1. Corporate Information

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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

On 21 December 2004, the Company was 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"), had 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. Accordingly, 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.

2. Impact of Recently Issued Hong Kong Financial Reporting Standards ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

3. Summary of Significant Accounting Policies *(Continued)*

Subsidiaries *(Continued)*

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Related parties

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

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

3. Summary of Significant Accounting Policies *(Continued)*

Impairment of assets *(Continued)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Leasehold improvements	5 years
Furniture and equipment	5 years
Motor vehicles	5 years
Point-of-sale	10 years

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

Point-of-sale represents advertising light boxes installed in shopping malls and other public areas. Expenditure incurred after point-of-sale has been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of point-of-sale, the expenditure is capitalised as an additional cost of such point-of-sale.

Construction in progress is stated at cost less any impairment losses, which includes the cost of construction and other direct costs attributable to the construction of bus shelters, unipoles and point-of-sale. No provision for depreciation is made for construction in progress until such time as the assets are completed and put into use. Construction in progress is transferred to concession rights or fixed assets when it is capable of producing rental income on a commercial basis.

Concession rights

Concession rights are stated at cost less accumulated amortisation and any impairment losses. Concession rights represent the cost of acquiring operating rights for the placement of advertisements in bus shelters and unipoles in the PRC and include any directly attributable costs of bringing bus shelters and unipoles to their present condition and location for their intended use.

3. Summary of Significant Accounting Policies *(Continued)*

Concession rights *(Continued)*

Expenditure incurred after bus shelters and unipoles have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of bus shelters and unipoles, the expenditure is capitalised as an additional cost of the concession rights.

Concession rights are amortised on a straight-line and individual basis over the period of the rights, which range from 5 to 20 years. The average operating period is 10 years.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group, and when the revenue can be measured reliably, on the following bases:

(a) Rental revenue for outdoor advertising spaces, including point-of-sale, on a time proportion basis over the terms of the agreements; and

(b) Interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Deferred income

Cumulative billings in excess of revenue attributable to the current year are recorded as deferred income.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

3. Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year. The balance sheets of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

3. Summary of Significant Accounting Policies *(Continued)*

Foreign currencies *(Continued)*

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use.

Discounts or premiums relating to borrowings, ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings, to the extent that they are regarded as adjustments to interest costs, are recognised as expenses over the period of the borrowing.

Convertible bonds

Convertible bonds are regarded as liabilities until conversion actually occurs. The finance cost, including the premium payable upon the final redemption of the convertible bonds, recognised in the profit and loss account in respect of the convertible bonds are calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period. When the convertible bonds are redeemed, purchased and cancelled, or converted prior to their maturity, any excessive provision of redemption premium will be recognised as income in the profit and loss account.

The costs incurred in connection with the issue of convertible bonds are deferred and amortised on a straight-line basis over the lives of convertible bonds from the date of the issue of the bonds to their final redemption date. If any convertible bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the profit and loss account.

Pension schemes and costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries, limited to a maximum of HK$1,000 per month, and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

According to the relevant PRC regulations, Hainan White Horse Advertising Media Investment Company Limited, commencing from 1 July 2001, is required to participate in the employee retirement scheme operated by the relevant local government bureau in the PRC and to make contributions for its eligible employees. The contributions to be borne by the Group are calculated at certain percentage on the annual average salary in Guangzhou announced by the Guangzhou Social Labor Insurance Administration Bureau.

3. Summary of Significant Accounting Policies *(Continued)*

Share option schemes

The financial impact of 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 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 or which lapse 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.

4. Segment Information

Segment information is required by SSAP 26 "Segment reporting" to be presented by way of two segment formats: (i) on a primary segment reporting basis, which the Group has determined to be by business segment; and (ii) on a secondary segment reporting basis, which the Group has determined to be by geographical segment.

Outdoor media sales is the only major business segment of the Group, and comprises the display of advertisements on bus shelters, unipoles and point-of-sale. Accordingly, no further business segment information is provided.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are located in the PRC, no further geographical segment information is provided.

5. Turnover and Revenue

Turnover represents the contract value for the displaying of advertisements on bus shelters, unipoles and point-of-sale, net of commission and discounts, in the PRC.

An analysis of the Group's turnover and revenue is as follows:

	2004 HK$'000	2003 HK$'000
Turnover	**538,434**	488,175
Interest income	**1,932**	6,066
Revenue	**540,366**	494,241

6. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	2004 **HK$'000**	2003 HK$'000
Cost of services provided	**97,567**	93,813
Operating lease rentals on bus shelters, unipoles and point-of-sale	**97,857**	92,624
Amortisation of concession rights and depreciation of point-of-sale	**109,048**	95,703
Cost of sales	**304,472**	282,140
Provision for doubtful debts	**6,020**	8,505
Bad debts written off	**—**	10,018
Auditors' remuneration	**880**	820
Depreciation of owned assets, excluding point-of-sale	**6,228**	7,193
(Gain)/loss on disposal of fixed assets	**(56)**	588
Operating lease rentals on buildings	**9,067**	8,870
Staff costs (including directors' remuneration *(note 7)*)		
Wages and salaries	**47,398**	41,487
Pension scheme contributions	**242**	165
Less: Forfeited contributions	**—**	—
Net pension contributions	**242**	165
	47,640	41,652
Unrealised gain on revaluation of short term investments	**(706)**	(1,852)
Realised gain on disposal of short term investments	**(696)**	—
Foreign exchange (gains)/losses, net	**(315)**	587
Interest income	**(1,932)**	(6,066)

The Group's profit from operating activities represents media sales in the PRC.

7. Directors' Remuneration

The remuneration of the directors of the Company for the year disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is analysed as follows:

	Group	
	2004 **HK$'000**	2003 HK$'000
Fees:	**752**	687
Other emoluments:		
Salaries, allowances and benefits in kind	**9,321**	7,352
Pension scheme contributions	**67**	58
	9,388	7,410
	10,140	8,097

(a) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	2004 **HK$'000**	2003 HK$'000
Desmond Murray	**237**	158
Leonie Ki Man Fung	**35**	—
Wang Shou Zhi	**120**	120
Pedro Man (resigned on 28 May 2003)	**—**	49
	392	327

There were no other emoluments payable to the independent non-executive directors during the year (2003: Nil).

7. Directors' Remuneration *(Continued)*

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
2004					
Executive directors:					
Steven Yung	—	1,700	—	12	1,712
Han Zi Jing	—	2,691	—	12	2,703
Teo Hong Kiong	—	2,037	—	12	2,049
Zou Nan Feng	—	867	—	10	877
Non-executive directors:					
Peter Cosgrove	—	1,027	—	12	1,039
Mark Mays	—	—	—	—	—
Roger Parry	60	—	—	—	60
Coline McConville	60	—	—	—	60
Han Zi Dian	—	22	—	—	22
Chin Oi Ling Lenna	120	—	—	—	120
Tim Maunder	60	—	—	—	60
Jonathan Bevan	60	—	—	—	60
Zhang Huai Jun	—	977	—	9	986
	360	9,321	—	67	9,748
2003					
Executive directors:					
Steven Yung	—	1,600	—	12	1,612
Han Zi Jing	—	2,250	—	12	2,262
Teo Hong Kiong	—	1,683	—	12	1,695
Zou Nan Feng	—	763	—	10	773
Non-executive directors:					
Peter Cosgrove	—	1,027	—	12	1,039
Mark Mays	—	—	—	—	—
Roger Parry	60	—	—	—	60
Coline McConville	120	—	—	—	120
Han Zi Dian	—	—	—	—	—
Chin Oi Ling Lenna	120	—	—	—	120
Tim Maunder	60	—	—	—	60
Jonathan Bevan	—	—	—	—	—
Zhang Huai Jun	—	29	—	—	29
	360	7,352	—	58	7,770

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, discretionary bonuses paid to or receivable by the directors amounted to HK$98,000 (2003: HK$43,000). No directors waived or agreed to waive any remuneration during the year (2003: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2003: Nil).

During the year, no share options were granted to the directors.

8. Five Highest Paid Individuals

During the year, all of the five highest paid individuals were directors (2003: five) and the details of whose remuneration are set out in note 7 above.

During the year, the discretionary bonuses paid to or receivable by the five highest paid individuals of the Group amounted to HK$98,000 (2003: HK$43,000). No emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2003: Nil).

During the year, no share options were granted to the five directors.

9. Finance Costs

	Group	
	2004 HK$'000	2003 HK$'000
Interest on bank loans wholly repayable within five years	**7,357**	8,129
Other finance costs:		
Amortisation of convertible bonds issue expenses	**420**	—
Provision for convertible bonds redemption premium	**2,400**	—
	10,177	8,129

10. Tax

Hong Kong profits tax has not been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2004 HK$'000	2003 HK$'000
Group:		
Current — Hong Kong profits tax	**—**	—
Current — PRC corporate income tax	**17,057**	16,787
Deferred *(note 23)*	**(3,322)**	(3,285)
Total tax charge for the year	**13,735**	13,502

10. Tax *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Profit before tax	**119,131**	103,736
Calculated at a tax rate of 15.0% (2003: 15.0%)	**17,870**	15,560
Higher income tax rates for Hong Kong at 17.5% (2003: 17.5%)	**75**	150
Income not subject to tax	**(3,918)**	(2,676)
Expenses not deductible for tax	**1,316**	3,318
Utilisation of previously unrecognised tax losses	**—**	(17)
Tax loss not recognised	**1,714**	452
Deferred tax *(note 23)*	**(3,322)**	(3,285)
At effective income tax rate of 11.5% (2003: 13.0%)	**13,735**	13,502

According to the Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises, the WHA Joint Venture, a subsidiary of the Company established in the Hainan Special Economic Zone of the PRC, is subject to corporate income tax at a rate of 15%, and is exempt from PRC corporate income tax for the first profitable year of its operations, and thereafter, is eligible for 50% relief from PRC corporate income tax for the following two years. As the current year was the fifth statutory profitable year of the WHA Joint Venture, corporation income tax for the current year has been calculated at the rate of 15% on its assessable profits arising in the PRC.

11. Net Profit from Ordinary Activities Attributable to Shareholders

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2004 was approximately HK$2,202,000 (2003: HK$4,193,000) (note 25).

12. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$95,128,000 (2003: HK$81,784,000) and the weighted average of 501,608,500 (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 year of HK$95,128,000 (2003: HK$81,784,000). The weighted average number of ordinary shares used in the calculation is the 501,608,500 (2003: 501,608,500) ordinary shares, as used in the basic earnings per share calculation; and the weighted average of 10,855,831 (2003: 1,341,933) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options with dilutive effect during the year.

In the current year, the effect of the Group arising from the exercise of the convertible bonds was anti-dilutive.

13. Fixed Assets

Group

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Point-of-sale HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:						
At beginning of year	9,730	19,781	12,363	31,167	7,195	80,236
Additions	172	830	3,132	127	74,840	79,101
Transfer to concession rights	—	—	—	—	(26,041)	(26,041)
Disposals	—	—	(377)	—	—	(377)
Exchange realignment	15	36	15	60	(23)	103
At 31 December 2004	**9,917**	**20,647**	**15,133**	**31,354**	**55,971**	**133,022**
Accumulated depreciation:						
At beginning of year	(8,149)	(9,760)	(5,473)	(5,593)	—	(28,975)
Provided during the year	(687)	(3,124)	(2,417)	(3,134)	—	(9,362)
Disposals	—	—	358	—	—	358
Exchange realignment	(7)	(21)	(4)	(9)	—	(41)
At 31 December 2004	**(8,843)**	**(12,905)**	**(7,536)**	**(8,736)**	**—**	**(38,020)**
Net book value:						
At 31 December 2004	**1,074**	**7,742**	**7,597**	**22,618**	**55,971**	**95,002**
At 31 December 2003	1,581	10,021	6,890	25,574	7,195	51,261

Construction in progress represents bus shelters, unipoles and point-of-sale under construction.

14. Interests in Subsidiaries

	Company	
	2004 HK$'000	2003 HK$'000
Unlisted shares, at cost	**487,273**	487,273
Due from subsidiaries	**663,982**	451,179
	1,151,255	938,452

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for loans to subsidiaries which amounted to HK$526 million (2003: HK$260 million) and bear interest at a rate of 5% per annum.

14. Interests in Subsidiaries *(Continued)*

Particulars of the subsidiaries of the Company as at 31 December 2004 were as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Outdoor Media Investment, Inc.	British Virgin Islands	Ordinary HK$34,465	100	—	Investment holding
China Outdoor Media Investment (Hong Kong) Company Limited ("China Outdoor Media (HK)")	Hong Kong	Ordinary HK$1,000	100	—	Investment holding
Hainan White Horse Advertising Media Investment Company Limited (the "WHA Joint Venture")	People's Republic of China ("PRC")	US$21,850,000/ US$60,000,000	80 *(Note)*	—	Operation of outdoor advertising business

Note:

The WHA Joint Venture was established in the PRC on 24 March 1998 as a Sino-foreign equity joint venture in the PRC with a tenure of 30 years. Under the terms of the original joint venture agreement, China Outdoor Media (HK), Ming Wai Holdings Limited ("Ming Wai"), a wholly-owned subsidiary of Clear Channel Outdoor, Inc. ("CCO"), which is a shareholder of the Company, and Hainan White Horse Advertising Co., Ltd. ("Hainan White Horse Advertising") were the joint venture partners of the WHA Joint Venture. China Outdoor Media (HK), Ming Wai and Hainan White Horse Advertising were entitled to 90%, 5% and 5%, respectively, of the profits of the WHA Joint Venture.

Pursuant to a reorganisation which took place before the listing of the Company on the Stock Exchange, Ming Wai transferred its 5% interest in the WHA Joint Venture to China Outdoor Media (HK). Accordingly, the minority interest of the WHA Joint Venture represented the capital contributed by Hainan White Horse Advertising and its 5% share of the profit of the WHA Joint Venture.

China Outdoor Media (HK) and Hainan White Horse Advertising entered into a revised joint venture agreement on 6 April 2001. According to the revised joint venture agreement, the WHA Joint Venture changed its legal structure from a Sino-foreign equity joint venture to a Sino-foreign co-operative joint venture. The registered capital of the WHA Joint Venture was increased from HK$100,000,000 to US$60,000,000 with Hainan White Horse Advertising and China Outdoor Media (HK) sharing 20% and 80% interests in the WHA Joint Venture, respectively. It was agreed that for the fiscal years 2001 to 2005 (both years inclusive), China Outdoor Media (HK) would be entitled to 90% of the profit after tax of the WHA Joint Venture. For the fiscal year 2006 and onwards, China Outdoor Media (HK) would only be entitled to 80% of the profit after tax of the WHA Joint Venture. The revised joint venture agreement was approved by the State Foreign Economic and Trade Commission of Hainan Province on 27 June 2001. According to the agreement entered into by China Outdoor Media (HK) and Hainan White Horse Advertising on 3 September 2001, their shares in the profits of the WHA Joint Venture for the period from 1 January 2001 to 30 June 2001 were 95% and 5%, respectively.

15. Concession Rights

	Group HK$'000
Cost:	
At beginning of year	1,195,922
Additions	303,615
Transfer from construction in progress	26,041
Exchange realignment	2,081
At 31 December 2004	**1,527,659**
Accumulated amortisation:	
At beginning of year	(334,310)
Provided during the year	(105,914)
Exchange realignment	(396)
At 31 December 2004	**(440,620)**
Net book value:	
At 31 December 2004	**1,087,039**
At 31 December 2003	861,612

16. Other Long Term Asset

Other long term asset represents expenditure incurred in connection with the issue of the convertible bonds, which is stated at cost less accumulated amortisation. Amortisation is charged to the profit and loss account on the straight-line basis over the term of the convertible bonds.

17. Accounts Receivable

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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

An aged analysis of the accounts receivable as at the balance sheet date is as follows:

	Group	
	2004 HK$'000	2003 HK$'000
Outstanding balance aged:		
Current to 90 days	**99,278**	96,855
91 days to 180 days	**50,702**	31,151
Over 180 days	**54,171**	48,293
	204,151	176,299
Less: Provision of doubtful debts	**(8,926)**	(8,505)
Total accounts receivable, net	**195,225**	167,794

18. Due from a Related Party

Group

Name	31 December 2004 HK$'000	Maximum amount outstanding during the year HK$'000	31 December 2003 HK$'000
Guangdong White Horse Advertising Company Limited ("GWH")	**19,807**	26,174	26,174

The balance with the related party is unsecured, interest-free and has no fixed terms of repayment.

19. Short Term Investments

	Group	
	2004 HK$'000	2003 HK$'000
Listed equity investments, at market value:		
Hong Kong	**7,042**	10,349

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$8 million.

20. Pledged Time Deposits

At 31 December 2004, the Group had pledged time deposits of US$4,500,000 (equivalent to approximately HK$35,014,000) (2003: US$6,067,000 (equivalent to approximately HK$46,750,000)) and HK$30,347,000 (2003: HK$125,910,000) to banks as securities for short term bank loans of RMB39,600,000 (2003: RMB173,000,000).

At 31 December 2004, the Group had pledged deposits of RMB30,863,000 (equivalent to approximately HK$29,015,000) to bank as securities for bills payable of RMB36,403,000 (equivalent to approximately HK$34,223,000).

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$55,655,000 (2003: HK$43,285,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. Interest-Bearing Bank Borrowings

		Group	
	Notes	**2004 HK$'000**	2003 HK$'000
Bank loans repayable within one year:			
Secured	*(i)*	**37,229**	162,334
Unsecured	*(ii)*	**—**	9,384
		37,229	171,718

Notes:

(i) As at 31 December 2004, the Group's short term bank loans of RMB39,600,000 (equivalent to approximately HK$37,229,000) were secured by time deposits of US$4,500,000 (equivalent to approximately HK$35,014,000) and HK$30,347,000 and were subject to interest rates ranging from 4.5% to 5.3% per annum.

As at 31 December 2003, the Group's short term bank loans of RMB173, 000,000 (equivalent to approximately HK$162,334,000) were secured by time deposits of US$6,067,000 (equivalent to approximately HK$46,750,000) and HK$125,910,000 and were subject to interest rates ranging from 4.8% to 5.3% per annum.

(ii) As at 31 December 2003, the Group's short term bank loan of RMB10,000,000 (equivalent to approximately HK$9,384,000) bore interest at a rate of 5.3% per annum and was unsecured.

22. Convertible Bonds

	Group	
	2004 HK$'000	2003 HK$'000
Convertible bonds due 2009	**312,000**	—
Provision for convertible bonds redemption premium	**2,400**	—
	314,400	—

On 25 October 2004, the Company issued HK$312,000,000 zero coupon convertible bonds due 2009, which were listed on the Stock Exchange. Each bond will, at the option of the holder, be convertible 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 of the Company at an initial conversion price of HK$9.585 per share. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at 121.899% of their principal amount on 27 October 2009. The net proceeds from the issue of the bonds will be used for general corporate and working capital purposes, including financing possible strategic acquisitions.

As at 31 December 2004, none of the convertible bonds had been converted into ordinary shares of the Company.

23. Deferred Tax

Deferred tax liabilities

	Group	
	Accelerated tax depreciation 2004 HK$'000	Accelerated tax depreciation 2003 HK$'000
Balance at beginning of year	**(1,436)**	(2,936)
Deferred tax credited to profit and loss account during the year — *note 10*	**1,436**	1,500
Gross deferred tax liabilities at end of year	**—**	(1,436)

Deferred tax assets

	Group	
	Deductible temporary differences 2004 HK$'000	Deductible temporary differences 2003 HK$'000
Balance at beginning of year	**1,785**	—
Deferred tax credited to profit and loss account during the year — *note 10*	**1,886**	1,785
Gross deferred tax assets at end of year	**3,671**	1,785
Net deferred tax assets	**3,671**	349

Deferred tax assets of the Group represent the deferred tax on temporary differences arising from the different basis adopted for depreciation and amortisation of fixed assets and concession rights, provision for doubtful debts and bad debts written off, which lead to differences in the accounting and tax bases.

The Group has tax losses arising in Hong Kong of HK$37,870,000 (2003: HK$18,539,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

24. Share Capital

Shares

	2004 HK$'000	2003 HK$'000
Authorised:		
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

Share options

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.

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. However, the board of directors retains discretion to accelerate the vesting of fixed term options in the event that certain performance targets are met.

24. Share Capital *(Continued)*

Share options *(Continued)*

In addition, on 28 November 2001, the Company adopted a 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 options scheme shall remain in full force and effect.

The movements in the number of share options to subscribe for shares in the Company during the year were as follows:

Share option scheme	Number of share options outstanding at 1 January 2004	Number of share options granted during the year	Number of share options lapsed during the year	Number of share options outstanding at 31 December 2004	Exercise price HK$	Exercise period
Pre-IPO share option scheme	18,034,000	—	—	18,034,000	5.89	29/11/04 to 28/11/08
The Scheme	9,016,000	—	—	9,016,000	5.51	30/06/05 to 29/06/09
The Scheme	12,000,000	—	—	12,000,000	3.51	29/05/06 to 27/05/10
The Scheme	3,000,000	—	—	3,000,000	5.35	20/11/06 to 19/11/10
	42,050,000	—	—	42,050,000		

At the balance sheet date, the Company had 42,050,000 share options outstanding. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 42,050,000 additional ordinary shares of HK$0.10 each in the Company and proceeds, before relevant share issue expenses, of approximately HK$214,068,000.

25. Reserves

Group

	Share premium account HK$'000	Contributed surplus *(Note(a))* HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003	644,427	351,007	585	163,570	1,159,589
Translation exchange differences arising on consolidation of a subsidiary	—	—	(3,161)	—	(3,161)
Net profit for the year	—	—	—	81,784	81,784
At 1 January 2004	644,427	351,007	(2,576)	245,354	1,238,212
Translation exchange differences arising on consolidation of a subsidiary	—	—	1,272	—	1,272
Net profit for the year	—	—	—	95,128	95,128
At 31 December 2004	**644,427**	**351,007**	**(1,304)**	**340,482**	**1,334,612**

Company

	Share premium account HK$'000	Contributed surplus *(Note(b))* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003	644,427	449,773	1,203	1,095,403
Net profit for the year	—	—	4,193	4,193
At 1 January 2004	644,427	449,773	5,396	1,099,596
Net profit for the year	—	—	2,202	2,202
At 31 December 2004	**644,427**	**449,773**	**7,598**	**1,101,798**

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the Group Reorganisation on 28 November 2001, over the nominal value of the shares in the Company issued in exchange therefor.

(b) The contributed surplus of the Company represents the difference between the then combined net asset value of the subsidiaries acquired pursuant to the same reorganisation over the nominal value of the shares of the Company's shares issued in exchange therefor.

Under the Bermuda Companies Act 1981, the Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

26. Notes to the Consolidated Cash Flow Statement

(a) Fixed assets

During the current year, the Group paid HK$4,134,000 (2003: HK$5,451,000) to acquire fixed assets.

(b) Concession rights

During the current year, the Group paid HK$324,673,000 to acquire concession rights and to settle the outstanding liability for the acquisition of concession rights brought forward from the prior year of HK$21,159,000.

During the prior year, the Group paid HK$101,829,000 to acquire concession rights and to settle the outstanding liability for the acquisition of concession rights brought forward from the prior year of HK$35,853,000.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:

	Group	
	2004 **HK$'000**	2003 HK$'000
Cash on hand and balances with banks	**337,233**	224,830

27. Commitments

(a) Capital commitments

	Group	
	2004 **HK$'000**	2003 HK$'000
Contracted, but not provided for:		
The construction of bus shelters for which concession rights are held	**35,177**	16,420

(b) Commitments under operating leases

The Group leases certain of its office buildings and concession rights under operating lease arrangements. Leases for office buildings are negotiated for terms ranging from 1 to 9 years, and those for concession rights are negotiated for terms ranging from 5 to 20 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004 **HK$'000**	2003 HK$'000
Within one year	**143,437**	119,940
In the second to fifth years, inclusive	**537,931**	412,133
After five years	**672,101**	262,813
	1,353,469	794,886

28. Contingent Liabilities

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2004 **HK$'000**	2003 HK$'000
Bills discounted with recourse	**2,820**	—

(b) On 10 August 1999, Advertasia Street Furniture Limited, an independent third party ("Advertasia") commenced an action against China Outdoor Media (HK) in the High Court of Hong Kong pursuant to an agreement dated 21 April 1999 entered into by them for the sale of the entire issued share capital of four Hong Kong private companies by Advertasia to China Outdoor Media (HK) for the sum of HK$68 million (the "Agreement"). Advertasia alleged that China Outdoor Media (HK) had wrongfully, and in breach of the Agreement, refused to purchase the shares held by Advertasia in the four private companies and/or failed to tender a payment of HK$50 million in relation to the Agreement. China Outdoor Media (HK) contended the claim on a number of grounds, including, that a required condition precedent of the Agreement was not met (in that the joint venture contracts attached to the Agreement were not valid) and that a number of misrepresentations were made in respect of the four private companies. China Outdoor Media (HK) also counterclaimed for damages for all reasonably incurred costs and expenses in respect of the misrepresentation.

On 28 November 2001, (i) Outdoor Media China, Inc. ("OMC"), a company incorporated under the laws of Western Samoa with limited liability and a substantial shareholder with a 3% interest in the Company, (ii) Han Zi Jing, one of the directors of the Company, (iii) Clear Channel Outdoor, Inc. ("CCO"), one of the substantial shareholders of the Company, (iv) China Outdoor Media (HK) and (v) the Company, entered into a Deed of Indemnity (as amended, the "Deed of Indemnity"). Under the terms of the Deed of Indemnity, OMC and CCO have covenanted and undertaken to indemnify the Company and China Outdoor Media (HK) against all claims (including this claim), whether or not successful, compromised or otherwise settled, and any actions, damages, penalties, liabilities, legal fees, enforcement costs and expenses incurred by the Company and China Outdoor Media (HK) in respect of the claims.

On 8 October 2004, the High Court, acting as a court of first instance, made an order of specific performance of the Agreement in favour of Advertasia pursuant to which China Outdoor Media (HK) will be required to complete the purchase of the aforementioned four private companies for a consideration of HK$68 million. In addition, China Outdoor Media (HK) was ordered to pay to Advertasia (i) HK$1,216,404 in equitable damages, (ii) interest at the rate of 1 percent over prime rate on the sum of HK$50 million from 5 May 1999 to the date of judgement and on the sum of HK$18 million from 30 June 2000 to the date of judgement; and (iii) interest on the respective sums of HK$144,122, HK$706,967 and HK$365,285 at the rate of 1% over prime rate from dates to be agreed between Advertasia and China Outdoor Media (HK) to the date of judgement. China Outdoor Media (HK) was also ordered to pay the costs of the action. As China Outdoor Media (HK) has the benefit of the indemnity provisions under the Deed of Indemnity against the claim by Advertasia, the Company believes that the said judgement will not have a material impact on its business. Under the terms of the judgment, China Outdoor Media (HK) has been granted the right to appeal against the judgement. China Outdoor Media (HK) has already filed an appeal to the Court of Appeal in Hong Kong against the judgement of the High Court.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the directors are aware, no litigation or arbitration of material importance is pending or threatened against the Company.

29. Post Balance Sheet Event

In January 2005, China Outdoor Media (HK) paid to the High Court the sum of HK$100 million in respect of the aforementioned Advertasia claim (note 28), and this amount of money will remain at the High Court until the result of the appeal to the Court. The Group is still entitled to the deposit and will receive interest at market deposit rates during the period. Moreover, under the Deed of Indemnity reached between the Company, OMC, Han Zi Jing, CCO and China Outdoor Media (HK), the Company and China Outdoor Media (HK) will be fully indemnified against all damages, penalties, liabilities, legal fees, enforcement costs and expenses incurred by them in respect of the claims.

30. Related Party Transactions

In addition to those transactions and balances detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties (which falls under the definition of "continuing connected transactions" under the Listing Rules) during the year:

	Notes	**2004 HK$'000**	2003 HK$'000
Agency commission paid to GWH	*(i)*	**2,677**	4,602
Sales to GWH	*(ii)*	**15,168**	38,546
Bus shelter maintenance and display fees	*(iii)*	**8,156**	21,623
Creative services fees payable to GWH	*(iv)*	**2,825**	810

Notes:

(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. On 11 May 2004, the WHA Joint Venture entered into a framework agreement for a fixed term of three years, which formalised the terms and conditions in the advertising commission agreement between the two parties. GWH is a related party 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.

(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 White Horse Companies. White Horse Companies are considered to be related parties of the Company due to the fact that one of the directors of the Company, Mr. Han Zi Dian, can exercise influence over the management of such White Horse Companies.

In order to comply with the continuing connected transactions provisions of 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 said companies on substantially the same terms as the old agreements for a fixed term of three years.

(iv) The WHA Joint Venture entered into a 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. These transactions were entered into on terms no less favourable than those available to or from independent third parties.

30. Related Party Transactions *(Continued)*

Notes: (Continued)

Other than the above, the Group entered into various trademark licence agreements and an option agreement (which constitute connected transactions under the Listing Rules) in 2001 as follows:

(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 OMC, 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 in to a Trademark Licence Agreement and a Transfer Agreement with GWH dated 30 November 2001 whereby GWH is to assign certain 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.

(iii) The Company entered into two Trademark Licence Agreements with Clear Channel Communications, Inc., the holding company of a shareholder of the Company, and Clear Channel International Limited, a subsidiary of Clear Channel Communications, Inc., respectively dated 28 November 2001 whereby the Company and members of the Group are granted the licence to use certain 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.

(iv) On 30 November 2001, China Outdoor Media (HK) and Hainan White Horse Advertising, a company with a 20% shareholding in the WHA Joint Venture, 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 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.

Further details of the transactions are also included in notes (a) and (b) in the section headed "Connected transactions" in the Report of the Directors on pages 56-57.

31. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 10 March 2005.