1. Accountant Policies

1.1 Changes in accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of this condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new and/or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial statements have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information (July 2005). The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

1.2 Effect of adopting new HKASs and HKFRS

In 2005, the Group adopted the new and/or revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 29	Disclosure — Service Concession Arrangements
HKFRS 2	Share-based Payments

1. Accountant Policies (continued)

1.2 Effect of adopting new HKASs and HKFRS (continued)

The adoption of new and/or revised HKASs 1, 7, 8, 10, 16, 21, 23, 24, 27, 31, 32, 33, 36, 39 and HKAS-Int 29 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

— HKASs 7, 8, 10, 16, 21, 23, 24, 27, 31, 33, 36 and HKAS-Int 29 had no material effect on the Group's policies.

— HKAS 21 had no material effect on the Group's accounting policies. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

— The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the initial recognition and classification of convertible bonds.

— The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1 January 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

1. Accountant Policies (continued)

1.3 New Accounting Policies

Convertible bonds

In prior year, finance costs, including the premium payable upon the final redemption of the convertible bonds, recognized in the profit and loss account in respect of the convertible bonds were calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period. The transaction costs incurred in connection with the issue of convertible bonds were recognized separately from the convertible bonds and recorded as other long term assets, amortised on a straight-line basis over the life of convertible bonds from the date of the issue of the bonds to their final redemption date.

On adoption of HKASs 32 and 39, the component of the convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On the issue of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bonds; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The change in accounting policies on adoption of HKASs 32 and 39 is applied with effect from 1 January 2005. The opening balance sheet has been reclassified with net decrease of other long term asset of HK$11.4 million, long-term liabilities of HK$22.2 million, and increase of equity reserve by 10.8 million.

Share option schemes

In prior years, no compensation cost was recognised when employees (including directors) were granted share options over shares in the Group.

With effect from 1 January 2005, in order to comply with HKFRS2 "Share-based Payment", the Group recognized the fair value of such share options as an expense in the profit and loss account. A corresponding increase is recognised in a capital reserve within equity.

1. Accountant Policies (continued)

1.3 New Accounting Policies (continued)

Share option schemes (continued)

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognizes the fair value of the options granted over the vesting period. If the share options granted vest immediately, the Group recognizes the fair value in the period in which the options are granted.

If an employee chooses to exercise his options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directed to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS2, except that the Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to employees on or before 7 November 2002; and

(ii) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

The unamortised cost of share compensation of HK$10.6 million as at 31 December 2004 (30 June 2004: HK$6.5 million, 31 December 2003: HK$3.3 million) was adjusted to retained earnings. The staff costs for the first and second halves of 2004 have been restated to recognize the share compensation cost of HK$3.2 million and HK$4.1 million attributable to the periods respectively. Share compensation cost for the first half of 2005 amounting to HK$3.2 million was recognized through the profit and loss account.

2. Segment Information

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 segment, revenues and results are attributed to the segments based on the location of the customers, and assets are attributable 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.

3. Other Income and Gains

	For the six months ended 30 June	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Interest income	**2,220**	1,359
Realised gain on disposal of short term listed investments	**3,271**	604
	5,491	1,963

4. Profit from Operating Activities

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

	For the six months ended 30 June	
	2005 (Unaudited) HK$'000	2004 (Unaudited) (Restated) HK$'000
Provision for impairment of accounts receivable	**7,902**	2,451
Auditors' remuneration	**620**	605
Depreciation of owned assets	**3,050**	3,093
Amortisation of concession rights and depreciation of point-of-sale	**65,240**	52,876
Operating lease rentals on buildings	**5,208**	4,457
Staff costs (directors' remuneration included)	**31,316**	25,012
Interest income	**(2,220)**	(1,359)
Realised gain on disposal of short term listed investments	**(3,271)**	(604)

5. Finance Costs

	For the six months ended 30 June	
	2005 **(Unaudited)** **HK$'000**	2004 (Unaudited) HK$'000
Interest on bank loans wholly repayable within five years	**924**	4,070
Other finance costs:		
Provision for convertible bonds redemption premium	**8,420**	—
	9,344	4,070

6. Tax

	For the six months ended 30 June	
	2005 **(Unaudited)** **HK$'000**	2004 (Unaudited) HK$'000
Group:		
Current — Hong Kong profits tax	**—**	—
Current — PRC corporate income tax	**8,646**	5,511
Deferred	**—**	—
Total tax charge for the period	**8,646**	5,511

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

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

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

7. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of HK$35,366,000 (six months ended 30 June 2004 (restated): HK$28,863,000) and the weighted average of 501,608,500 (six months ended 30 June 2004: 501,608,500) ordinary shares.

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the parent of HK$35,366,000 (six months ended 30 June 2004 (restated): HK$28,863,000). The weighted average number of ordinary shares used in the calculation is the 501,608,500 (six months ended 30 June 2004: 501,608,500) ordinary shares, as used in the basic earnings per share calculation; and the weighted average of 11,594,646 (six months ended 30 June 2004: 11,003,463) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options with dilutive effect during the period.

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

8. Dividend

The Board of Directors resolved not to pay interim dividend to shareholders in respect of the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

9. Accounts Receivable

An aged analysis of the accounts receivable as at 30 June 2005, net of provision for impairment of accounts receivable, is as follows:

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
Current to 90 days	**105,818**	99,278
91–180 days	**34,660**	50,702
Over 180 days	**75,495**	45,245
Total	**215,973**	195,225

10. Prepayments, Deposits and Other Receivables

A deposit of HK$100 million had been paid to the High Court in respect of the Advertasia litigation. This amount of money will remain at the High Court until the result of the appeal to the Court (see page 7 Contingent Liabilities section).

11. Convertible Bonds

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.

The fair value of the liability component of the convertible bonds, net of transaction costs, was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 4.8% and is carried as a long term liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders' equity.

As at 30 June 2005, none of the convertible bonds had been converted into ordinary shares of the Company.

12. Share Capital

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'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

13. Reserves

	Share premium account (Unaudited) HK$'000	Equity component of convertible bonds (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Total other reserves (Unaudited) HK$'000	Retained earnings (Unaudited) HK$'000
At 1 January 2004						
As previously reported	644,427	—	351,007	(2,576)	992,858	245,354
Prior period adjustments: (note 1 and 2) HKFRS 2 Employee share option schemes	3,250	—	—	—	3,250	(3,250)
As restated	647,677	—	351,007	(2,576)	996,108	242,104
Employee share option schemes (as restated)	3,233	—	—	—	3,233	—
Exchange realignment	—	—	—	3,504	3,504	—
Profit for the period (as restated)	—	—	—	—	—	28,863
Movement in current account with a minority shareholder	—	—	—	—	—	—
At 30 June 2004 and 1 July 2004 (as restated)	650,910	—	351,007	928	1,002,845	270,967
Employee share option schemes (as restated)	4,067	—	—	—	4,067	—
Exchange realignment	—	—	—	(2,232)	(2,232)	—
Profit for the period (as restated)	—	—	—	—	—	58,965
Movement in current account with a minority shareholder	—	—	—	—	—	—
At 31 December 2004 (as restated)	654,977	—	351,007	(1,304)	1,004,680	329,932

13. Reserves (continued)

	Share premium account (Unaudited) HK$'000	Equity component of convertible bonds (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Total other reserves (Unaudited) HK$'000	Retained earnings (Unaudited) HK$'000
At 1 January 2005						
As previously reported	**644,427**	—	**351,007**	**(1,304)**	**994,130**	**340,482**
Prior period adjustments: (note 1 and 2)						
HKFRS 2						
Employee share option schemes	**10,550**	—	—	—	**10,550**	**(10,550)**
As restated, before opening adjustments	**654,977**	—	**351,007**	**(1,304)**	**1,004,680**	**329,932**
Opening adjustments: (note 1 and 2)						
HKASs 32 and 39						
Convertible bonds	—	**10,763**	—	—	**10,763**	—
As restated, after opening adjustments	**654,977**	**10,763**	**351,007**	**(1,304)**	**1,015,443**	**329,932**
Employee share option schemes	**3,233**	—	—	—	**3,233**	—
Exchange realignment	—	—	—	**(1,038)**	**(1,038)**	—
Profit for the period	—	—	—	—	—	**35,366**
Movement in current account with a minority shareholder	—	—	—	—	—	—
At 30 June 2005	**658,210**	**10,763**	**351,007**	**(2,342)**	**1,017,638**	**365,298**

14. Related Party Transactions

(a) Transactions with related parties

	Notes	For the six months ended 30 June **2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000
Agency commission paid to Guangdong White Horse Advertising Company Limited ("GWH")	(i)	**1,625**	306
Sales to GWH	(ii)	**9,209**	1,734
Bus shelter maintenance and display fees	(iii)	**3,830**	4,019
Creative services fees payable to GWH	(iv)	**1,412**	1,412

(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 of 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) Hainan White Horse Advertising Media Investment Company Limited ("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.

14. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

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, 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) 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.

(b) Outstanding balances with a related party

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
Due from GWH	**19,560**	19,807

(c) Compensation of key management personnel of the Group

	30 June 2005 (Unaudited) HK$'000	30 June 2004 (Unaudited) HK$'000
Short term employee benefits	**5,553**	4,664
Share-based payments	**1,658**	1,658
Total compensation paid to key management personnel	**7,211**	6,322