

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 2005.

### Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 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 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 67 to 113.

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

### Summary financial information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 119. This summary does not form part of the audited financial statements.

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:

### Five year financial summary

	Year ended 31 December				
	2005 HK\$’000	2004 HK\$’000 Restated	2003 HK\$’000 Restated	2002 HK\$’000	2001 HK\$’000
<b>Results</b>					
Profit attributable to:					
— Equity holders of the parent	105,155	87,828	78,534	71,106	58,906
— Minority interests	8,822	10,268	8,450	7,697	5,358
<b>Assets and liabilities</b>					
Total assets	2,062,710	1,944,800	1,624,054	1,525,052	1,846,593
Total liabilities	(509,245)	(544,043)	(325,715)	(302,206)	(703,498)
Total equity	1,553,465	1,400,757	1,298,339	1,222,846	1,143,095

Note: Profit attributable to equity holders for the year ended 31st December 2004 and 2003 have been restated as a result of the prior year adjustments in respect of the adoption of Hong Kong Financial Reporting Standard 2 “Share-based Payments” issued by the Hong Kong Institute of Certified Public Accountants. Total assets and liabilities as at 31 December 2004 have been restated as a result of the prior year adjustments in respect of the adoption of Hong Kong Accounting Standard 32 “Financial Instruments: Disclosure and Presentation”.

### **Property, plant and equipment and concession rights**

Details of movements in the property, plant and equipment and concession rights of the Group for the year ended 31 December 2005 are set out in notes 14 and 16 to the financial statements, respectively.

### **Share capital, share options and convertible bonds**

The Company has increased its authorised share capital in 2005 from HK\$70,000,000 divided into 700,000,000 shares of par value HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 shares of HK\$0.10 each. Other than that, 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 and convertible bonds during the year together with the reasons therefor, and details of the Company's share option schemes are set out in notes 23 and 26 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 27(a) and (b) to the financial statements and in the consolidated statement of changes in equity, respectively.

### **Distributable reserves**

As at 31 December 2005, the Company's share premium account, share option reserve, contributed surplus, equity component of convertible bonds and retained profits accounts available for cash distribution and/or distribution in specie amounted to HK\$1,118,988. 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.

### **Charitable contributions**

During the year, the Group did not make any charitable contributions (2004: Nil).

### **Major customers 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 which are specific to the Group's businesses and which are required on a regular basis to enable the Group to continue to supply or serve its customers accounted for less than 30% of the Group's total purchase from 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 customers and/or suppliers.

**Connected transactions and continuing connected transactions**

Certain related party transactions as disclosed in note 31 to the financial statements also constitute connected transactions under the Listing Rules, which are required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules. The Group continued to be party to the following continuing connected transactions during the year ended 31 December 2005:

**1. Continuing connected transactions**

(a) On 30 November 2001, the Group entered into (i) 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, WHA Joint Venture and (ii) 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 for the WHA Joint Venture. The Maintenance Services Agreements were for a fixed term of 10 years.

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 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 the 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 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 the day-to-day operations as director and general manager of GWH and is also able to control 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 commissions 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.

- (c) On 23 April 2004, the 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. The total consideration for 2005 is approximately RMB3,000,000 (equivalent to approximately HK\$2,825,000). Under the agreement, the 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.

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\$21 million during the year; 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\$112 million and HK\$17 million during the year, 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.

2. Connected transactions

The Group also had the following connected transaction entered into after 31 December 2005:

— Extension of the profit sharing term:

On 9 January 2006, China Outdoor Media (HK) and Hainan White Horse signed an agreement to amend the Joint Venture Agreement, extending the term of China Outdoor Media (HK)'s entitlement of 90% of the after-tax profits of the WHA Joint Venture for a further two years to the end of the fiscal year 2007. From the fiscal year 2008 and onwards, China Outdoor Media (HK) will be entitled to 80% of the after-tax profits of the WHA Joint Venture. The other terms of the Joint Venture Agreement remain unchanged. In consideration of the above, China Outdoor Media (HK) agreed to make a one-off payment of HK\$500,000 to Hainan White Horse. This amount is determined with reference to the amount payable upon the exercise of the option currently held by China Outdoor Media (HK) to purchase the remaining 20% shareholding in the WHA Joint Venture when the relevant PRC laws permit China Outdoor Media (HK) to have more than an 80% shareholding in the WHA Joint Venture. This payment constitutes a *de minimis* connected transaction exempt from announcement and independent shareholders' approval under the Listing Rules because Hainan White Horse is a connected person of the Company by virtue of it being a substantial shareholder of the WHA Joint Venture, a subsidiary of the Company.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Han Zi Jing  
Teo Hong Kiong  
Zou Nan Feng

Non-executive directors:

Steven Yung	(re-designated on 1 January 2006)
Peter Cosgrove	
Mark Mays	
Paul Meyer	(appointed on 31 January 2006)
Roger Parry	(resigned on 31 January 2006)
Jonathan Bevan	
Han Zi Dian	
Chin Oi Ling Lenna	(alternate director to Mark Mays, resigned on 31 January 2006)
Tim Maunder	(alternate director to Roger Parry, resigned on 15 December 2005)
Zhang Huai Jun	(alternate director to Han Zi Dian)
Mark Thewlis	(alternate director to Mark Mays, Paul Meyer and Jonathan Bevan, appointed on 31 January 2006)

Independent non-executive directors:

Leonie Ki Man Fung  
Wang Shou Zhi  
Desmond Murray

Subsequent to the balance sheet date, on 1 January 2006, Mr. Steven Yung was redesignated as a non-executive director, and with effect from 31 January 2006, Mr. Roger Parry resigned as a non-executive director of the Company. In addition and with effect on the same day, Ms. Lenna Chin resigned as an alternate non-executive director to Mr. Mark Mays. Mr. Paul Meyer has been appointed as a non-executive director of the Company. In addition, Mr. Mark Thewlis has also been appointed as an alternate non-executive director to each of Mr. Paul Meyer, Mr. Jonathan Bevan and Mr. Mark Mays.

In accordance with clause 87 of the Company's bye-laws and board resolution, one-third of the directors will retire by rotation and, if eligible, will offer themselves for re-election at the forthcoming annual general meeting. The directors of the Company, including the independent non-executive directors, 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 at each annual general meeting.

**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 34 to 37 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 on 30 November 2001, which will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party to the other.

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' remuneration**

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

**Directors' interests in contracts**

Save as disclosed in note 31 to the financial statements, 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 and underlying shares**

As at 31 December 2005, 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, were as follows:

**A. Long positions in ordinary shares of the Company as at 31 December 2005:**

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Han Zi Jing	—	—	7,700,000	—	7,700,000	1.54%

*Note:* The 7,700,000 shares are held by Outdoor Media China, Inc. (“OMC”), a company incorporated in Western Samoa of Offshore Chambers. As at 31 December 2005, 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 in OMC is therefore 98%.

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

**B. Long positions in the shares of Clear Channel Communications, Inc as at 31 December 2005:**

*Clear Channel Communications, Inc. (Note 1)*

Name of director	Number of shares held, capacity and nature of interest: shares					% of issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
Mark Mays	423,706	16,555	1,022,293 (Note 2)	146,267 (Note 3)	1,608,821	0.30
Jonathan Bevan	1,500	—	—	—	1,500	0.0003
Paul Meyer	21,874	—	—	—	21,874	0.0040

1. Clear Channel Communications, Inc is the ultimate holding company of the Company.
2. These are held through MPM Partners, Ltd, a limited partnership organised in the state of Texas, USA, where Mark Mays is the general partner and which is 25% owned by trusts which beneficiaries are Mark May's children, 27.5% owned by Mark Mays and 47.5% owned jointly by Mark Mays and his spouse.
3. Aggregate shares held by the trusts for which Mark Mays is the trustee or a co-trustee. Of the shares held by these trusts, the children of Mark Mays are the beneficiaries of approximately 36,964 shares and Mark Mays is the beneficiary of approximately 11,250 shares.

**C. Long positions in the shares of Clear Channel Outdoor Holdings, Inc as 31 December 2005:**

*Clear Channel Outdoor Holdings, Inc. (Note 1)*

Name of director	Number of shares held, capacity and nature of interest: shares					% of issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	
Mark Thewlis	1,875	—	—	—	1,875	0.0005
Jonathan Bevan	7,700	—	—	—	7,700	0.0022

1. Clear Channel Outdoor Holdings, Inc is an indirect holding company of the Company.

**D. Right to acquire shares in Clear Channel Communications, Inc as at 31 December 2005:**

Name of director	Date of Grant	Number of Outstanding Options as at 31 December 2005	Option Period	Subscription Price per share of Clear Channel Communications, Inc
Mark Mays	12/02/1999	78,335	12/02/2004 — 12/02/2006	US\$55.71
	29/02/2000	78,335	28/02/2005 — 28/02/2007	US\$63.79
	12/02/2001	259,319	12/02/2006 — 12/02/2011	US\$55.54
	12/02/2001	1,799	12/02/2006 — 12/02/2011	US\$55.54
	14/12/2001	261,119	14/12/2006 — 14/12/2011	US\$44.31
	19/02/2003	235,006	19/02/2008 — 19/02/2013	US\$35.06
	19/02/2004	156,671	31/12/2004 — 19/02/2009	US\$42.63
	12/01/2005	217,684	12/01/2010 — 12/01/2015	US\$30.31
	16/02/2005	47,001	16/02/2010 — 16/02/2015	US\$32.88

**E. Right to acquire shares in Clear Channel Outdoor Holdings, Inc as at 31 December 2005:**

Name of director	Date of Grant	Number of Outstanding Options as at 31 December 2005	Option Period	Subscription Price per share of Clear Channel Outdoor Holdings, Inc
Mark Mays	11/11/2005	100,000	11/11/2010 — 11/11/2015	US\$18.00
Mark Thewlis	12/02/2001	1,756	12/02/2006 — 12/02/2011	US\$33.02
	14/12/2001	878	14/12/2006 — 14/12/2011	US\$26.35
	19/02/2003	4,391	19/02/2006 — 19/02/2010	US\$20.85
	19/02/2003	1,256	19/02/2007 — 19/02/2010	US\$25.35
Jonathan Bevan	29/02/2000	1,317	28/02/2005 — 28/02/2007	US\$37.93
	12/02/2001	1,756	12/02/2006 — 12/02/2008	US\$33.02
	25/07/2001	2,635	25/07/2005 — 25/07/2008	US\$31.88
	25/07/2001	2,635	25/07/2006 — 25/07/2008	US\$31.88
	14/12/2001	1,756	14/12/2005 — 14/12/2008	US\$26.35
	14/12/2001	1,757	14/12/2006 — 14/12/2008	US\$26.35
	19/02/2003	2,195	19/02/2006 — 19/02/2010	US\$20.85
	19/02/2003	2,196	19/02/2007 — 19/02/2010	US\$20.85
	19/02/2003	4,392	19/02/2008 — 19/02/2010	US\$20.85
	19/02/2004	8,783	31/12/2004 — 19/02/2009	US\$25.35
	12/01/2005	3,293	12/01/2008 — 12/01/2012	US\$17.89
	12/01/2005	3,294	12/01/2009 — 12/01/2012	US\$17.89
	12/01/2005	6,588	12/01/2010 — 12/01/2012	US\$17.89



Name of director	Date of Grant	Number of Outstanding Options as at 31 December 2005	Option Period	Subscription Price per share of Clear Channel Outdoor Holdings, Inc
Teo Hong Kiong	11/11/2005	2,500	11/11/2010 — 11/11/2015	US\$18.00
Paul Meyer	11/11/2005	61,483	28/02/2005 — 28/02/2007	US\$37.93
	11/11/2005	30,741	02/12/2005 — 12/02/2008	US\$33.02
	11/11/2005	17,566	14/12/2004 — 14/12/2008	US\$26.35
	11/11/2005	17,567	14/12/2005 — 14/12/2008	US\$26.35
	11/11/2005	114,183	19/02/2004 — 19/02/2009	US\$25.35
	11/11/2005	30,742	12/02/2006 — 12/02/2008	US\$33.02
	11/11/2005	35,133	14/12/2006 — 14/12/2008	US\$26.35
	11/11/2005	17,566	19/02/2006 — 19/02/2010	US\$20.85
	11/11/2005	17,567	19/02/2007 — 19/02/2010	US\$20.85
	11/11/2005	35,133	19/02/2008 — 19/02/2011	US\$20.85
	11/11/2005	91,250	11/11/2008 — 11/11/2012	US\$18.00
	11/11/2005	91,250	11/11/2009 — 11/11/2012	US\$18.00
	11/11/2005	182,500	11/11/2010 — 11/11/2012	US\$18.00

Save as disclosed above, none of the directors nor the 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.

Directors’ rights to acquire shares

Apart from as disclosed under the headings “Directors’ and chief executive’s interests and short positions in shares and underlying 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 his or her respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow 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.

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 2005, the number of shares issuable under share options granted under the Scheme was 23,683,000, which represented approximately 4.7% 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.

As at 31 December 2005, 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 and the Scheme for a consideration of HK\$1.00 per grant are set out below:

Name or category of participant	Type of share option scheme	At the beginning of the year	Granted during the year	Number of share options		Forfeited during the year	At the end of the year	Date of grant of share options*	Exercise period	Exercise price per share** HK\$	Price of the Company's shares***		
				Exercised during the year	Expired during the year						At grant date of options HK\$	Immediately before the exercise date HK\$	At exercise date of options HK\$
Directors 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	30/06/2005 to 29/06/2009	5.51	5.3	—	—
	The Scheme	1,400,000	—	—	—	—	1,400,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5	—	—
		<u>5,150,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,150,000</u>						
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	28/05/2006 to 27/05/2010	3.51	3.5	—	—
		<u>2,579,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,579,000</u>						
Han Zi Jing	Pre-IPO share option scheme	3,334,000	—	—	—	—	3,334,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—	—
	The Scheme	1,666,000	—	—	—	—	1,666,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3	—	—
	The Scheme	1,900,000	—	—	—	—	1,900,000	28/05/2003	28/05/2006 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	—	—
		<u>7,900,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,900,000</u>						
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	28/05/2006 to 27/05/2010	3.51	3.5	—	—
		<u>2,470,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,470,000</u>						
Zou Nan Feng	Pre-IPO share option scheme	800,000	—	—	—	—	800,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—	—
	The Scheme	400,000	—	—	—	—	400,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3	—	—
	The Scheme	666,000	—	—	—	—	666,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5	—	—
		<u>1,866,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,866,000</u>						
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	28/05/2006 to 27/05/2010	3.51	3.5	—	—
		<u>1,191,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,191,000</u>						

Name or category of participant	Type of share option scheme	At the beginning of the year	Granted during the year	Number of share options		Forfeited during the year	At the end of the year	Date of grant of share options*	Exercise period	Exercise price per share** HK\$	Price of the Company's shares***		
				Exercised during the year	Expired during the year						At grant date of options HK\$	Immediately before the exercise date HK\$	At exercise date of options HK\$
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	—	—	—	(333,000)	5,661,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5		
	The Scheme	2,000,000	—	—	—	—	2,000,000	19/11/2003	20/11/2006 to 19/11/2010	5.35	5.35	—	—
		<u>20,894,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(333,000)</u>	<u>20,561,000</u>						
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	—	—	—	(333,000)	11,667,000						
	The Scheme	<u>3,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,000,000</u>						
		<u>42,050,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(333,000)</u>	<u>41,717,000</u>						

\* 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 will be the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

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

Apart from the foregoing, at no time during the year ended 31 December 2005 was the Company, or any of its holding companies, subsidiaries or fellow 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 2005, 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		Number of shares held	Percentage of the Company’s issued share capital
Clear Channel KNR Neth Antilles NV	Note	251,185,500	50.08%
The Capital Group Companies, Inc.		36,094,000	7.20%
FMR Corp		29,749,600	5.93%

*Note:* The Company was informed on 19 July 2005 by Clear Channel Communications, Inc. (“CCU”) that it has, through its non-wholly-owned subsidiary, Clear Channel KNR Neth Antilles NV, a corporation incorporated under the laws of the Netherlands Antilles, increased its shareholding in the Company through the purchase of shares in the market in April and July 2005. Subsequent to the share purchase, CCU’s stake in the Company increased from 48.1% to 50.08%.

Save as disclosed above, as at 31 December 2005, 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 or short positions in shares and underlying shares” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

**Sufficiency of public float**

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company’s total issued share capital was held by the public as at the date of this report.

**Code of Corporate Governance Practices**

In the opinion of the directors, the Company complied with the Code, as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

**Model Code for Securities Transactions**

The Company has adopted 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 Company confirmed that 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 2005, 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 30(b) to the financial statements.

**Auditors**

Ernst & Young retired 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 of the Board*

Hong Kong  
24 February 2006