

The directors of Clear Media Limited (the “Company”) are pleased to present their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2004.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

Results and Dividends

The Group’s profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 70 to 98.

The directors do not recommend the payment of any dividend in respect of the year.

Use of Proceeds from the Company’s Initial Public Offering

Upon the listing of the Company’s shares on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 December 2001 and the subsequent issue of shares on 11 January 2002, the proceeds, after the netting of related expenses paid and payable, were approximately HK\$648 million and HK\$9 million, respectively. As at 1 January 2004, a total amount of approximately HK\$540 million was utilised. For the year ended 31 December 2004, the remaining approximately HK\$117 million was fully utilised to finance further development of the Group’s bus shelters.

Summary Financial Information

The following is a summary of the published combined results and of the assets, liabilities and minority interests of the Group prepared on the basis set out in the note below:

		Year ended 31 December			
	2004 HK\$’000	2003 HK\$’000	2002 HK\$’000	2001 HK\$’000	2000 HK\$’000
RESULTS					
Turnover	538,434	488,175	426,916	355,004	260,038
Profit before tax	119,131	103,736	87,575	70,843	46,318
Tax	(13,735)	(13,502)	(8,772)	(6,579)	(2,433)
Minority interests	(10,268)	(8,450)	(7,697)	(5,358)	(2,195)
Net profit from ordinary activities attributable to shareholders	95,128	81,784	71,106	58,906	41,690

Summary Financial Information *(Continued)*

	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
ASSETS, LIABILITIES AND MINORITY INTERESTS					
Non-current assets	1,197,085	913,222	915,498	707,419	477,902
Current assets	759,088	710,832	609,554	1,139,174	403,779
Current liabilities	(251,779)	(325,715)	(299,270)	(700,562)	(515,494)
Non-current liabilities	(314,400)	—	(2,936)	(2,936)	(2,433)
Minority interests	(5,221)	(9,966)	(13,096)	(13,297)	(8,776)
	1,384,773	1,288,373	1,209,750	1,129,798	354,978

Note: The summary of the combined results of the Group for the year ended 31 December 2000 and the combined balance sheets of the Group as at 31 December 2000 has been extracted from the Company's prospectus dated 10 December 2001. The results and of the assets, liabilities and minority interests of the Group for the years ended 31 December 2001, 2002, 2003 and 2004 are extracted from the published audited financial statements and presented on the basis set out in note 3 to the financial statements.

Fixed Assets and Concession Rights

Details of movements in the fixed assets and concession rights of the Group for the year ended 31 December 2004 are set out in notes 13 and 15 to the financial statements respectively.

Share Capital and Share Options

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options for the year ended 31 December 2004, together with the reasons therefor, and details of the Company's share option schemes are set out in note 24 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

Distributable Reserves

As at 31 December 2004, the Company's share premium account, contributed surplus and retained profits accounts available for cash distribution and/or distribution in specie amounted to HK\$1,101,798,000 (2003: HK\$1,099,596,000). In accordance with the Bermuda Companies Act 1981, the Company's contributed surplus may be distributed in certain circumstances.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

The Company's shares were listed on the Stock Exchange on 19 December 2001. Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year and up to the date of this report.

During the financial year ended 31 December 2004, there was an issue of zero coupon Convertible Bonds due 2009 in the aggregate principal amount of HK\$312,000,000 (the "Bonds") by the Company. Each Bond is convertible, at the option of the holder on and after 26 November 2004 up to and including 28 September 2009 into fully paid ordinary shares with a par value of HK\$0.10 each in the Company at an initial conversion price of HK\$9.585.

Charitable Contributions

During the year, the Group did not make any charitable contributions (2003: Nil).

Major Advertisers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the Group's turnover for the year. Payment to the Group's five largest suppliers who provide goods and services specific to the Group's businesses and which are required on a regular basis to enable the Group to conduct its business accounted for less than 30% of the Group's total payment to suppliers for the year.

None of the directors or any of their associates, or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest advertisers and/or suppliers.

Connected Transactions

The Group entered into the following continuing connected transactions during the year ended 31 December 2004:

- (a) On 30 November 2001, the Group entered into a Framework Agreement (the "Framework Maintenance Agreement") with Hainan White Horse Advertising Company Limited ("Hainan White Horse"), a company established in the People's Republic of China (the "PRC") with a 20% shareholding in one of the Group's subsidiaries, Hainan White Horse Advertising Media Investment Company Limited (the "WHA Joint Venture") and maintenance services agreements (the "Maintenance Services Agreements") with 24 companies (collectively referred to as the "White Horse Companies") to outsource the provision of maintenance and other related services.

The White Horse Companies are connected persons of the Company due to the fact that one of the directors of the Company, Mr. Han Zi Dian, can exercise, or control the exercise of, over 30% of the voting power at general meetings or is able to indirectly exercise influence over the management of such White Horse Companies.

Under the Framework Agreement, Hainan White Horse has agreed to procure the White Horse Companies to perform cleaning, maintenance and other related services to the WHA Joint Venture. The Maintenance Services Agreements are for a fixed term of 10 years.

Connected Transactions (Continued)

(a) (Continued)

In order to comply with the continuing connected transactions provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the Maintenance Services Agreements were terminated on 11 May 2004. On the same day, the WHA Joint Venture entered into new maintenance services agreements with the White Horse Companies on substantially the same terms as the old agreements for a fixed term of three years. Pursuant to the new maintenance services agreements, the WHA Joint Venture continues to outsource to White Horse Companies the provision of maintenance and the related services, in respect of bus shelters operated by the WHA Joint Venture, in 15 cities in the PRC. The maintenance fees payable consist of a pre-determined base cost and an incentive payment which is based on the Group’s discretion and awarded to those White Horse Companies that meet certain quality and performance criteria set by the WHA Joint Venture.

- (b) A portion of the advertising revenue generated by the WHA Joint Venture was booked through Guangdong White Horse Advertising Company Limited (“GWH”). GWH is a connected person of the Company because one of the directors of the Company, Mr. Han Zi Dian, is able to exercise influence over the management and day-to-day operations as director and general manager of GWH and controls the composition of a majority of the board of directors of GWH from an indirect interest of 14.2% in GWH. In 2001, the WHA Joint Venture and GWH entered into an agreement which documented an arrangement between the parties relating to advertising commission which has been in place since January 1999 and under which GWH would be entitled to agency commission at a standard rate of 15%. Under this agreement, notwithstanding the terms and conditions of the advertising agency agreements between them, to the extent that GWH does not settle the amounts due from it relating to any advertising agency agreements within 12 months, GWH would not be entitled to retain any agency commission.

On 11 May 2004, the WHA Joint Venture and GWH entered into a Framework Agreement (the “Commission Framework Agreement”), which formalised the advertising commission arrangement between both parties.

- (c) On 23 April 2004, WHA Joint Venture and GWH entered into a creative services agreement pursuant to which GWH agreed to provide to the WHA Joint Venture creative design services for posters, sales and marketing materials and company profiles for a consideration of approximately RMB3,000,000 (equivalent to approximately HK\$2,825,000), such consideration represented approximately 0.52% of the Group’s revenues for the year ended 31 December 2004. Under the agreement, WHA Joint Venture shall pay to GWH the fees for such services on or before the 25th day of each calendar month.

The independent non-executive directors confirmed that all the connected transactions:

- (a) had been entered into and the agreements governing those transactions were entered into by the Group in the ordinary and usual course of business;
- (b) had been conducted either (i) on normal commercial terms (which expression shall be applied by reference to transactions of a similar nature and to be made by similar entities); or (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties, as appropriate; and
- (c) had been entered into either (i) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Group’s shareholders as a whole; or (ii) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties, as appropriate.

Connected Transactions *(Continued)*

The independent non-executive directors further confirmed that:

- (a) the maintenance fees payable by the Group to the White Horse Companies in relation to the Maintenance Services Agreements did not exceed HK\$18 million; and
- (b) the value of sales from GWH and the advertising commission payable by the Group to GWH in relation to the advertising commission arrangement did not exceed HK\$100 million and HK\$15 million, respectively.

The auditors of the Group have reviewed the connected transactions and confirmed to the directors that:

- (a) the transactions have received the approval of the board of directors;
- (b) the transactions were entered into in accordance with the pricing policies as stated in the Company's financial statements;
- (c) the transactions were entered into in accordance with the relevant agreements governing those transactions or if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
- (d) have not exceeded the caps set out in the respective paragraphs above.

The Group also had the following connected transactions during the year ended 31 December 2001:

(a) Trademark Licence Agreement

- (i) The WHA Joint Venture entered into a Trademark Licence Agreement with Guangdong White Horse Development Parent Company ("Guangdong White Horse") dated 30 November 2001 whereby Guangdong White Horse agreed to grant to the WHA Joint Venture a licence to use the "White Horse" trademark in whole or in part or to display any patterns, words, logos or marks of the trademark for outdoor advertising in the PRC. Provided that Outdoor Media China Inc. ("OMC"), a shareholder of the Company and an international company incorporated under the laws of Western Samoa, and/or Mr. Han Zi Jing, a director of the Company and his associates has at least a 10% direct or indirect interest in the Company, the licence shall be on an exclusive basis and Guangdong White Horse will not have any termination rights. Upon OMC and/or its associates reducing its/their interests to less than a 10% direct or indirect interest in the Company, the licence will become non-exclusive and be limited to a period of five years starting from the date OMC and/or Mr. Han Zi Jing and his associates cease to hold at least a 10% direct or indirect interest in the Company. The licence is renewable at the option of Guangdong White Horse at the expiry of the licence. The grant of the licence was for RMB1.00 but otherwise was royalty-free.

On 1 December 2004, Guangdong White Horse entered into an Addendum to the Trademark Licence Agreement agreeing to lower the terms to 1% direct or indirect interest in the Company with all other terms and conditions remaining unchanged.

- (ii) The WHA Joint Venture entered into a Trademark Licence Agreement and a Transfer Agreement with GWH dated 30 November 2001 whereby GWH assigns the "Feng Shen Bang", "Qing Tian Bang" and "Ming Deng Bang" trademarks to the WHA Joint Venture. The annual licence fee is RMB1.00. The agreement will remain in force until all the trademarks are registered in the name of the WHA Joint Venture.

Connected Transactions (Continued)

(a) Trademark Licence Agreement (Continued)

- (iii) The Company entered into two Trademark Licence Agreements with Clear Channel Communications, Inc. and Clear Channel International Limited both on 28 November 2001 whereby the Company and members of the Group are granted the licence to use the “Adshel” and “Clear Channel” names, logos, symbols, emblems, insignia and other identifying materials for use in the outdoor advertising business in the PRC. The licence is for a term of five years. Upon the expiry of the licence, it is renewable at the option of Clear Channel Communications, Inc. and Clear Channel International Limited. The licence was granted for a consideration of HK\$1.00.

(b) Option agreement

On 30 November 2001, China Outdoor Media Investment (Hong Kong) Company Limited (“China Outdoor Media (HK)”) and Hainan White Horse entered into an option agreement which would provide China Outdoor Media (HK) an option to purchase the whole or part of Hainan White Horse’s 20% interest in the WHA Joint Venture. The option may only be exercised when PRC laws and regulations permit China Outdoor Media (HK)’s shareholding in the WHA Joint Venture to be higher than 80%. The price to be paid on the exercise of the option is RMB5,000,000 for the entire 20% interest or a proportionate amount if the option is exercised in respect of a smaller percentage interest in the WHA Joint Venture. The agreement is for a term of 30 years.

Please refer to note 30 to the financial statements for a summary of the connected transactions.

Directors

The directors of the Company during the year were:

Executive directors:

Steven Yung (*Chairman*)

Han Zi Jing (*the CEO*)

Teo Hong Kiong

Zou Nan Feng

Non-executive directors:

Peter Cosgrove

Mark Mays

Roger Parry

Jonathan Bevan

Han Zi Dian

Chin Oi Ling Lenna (alternate director to Mark Mays)

Tim Maunder (alternate director to Roger Parry)

Coline McConville (alternate director to Jonathan Bevan, resigned on 26 January 2005)

Zhang Huai Jun (alternate director to Han Zi Dian)

Independent non-executive directors:

Desmond Murray

Leonie Ki Man Fung (appointed on 15 September 2004)

Wang Shou Zhi

Directors *(Continued)*

On 26 January 2005, Ms. Coline McConville resigned as an alternate to Mr. Jonathan Bevan, a non-executive director of the Company.

In accordance with clause 87 of the Company's bye-laws, one-third of the directors (other than the Chairman and CEO) will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors, but excluding the chairman of the board of directors and chief executive of the Company, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's bye-laws.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 50 to 53 of the annual report.

Directors' Service Contracts

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years commencing from 30 November 2001, which will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other. The service agreements with the executive directors have been renewed in 2004 on the same basis.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during or at the end of the year.

Directors' and Chief Executive's Interests and Short Positions in Shares

At 31 December 2004 the interests and short positions of the directors, the chief executive or their associates in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept 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 Issuers, were as follows:

Long positions in ordinary shares of the Company as at 31 December 2004:

Name of director	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital	
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
Han Zi Jing	—	—	15,090,000	—	15,090,000	3.0%

Note: The 15,090,000 shares are held by Outdoor Media China, Inc. ("OMC"), a company incorporated in Western Samoa of Offshore Chambers. As at 31 December 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 OMC. The effective interest of Mr. Han Zi Jing in OMC is therefore 98%.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded 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 Issuers.

Directors' Rights to Acquire Shares

Apart from as disclosed under the headings "Directors' and chief executive's interests and short positions in shares" above and in the "Share option schemes" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director, or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Schemes

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the Group's operations. Under the Scheme, the directors may, at their discretion, invite any employees, directors or consultants of any company in the Group to acquire options. The Scheme became effective on 28 November 2001 and, unless otherwise cancelled or amended, will remain in force for seven years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option scheme of the Company pursuant to which options may from time to time be granted to directors, consultants, and/or employees of any company in the Group, shall initially not exceed 10% of the relevant class of securities of the Company in issue excluding, for this purpose, shares issued on the exercise of options under the Scheme and any other share option scheme of the Company. Upon the grant of options for shares up to 10% of the relevant class of securities of the Company and subject to the approval of the shareholders of the Company in general meetings, the maximum number of shares to be issued under this scheme when aggregated with securities to be issued under any other share option scheme of the Group, may be increased by the board of directors provided that the number of shares to be issued upon the exercise of all outstanding options does not exceed 30% of the relevant class of securities in issue from time to time.

Share Option Schemes *(Continued)*

No option may be granted to any person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time.

An option may be exercised in accordance with the terms of the Scheme at any time during the option period (and not more than seven years after the date of grant). The option period will be determined by the board of directors and communicated to each grantee. The board of directors may provide restrictions on the period during which the options may be exercised. There are no performance targets which must be achieved before any of the options can be exercised except for the share options granted on 28 May 2003 and 19 November 2003. 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. However, the board of directors retains discretion to accelerate the vesting of fixed term options in the event that certain performance targets are met.

The subscription price for the Company's shares under the Scheme will be a price determined by the board of directors and notified to each grantee. The subscription price will be the highest of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (iii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant. An option shall be deemed to have been granted and accepted by an eligible participant (as defined in the Scheme) and to have taken effect when the acceptance form as described in the Scheme is completed, signed and returned by the grantee with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant.

As at 31 December 2004, the number of shares issuable under share options granted under the Scheme was 24,016,000, which represented approximately 4.8% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options may be granted to each eligible participant in the Scheme within any 12-month period up to the date of the latest grant, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

On 28 November 2001, the Company also adopted a pre-IPO share option scheme (the "Pre-IPO share option scheme") conditionally as described in the Company's prospectus dated 10 December 2001. The principal terms of the Pre-IPO share option scheme are substantially the same as the terms of the Scheme except that:

- (a) Employees, directors and consultants of the Group who have contributed substantially to the growth of the Group and to the initial public offering or full-time employees and directors of the Group are eligible to participate in the Pre-IPO share option scheme;
- (b) The subscription price for the shares under the Pre-IPO share option scheme shall be equal to the offer price; and
- (c) The Pre-IPO share option scheme will remain in force for a period commencing on the date on which the Pre-IPO share option scheme is conditionally adopted by the shareholders of the Company and ending on the day immediately prior to 19 December 2001, after which period no further options will be granted but in all other respects the provisions of the Pre-IPO share option scheme shall remain in full force and effect.

Share Option Schemes (Continued)

As at 31 December 2004, the number of shares issuable under share options granted under the Pre-IPO share option scheme was 18,034,000, which represented approximately 3.6% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Pre-IPO share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The share options granted under the Pre-IPO share option scheme at the beginning of the year and the Scheme during the year for a consideration of HK\$1.00 per grant are set out below:

											Price of the Company's shares ***	
Name or category of participant	Type of share option scheme	Number of share options						Date of grant of share options *	Exercise period	Exercise price per share ** HK\$		
		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				At grant date of options HK\$	At exercise date of options HK\$
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	30/6/2005 to 29/06/2009	5.51	5.3	—
	The Scheme	1,400,000	—	—	—	—	1,400,000	28/05/2003	29/05/2006 to 27/05/2010	3.51	3.5	—
		5,150,000	—	—	—	—	5,150,000					
Peter Cosgrove	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	30/06/2005 to 29/06/2009	5.51	5.3	—
	The Scheme	704,000	—	—	—	—	704,000	28/05/2003	29/05/2006 to 27/05/2010	3.51	3.5	—
		2,579,000	—	—	—	—	2,579,000					

Share Option Schemes (Continued)

											Price of the Company's shares ***	
Name or category of participant	Type of share option scheme	Number of share options						Date of grant of share options *	Exercise period	Exercise price per share ** HK\$		
		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				At grant date of options HK\$	At exercise date of options HK\$
Director (Continued)												
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	30/06/2005 to 29/06/2009	5.51	5.3	—
	The Scheme	1,900,000	—	—	—	—	1,900,000	28/05/2003	29/05/2006 to 27/05/2010	3.51	3.5	—
	The Scheme	1,000,000	—	—	—	—	1,000,000	19/11/2003	20/11/2006 to 19/11/2010	5.35	5.35	—
		7,900,000	—	—	—	—	7,900,000					
Teo Hong Kiong	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	30/06/2005 to 29/06/2009	5.51	5.3	—
	The Scheme	670,000	—	—	—	—	670,000	28/05/2003	29/05/2006 to 27/05/2010	3.51	3.5	—
		2,470,000	—	—	—	—	2,470,000					
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	30/06/2005 to 29/06/2009	5.51	5.3	—
	The Scheme	666,000	—	—	—	—	666,000	28/05/2003	29/05/2006 to 27/05/2010	3.51	3.5	—
		1,866,000	—	—	—	—	1,866,000					

Share Option Schemes (Continued)

											Price of the Company's shares ***	
Name or category of participant	Type of share option scheme	Number of share options						Date of grant of share options *	Exercise period	Exercise price per share ** HK\$		
		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				At grant date of options HK\$	At exercise date of options HK\$
Director (Continued)												
Zhang Huai 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	29/05/2006 to 27/05/2010	3.51	3.5	—
		1,191,000	—	—	—	—	1,191,000					
Others												
Members of senior management and other employees of the Group	Pre-IPO share option scheme	8,600,000	—	—	—	—	8,600,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—
	The Scheme	4,300,000	—	—	—	—	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	29/05/2006 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	—
		20,894,000	—	—	—	—	20,894,000					
In aggregate	Pre-IPO share option scheme	18,034,000	—	—	—	—	18,034,000					
	The Scheme	9,016,000	—	—	—	—	9,016,000					
	The Scheme	12,000,000	—	—	—	—	12,000,000					
	The Scheme	3,000,000	—	—	—	—	3,000,000					
		42,050,000	—	—	—	—	42,050,000					

Share Option Schemes *(Continued)*

- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period except:
- (i) For the share options granted under the Pre-IPO share option scheme, 33.3% 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 compounded 20% growth in its earnings before interest, tax, depreciation, and amortisation (the "EBITDA") during the Period. The remaining 66.7% of the options granted will vest at the end of the second full financial year after the grant date 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.
- *** 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. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

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.

During the year, no share options were granted by the Company.

Apart from the foregoing, at no time during the year ended 31 December 2004 was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors or any of their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2004, the following interests and short positions of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Note	Number of shares held	Percentage of the Company's issued share capital
Clear Channel KNR Neth Antilles NV	(a)	241,337,500	48.1%
The Capital Group Companies, Inc.		70,659,000	14.1%
FMR Corp		33,098,600	6.6%

Note:

- (a) The Company has been informed by its ultimate controlling shareholder, Clear Channel Communications, Inc. ("CCI"), a corporation incorporated under the laws of the State of Texas in the United States of America, that as a part of the restructuring of CCI and certain of its international subsidiaries, the immediate controlling shareholder of the Company, Clear Channel Outdoor, Inc. ("CCO"), has transferred its entire shareholding interest in the Company, comprising 241,337,500 ordinary shares of HK\$0.10 each in the Company and representing approximately 48.1% of the voting rights of the Company, to Clear Channel KNR Neth Antilles NV ("CCKNR"), a corporation incorporated under the laws of the Netherlands Antilles and a wholly owned subsidiary of CCI.

CCO and CCKNR are both ultimately wholly owned by CCI. There was no change in the ultimate beneficial ownership of the approximately 48.1% shareholding interest in the Company as a result of the restructuring. Furthermore, there was no change to the Company's business.

Save as disclosed above, no person or corporation, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in the shares above, had registered an interest of short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Post Balance Sheet Event

Details of the significant post balance sheet event of the Group are set out in note 29 to the financial statements.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

The Company will also adopt a Code of Conduct regarding securities transactions by directors and appoint an additional independent non-executive director in due course in order to be in compliance with the Amendments to the Listing Rules Relating to Corporate Governance Issues and Consultation Conclusion on Proposed Amendments to the Listing Rules Relating to Initial Listing Criteria and continuing Listing Obligations released by the Stock Exchange.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “Model Code”) as the Company’s code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company’s directors, the directors complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

Material Legal Proceedings

As at 31 December 2004, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company as far as the board of directors was aware of, except for the litigation mentioned in note 28 to the financial statements.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Steven Yung

Chairman and Executive Director

Hong Kong

10 March 2005