (paid)/refunded		
— Hong Kong Profits Tax paid	(4,637)	(4,543)
— Hong Kong Profits Tax refunded	2,153	—
— PRC income tax paid	(483)	(1,679)
Net cash generated from operating activities	73,248	35,291

		2005	2004
			(restated)
	<i>Note</i>	\$'000	\$'000
Investing activities			
Payment for purchase of fixed assets		(632)	(7,779)
Proceeds from disposal of fixed assets		110	—
Payment for advertising rights		(2,757)	—
Payment for advertising display panels under construction		—	(40,057)
Loan to associate		(18,868)	—
Interest received		10,068	5,889
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(12,079)</u>	<u>(41,947)</u>
Financing activities			
Release of pledged bank deposit		—	100,000
Proceeds from new bank loans		38,000	138,000
Repayment of bank loans		(138,000)	(138,000)
Repayment of other unsecured loan		(5,700)	—
Increase in bank deposits maturing over three months		(128,420)	—
Interest paid		(2,385)	(1,348)
Dividend paid		(13,963)	—
Dividends paid to minority shareholders		(8,297)	(5,232)
		<u> </u>	<u> </u>
Net cash (used in)/generated from financing activities		<u>(258,765)</u>	<u>93,420</u>
Net (decrease)/increase in cash and cash equivalents		(197,596)	86,764
Cash and cash equivalents at 1 January		<u>521,455</u>	<u>434,691</u>
Cash and cash equivalents at 31 December	22	<u><u>323,859</u></u>	<u><u>521,455</u></u>

Notes to the Financial Statements*(Expressed in Hong Kong dollars)***1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 2.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in an associate.

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year relating to media assets and goodwill have been discussed in notes 14, 15 and 18.

(c) Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern their financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see *note 1(i)*), unless the investment is classified as held for sale, in which case it is stated at the lower of its carrying amount and fair value less costs to sell. An investment in a subsidiary is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the investment is available for sale in its present condition.

(d) Interest in associate

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale, in which case it is stated at the lower of its carrying amount and fair value less costs to sell. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year (see *notes 1(e) and (i)*).

When the Group’s share of losses exceeds its interest in the associate, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group’s interest in the associate is the carrying amount of the investment under the equity method together with the Group’s long-term interests that in substance form part of the Group’s net investment in the associate.

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

In the Company’s balance sheet, its investment in associate is stated at cost less impairment losses (see *note 1(i)*), unless it is classified as held for sale, in which case it is stated at the lower of its carrying amount and fair value less costs to sell.

(e) **Goodwill**

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see *note 1(i)*). In respect of an associate, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the income statement.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) **Fixed assets**

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

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

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

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

The useful life of an asset is reviewed annually.

(g) Programming library

- (i) Programming library consists of commissioned programming and contracted programming cost in respect of programming rights of presentation. Expenditure on commissioned and contracted programmes is amortised to the income statement on a straight-line basis over the licence period. Programming library is stated at cost less accumulated amortisation and impairment losses (see *note 1(i)*).
- (ii) Cost of programmes produced in-house is recognised as an expense in the period which it is incurred.

(h) Media assets

Media assets comprise the following intangible assets:

- advertising rights; and
- advertising display panels under construction.

Advertising rights represent the costs of acquiring operating rights for the placement of advertisements in advertising display panels in the PRC and include any directly attributable costs of bringing advertising display panels to their present condition and location for their intended use. Advertising rights are stated at cost less accumulated amortisation and impairment losses (see *note 1(i)*).

Advertising display panels under construction includes the costs of construction and other direct costs attributable to the construction of the advertising display panels. These costs are transferred to advertising rights when the construction is complete and the advertising display panels have been exchanged for the exclusive rights to advertise on the panels.

Advertising rights are amortised to the income statement on a straight-line basis over 5-10 years, the agreed periods of use of the advertising rights and no amortisation is provided in respect of construction of advertising display panels in progress.

(i) Impairment of assets**(i) Impairment of receivables**

Current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is recognised in the income statement and determined as follows:

- For current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the receivables and the estimated future cash flows, discounted at the current market rate of return for similar receivables where the effect of discounting is material. Impairment losses for the receivables are reversed if in a subsequent period the amount of the impairment loss decreases.
- For current receivables that are carried at amortised cost, the impairment loss is measured as the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the receivables' original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the receivables' carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) *Impairment of other assets*

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

- fixed assets;
- media assets;
- goodwill;
- programming library;
- interest in associate; and
- investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

(1) *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(2) *Recognition of impairment losses*

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(3) *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(j) Inventories

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

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

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

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

(k) Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see *note 1(i)*), except the effect of discounting would be immaterial, in which case they are stated at cost less impairment losses for bad and doubtful debts (see *note 1(i)*).

(l) Accounts payable and other payables

Accounts payable and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

- (i) Income from multi-media sales is recognised when the related advertisements are telecasted or commercials appear before the public. Revenue is stated net of agency commission and rebate.
- (ii) Fee income from media sales management and administrative services is recognised when the related services are rendered.
- (iii) Signage production fee is recognised when the related services are rendered.
- (iv) Revenue from sale of merchandise is recognised when the merchandise is delivered at the customers' premises which is taken to be the point in time when the significant risks and rewards of ownership of the merchandise have been transferred to the customers. Revenue is stated net of trade discounts.
- (v) Interest income is recognised as it accrues using the effective interest method.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Operating leases

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

(r) Employee benefits***(i) Short term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans, leave passage and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

The Group has taken advantage of the transitional provisions set out in HKFRS 2 because all the share options were granted by the Company to its employees (including directors) before 7 November 2002 and vested before 1 January 2005. Under the transitional provisions, the Group needs not follow the new accounting policies prescribed under HKFRS 2. The Group continues adopting the accounting policy of previous years that no amount is recognised when the Company's employees are granted share options over its shares. When the employees choose to exercise the options, the nominal amount of share capital and share premium are credited only to the extent of the option's exercise price receivable.

(s) **Translation of foreign currencies**

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(t) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen geographical segment information as the primary reporting format and business segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances and corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised in note 1. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see *note 35*).

(a) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for employee share options. Under the new policy, the Group recognises the fair value of such options as an expense with corresponding increase recognised in a capital reserve within equity. Further details of the new policy are set out in note 1(r)(ii).

The Group has taken advantage of the transitional provisions set out in HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- (i) all options granted to employees on or before 7 November 2002; and
- (ii) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

All the options granted by the Company fall within the above two categories. This change in accounting policy has no impact on the results of the Group for the year ended 31 December 2005. Details of the employee share option scheme are set out in note 27.

(b) Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)

In prior years, positive goodwill was amortised on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment.

With effect from 1 January 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policy relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Further details of the new policy are set out in note 1(e).

The new policy in respect of amortisation of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the year ended 31 December 2005. This has increased the Group's profit after tax for the year ended 31 December 2005 by \$1,695,000.

(c) Changes in presentation

- (i) *Presentation of share of associate's taxation and goodwill relating to the associate (HKAS 1, Presentation of financial statements and HKAS 28, Investments in associates)*

In prior years, the Group's share of taxation of an associate accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement, and goodwill relating to the associate was presented separately in the consolidated balance sheet.

With effect from 1 January 2005, in accordance with HKAS 28 and the implementation guidance in HKAS 1, the Group has changed the presentation. The share of taxation of an associate accounted for using the equity method is now included in the share of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax, and goodwill relating to the associate is now included in interest in associate. These changes in presentation have been applied retrospectively with comparatives restated.

As a result of these changes in presentation, the Group's share of profit of associate for the year has decreased by \$3,624,000 (2004: \$4,585,000) and the Group's income tax has decreased by the same amount. The goodwill relating to the associate with carrying amount of \$17,361,000 at 31 December 2005 (2004: \$17,361,000) has been transferred from goodwill to interest in associate in the consolidated balance sheet. There is accordingly no net effect on net assets in either period.

(ii) *Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)*

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as a deduction before arriving at net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to the equity shareholders of the Company.

With effect from 1 January 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit and loss for the year between the minority interests and the equity shareholders of the Company. Further details of the new policy are set out in note 1(c). These changes in presentation have been applied retrospectively with comparatives restated.

As a result of these changes in presentation, the Group's results for the year and net assets at 31 December 2005 have increased by \$900,000 (2004: \$3,657,000) and \$20,236,000 (2004: \$27,633,000) respectively.

(d) *Definition of related parties (HKAS 24, Related party disclosures)*

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in note 32 has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

3 TURNOVER

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

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

4 OTHER REVENUE

	2005	2004
	<i>\$'000</i>	<i>\$'000</i>
Sales of merchandise	6,254	6,829
Interest income	14,363	8,096
Sundry revenue	966	1,170
	<u>21,583</u>	<u>16,095</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2005	2004
	<i>\$'000</i>	(restated) <i>\$'000</i>
Amortisation		
— positive goodwill	—	721
— positive goodwill included in interest in associate	—	974
— advertising rights	11,850	6,924
Auditors' remuneration	2,057	1,922
Contributions to defined contribution schemes	916	820
Depreciation	27,709	27,288
Impairment losses — accounts receivable	3,141	1,784
— advertising rights	3,026	—
Interest on bank loans wholly repayable within five years	2,385	1,348
Operating lease charges — land and buildings	2,409	2,670
Operating lease charges — others	24,076	23,655
Production, programming and marketing costs (included in other operating expenses)	39,853	40,149
Share of associate's taxation	<u>3,624</u>	<u>4,585</u>

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2005	2004 (restated)
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for current year	5,592	3,582
Over-provision in respect of prior years	(11)	(2)
	<u>5,581</u>	<u>3,580</u>
Provision for PRC income tax	783	735
	<u>6,364</u>	<u>4,315</u>
Deferred tax		
Reversal and origination of temporary differences	(1,097)	(1,262)
	<u>5,267</u>	<u>3,053</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the year. Taxation for the Mainland China subsidiaries is charged at the appropriate current rates for taxation ruling in The People's Republic of China ("PRC").

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2005	2004 (restated)
	\$'000	\$'000
Profit before tax	<u>32,437</u>	<u>26,824</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	5,313	2,310
Tax effect of non-deductible expenses	851	815
Tax effect of non-taxable revenue	(6,812)	(1,423)
Tax effect of tax losses not recognised	6,159	678
Over-provision in prior years	(11)	(2)
Others	<u>(233)</u>	<u>675</u>
Actual tax expense	<u>5,267</u>	<u>3,053</u>

7 DIRECTORS’ REMUNERATION

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

	2005			
	Directors	Salaries, allowances and other benefits	Retirement benefit contributions	Total
	fees			
	\$'000	\$'000	\$'000	\$'000
Executive Directors				
Winnie J. NG	50	1,536	—	1,586
Amanda LUI Yee Fai	46	1,319	11	1,376
MAK Chun Keung	50	280	—	330
Non-Executive Directors				
John CHAN Cho Chak	60	—	—	60
Michael WONG Yick-kam	79	—	—	79
Anthony NG	50	—	—	50
James Conrad LOUEY	50	—	—	50
LAU Mei Mui, May	50	—	—	50
YEN Shiao Hua, Sheridan	34	—	—	34
Andrew SO Sing Tak	16	—	—	16
Independent Non-Executive Directors				
Carlye Wai-Ling TSUI	75	—	—	75
HUI Ki On	75	—	—	75
Dr Eric LI Ka Cheung	76	—	—	76
	711	3,135	11	3,857

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

	2004			
	Directors	Salaries, allowances and other benefits	Retirement benefit contributions	Total
	fees \$'000	\$'000	\$'000	\$'000
Executive Directors				
Winnie J. NG	50	1,536	—	1,586
Amanda LUI Yee Fai	50	1,388	12	1,450
MAK Chun Keung	50	280	—	330
Non-Executive Directors				
John CHAN Cho Chak	60	—	—	60
Michael WONG Yick-kam	71	—	—	71
Anthony NG	50	—	—	50
James Conrad LOUEY	50	—	—	50
LAU Mei Mui, May	50	—	—	50
YEN Shiao Hua, Sheridan	50	—	—	50
Independent Non-Executive Directors				
Carlye Wai-Ling TSUI	65	—	—	65
HUI Ki On	65	—	—	65
Dr Eric LI Ka Cheung	19	—	—	19
	<u>630</u>	<u>3,204</u>	<u>12</u>	<u>3,846</u>

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group include two Directors (2004: two Directors) of the Company whose emoluments are disclosed in note 7. Details of emoluments paid by the Group to the remaining three (2004: three) highest paid individuals are set out below:

	2005 \$'000	2004 \$'000
Salaries, allowances and other benefits	5,113	5,090
Retirement benefit contributions	<u>36</u>	<u>36</u>
	<u>5,149</u>	<u>5,126</u>

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

	Number of individuals	
	2005	2004
\$1,000,001 — \$1,500,000	1	—
\$1,500,001 — \$2,000,000	<u>2</u>	<u>3</u>

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of \$3,549,000 (2004: \$1,459,000) which has been dealt with in the financial statements of the Company.

10 DIVIDEND**(a) Dividend payable to equity shareholders of the Company attributable to the year:**

	2005	2004
	<i>\$'000</i>	<i>\$'000</i>
Final dividend proposed after the balance sheet date of HK1.7 cents per share (2004: HK1.4 cents per share)	<u>16,955</u>	<u>13,963</u>

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

(b) Dividend payable to equity shareholders of the Company attributable to the previous year, approved and paid during the year:

	2005	2004
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of previous year of HK1.4 cents per share (2004: HK\$ Nil per share) approved and paid during the year	<u>13,963</u>	<u>—</u>

11 EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to the Company's ordinary equity shareholders of \$26,270,000 (2004: \$20,114,000) and the weighted average of 997,365,332 ordinary shares (2004: 997,365,332 shares) in issue during the year.

(b) Diluted earnings per share

The diluted earnings per share for the years ended 31 December 2005 and 2004 are not presented as the exercise of the subscription rights conferred by the share options would not have any dilutive effect on the earnings per share for both the years ended 31 December 2005 and 2004.

12 SEGMENT REPORTING

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

Geographical segments

The Group comprises the following main geographical segments:

Hong Kong : Provision of media sales and management services
Mainland China : Provision of media sales and management services

There are no sales between the geographical segments.

	2005			2004		
	Group	Share of associate	Total	Group	Share of associate (restated)	Total (restated)
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Segment revenue						
Hong Kong	134,613	—	134,613	122,595	—	122,595
Mainland China	56,492	77,808	134,300	59,370	45,307	104,677
Total	<u>191,105</u>	<u>77,808</u>	<u>268,913</u>	<u>181,965</u>	<u>45,307</u>	<u>227,272</u>
Segment result						
Hong Kong	27,842	—	27,842	22,970	—	22,970
Mainland China	(14,599)	12,129	(2,470)	(6,946)	9,454	2,508
Total	<u>13,243</u>	<u>12,129</u>	<u>25,372</u>	<u>16,024</u>	<u>9,454</u>	<u>25,478</u>
Unallocated operating income and expenses			<u>9,450</u>			<u>2,694</u>
Profit from operations			34,822			28,172
Finance costs			(2,385)			(1,348)
Income tax			<u>(5,267)</u>			<u>(3,053)</u>
Profit after taxation			<u>27,170</u>			<u>23,771</u>
Depreciation and amortisation			39,559			35,907

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

	2005			2004		
	Group	Share of associate	Total	Group	Share of associate (restated)	Total (restated)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets						
Hong Kong	202,695	—	202,695	244,598	—	244,598
Mainland China	133,507	144,388	277,895	161,798	111,271	273,069
	<u>336,202</u>	<u>144,388</u>	480,590	<u>406,396</u>	<u>111,271</u>	517,667
Unallocated assets			503,436			574,761
Total assets			<u>984,026</u>			<u>1,092,428</u>
Segment liabilities						
Hong Kong	39,989	—	39,989	40,032	—	40,032
Mainland China	12,139	—	12,139	23,442	—	23,442
	<u>52,128</u>	<u>—</u>	52,128	<u>63,474</u>	<u>—</u>	63,474
Unallocated liabilities			68,930			174,567
Total liabilities			<u>121,058</u>			<u>238,041</u>

Capital expenditure incurred during the year

	The Group	
	2005	2004
	\$'000	\$'000
Hong Kong	418	7,449
Mainland China	2,971	40,387
	<u>3,389</u>	<u>47,836</u>

The Group's geographical segment information based on location by customers is the same as that based on location of assets. Accordingly, no further analysis on revenue from external customers by location of customers is provided.

Business segments

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

13 FIXED ASSETS

	The Group					
	Audio and visual equipment \$'000	Hardware and software \$'000	Furniture and fixtures \$'000	Motor vehicles \$'000	Advertising display panels \$'000	Total \$'000
Cost:						
At 1 January 2004	187,651	668	772	705	23,953	213,749
Additions	6,433	1,182	164	—	—	7,779
Disposals	—	—	(233)	—	—	(233)
Transfer to media assets (<i>note</i>)	—	—	—	—	(23,953)	(23,953)
At 31 December 2004	194,084	1,850	703	705	—	197,342
At 1 January 2005	194,084	1,850	703	705	—	197,342
Exchange adjustments	—	10	9	14	—	33
Additions	408	10	214	—	—	632
Disposals	—	(188)	(48)	—	—	(236)
At 31 December 2005	194,492	1,682	878	719	—	197,771
Accumulated depreciation:						
At 1 January 2004	56,861	97	373	322	3,677	61,330
Charge for the year	26,738	313	100	137	—	27,288
Written back on disposal	—	—	(151)	—	—	(151)
Transfer to media assets (<i>note</i>)	—	—	—	—	(3,677)	(3,677)
At 31 December 2004	83,599	410	322	459	—	84,790
At 1 January 2005	83,599	410	322	459	—	84,790
Exchange adjustments	—	5	2	10	—	17
Charge for the year	27,130	356	90	133	—	27,709
Written back on disposal	—	(59)	(1)	—	—	(60)
At 31 December 2005	110,729	712	413	602	—	112,456
Net book value:						
At 31 December 2005	83,763	970	465	117	—	85,315
At 31 December 2004	110,485	1,440	381	246	—	112,552

Note:

Owing to changes in arrangements in 2004, the Group no longer owned these advertising display panels, but instead had the exclusive rights to the advertising space on the advertising display panels for specified periods. Accordingly, the respective cost and accumulated depreciation were transferred to advertising rights under media assets (*note 14*) during 2004.

14 MEDIA ASSETS

	The Group		
	Advertising display panels under construction \$'000	Advertising rights \$'000	Total \$'000
Cost:			
At 1 January 2004	36,369	26,142	62,511
Transfer from fixed assets	—	23,953	23,953
Additions	40,057	—	40,057
Transfer	(74,048)	74,048	—
At 31 December 2004	<u>2,378</u>	<u>124,143</u>	<u>126,521</u>
At 1 January 2005	2,378	124,143	126,521
Exchange adjustments	—	2,265	2,265
Additions	—	2,757	2,757
Transfer	(2,378)	2,378	—
Transfer to other receivables (<i>note a</i>)	—	(8,736)	(8,736)
At 31 December 2005	<u>—</u>	<u>122,807</u>	<u>122,807</u>
Accumulated amortisation and impairment losses:			
At 1 January 2004	—	1,198	1,198
Transfer from fixed assets	—	3,677	3,677
Amortisation for the year	—	6,924	6,924
At 31 December 2004	<u>—</u>	<u>11,799</u>	<u>11,799</u>
At 1 January 2005	—	11,799	11,799
Exchange adjustments	—	327	327
Amortisation for the year	—	11,850	11,850
Impairment loss for the year (<i>note b</i>)	—	3,026	3,026
At 31 December 2005	<u>—</u>	<u>27,002</u>	<u>27,002</u>
Net book value:			
At 31 December 2005	<u>—</u>	<u>95,805</u>	<u>95,805</u>
At 31 December 2004	<u>2,378</u>	<u>112,344</u>	<u>114,722</u>

Notes:

(a) Transfer to other receivables

During 2005, the Group reached an agreement with the relevant authority for a reduction in the cost of certain advertising rights acquired in 2004 of \$8,736,000. Accordingly, the cost has been adjusted and transferred to other receivables.

(b) Impairment loss of media assets

Media assets are assessed at each balance sheet date whether there are any indications that they may be impaired. Such indications include physical damage of a media asset and dismantle of a media asset under an order of relevant authorities. These indications also include a decrease in the revenue derived from a media asset. If any such indication exists, the recoverable amount of the media asset is estimated. The recoverable amount of a media asset is based on value-in-use calculations. These calculations use cash flow projection based on reasonable assumptions that represent management’s best estimate of the range of economic conditions that will exist over the remaining useful life of the asset.

A number of advertising display panels will be dismantled in 2006. Management considers that the estimated future cash flows generated from these panels are less than their reconstruction costs. Therefore, all these media assets with carrying amount of \$3,026,000 were written off to the income statement.

15 GOODWILL

	(restated)
	\$'000
Cost:	
At 1 January 2004 and 31 December 2004	14,429
At 1 January 2005	14,429
Opening balance adjustment to eliminate accumulated amortisation	(1,942)
At 31 December 2005	12,487
Accumulated amortisation:	
At 1 January 2004	1,221
Amortisation for the year	721
At 31 December 2004	1,942
At 1 January 2005	1,942
Eliminated against cost at 1 January 2005	(1,942)
At 31 December 2005	—
Carrying amount:	
At 31 December 2005	12,487
At 31 December 2004	12,487

Goodwill is allocated to the Group’s cash-generating units (“CGU”) identified according to the location of operation and business segment.

Media advertising agency and advertising design and production — Shanghai

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering one-year period. Cash flows beyond the one-year period are extrapolated using the estimate rates stated below.

Key assumptions used for value-in-use calculations:

	%
— Average gross margin	78.1
— Average growth rate	6.3
— Discount rate	4.8

Management determined the budgeted gross margin and the growth rate based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The recoverable amount of the goodwill is higher than their carrying amount based on the value-in-use calculation. Accordingly, no impairment loss has been recognised during the year.

16 NON-CURRENT AND CURRENT PREPAYMENTS

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

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	\$'000	\$'000
Unlisted shares, at cost	62,835	62,835

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

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

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Attributable equity interest %		Principal activity
			<i>direct</i>	<i>indirect</i>	
AdSociety Advertising Agency Limited	Hong Kong	HK\$2	—	100	Investment holding
Bus Focus Limited	The British Virgin Islands/Hong Kong	US\$100	—	60	Provision of media sales service for advertising on transit vehicle shelters
CityVision Limited	Hong Kong	HK\$10,000	—	90	Operation of MMOB business on transit vehicles
Cyberstop Limited	The British Virgin Islands/Hong Kong	US\$1	—	100	Holder of the registered design and patent in relation to cyber bus stops
Expert Plus Holdings Limited	The British Virgin Islands/Hong Kong	US\$1	—	100	Investment holding
Guangzhou Key Media Advertising Company Limited (Sino-foreign co-operative joint venture)	The People’s Republic of China	RMB 56,346,939	—	51	Provision of media advertising agency service and design and production of advertisements
KM-Vision Limited	Hong Kong	HK\$10,000	—	92	Operation of MMOB business on transit vehicles
LW-Vision Limited	Hong Kong	HK\$10,000	—	95	Operation of MMOB business on transit vehicles
MB-Vision Limited	Hong Kong	HK\$2	—	100	Operation of MMOB business on transit vehicles
Road Publications Limited	Hong Kong	HK\$2	—	100	Trading of bus souvenirs and publications
RoadShow Creations Limited	Hong Kong	HK\$2	—	100	Trading of bus souvenirs
RoadShow Media Holdings Limited	The British Virgin Islands/Hong Kong	US\$1	—	100	Investment holding

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Attributable equity interest %		Principal activity
			<i>direct</i>	<i>indirect</i>	
RoadShow Media Limited	Hong Kong	HK\$2	—	100	Provision of media sales & management services for advertising on transit vehicle exteriors and shelters and for the MMOB business
RoadShow Productions Holdings Limited	The British Virgin Islands/Hong Kong	US\$1	—	100	Investment holding
RoadShow Productions Limited	Hong Kong	HK\$2	—	100	Production of content for MMOB systems
RoadShow Resources Limited	The British Virgin Islands/Hong Kong	US\$1	100	—	Investment holding
RoadVision Holdings (China) Limited	The British Virgin Islands/Hong Kong	US\$1	—	100	Investment holding
RoadVision Holdings Limited	The British Virgin Islands/Hong Kong	US\$2	—	100	Investment holding
RSG Resources Limited	Hong Kong	HK\$2	—	100	Provision of employment agency services
SB-Vision Limited	Hong Kong	HK\$10,000	—	95	Operation of MMOB business on transit vehicles
Shanghai Yingte Consulting Company Limited (Sino-foreign co-operative joint venture)	The People’s Republic of China	RMB1,236,000	—	68	Investment holding
Shanghai Yafei Advertising Company Limited (Limited liability company)	The People’s Republic of China	RMB600,000	—	51	Provision of media advertising agency service and design and production of advertisements

18 INTEREST IN ASSOCIATE

	The Group	
	2005	2004
		(restated)
	\$'000	\$'000
Share of net assets	75,267	61,846
Goodwill	17,361	17,361
Loan to associate	49,522	30,654
Amount due from associate	2,238	1,410
	<u>144,388</u>	<u>111,271</u>

Set out below are the particulars of the associate, which is an unlisted corporate entity and principally affected the results or assets of the Group.

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

Summary financial information on associate

	Assets	Liabilities	Revenues	Profit*
	\$'000	\$'000	\$'000	\$'000
2005				
100 per cent	<u>224,150</u>	<u>97,661</u>	<u>158,792</u>	<u>23,308</u>
2004				
100 per cent	<u>174,856</u>	<u>66,177</u>	<u>92,463</u>	<u>22,346</u>

The joint venture partner of the associate agreed to maintain the results of the associate for the period from 1 January 2003 to 31 December 2005 at a specified level. The share of profit recognised in the financial statements included the results as agreed to be maintained by the joint venture partner.

Impairment test for goodwill

Goodwill is allocated to the Group's CGU identified according to the location of the operation and business segment.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering one-year period. Cash flows beyond the one-year period are extrapolated using the estimate rates stated below.

Key assumptions used for value-in-use calculations:	%
— Average gross margin	30.1
— Average growth rate	4.5
— Discount rate	4.9

Management determined the budgeted gross margin and the growth rate based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The recoverable amount of the goodwill is higher than their carrying amount based on the value-in-use calculation. Accordingly, no impairment loss has been recognised during the year.

* Profit represents profit before taxation of the associate.

19 INVENTORIES

All of the inventories are finished goods of merchandise and are expected to be recovered within one year.

The amount of inventories recognised as an expense is as follows:

	The Group	
	2005	2004
	\$'000	\$'000
Carrying amount of inventories sold	3,508	3,616

20 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

- (a) The amount due from ultimate holding company is unsecured, interest-free, repayable on demand and represents normal trade receivables and payables.
- (b) The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of settlement/repayment.

21 ACCOUNTS RECEIVABLE

Details of the ageing analysis of accounts receivable as at the balance sheet date are as follows:

	The Group	
	2005	2004
	\$'000	\$'000
Current and within one month	22,945	19,668
One to two months	8,561	5,859
Two to three months	3,732	4,560
More than three months	16,577	24,208
	51,815	54,295

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

The Group's credit policy is set out in note 29(a).

22 BANK DEPOSITS AND CASH

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash at bank and in hand	38,949	25,174	1,087	4,697
Bank deposits maturing within three months	<u>284,910</u>	<u>496,281</u>	<u>264,728</u>	<u>455,557</u>
Cash and cash equivalents for the purpose of cash flow statement	323,859	521,455	265,815	460,254
Bank deposits maturing over three months	<u>128,420</u>	<u>—</u>	<u>128,420</u>	<u>—</u>
	<u>452,279</u>	<u>521,455</u>	<u>394,235</u>	<u>460,254</u>

Included in bank deposits and cash in the balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
United States Dollars	<u>US\$37,850</u>	<u>US\$25,719</u>	<u>US\$37,710</u>	<u>US\$25,719</u>

23 ACCOUNTS PAYABLE

Details of the ageing analysis of accounts payable as at the balance sheet date are as follows:

	The Group	
	2005 \$'000	2004 \$'000
Within one month	<u>10,986</u>	<u>14,320</u>

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

24 BANK LOANS

At 31 December 2005, the bank loans were unsecured and repayable as follows:

	The Group and the Company	
	2005	2004
	\$'000	\$'000
Within one year or on demand	38,000	138,000

At 31 December 2005, the Group and the Company had total banking facilities amounted to \$50,000,000 (2004: \$150,000,000).

25 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2005	2004
	\$'000	\$'000
Provision for Hong Kong Profits Tax for the year	5,592	3,582
Provisional Profits Tax paid	(4,119)	(3,049)
	1,473	533
Balance of Profits Tax recoverable relating to prior years	(2,450)	(4,607)
	(977)	(4,074)
PRC income tax payable	406	106
	(571)	(3,968)
Current tax recoverable	(2,507)	(4,607)
Current tax payable	1,936	639
	(571)	(3,968)

(b) Deferred tax (assets)/liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group			
	Depreciation allowances in excess of related depreciation \$'000	Impairment losses for accounts receivable \$'000	Tax losses \$'000	Total \$'000
At 1 January 2004	22,061	(2,039)	(11,168)	8,854
Charged/(credited) to consolidated income statement	(3,262)	2,039	(39)	(1,262)
At 31 December 2004	18,799	—	(11,207)	7,592
At 1 January 2005	18,799	—	(11,207)	7,592
Charged/(credited) to consolidated income statement	(4,575)	—	3,478	(1,097)
At 31 December 2005	14,224	—	(7,729)	6,495

	The Group	
	2005 \$'000	2004 \$'000
Net deferred tax asset recognised on the balance sheet	(7,076)	(7,214)
Net deferred tax liability recognised on the balance sheet	13,571	14,806
	6,495	7,592

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of \$9,224,000 (2004: \$3,065,000) in respect of tax losses of \$38,060,000 (2004: \$17,515,000). The tax losses do not expire under current legislation except for an amount of \$16,537,000 (2004: \$Nil), which will expire in the coming 5 years.

26 OTHER UNSECURED LOAN

Other unsecured loan from a minority shareholder of a subsidiary is interest-free and is not expected to be settled within one year.

27 EQUITY SETTLED SHARED-BASED TRANSACTIONS

The Company operates a share option scheme (the “Scheme”) which was adopted on 7 June 2001 whereby the Directors of the Company are authorised, at their discretion, to offer any employee (including any Director) of the Company or any of its wholly-owned subsidiaries options to subscribe for shares in the Company to recognise their contributions to the growth of the Group. The options vest immediately from the date of grant and are then exercisable within a period of three years. Each option gives the holder the right to subscribe for one share. The Scheme is valid and effective for a period of ten years ending on 6 June 2011.

(a) The terms and conditions of the grants that existed during the years are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Vesting conditions	Contractual life of options
Options granted to directors:			
— on 11 March 2002	6,600,000	Immediately from the date of grant	3 years
Options granted to employees:			
— on 11 March 2002	16,740,000	Immediately from the date of grant	3 years
Total share options	23,340,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2005		2004	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	\$	'000	\$	'000
Outstanding at the beginning of the year	\$2.25	14,270	\$2.25	16,660
Forfeited during the year	\$2.25	—	\$2.25	(2,390)
Expired during the year	\$2.25	(14,270)	\$2.25	—
Outstanding at the end of the year	—	—	\$2.25	14,270
Exercisable at the end of the year	—	—	\$2.25	14,270

No options were exercised during the year. All the outstanding options at 31 December 2004 expired on 11 March 2005.

28 CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company							Minority interests	Total equity
	Share capital	Share premium	General reserve	Contributed surplus	Exchange reserve	Retained profits	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2004	99,737	531,769	238	(200)	91	174,951	806,586	29,208	835,794
Exchange differences on translation of the financial statements of foreign operations	—	—	—	—	54	—	54	—	54
Profit for the year	—	—	—	—	—	20,114	20,114	3,657	23,771
Dividends paid to minority interests	—	—	—	—	—	—	—	(5,232)	(5,232)
At 31 December 2004	<u>99,737</u>	<u>531,769</u>	<u>238</u>	<u>(200)</u>	<u>145</u>	<u>195,065</u>	<u>826,754</u>	<u>27,633</u>	<u>854,387</u>
At 1 January 2005	99,737	531,769	238	(200)	145	195,065	826,754	27,633	854,387
Dividend approved in respect of the previous year	—	—	—	—	—	(13,963)	(13,963)	—	(13,963)
Exchange differences on translation of the financial statements of foreign operations	—	—	—	—	3,671	—	3,671	—	3,671
Profit for the year	—	—	—	—	—	26,270	26,270	900	27,170
Dividends paid to minority interests	—	—	—	—	—	—	—	(8,297)	(8,297)
At 31 December 2005	<u>99,737</u>	<u>531,769</u>	<u>238</u>	<u>(200)</u>	<u>3,816</u>	<u>207,372</u>	<u>842,732</u>	<u>20,236</u>	<u>862,968</u>

(b) The Company

	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
At 1 January 2004	99,737	531,769	62,635	27,026	721,167
Profit for the year	—	—	—	1,459	1,459
At 31 December 2004	99,737	531,769	62,635	28,485	722,626
At 1 January 2005	99,737	531,769	62,635	28,485	722,626
Dividend approved in respect of the previous year	—	—	—	(13,963)	(13,963)
Profit for the year	—	—	—	3,549	3,549
At 31 December 2005	99,737	531,769	62,635	18,071	712,212

(c) Share capital

	2005 Number of shares '000	\$'000	2004 Number of shares '000	\$'000
Authorised:				
Ordinary shares of \$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
At 31 December	997,365	99,737	997,365	99,737

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) General reserve

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

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

(iii) *Contributed surplus*

Pursuant to a group reorganisation in 2001, the Company became the holding company of the Group. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation in 2001 was transferred to contributed surplus. Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders.

(iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in notes 1(s).

(v) *Distributability of reserves*

At 31 December 2005, the aggregate amount of reserves available for distribution to shareholders of the Company was \$80,706,000 (2004: \$91,120,000).

(vi) Included in the figure for the Group's retained profits is an amount of \$29,598,000 (2004: \$17,469,000), being retained profits attributable to an associate.

29 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) **Credit risk**

The Group's credit risk is primarily attributable to accounts receivable and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. Customers of media sales business are generally granted credit terms of 90 days while customers of merchandising business either pay on delivery or are generally granted credit terms of 30 — 90 days. Normally, the Group does not obtain collateral from customers.

Bank deposits and cash at bank are normally placed with licensed banks that have credit ratings equal to or better than the Group. Given their high credit ratings, management does not expect any licensed bank to fail to meet its obligations.

At the balance sheet date, the Group has a certain concentration of credit risk as 30% (2004: 20%) of the total accounts receivable and other receivables was due from the Group's five largest customers.

The maximum exposure to credit risk is represented by the carrying amount of accounts receivable and other receivables in the balance sheet.

(b) **Liquidity risk**

The Group’s policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Company also monitors closely the cash flows of its subsidiaries. Generally, the Company’s subsidiaries are required to obtain the Company’s approval for activities such as investment of surplus cash, raising of loans and settlement of suppliers’ invoices beyond certain limits.

(c) **Interest rate risk**

Bank deposits and cash, and bank loans are the major types of the Group’s financial instruments subject to interest rate risk.

The bank deposits and cash comprise mainly bank deposits with fixed interest rates ranging from 1.375% to 4.25% per annum and the maturity dates of these bank deposits are within 1 year.

The bank loans bear interest at 0.58% per annum over the 7-day HIBOR and are repayable within 1 year. Other details of the bank loans are set out in note 24.

(d) **Fair values**

No disclosure of fair value is required as all the Group’s financial instruments are carried at amounts not materially different from their fair values as at 31 December 2005.

30 **COMMITMENTS**

(a) **Capital commitments**

At 31 December 2005, the Group had the following capital commitments in relation to the purchase of fixed assets and investments not provided for in the financial statements:

	2005	2004
	\$'000	\$'000
Contracted for	—	—
Authorised but not contracted for	264,846	283,170

(b) Operating lease commitments

At 31 December 2005, the Group’s total future minimum lease payments under non-cancellable operating leases in respect of land and buildings and advertising display panels are payable as follows:

	2005		2004	
	Land and buildings	Advertising display panels	Land and buildings	Advertising display panels
	\$'000	\$'000	\$'000	\$'000
Within 1 year	1,065	13,968	979	16,228
After 1 year but within 5 years	149	49,906	451	49,466
After 5 years	—	49,543	—	60,849
	<u>1,214</u>	<u>113,417</u>	<u>1,430</u>	<u>126,543</u>

(c) Other commitments

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

31 EMPLOYEE RETIREMENT BENEFITS

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

As stipulated by the regulations of the PRC, the Group participates in employee pension schemes organised by the local governments under which the Company’s subsidiaries are governed. Details of the schemes of the Group are as follows:

Administrator	Note	Beneficiary	Contribution rate	
			2005	2004
Shanghai Social Security Fund Management Center	(i)	Employees	22.0%	22.0%
Guangzhou Social Security Fund Management Center	(ii)	Employees	20.0%	20.0%
Beijing Social Security Fund Management Center	(ii)	Employees	20.0%	20.0%
Shenzhen Social Security Fund Management Center	(ii)	Employees	9.0%	9.0%

Notes:

- (i) Under the scheme, the Group and its employees are each required to make a contribution to the scheme at 22% and 8% respectively of the employees' relevant income.
- (ii) Under the scheme, the Group and its employees are each required to make a contribution to the scheme at 20% or 9% and 8% or 5%, respectively of a pre-determined amount.

32 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group has the following related party transactions during the year, which were:

	Note	Income/(expenses)	
		2005 \$'000	2004 \$'000
Management and administration fee income	(i)	17,603	15,441
Licence and royalty fees paid for the right to sell advertising space on transit vehicle exteriors and shelters	(ii)	(6,996)	(7,239)
Rental expenses	(iii)	(1,283)	(1,283)
Management fee expenses	(iv)	(10,670)	(10,087)
Guaranteed rentals	(v)	577	4,344
Service fee paid for logistic function	(vi)	(490)	(490)
Key management personnel remuneration	(vii)	(9,931)	(9,366)

Notes:

- (i) Fee income was earned for the provision of media sales management and administrative services to a subsidiary of TIH, a substantial shareholder of the Company. The amount receivable by the Group at the year end amounted to \$Nil (2004: \$Nil).
- (ii) Licence and royalty fees were paid for selling advertising spaces on certain transit vehicle exteriors and transit vehicle shelters owned by a subsidiary of TIH. The amount payable by the Group at the year end amounted to \$1,585,000 (2004: \$2,196,000).
- (iii) Rental expenses were paid to a subsidiary of TIH for leasing properties, computer equipment and software system, furniture and fixtures. The amount payable by the Group at the year end amounted to \$Nil (2004: \$Nil).
- (iv) Management fees were paid to JCDecaux Texon Limited ("JCDecaux Texon"), a fellow subsidiary of a minority shareholder of a subsidiary of the Company, for the provision of media sales agency services in relation to bus shelters. The amount payable to JCDecaux Texon at the year end amounted to \$1,681,000 (2004: \$966,000).
- (v) The Group entered into a contract with JCDecaux Texon for media sales agency services provided to the Group in relation to the bus shelters under the media sales business. The Group shall be entitled to a guaranteed rental calculated based on the rates per panel and the number of bus shelter panels. JCDecaux Texon shall pay any shortfall if the actual rental derived from the bus shelters is less than the guaranteed rental. The amount due to JCDecaux Texon at the year end amounted to \$3,223,000 (2004: due from \$43,000) which represented excess payment of guaranteed rental from JCDecaux Texon.

- (vi) The Group paid a service fee to JCDecaux Texon for the logistic function provided to the Group in relation to the bus shelters under the media sales business. The amount due to JCDecaux Texon at the year end amounted to \$Nil (2004: \$Nil).
- (vii) Remuneration for key management personnel, including amounts paid to the Company’s directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2005	2004
	\$'000	\$'000
Short-term employee benefits	9,872	9,306
Post-employment benefits	59	60
	<u>9,931</u>	<u>9,366</u>

33 COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.

34 PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2005, the directors consider the parent and ultimate controlling party of the Group to be KMB Resources Limited and Transport International Holdings Limited respectively. KMB Resources Limited is incorporated in the British Virgin Islands while Transport International Holdings Limited is incorporated in Bermuda and listed in Hong Kong. Transport International Holdings Limited produces financial statements available for public use.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2005 and which have not been adopted in these financial statements:

Of these developments, the following relate to matters that may be relevant to the Group’s operations and financial statements:

	Effective for accounting periods beginning on or after
HKFRS 7, Financial instruments: disclosures	1 January 2007
Amendments to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group’s financial statements for the period beginning 1 January 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s results of operations and financial position.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the proceeds to be received from the disposal of Dalian under the Sale and Purchase Agreement and of the 2.5% interest in RS Joint Venture under the Caizhu Interest Transfer Agreement, as well as the existing banking facilities, the Group has sufficient working capital for its present requirements for the next 12 months.

4. INDEBTEDNESS STATEMENT

As at 31 May 2006, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$59,529,000 comprising the following:

	As at 31 May 2006 HK\$’000
Secured bank loan to the Company	38,000
Key Advertising’s unsecured shareholder’s loan to RS Joint Venture	21,529
	<u>59,529</u>

Save as disclosed above and apart from intra-group liabilities, the Group did not at the close of business on 31 May 2006 have any material outstanding mortgages, charges, debentures, bank overdrafts, liabilities under acceptance, acceptance credits loans, borrowings, or other similar indebtedness, or any hire purchase or finance lease commitments or any guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, amounts in RMB have been translated into Hong Kong dollars at the exchange rate of HK\$1.00 to RMB1.04.

The Directors are not aware of any material changes in the Group’s indebtedness or contingent liabilities since 31 May 2006.

5. FINANCIAL AND TRADING PROSPECTS

Prospects

The economic growth recorded in Hong Kong during 2005 is forecasted to continue in 2006. The growth in the number of PRC tourists and the newly opened Disneyland will continue to stimulate the tourist industry in Hong Kong. The 2008 Olympic Games in Beijing, the 2010 World Expo in Shanghai and the 2010 Asia Games in Guangzhou all should contribute to the growth of the Group's business.

In Hong Kong, the Group will continue to expand its customer base by selling the benefits of its multi-media on board business ("MMOB") platform to more advertisers to promote their products and services. The Group will also continue to develop more creative means in both Hong Kong and the PRC to capitalize on opportunities to increase its revenue. The Group's daily audience in Hong Kong was expanded with the extension of the MMOB telecast network to New World First Bus public transit vehicles in 2006.

In the PRC, the growth rate of gross domestic product is expected to remain high during 2006. According to industry research, total advertising spending in the PRC has been growing at double digit rates since the early 1990's and this is expected to continue in the foreseeable future.

However, the external environment during 2006 will be somewhat uncertain given such factors as high oil prices that would have a negative impact on the economy. Though the continued growth of the advertising market in the PRC is certainly positive, the increase in the cost of sales and stronger competition in both Hong Kong and the PRC will result in lower gross profit margins which will affect the rate of return on investment. In addition, the macroeconomic adjustments initiated by the PRC central government in an effort to manage the pace of growth of some over-heated industries will continue during 2006 and this may have a negative effect on the Group's operations.

However, the Group is addressing these concerns by providing more value-added after sales services to its customers to encourage advertisers to increase their spending with the Group and increase the Group's market share. The Group also continues to enhance the contents of MMOB programmes for the benefit of its transit vehicle passengers. The Group continues to work closely with advertisers and advertising agencies to achieve the maximum desired effect of their promotional campaigns.

Long Term Strategy

The Group will strive to continue to expand its Hong Kong operations in line with the growth of both the economy and the advertising market in general. As more advertisers take advantage of MMOB, it will become a regular medium for their products and brand promotions aiming at people who are traveling in transit vehicles.

The PRC operations will continue to be an important factor in the Group's operations. The Group will expand the media sales business in the PRC but not until it is convinced that the investment will provide a reasonable return. Within this guiding principle, the Group will explore investment opportunities that complement its existing businesses. To enhance the Group's media assets in the PRC, it will invest in projects and/or companies with long term and exclusive advertising rights that can benefit from the Group's resources.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive or any associated corporation is taken or deemed to have under such provisions of the SFO); or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 to the Listing Rules, were as follows:

(i) *Interests in issued shares in the Company*

The Company: ordinary shares of HK\$0.1 each					Total	Approximate
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	number of shares held	% of total issued shares
Winnie J. NG (Note 1)	1,000,000	—	—	123,743	1,123,743	0.1%
Anthony NG (Note 1)	—	—	—	123,743	123,743	0.0%
James Conrad LOUEY	283,500	600,000	—	—	883,500	0.1%

(ii) *Interests in issued shares in Transport International, an associated corporation of the Company*

Transport International (Note 2): ordinary shares of HK\$1.0 each						
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate
					number of shares held	% of total issued shares
John CHAN Cho Chak,						
GBS, JP	2,000	—	—	—	2,000	0.0%
Winnie J. NG (Note 3)	41,416	—	—	21,000,609	21,042,025	5.2%
Anthony NG (Note 3)	233,954	—	—	21,000,609	21,234,563	5.3%
James Conrad LOUEY	13,929	—	—	—	13,929	0.0%

Notes:

1. Each of Ms. Winnie J. NG and Mr. Anthony NG has interest in 123,743 shares in the Company as a beneficiary of certain private trusts which beneficially held the shares.
2. Transport International is the ultimate holding company of the Company.
3. Each of Ms. Winnie J. NG and Mr. Anthony NG has interest in 21,000,609 shares in Transport International as a beneficiary of certain private trusts which beneficially held the shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which he/she was taken or deemed to have under such provisions of the SFO); or entered in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO; or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 to the Listing Rules.

Substantial shareholders

So far as is known to the Directors, as at the Latest Practicable Date, each of the following persons, other than a Director or chief executive of the Company, had an interest and/or short position in the Company’s shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or was otherwise interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Number of shares held	Approximate
		% in the Company’s issued share capital
Transport International (<i>Note</i>)	728,127,410	73%
KMB Resources Limited	728,127,410	73%

Note: KMB Resources Limited owns 728,127,410 shares in the Company. KMB Resources Limited is a wholly owned subsidiary of Transport International, which is accordingly deemed to be interested in the same number of shares held by KMB Resources Limited in the Company under the SFO.

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, no other person (other than the Directors and chief executives) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates, was interested in any business (apart from the Group’s business) which competes or is likely to compete either directly or indirectly with the Group’s business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder).

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2005 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, the date to which the latest published audited financial statements of the Company were made up.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years preceding the date of this circular and which are or may be material:

- (a) a loan agreement dated 31 July 2004 entered into between AdSociety Advertising Agency Limited (“AdSociety”), a wholly owned subsidiary of the Company, and AdSociety Daye Advertising Company Limited (“Daye”), in which AdSociety owns 49% interest, regarding the provision of a shareholder’s loan of US\$1,814,540 by AdSociety to Daye at an interest rate of 5.31% per annum for one year. The aforesaid loan has been extended by an agreement dated 31 July 2005 between the same parties at an interest rate of 5.58% for one more year and further extended by another agreement dated 25 July 2006 between the same parties at an interest rate of 5.85% for a further year;
- (b) a loan agreement dated 17 January 2005 entered into between AdSociety and Daye regarding the provision of a shareholder’s loan of US\$2,418,960 by AdSociety to Daye at an interest rate of 5.31% per annum for one year. The aforesaid loan has been extended by an agreement dated 3 January 2006 between the same parties at an interest rate of 5.58% for one more year;
- (c) a loan agreement dated 11 April 2006 entered into between AdSociety and Daye regarding the provision of a shareholder’s loan of US\$3,528,450 by AdSociety to Daye at an interest rate of 5.58% per annum for one year;
- (d) the Advertising Right Transfer Contract;
- (e) the Sale and Purchase Agreement; and
- (f) the Caizhu Interest Transfer Agreement.

9. EXPERT’S QUALIFICATIONS, CONSENT AND INTEREST

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Platinum	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Platinum has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name in the form and context in which they appear respectively.

Platinum has confirmed that as at the Latest Practicable Date it does not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Platinum has further confirmed that as at the Latest Practicable Date, it does not have any interest, direct or indirect, in any assets which have been, since 31 December 2005 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The secretary to the Board of the Company is Ms. CHAN Siu Yin, Bomie, who is a Fellow of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The qualified accountant of the Company is Mr. TSOI Ka Ho, who is a Fellow of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of the Company at No.1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong from the date of this circular up to and including 14 August 2006 (excluding Saturdays and public holidays in Hong Kong):

- (a) this circular;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual report of the Company for each of the two years ended 31 December 2004 and 2005;
- (d) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 20 of this circular;
- (f) the letter of advice from Platinum, the text of which is set out on pages 21 to 37 of this circular; and
- (g) the written consent given by Platinum as referred to in the paragraph headed “Expert’s Qualifications, Consent and Interest” in this appendix.