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Clear Media Limited

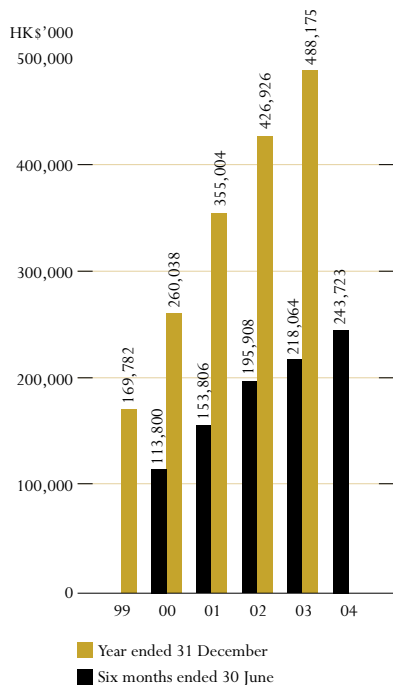
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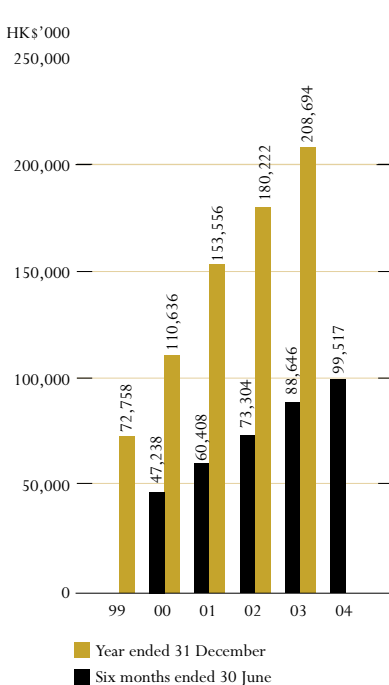
FINANCIAL HIGHLIGHTS

- Group turnover increased by 12% to HK\$243.7 million
- Turnover of core bus shelter advertising increased by 15% to HK\$241.3 million
- Gross profit increased by 20% to HK\$93.1 million
- EBITDA increased by 12% to HK\$99.5 million
- EBIT rose by 16% to HK\$43.5 million
- Net profit grew by 18% to HK\$32.1 million

TURNOVER



EBITDA



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

China has clearly entered the “Age of Consumers”. In the first half of 2004, despite measures taken to cool down the PRC’s overheated economy, consumer spending has continued to increase in tandem with surges in per capita income. This phenomenon of consumerism in the PRC has led to intense competition between different retail brands to appeal to their target consumer groups. The knock-on effect is the increased efforts by consumer brands to differentiate their products and services from other market players through advertising and brand-building. This has created a positive environment for the advertising industry in the PRC as more businesses have realized the importance of publicity in promoting awareness and support for their products, brand names and services. Clear Media looks forward to benefiting from the growing interest in and the increased awareness of the effectiveness of advertising.

In the first half of 2004, Clear Media’s top three turnover contributors come from the telecommunications, beverages and personal care products sectors respectively. This mirrors the emergence of an increasingly consumer-focused economy in the PRC. We have also seen intensified advertising activities from new categories of advertisers as a result of the market liberalization brought about by accession to the WTO. Indeed, the automobile industry has quickly become one of the biggest group of advertisers and is now one of Clear Media’s ten largest customers in terms of sales volume. The tightening of control in the distribution of advertising time in TV has also benefited us as some categories of companies such as pharmaceutical companies that used to spend substantial amounts on TV advertising has increased their ad spending in our network in the first half of the current financial year. In addition, as the market has become more sophisticated, more companies have devised and adopted advertising strategies to build their brand names and awareness. For example, a number of our clients in the home appliance industry have recently adopted a more professional advertising strategy to boost their market performance — our business has been a clear beneficiary of this change in approach.

Operations Review

Our vision remains clear and unwavering — Clear Media’s goal is to become the best and most successful outdoor media advertising company in the PRC. To this end, we have devised a number of well-defined strategies for growth. Our “always on” standardized bus shelter network now effectively reaches 30 key cities and millions of consumers across the PRC. The period under review marks six and a half consecutive years of growth for Clear Media and another solid interim performance.

Core Bus Shelter Advertising Business

Our core bus shelter advertising business continues to perform satisfactorily as we continue to benefit from the PRC's booming advertising market. Over the last six months, our nationwide network has generated HK\$241.3 million in turnover, representing a 15% increase from the same period last year. During the first half of the current financial year, we are pleased to report that sales and average selling prices of our advertising space have all shown increases. The average selling price of our advertising space increased by 5% over the same period last year with average occupancy rate remaining at 67%. Performance has been boosted by our innovative new advertising products and packages timed to coincide with major events, such as the 2004 Olympic Games, so as to maximize the sales potential in connection with such events.

2,000 new panels were added to Clear Media's bus shelter portfolio through organic buildup and acquisitions during the first six months of 2004. Acquisitions were made in Beijing and Guangzhou to enhance our leadership and to expand the reach of our leading outdoor network. Most of these new panels were only built or acquired during the second quarter of the fiscal year and will only contribute to the Group's business during the second half of the year. On a time weighted basis, the number of 12-sheet equivalent panels increased by 10% from 16,586 to 18,188.

Our top four cities — Guangzhou, Shanghai, Beijing and Shenzhen — now account for 56% of our total bus shelter advertising business, as compared with 51% in the corresponding period last year. In Guangzhou, sales increased by 27%, average selling price increased by 18% and the occupancy rate improved to 71%. In Shanghai, sales rose by 36%, average selling price surged by 18% and the occupancy rate increased from 73% to 81%. These impressive figures reflect Clear Media's leadership position in the market. Meanwhile, in Beijing, in order to cope with local competitors, we have strategically reduced selling price by 11%. As a result, occupancy rate was boosted by 14% from 70% to 84% and sales grew by 29%. After our recent acquisition in Beijing, our assets in the top four cities will increase from 37% to 45% of our total assets. We expect our strengthened market competitiveness will further enhance our position as the market leader in China's outdoor advertising market.

The mid-tier cities in the PRC contributed 44% to our total bus shelter advertising business. Our average selling price remained at around the same level as the same period last year. The key performer was Hangzhou where Clear Media has a market share of 97% and an average occupancy rate of 82%.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

New Formats

Our non-core advertising businesses contribute 1% overall to our sales and will continue to remain a small proportion of our operations for now.

The consolidation and development of chain store networks in the PRC has been slower than expected, and this, together with the potential risk of under-regulation in the unipole sector, have led us to outsource our point-of-sales and unipole operations to third parties since the end of 2003, so that we may concentrate our efforts on building and fortifying our core bus shelters advertising business, offering better and more stable returns to our stakeholders. As a result, the revenue of our non-core advertising business from the new format dropped significantly from HK\$8.1 million to HK\$2.5 million together with a corresponding decrease in operation costs.

Financial Review

Turnover

The Group's turnover increased by 12% from HK\$218.1 million to HK\$243.7 million during the period under review. This was due to the strong growth and performance of our core bus shelter advertising business in the first half. All of our turnover was derived in the PRC.

Clear Media's core bus shelter advertising business continued to perform well. Total bus shelter sales increased by 15% from HK\$209.9 million in the business first half of 2003 to HK\$241.3 million in the first half of 2004. This was due to a 10% increase in the weighted average number of shelters, and a 5% increase in average selling price with occupancy rate maintained at 67% .

EBITDA

Our total earnings before interest, tax, depreciation and amortization (EBITDA) increased by a healthy 12% to HK\$99.5 million in the first half of 2004, from HK\$88.6 million in the same period of 2003. Clear Media's EBITDA margin is maintained at 41% as compared with the corresponding period of last year.

EBIT

Our total earnings before interest and tax (EBIT) improved by 16% from HK\$37.4 million to HK\$43.5 million for the period under review.

Net Profit

Our net profit increased by 18% to HK\$32.1 million for the six months ended 30 June 2004 as compared with the corresponding period of last year. The net profit margin remained stable at 13% in the first half of 2004.

Expenses

Direct operating costs, which includes electricity, rental and maintenance costs, increased from HK\$74.4 million last year to HK\$77.1 million in the first half of 2004, but the percentage of expenses compared to turnover dropped from 34% last year to 31% in the first half of 2004. Rental costs decreased to 20% (2003: 22%), and maintenance costs remained the same at 6% (2003: 6%) as we continued to aggressively expand our bus shelters operations. Electricity costs decreased slightly as compared with the corresponding period of last year.

The expansion of our bus shelters network has however resulted in a higher charge for the amortization of concession rights which increased by 11% to HK\$52.9 million.

Liquidity and Financial Resources

The Group financed its operations and investment activities with internally generated cash flow, balanced with proceeds from our IPO and bank loans.

Cashflow

Net cash inflow generated from operations for the interim period reached HK\$96.4 million, as compared with HK\$45.5 million in the same period last year.

Cash from investing activities amounted to an outflow of approximately HK\$111 million. A total of HK\$110.4 million was spent on building and acquiring bus shelter advertising panels.

During the first six months of 2004, the Group concentrated on aggressively expanding its market share, in terms of the number of bus shelters, in key cities in the PRC. As such, the Group experienced a negative free cash flow from operations of HK\$19.7 million (six months ended 30 June 2003: positive free cash flow of HK\$25.1 million). The Group considers free cash flow (defined as EBITDA less cash outflow on capital expenditure, less income tax and net interest expense) to be an important measure of a company's ability to provide value to shareholders. By presenting free cash flow, the Group intends to provide investors with a better understanding of the Group's ability to pay debts, make acquisitions and grow organically.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Accounts Receivable

The Group's accounts receivable balance due from third parties was HK\$187 million for the period under review, as compared to HK\$167.8 million as at 31 December 2003 and HK\$161.3 million as at 30 June 2003.

Average accounts receivable outstanding days was 136 days, on a time-weighted basis, as at 30 June 2004, as compared to 129 days as at 31 December 2003 and 154 days as at 30 June 2003. Key measures continue to be taken to reduce the accounts receivable level.

As at 30 June 2004, amounts due from Guangdong White Horse Advertising Company Limited were HK\$24.4 million, as compared to HK\$26.2 million as at 31 December 2003.

Prepayments, Deposits and Other Receivables

Total Prepayments, Deposits and Other Receivables as at 30 June 2004 were HK\$97.1 million as compared to HK\$82.2 million at 31 December 2003. The increase in prepayments, deposits and other receivables was due mainly to advance payment to suppliers for the construction of bus shelters.

Other Payables and Accruals

Total payables and accruals for the interim period of 2004 were HK\$180.4 million as compared to HK\$142.7 million at 31 December 2003. The increase was due mainly to the increase of capital expenditure payable. It would be inappropriate to give turnover days against sales as the amounts payable are more closely related to capital expenditure incurred in bus shelters.

Borrowings and Gearing

As at 30 June 2004, the Group had pledged time deposits of HK\$173.6 million to banks as security for outstanding secured short-term bank loans of HK\$163.1 million at rates ranging from 4.8% to 5.3%. All of the Group's bank borrowings were repayable within one year.

The debt to equity ratio of the Group, defined as a percentage of net interest bearing borrowings over shareholders' funds, was at 0% as at 30 June 2004 as compared to 1% as at 30 June 2003 and 31 December 2003. As of 30 June 2004, the Group's total cash and bank balances amounted to HK\$200 million.

Use of IPO Proceeds

After deducting related expenses, the proceeds from the IPO and Over-allotment were HK\$648 million and HK\$9 million respectively. For the six months ended 30 June 2004, approximately HK\$110 million was used to finance our bus shelters acquisitions. The remaining HK\$7 million is deposited in bank accounts within banks in Hong Kong.

Capital Expenditure

To strengthen the Group's leading position in the PRC's outdoor advertising industry, the Group actively acquired concession rights and built bus shelters to expand its network of bus shelters advertising space. For the six months ended 30 June 2004, HK\$119.4 million was spent on obtaining bus shelter concession rights and HK\$1.3 million on other fixed assets.

Share Capital and Shareholders' Funds

During the period under review, Clear Media's issued and fully paid share capital remained unchanged. Shareholders' funds as at 30 June 2004 increased by 3% to HK\$1,324 million from HK\$1,288.4 million in 2003. The Group's reserves amounted to HK\$1,273.8 million compared to HK\$1,238.2 million recorded in the previous year. During the six months under review, there was no share repurchase.

Material Acquisitions and Disposals

During the period under review, there were no material acquisitions or disposals of any subsidiary, associate or joint venture of the Group.

Exposure to Foreign Exchange Risk

Our only investment in the PRC is the operating vehicle of the Group, the WHA joint venture, which conducts business only within the PRC. Most of our turnover, capital investment and expenses are denominated in Renminbi, except for interest payable, repayment of foreign currency loans obtained to finance our operating vehicle's operations and any potential future dividend to be declared by our operating vehicle to shareholders. To date, we have not experienced any difficulties in obtaining government approvals for foreign exchange purposes when required. No financial instruments for hedging purposes were issued in the six months ended 30 June 2004.

Employment, Training and Development

As at 30 June 2004, the Group has a total of 315 employees, an increase of 5.4% over the same period in 2003. Total staff costs were approximately 9% of turnover which was the same as the first half of 2003. Employees are remunerated based on their performance, experience and the prevailing industry practices with compensation policies and packages reviewed on a regular basis. Bonuses are linked to both the performance of the Group and to individual performance as a recognition of value creation. Share options are also granted to senior management in an effort to align their individual interests with the Group's.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Charge of Group Assets

There was no charge on the Group's assets during the six months under review other than time deposits of US\$6.1 million (approximately HK\$47.4 million) and HK\$126.2 million pledged to secure short-term bank loans of RMB173.0 million (approximately HK\$163.1 million) and time deposits of RMB17.8 million (approximately HK\$16.8 million) pledged as securities for bills payable of RMB35.7 million (approximately HK\$33.7 million).

Capital Commitments

As at the balance sheet date for this interim period, the Group has capital commitments contracted but not provided for in relation to the construction of bus shelters amounting to HK\$29.5 million, as compared to HK\$16.4 million as at 31 December 2003.

Contingent Liabilities

As at the balance sheet date for this interim period, the Group had bills discounted with recourse amounting to HK\$2.4 million (31 December 2003: HK\$ Nil).

A claim for specific performance and damages (the "Claim") has been made against China Outdoor Media Investment (Hong Kong) Company Limited ("China Outdoor Media (HK)") a subsidiary of the Group for alleged breach of contract in 1999. On 28 November 2001, Outdoor Media China, Inc., ("OMC"), Clear Channel Outdoor, Inc., ("CCO"), China Outdoor Media (HK) and the Company, entered into a Deed of Indemnity. Under the terms of the Deed of Indemnity, OMC and CCO have covenanted and undertaken to indemnify the Group against all claims (whether or not successful, compromised or otherwise settled), actions, damages, penalties, liabilities, legal fees, enforcement costs and expenses incurred by the Group in respect of the Claim. As at 30 June 2004, the Claim has not been settled.

Subsequent Events

The Company acquired around 3,000 advertising panels in Beijing from Beijing Public Transport Advertising Company at a price of approximately HK\$138,688,000 payable by instalments. Post completion, the Company's market share in Beijing will increase significantly from 36% to 86%, in terms of the number of advertising panels, and the Company's nationwide network will also be substantially strengthened, especially in the major cities.

The Company entered into an agreement with Beijing Capital International Airport Limited under which the Company was granted exclusive rights to operate all advertising space in Terminal One of Beijing Capital International Airport. This is part of the Company's medium-term growth strategy.

Outlook

Looking ahead, we expect our core bus shelter advertising business to continue to perform well in the latter half of the year. The second half is traditionally the peak advertising season and we believe that our year-end results will reflect this industry trend. The advertising opportunities offered by the 2004 Olympic Games in the third quarter will also fuel sales growth and momentum for Clear Media's comprehensive "always on" advertising network. Our orders signed and to be signed as at the end of August 2004 have already reached 93% of the Company's 2004 target.

We will continue to consolidate and integrate the 3,000 advertising panels acquired in Beijing due to be completed by the end of the year. While only making a minimal contribution for 2004, the new panels will significantly increase our market share in terms of the number of advertising panels in the capital city and strengthen Clear Media's overall competitiveness. Our market share in Beijing is poised to surge to 86% from 36% in terms of the number of advertising panels after the acquisition. As the market leader in Beijing, Guangzhou and Shanghai, we are able to further strengthen our leading position in the outdoor advertising industry in the PRC.

Through the acquisition of exclusive rights to the advertising space in Terminal One of Beijing Capital International Airport, we have established our foothold in the airport advertising market and broadened the scope of our operations. Based on our successful performance, we look forward to laying down the cornerstone for our development in this segment and hope to secure more contracts in the future.

Under our "Core+More" strategy we will continue to seek more opportunities for expansion. With the 2008 Beijing Olympics in view, we will build a strong foundation for our increasing opportunities for growth.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

		For the six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
	Notes		
TURNOVER		243,723	218,064
Cost of sales		(150,641)	(140,455)
Gross profit		93,082	77,609
Other revenue	3	1,963	2,540
Selling and distribution costs		(23,674)	(12,066)
Administrative expenses		(26,464)	(28,149)
PROFIT FROM OPERATING ACTIVITIES	4	44,907	39,934
Finance costs	5	(4,070)	(3,734)
PROFIT BEFORE TAX		40,837	36,200
Tax	6	(5,511)	(6,122)
PROFIT BEFORE MINORITY INTERESTS		35,326	30,078
Profit attributable to minority interests		(3,230)	(2,879)
PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		32,096	27,199
EARNINGS PER SHARE			
Basic	7	HK6.40 cents	HK5.42 cents
Diluted	7	HK6.26 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As of 30 June 2004 (Unaudited) HK\$'000	As of 31 December 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		48,396	51,261
Concession rights		933,389	861,612
Deferred tax assets		349	349
		982,134	913,222
CURRENT ASSETS			
Accounts receivable	9	186,962	167,794
Prepayments, deposits and other receivables		97,132	82,185
Due from related parties		24,390	26,174
Short term investments		7,104	10,349
Pledged time deposits		190,359	199,500
Cash and bank balances		199,992	224,830
		705,939	710,832
CURRENT LIABILITIES			
Interest-bearing bank borrowings		163,069	171,718
Other payables and accruals		180,351	142,686
Deferred income		7,905	3,147
Tax payable		6,764	8,164
		358,089	325,715
NET CURRENT ASSETS		347,850	385,117
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,329,984	1,298,339
MINORITY INTERESTS			
		6,011	9,966
		1,323,973	1,288,373
CAPITAL AND RESERVES			
Issued capital	10	50,161	50,161
Reserves	11	1,273,812	1,238,212
		1,323,973	1,288,373

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	30 June 2004 (Unaudited) <i>HK\$'000</i>	31 December 2003 (Audited) <i>HK\$'000</i>
TOTAL EQUITY		
Balance at beginning of period/year	1,288,373	1,209,750
Exchange differences on translation of the financial statements of a foreign entity and net gains and losses not recognised in the consolidated profit and loss account	3,504	(3,161)
Net profit from ordinary activities attributable to shareholders	32,096	81,784
Balance at end of period/year	1,323,973	1,288,373

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Cash generated from operations	96,393	45,475
Interest paid	(4,094)	(3,750)
Income tax paid	(6,911)	(4,182)
Net cash from operating activities	85,388	37,543
Net cash used in investing activities	(111,039)	(56,574)
Net cash generated from/(used in) financing activities	492	(11,275)
DECREASE IN CASH AND CASH EQUIVALENTS	(25,159)	(30,306)
Cash and cash equivalents at beginning of period	224,830	267,158
Effects of foreign exchange rate changes, net	321	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	199,992	236,852

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those set out in the annual financial statements for the year ended 31 December 2003.

2. Segment Information

The Group is principally engaged in media sales in the People’s Republic of China (the “PRC”).

3. Other Revenue

	For the six months ended 30 June	
	2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Interest income	1,359	2,540
Gain on disposal of short term listed investments	604	—
	1,963	2,540

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

4. Profit from Operating Activities

Profit from operating activities was determined after charging/(crediting) the following:

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Provision for doubtful debts	2,451	7,769
Auditors' remuneration	605	539
Depreciation of owned assets	3,093	3,760
Amortisation of concession rights and depreciation of point-of-sale	52,876	47,492
Operating lease rentals on buildings	4,457	4,318
Staff costs (directors' remuneration included)	21,779	19,245
Interest income	(1,359)	(2,540)
Gain on disposal of short term listed investments	(604)	—

5. Finance Costs

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest on:		
Bank loans		
wholly repayable within five years	4,070	3,734

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

6. Tax

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
PRC corporate income tax	5,511	4,960
Deferred tax charge for the period	—	1,162
Tax charge for the period	5,511	6,122

The Group provides for tax on the basis of their income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the current interim period.

According to the Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises, Hainan White Horse Advertising Media Investment Company Limited (“WHA Joint Venture”), a subsidiary of the Company established in Hainan Special Economic Zone of the PRC, is subject to a corporate income tax at a rate of 15% on its assessable profits arising in the PRC for the current interim period.

7. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the current interim period of HK\$32,096,000 (six months ended 30 June 2003: HK\$27,199,000) and the weighted average of 501,608,500 (six months ended 30 June 2003: 501,608,500) ordinary shares.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the current interim period of HK\$32,096,000 (six months ended 30 June 2003: HK\$27,199,000). The weighted average number of ordinary shares used in the calculation is the 501,608,500 (six months ended 30 June 2003: 501,608,500) ordinary shares, as used in the basic earnings per share calculation; and the weighted average of 11,003,463 (six months ended 30 June 2003: Nil) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options with dilutive effect during the current interim period.

Diluted earnings per share amount for the six months ended 30 June 2003, has not been disclosed as the share options had no dilutive effects throughout that period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

8. Dividends

The Board of Directors resolved not to pay interim dividend to shareholders in respect of the six months ended 30 June 2004 (six months ended 30 June 2003: Nil).

9. Accounts Receivable

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Current to 90 days	93,710	96,855
91 — 180 days	35,416	31,151
Over 180 days	57,836	39,788
Total	186,962	167,794

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 90 days.

10. Issued Capital

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Autorised:		
700,000,000 ordinary shares of HK\$0.10 each	70,000	70,000
Issued and fully paid:		
501,608,500 ordinary shares of HK\$0.10 each	50,161	50,161

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

11. Reserves

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At beginning of period	644,427	351,007	(2,576)	245,354	1,238,212
Translation exchange differences arising on consolidation of a subsidiary	—	—	3,504	—	3,504
Net profit for the period	—	—	—	32,096	32,096
	644,427	351,007	928	277,450	1,273,812

12. Related Party Transactions

	Notes	For the six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Agency commission paid to Guangdong White Horse Advertising Company Limited ("GWH"), a company in which Mr. Han Zi Dian, a director of the Company, has an ability to exercise direct or indirect influence over the management	(i)	306	3,027
Sales to GWH	(ii)	1,734	16,679
Bus shelter maintenance and display fees payable to companies in which Mr. Han Zi Dian, a director of the Company, is able to indirectly exercise influence over the management	(iii)	4,019	10,718
Creative services fees payable to GWH	(iv)	1,412	—

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

- (i) The agency commission paid to GWH was based on the standard percentage of gross rental revenue for outdoor advertising spaces payable to other major third party agencies used by the Group.
- (ii) The sales to GWH were made according to published prices and conditions similar to those offered to the major customers of the Group.
- (iii) The WHA Joint Venture has entered into various agreements for the maintenance of bus shelters and the display of posters in the PRC with the companies in which Mr. Han Zi Dian, a director of the Company, has an ability to exercise indirect management influence. The fees are proportional to the number of bus shelters in each of these cities and are subject to a minimum fixed amount. The terms of each of the maintenance service agreements are on normal commercial terms.
- (iv) The WHA Joint Venture has entered into a creative services agreement (“Creative Services Agreement”) on 23 April 2004 with GWH, whereby GWH agreed to provide poster design service, the design of sales, marketing materials and company profiles and other related creative services to the Group. The terms of the Creative Services Agreement are on normal commercial terms.

SUPPLEMENTARY INFORMATION

Directors' Disclosure of Interests

As at 30 June 2004, the interests of each Director and chief executive of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which (i) 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 they are taken or deemed to have under such provisions of the SFO), (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

(i) *Long position in Shares*

Name of Director	Directly beneficially owned	Number of Shares held, capacity and nature of interest			Beneficiary of a trust	Total	Percentage of Share capital
		Through spouse/ minor children	Through controlled corporation				
Han Zi Jing	—	—	25,090,000	—	25,090,000	5.0%*	

* *The 25,090,000 Shares are held by Outdoor Media China, Inc., a company incorporated in Western Samoa Offshore Chambers. As at 26 April 2004, Mr. Han Zi Jing held approximately 98% of the issued share capital of Golden Profits Consultants Limited, which is the beneficial holder of 100% of the shares in Outdoor Media China, Inc. The effective interest of Mr. Han is therefore 98%.*

(ii) *Interest in share options granted by the Company*

The Company operates a share option scheme ("Scheme") effective on 28 November 2001 which allows the Directors at their discretion to invite employees, Directors or consultants of any company in the Group to acquire options. The Company also adopted a pre-IPO option scheme ("Pre-IPO Scheme") on 28 November 2001 as described in the Company's prospectus dated 10 December 2001.

SUPPLEMENTARY INFORMATION (cont'd)

As at 30 June 2004, the options granted by the Company were as follows:

Name or category of participant	Type of share option scheme	Number of share options						Date of grant of share options*	Exercise period	Price of Company's shares ***		
		At the beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At the end of the year			Exercise price per share**	At grant date of options	At exercise date of options
									HKS	HKS	HKS	
Director												
Steven Yung	Pre-IPO share option scheme	2,500,000	—	—	—	—	2,500,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—
	The Scheme	1,250,000	—	—	—	—	1,250,000	29/06/2002	29/06/2009 to 28/05/2006 to	5.51	5.3	—
	The Scheme	—	1,400,000	—	—	—	1,400,000	28/05/2003	27/05/2010	3.51	3.5	—
		<u>3,750,000</u>	<u>1,400,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,150,000</u>					
Peter Cogrove	Pre-IPO share option scheme	1,250,000	—	—	—	—	1,250,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—
	The Scheme	625,000	—	—	—	—	625,000	29/06/2002	29/06/2009 to 28/05/2006 to	5.51	5.3	—
	The Scheme	—	704,000	—	—	—	704,000	28/05/2003	27/05/2010	3.51	3.5	—
		<u>1,875,000</u>	<u>704,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,579,000</u>					
Han Zi Jing	Pre-IPO share option scheme	3,334,000	—	—	—	—	3,334,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—
	The Scheme	1,666,000	—	—	—	—	1,666,000	29/06/2002	29/06/2009 to 28/05/2006 to	5.51	5.3	—
	The Scheme	—	1,900,000	—	—	—	1,900,000	28/05/2003	27/05/2010 to 20/11/2006 to	3.51	3.5	—
	The Scheme	—	1,000,000	—	—	—	1,000,000	19/11/2003	19/11/2010	5.35	5.35	—
	<u>5,000,000</u>	<u>2,900,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,900,000</u>						
Teo Hong King	Pre-IPO share option scheme	1,200,000	—	—	—	—	1,200,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—
	The Scheme	600,000	—	—	—	—	600,000	29/06/2002	29/06/2009 to 28/05/2006 to	5.51	5.3	—
	The Scheme	—	670,000	—	—	—	670,000	28/05/2003	27/05/2010	3.51	3.5	—
		<u>1,800,000</u>	<u>670,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,470,000</u>					
Zou Nan Feng	Pre-IPO share option scheme	800,000	—	—	—	—	800,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—
	The Scheme	400,000	—	—	—	—	400,000	29/06/2002	29/06/2009 to 28/05/2006 to	5.51	5.3	—
	The Scheme	—	666,000	—	—	—	666,000	28/05/2003	27/05/2010	3.51	3.5	—
		<u>1,200,000</u>	<u>666,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,866,000</u>					

SUPPLEMENTARY INFORMATION (cont'd)

Name or category of participant	Type of share option scheme	Number of share options						At the end of the year	Date of grant of share options*	Exercise period	Price of Company's shares ***		
		At the beginning of the year	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At the end of the year				Exercise price per share**	At grant date of options	At exercise date of options
Zhang Hui Jun****	Pre-IPO share option scheme	350,000	—	—	—	—	350,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—	
	The Scheme	175,000	—	—	—	—	175,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3	—	
	The Scheme	—	666,000	—	—	—	666,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5	—	
		525,000	666,000	—	—	—	1,191,000						
Others													
Members of senior management and other employees of the Group****	Pre-IPO share option scheme	10,400,000	—	—	1,800,000	—	8,600,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—	
	The Scheme	5,200,000	—	—	900,000	—	4,300,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3	—	
	The Scheme	—	5,994,000	—	—	—	5,994,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5	—	
	The Scheme	—	2,000,000	—	—	—	2,000,000	19/11/2003	20/11/2006 to 19/11/2010	5.35	5.35	—	
		15,600,000	7,994,000	—	2,700,000	—	20,894,000						
In aggregate	Pre-IPO share option scheme	19,834,000	—	—	1,800,000	—	18,034,000						
	The Scheme	9,916,000	—	—	900,000	—	9,016,000						
	The Scheme	—	12,000,000	—	—	—	12,000,000						
	The Scheme	—	3,000,000	—	—	—	3,000,000						
		29,750,000	15,000,000	—	2,700,000	—	42,050,000						

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period except for:

- (i) For the share options granted under the Pre-IPO share option scheme, 33% of the options granted will vest at the end of the first full financial year (the "Period") after the grant date if the Company achieves a 20% growth in its earnings before interest, tax, depreciation, and amortisation (the "EBITDA") during the Period. Further, 66.7% of the options granted will vest at the end of the second full financial year after grant if the Company achieves a compounded annual growth rate of 20% in its EBITDA during the first two full financial years after the grant date.
- (ii) For the share options granted on 28 May 2003 and 19 November 2003, the options will not become vested at the end of the third year after the grant date unless the Company has achieved an average annual earnings per share growth of 5% each year for the first three full financial years after the grant date.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

SUPPLEMENTARY INFORMATION (cont'd)

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

**** Mr. Zhang Huai Jun was appointed as an alternate director to Mr. Han Zi Dian on 18 December 2003. The share options granted to him are disclosed separately and disclosure of share options under the members of senior management and other employees of the Group category has been restated to conform with the change.

Save as disclosed above, as at 30 June 2004, none of the Directors and chief executive of the Company was interested in the equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which (i) 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 they are taken or deemed to have under such provisions of the SFO), (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

The financial impact of the share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options, and have no impact on the profit and loss account or balance sheet.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted to the directors, and members of senior management and other employees of the Group, because in the absence of a readily available market value of the share options on the ordinary shares of the Company, the Directors were unable to arrive at an accurate assessment of the value of these share options.

Save as disclosed herein, at no time during the six months ended 30 June 2004 was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUPPLEMENTARY INFORMATION (cont'd)

Substantial Shareholders

As at 30 June 2004, so far as was known to the Directors and chief executive of the Company, the persons, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of substantial shareholder of the Company	Number of Shares	Approximate percentage of the total issued shares
Clear Channel Outdoor, Inc.	241,337,500	48.1%
The Capital Group Companies, Inc.	70,659,000	14.1%
FMR Corp.	29,830,600	6.0%
OMC	25,090,000	5.0%

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 30 June 2004, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, 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.

Corporate governance practices adopted by the Group during the six-month period ended 30 June 2004 are in line with the those practices set out in the Group's 2003 Annual Report.

Corporate Governance

The Board is committed to the principles of corporate governance for a transparent, responsible and value-driven management that is focused on enhancing in shareholder value. In order to reinforce independence, accountability and responsibility, the role of the Group's Chairman is separate from that of the Group's CEO. The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee with defined terms of reference.

Investor Relations and Communications

The Group has maintained proactive communications with institutional investors and analysts through regular meetings, investment conferences and electronic newsletters. The Group also maintains an investor relations website (www.clear-media.net) to disseminate information to investors and shareholders on a timely basis.

Audit Committee

The Audit Committee is comprised of a majority of independent non-executive directors with substantial expertise in finance as well as relevant market experience. The Committee has reviewed the audit findings, the accounting policies and practices adopted by the Group, and has also discussed and approved auditing, internal controls, risk management and financial reporting matters including the unaudited interim financial statements for the six-month period ended 30 June 2004.

Compliance with the Listing Rules

None of the Directors are aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six-month period ended 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the interim period, the Company has adopted the Model Code set out in Appendix 10 of the Listing Rules regarding securities transactions by Directors and all of the Directors have complied with the required standard set out in the Model Code.

Purchase, Sales and Redemption of the Company's Listed Securities

The Company has not redeemed any of its listed securities during this interim period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Group's listed securities during the said period.

Publication of Detailed Results Announcement on the Stock Exchange's Website

The Company will submit to The Stock Exchange of Hong Kong Limited ("HKEX") on or before 22 September 2004 a compact disc containing all the information required by paragraphs 46(1) to (9) (both paragraphs inclusive) of Appendix 16 to the Listing Rules for uploading onto HKEX's website (www.hkex.com.hk).

By Order of the Board

Steven Yung

Chairman

Clear Media Limited

8 September 2004

FACTSHEET AT A GLANCE

Shareholder Information with 10% or more shareholding

as at 30 June 2004

— Clear Channel Outdoor, Inc.	48.1%
— The Public	37.8%
— The Capital Group Companies, Inc.	14.1%

Nominal Value: HK\$0.1 per share

Listing: Main Board of
The Stock Exchange of Hong Kong Limited

Listing Date: 19 December 2001

Ordinary Shares:

— Shares outstanding as at 30 June 2004 501,608,500 shares

Market Capitalization:

— as at HK\$6.2 per share (based on closing price on 30 June 2004) HK\$3.1 billion

Stock Code:

— Hong Kong Stock Exchange 100
— Reuters 0100.HK
— Bloomberg 100 HK

Financial Year End: 31 December

CORPORATE INFORMATION

Business Area	:	Outdoor Media
Directors	:	Steven Yung Roger Parry Peter Cosgrove Han Zi Jing Teo Hong Kiong Zou Nan Feng Mark Mays Han Zi Dian Jonathan Bevan Desmond Murray Wang Shou Zhi Coline McConville (alternate to Jonathan Bevan) Zhang Huai Jun (alternate to Han Zi Dian) Lenna Chin (alternate to Mark Mays) Tim Maunder (alternate to Roger Parry)
Company Secretary	:	Gary Ng
Head Office	:	Room 3205 32/F Windsor House 311 Gloucester Road Causeway Bay Hong Kong
Registered Office	:	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Legal Advisors	:	<i>Hong Kong and United States Law</i> Freshfields Bruckhaus Deringer <i>PRC Law</i> King & Wood PRC Lawyers <i>Bermuda Law</i> Conyers Dill & Pearman

CORPORATE INFORMATION (cont'd)

Auditors	:	Ernst & Young
Principal Banker	:	Shanghai Pudong Development Bank
Principal Share Registrar	:	Butterfield Corporate Services Limited 11 Rosebank Centre Bermudiana Road Hamilton Bermuda
Hong Kong Share Registrar	:	Tengis Limited G/F Bank of East Asia Harbour View Center 56 Gloucester Road Wanchai Hong Kong
Authorized Representatives	:	Steven Yung Gary Ng
Investor Relations Contact	:	Gary Ng
PR Consultant	:	iPR ASIA LTD
Corporate Website	:	www.clear-media.net