1. CORPORATE INFORMATION

Clear Media Limited is an exempted company incorporated in Bermuda on 30 March 2001 under the Companies Act 1981 of Bermuda. 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 15 to the financial statements. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

In the opinion of the directors, the parent and the ultimate holding company of the Group is Clear Channel Communications, Inc., which is incorporated in the United States of America.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. 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.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

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 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment

The adoption of HKASs 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 23, 27, 31, 33, 36 and 37 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's consolidated financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement and consolidated statement of changes in equity and other disclosures.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 32 and HKAS 39 - Financial Instruments

(i) Equity securities

The adoption of HKAS 39 does not result in any changes in the measurement of equity securities. Comparative amounts have been reclassified for presentation purposes.

(ii) Convertible bonds

In prior year, convertible bonds were stated at amortised cost. Upon the adoption of HKAS 32, convertible bonds issued are split into liability and equity components. The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with HKAS 32, comparative amounts have been restated.

(b) HKFRS 2 - Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) HKFRS 2 - Share-based Payment (Continued)

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (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 effects of adopting HKFRS 2 are summarised in note 2.4 to the financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but not yet effective, to these financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

HKAS 1 Amendment shall be applied to annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures of qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; compliance with any capital requirements; and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied to annual periods beginning on or after 1 January 2007.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 January 2005 **Effect of new policies (Increase/(decrease))**	**Effect of adopting** **HKAS 32#** **Convertible bonds**	 **HKFRS 2#** **Employee share option schemes**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Liabilities/equity			
Convertible bonds	(10,763)	—	(10,763)
Equity component of convertible bonds	10,763	—	10,763
Share option reserve	—	10,550	10,550
Retained profits	—	(10,550)	(10,550)
			—

Adjustments/presentation taken effect retrospectively.

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Effect on the consolidated balance sheet (Continued)

At 31 December 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 32# Convertible bonds HK$'000	 HKFRS 2# Employee share option schemes HK$'000	 Total HK$'000
Liabilities/equity			
Convertible bonds	(10,763)	—	(10,763)
Equity component of convertible bonds	10,763	—	10,763
Share option reserve	—	17,850	17,850
Retained profits	—	(17,850)	(17,850)
			—

(b) Effect on the balances of equity at 1 January 2004 and 1 January 2005

Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 32 Convertible bonds HK$'000	 HKFRS 2 Employee share option schemes HK$'000	 Total HK$'000
1 January 2004			
Share option reserve	—	3,250	3,250
Retained profits	—	(3,250)	(3,250)
			—
1 January 2005			
Equity component of convertible bonds	10,763	—	10,763
Share option reserve	—	10,550	10,550
Retained profits	—	(10,550)	(10,550)
			10,763

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

(c) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004

Effect of new policies	Effect of adopting HKFRS 2 Employee share option schemes HK$'000
Year ended 31 December 2005	
Increase in administrative expenses	7,300
Decrease in profit	(7,300)
Decrease in basic earnings per share	(1.45)
Decrease in diluted earnings per share	(1.42)
Year ended 31 December 2004	
Increase in administrative expenses	7,300
Decrease in profit	(7,300)
Decrease in basic earnings per share	(1.45)
Decrease in diluted earnings per share	(1.42)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture 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'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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures (Continued)

A joint venture is treated as:

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

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

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

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that 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 such impairment loss is credited for the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period 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 an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual value, useful lives and deprecation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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 income statement 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 property, plant and equipment 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.

Expenditure incurred after bus shelters and unipoles have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 15 years. The average operating period is 10 years.

Leases

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 income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentive's received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Applicable to the year ended 31 December 2004:

Short term investments

Short term investments were investments in equity securities held for trading purposes and were 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 were credited or charged to the income statement in the period in which they arise.

Applicable to the year ended 31 December 2005:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and option pricing models.

Impairment of financial assets (Applicable to the year ended 31 December 2005)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Applicable to the year ended 31 December 2005) (Continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial assets (Applicable to the year ended 31 December 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; 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. 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 income statement.

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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits 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 credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from 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, 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 reassessed at each balance sheet date and 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Deferred income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Share-based payment transactions

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005 and to those granted on or after 1 January 2005.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. 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 income statement 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, the WHA Joint Venture, a subsidiary of the Company, 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 a certain percentage on the annual average salary announced by the Social Labour Insurance Administration Bureau.

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 or sale, 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 or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the overseas subsidiary is not Hong Kong dollars. As at the balance sheet date, the assets and liabilities of the entity is translated into the presentation currency of the Company (i.e., Hong Kong dollars) at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity, the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of fixed assets

The Group tests annually whether fixed assets has suffered any impairment, in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates.

5. SEGMENT INFORMATION

Segment information is required by HKAS 14 "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.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's 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 revenue, other income and gains is as follows:

	2005 HK$'000	2004 HK$'000 (Restated)
Revenue		
Rendering of services	675,372	538,434
Other income		
Bank interest income	5,727	1,932
Gains		
Fair value gains, net:		
Equity investments at fair value through profit or loss	3,271	1,402
	8,998	3,334

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2005 HK$'000	2004 HK$'000 (Restated)
Cost of services provided	118,262	97,567
Operating lease rentals on bus shelters, unipoles and point-of-sale	138,992	97,857
Amortisation of concession rights and depreciation of point-of-sale	130,258	109,048
Cost of sales	387,512	304,472
Provision for doubtful debts	10,346	6,020
Bad debts written off	7,165	—
Auditors' remuneration	950	880
Depreciation of owned assets, excluding point-of-sale	6,232	6,228
Gain on disposal of items of property, plant and equipment	(117)	(56)
Operating lease rentals on buildings	10,773	9,067
Employee benefits expense (including directors' remuneration (note 8)):		
Wages and salaries	56,986	47,398
Equity-settled share option expenses	7,300	7,300
Pension scheme contributions	173	242
Less: Forfeited contributions	—	—
Net pension contributions	173	242
	64,459	54,940
Unrealised gain on revaluation of short term investments	—	(706)
Realised gain on equity investments at fair value through profit or loss	(3,271)	(696)
Foreign exchange losses/(gains), net	24	(315)
Bank interest income	(5,727)	(1,932)

8. 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	
	2005 HK$'000	2004 HK$'000
Fees:	957	752
Other emoluments:		
Salaries, allowances and benefits in kind	9,843	9,321
Equity-settled share option expense	3,317	3,317
Pension scheme contributions	63	67
	13,223	12,705
	14,180	13,457

(a) Independent non-executive directors

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

	2005 HK$'000	2004 HK$'000
Ms. Leonie Ki Man Fung	120	35
Mr. Wang Shou Zhi	120	120
Mr. Desmond Murray	237	237
	477	392

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expenses	Pension scheme contributions	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2005					
Executive directors:					
Mr. Steven Yung	—	1,800	616	12	2,428
Mr. Han Zi Jing	—	2,878	1,510	12	4,400
Mr. Teo Hong Kiong	—	2,336	295	12	2,643
Mr. Zou Nan Feng	—	993	293	10	1,296
Non-executive directors:					
Mr. Peter Cosgrove	120	700	310	—	1,130
Mr. Roger Parry	95	—	—	—	95
Mr. Tim Maunder	25	—	—	—	25
Mr. Jonathan Bevan	120	—	—	—	120
Mr. Zhang Huai Jun	—	1,085	293	17	1,395
Mr. Han Zi Dian	—	51	—	—	51
Ms. Chin Oi Ling Lenna	120	—	—	—	120
	480	9,843	3,317	63	13,703
2004					
Executive directors:					
Mr. Steven Yung	—	1,700	616	12	2,328
Mr. Han Zi Jing	—	2,691	1,510	12	4,213
Mr. Teo Hong Kiong	—	2,037	295	12	2,344
Mr. Zou Nan Feng	—	867	293	10	1,170
Non-executive directors:					
Mr. Peter Cosgrove	—	1,027	310	12	1,349
Mr. Roger Parry	60	—	—	—	60
Ms. Coline McConville	60	—	—	—	60
Mr. Han Zi Dian	—	22	—	—	22
Ms. Chin Oi Ling Lenna	120	—	—	—	120
Mr. Tim Maunder	60	—	—	—	60
Mr. Jonathan Bevan	60	—	—	—	60
Mr. Zhang Huai Jun	—	977	293	9	1,279
	360	9,321	3,317	67	13,065

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$121,000 (2004: HK$98,000), namely to Mr. Zou Nan Feng (HK$50,000) and Mr. Zhang Huai Jun (HK$71,000). No directors waived or agreed to waive any remuneration during the year (2004: 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 (2004: Nil).

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

9. FIVE HIGHEST PAID INDIVIDUALS

During the year, all of the five highest paid individuals were directors (2004: five) and the details of whose remuneration are set out in note 8 above.

During the year, the discretionary bonuses paid to or receivable by the five highest paid individuals of the Group amounted to HK$121,000 (2004: HK$98,000). 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 (2004: Nil).

During the year, no share options were granted to the five highest paid individuals.

10. FINANCE COSTS

	Group	
	2005 HK$'000	2004 HK$'000 (Restated)
Interest on bank loans wholly repayable within five years	924	7,357
Other finance costs:		
Provision for convertible bonds redemption premium	16,800	2,820
	17,724	10,177

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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	
	2005 HK$'000	2004 HK$'000
Group:		
Current — Hong Kong profits tax	1,064	—
Current — PRC corporate income tax	16,355	17,057
Deferred (note 24)	6,500	(3,322)
Total tax charge for the year	23,919	13,735

11. 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	
	2005	2004
	HK$'000	HK$'000 (Restated)
Profit before tax	137,896	111,831
Calculated at a tax rate of 15.0% (2004: 15.0%)	20,684	16,775
Higher income tax rates for Hong Kong at 17.5% (2004: 17.5%)	(155)	75
Income not subject to tax	(5,230)	(3,918)
Expenses not deductible for tax	4,470	2,411
Tax losses utilized from previous periods	(380)	—
Tax loss not recognized	4,530	1,714
Deferred tax (note 24)	—	(3,322)
Tax charge at the Groups effective rate of 17.3% (2004: 12.3%)	23,919	13,735

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 sixth statutory profitable year of the WHA Joint Venture, corporation income tax for the current year has been calculated at a rate of 15% on its assessable profits arising in the PRC.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net loss from ordinary activities attributable to equity holders of the parent dealt with in the financial statements of the Company for the year ended 31 December 2005 was approximately HK$873,000 (2004 (restated) : HK$5,098,000) (note 27 (b)).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the parent of HK$105,155,000 (2004: HK$87,828,000 (restated)) and the weighted average of 501,608,500 (2004: 501,608,500) ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on convertible bonds if applicable. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of diluted earnings per share is based on:

	2005 HK$'000	2004 HK$'000 (Restated)
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	105,155	87,828
Provision for convertible bonds redemption premium	16,800*	2,820*
Net profit attributable to ordinary equity holders of the parent before interest on convertible bonds	121,955	90,648

	Number of shares	
	2005	2004
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	501,608,500	501,608,500
Effect of dilution — Weighted average number of ordinary shares:		
Share options	11,495,521	10,855,831
Convertible bonds	32,550,861*	5,707,548*
	545,654,882	518,171,879

* Since the diluted earnings per share amount is increased when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and are ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the net profit for the year of HK$105,155,000 and the weighted average of 513,104,021 ordinary shares in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT

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
At 31 December 2004 and at 1 January 2005:						
Cost	9,917	20,647	15,133	31,354	55,971	133,022
Accumulated depreciation	(8,843)	(12,905)	(7,536)	(8,736)	—	(38,020)
Net carrying amount	1,074	7,742	7,597	22,618	55,971	95,002
At 1 January 2005, net of accumulated depreciation	1,074	7,742	7,597	22,618	55,971	95,002
Additions	1,198	1,151	1,792	—	49,797	53,938
Disposals	—	—	(41)	—	—	(41)
Provided during the year	(433)	(2,848)	(2,951)	(3,170)	—	(9,402)
Transfers	—	—	—	—	(71,222)	(71,222)
Exchange realignment	34	145	163	474	1,259	2,075
At 31 December 2005, net of accumulated depreciation	1,873	6,190	6,560	19,922	35,805	70,350
At 31 December 2005:						
Cost	11,337	18,899	16,815	32,059	35,805	114,915
Accumulated depreciation	(9,464)	(12,709)	(10,255)	(12,137)	—	(44,565)
Net carrying amount	1,873	6,190	6,560	19,922	35,805	70,350

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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
At 1 January 2004:						
Cost	9,730	19,781	12,363	31,167	7,195	80,236
Accumulated depreciation	(8,149)	(9,760)	(5,473)	(5,593)	—	(28,975)
Net carrying amount	1,581	10,021	6,890	25,574	7,195	51,261
At 1 January 2004, net of accumulated depreciation	1,581	10,021	6,890	25,574	7,195	51,261
Additions	172	830	3,132	127	74,840	79,101
Disposals	—	—	(19)	—	—	(19)
Provided during the year	(687)	(3,124)	(2,417)	(3,134)	—	(9,362)
Transfers	—	—	—	—	(26,041)	(26,041)
Exchange realignment	8	15	11	51	(23)	62
At 31 December 2004, net of accumulated depreciation	1,074	7,742	7,597	22,618	55,971	95,002
At 31 December 2004:						
Cost	9,917	20,647	15,133	31,354	55,971	133,022
Accumulated depreciation	(8,843)	(12,905)	(7,536)	(8,736)	—	(38,020)
Net carrying amount	1,074	7,742	7,597	22,618	55,971	95,002

15. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares, at cost	**487,273**	487,273
Due from subsidiaries	**690,112**	663,982
	1,177,385	1,151,255

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$569 million (2004: HK$526 million) and bear interest at a rate of 5% per annum.

Particulars of the subsidiaries are 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	Percentage of equity attributable to the Company 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
WHA Joint Venture	PRC	US$60,000,000/ US$60,000,000	—	80 (Note)	Operation of outdoor advertising business

15. INTERESTS IN SUBSIDIARIES (Continued)

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 was a shareholder of the Company, and Hainan White Horse") 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 and its 5% share of the profits of the WHA Joint Venture.

China Outdoor Media (HK) and Hainan White Horse 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 and China Outdoor Media (HK) sharing 20% and 80% interests in the WHA Joint Venture, respectively. 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 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. For the fiscal years 2001 to 2005 (both years inclusive), China Outdoor Media (HK) would be entitled to 90% of the after-tax profits of the WHA Joint Venture. For the fiscal year 2006 and onwards, China Outdoor Media (HK) would only be entitled to 80% of the after-tax profits of the WHA Joint Venture.

On 9 January 2006, the Company and Hainan White Horse signed an agreement to amend the relevant clause in the Joint Venture Agreement, extending the term of the Company's entitlement of 90% of the after-tax profits of the WHA Joint Venture for a consideration of HK$500,000. The Company will be entitled to 90% of the after-tax profits of the WHA Joint Venture for the fiscal years 2006 and 2007, and for the fiscal year 2008 and onwards, the Company will be entitled to 80% of the after-tax profits of the WHA Joint Venture.

16. CONCESSION RIGHTS

	HK$'000
2005	
Cost at 1 January 2005, net off accumulated amortisation	1,087,039
Additions	79,208
Transfer from construction in progress	71,222
Amortisation during the year	(127,088)
Exchange realignment	22,439
At 31 December 2005	1,132,820
At 31 December 2005:	
Cost	1,710,479
Accumulated amortisation	(577,659)
Net carrying amount	1,132,820
At 1 January 2004:	
Cost	1,195,922
Accumulated amortisation	(334,310)
Net carrying amount	861,612
2004	
Cost at 1 January 2004, net off accumulated amortisation	861,612
Additions	303,615
Transfer from construction in progress	26,041
Amortisation during the year	(105,914)
Exchange realignment	1,685
At 31 December 2004	1,087,039
At 31 December 2004 and at 1 January 2005:	
Cost	1,527,659
Accumulated amortisation	(440,620)
Net carrying amount	1,087,039

Note:

All of the Group's bus shelter concession rights are granted by entities authorized by local governmental agencies in China which have control over the construction and management of bus shelters. Under these concessions, the Group assumes responsibility for construction and on-going maintenance of the bus shelters and pays annual fixed rental fees to the entities authorized by local governmental agencies. In exchange, the Group has the exclusive rights to sell advertising space on these bus shelters during the term of the concessions.

The Group's bus shelter concession contracts have initial terms of between five to fifteen years. As at 31 December 2005, the weighted average remaining term of the concession rights currently held by the Group was approximately nine years. In terms of renewal rights, approximately 67% of the concession rights held by the Group, based on the number of bus shelters, grant the Group the right of first refusal to renew the concession contracts provided that the terms offered by the Group are no less favourable than the competing tenders. Some of the concession contracts also allow the Group to extend contracts before expiration. During the year, the Group has successfully extended approximately 10% of our bus shelter concessions, based on the number of bus shelters.

17. TRADE RECEIVABLES

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. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the Group's trade receivables being related to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2005	**2004**
	HK$'000	**HK$'000**
Current to 90 days	**112,923**	99,278
91 days to 180 days	**67,905**	50,702
Over 180 days	**65,192**	54,171
	246,020	204,151
Less: Provision for doubtful debts	**(10,346)**	(8,926)
Total trade receivables, net	**235,674**	195,225

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance as at 31 December 2005 included approximately HK$100 million paid to the Hong Kong High Court in respect of a claim involving Advertasia Street Furniture Limited, which is further explained in note 30(b).

19. DUE FROM A RELATED PARTY

	Group	
	2005	**2004**
Name	**HK$'000**	**HK$'000**
GWH (note 31(b))	**26,574**	19,807

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

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	Group	
	2005	**2004**
	HK$'000	**HK$'000**
Listed equity investments, at market value:		
Hong Kong	—	7,042

The above equity investments at 31 December 2004 were disposed of during the year.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$142,684,000 (2004: HK$55,655,000). 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.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amount of the cash and cash equivalents and the pledged deposits approximates their fair value.

As at 31 December 2005, the Group had no pledged deposits (2004: US$4,500,000 (equivalent to approximately HK$35,014,000) and HK$30,347,000) to secure short-term bank loans.

As at 31 December 2005, the Group had pledged deposits of RMB31,000,000 (equivalent to approximately HK$29,799,000) (2004: RMB30,863,000) (equivalent to approximately HK$29,015,000) to banks as security for bills payable of RMB26,627,000 (approximately HK$25,595,000) (2004: RMB36,403,000 (equivalent to approximately HK$34,223,000)). All of the Group's bank borrowings are repayable within one year.

22. INTEREST-BEARING BANK BORROWINGS

As at 31 December 2005, the Group had no outstanding bank loans as all bank loans had been repaid during the year.

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.

23. CONVERTIBLE BONDS

		Group	
		2005	2004
	Note	HK$'000	HK$'000 (Restated)
Nominal value of convertible bonds due 2009	(i)	312,000	312,000
Less: Transactions costs	(ii)	(11,793)	(11,793)
		300,207	300,207
Equity component	(iii)	(10,763)	(10,763)
Liability component at the issuance date	(iii)	289,444	289,444
Provision for convertible bonds redemption premium		19,620	2,820
Liability component at 31 December		309,064	292,264

Notes:

(i) 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. In accordance with HKAS32, comparative amounts have been restated.

23. CONVERTIBLE BONDS (Continued)

(ii) In the prior year, convertible bonds were stated at amortized cost. Upon adoption of HKASs 32 and 39, the transactions 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. In accordance with HKAS 32, comparative amounts have been restated.

(iii) The fair value of the liability component of the convertible bonds was determined, upon issuance, using the prevailing market interest rates for similar debts 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 in other reserves (note 27).

As at 31 December 2005, none of the convertible bonds was converted into ordinary shares of the Company.

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Group	
	Taxable temporary differences 2005 HK$'000	Taxable temporary differences 2004 HK$'000
At 1 January:	—	(1,436)
Deferred tax (debited)/credited to the income statement during the year (note 11)	(5,590)	1,436
At 31 December	(5,590)	—

Deferred tax assets

	Group	
	Deductible temporary differences 2005 HK$'000	Deductible temporary differences 2004 HK$'000
At 1 January	3,671	1,785
Deferred tax (debited)/credited to the income statement during the year (note 11)	(910)	1,886
At 31 December	2,761	3,671
Net deferred tax (liabilities)/assets at 31 December	(2,829)	3,671

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 and provision for bad and doubtful debts, which lead to differences in the accounting and tax bases.

The Group has tax losses arising in Hong Kong of HK$64,116,000 (2004: HK$40,328,000) 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 as they have arisen mainly in the company that has been loss-making for some time. The Group is seeking tax planning opportunities to create or increase taxable profit in future periods so as to utilise the available tax deduction.

25. SHARE CAPITAL

	2005 HK$'000	2004 HK$'000
Shares		
Authorised:		
1,000,000,000 ordinary shares (2004: 700,000,000) of HK$0.10 each	**100,000**	70,000
Issued and fully paid:		
501,608,500 ordinary shares of HK$0.10 each	**50,161**	50,161

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.

26. 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.

26. SHARE OPTION SCHEMES (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 would remain in force for a period commencing on the date on which the Pre-IPO share option scheme was 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 would be granted but in all other respects the provisions of the Pre-IPO share options scheme shall remain in force and effect.

The movements in the number of share options to subscribe for shares in the Company during the year are shown in the following tables.

At the balance sheet date, the Company had 41,717,000 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 41,717,000 additional ordinary shares of HK$0.10 each in the Company with proceeds, before relevant share issue expenses, amounting to approximately HK$212,899,000.

The following share options were outstanding under the schemes during the year:

		Number of share options								Price of the Company's shares ***			
Name or category of participant	Type of share option schemes	At the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At the end of the year	Date of grant of share options *	Exercise period	Exercise price per share ** HK$	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	—	—
		5,150,000	—	—	—	—	5,150,000						
Peter Cosgrove	Pre-IPO share option scheme	1,250,000	—	—	—	—	1,250,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—	—
	The Scheme	625,000	—	—	—	—	625,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3	—	—
	The Scheme	704,000	—	—	—	—	704,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5	—	—
		2,579,000	—	—	—	—	2,579,000						

26. SHARE OPTION SCHEMES (Continued)

The following share options were outstanding under the schemes during the year:

		Number of share options								Price of the Company's shares ***			
Name or category of participant	Type of share option schemes	At the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At the end of the year	Date of grant of share options*	Exercise period	Exercise price per share** HK$	At grant date of options HK$	Immediately before the exercise date HK$	At exercise date of options HK$
Directors													
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	—	—
		7,900,000	—	—	—	—	7,900,000						
Teo Hong Kiong	Pre-IPO share option scheme	1,200,000	—	—	—	—	1,200,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—	—	—
	The Scheme	600,000	—	—	—	—	600,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3	—	—
	The Scheme	670,000	—	—	—	—	670,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5	—	—
		2,470,000	—	—	—	—	2,470,000						

The following share options were outstanding under the schemes during the year:

		Number of share options								Price of the Company's shares ***			
Name or category of participant	Type of share option schemes	At the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At the end of the year	Date of grant of share options*	Exercise period	Exercise price per share** HK$	At grant date of options HK$	Immediately before the exercise date HK$	At exercise date of options HK$
Directors													
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	—	—
		1,866,000	—	—	—	—	1,866,000						
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	—	—
		1,191,000	—	—	—	—	1,191,000						

26. SHARE OPTION SCHEMES (Continued)

The following share options were outstanding under the schemes during the year: (Continued)

Name or category of participant	Type of share option schemes	Number of share options: At the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	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 ***: 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	—	—
		20,894,000	—	—	—	(333,000)	20,561,000						
In aggregate	Pre-IPO share option scheme	18,034,000	—	—	—	—	18,034,000						
	The Scheme	9,016,000	—	—	—	—	9,016,000						
	The Scheme	12,000,000	—	—	—	(333,000)	11,667,000						
	The Scheme	3,000,000	—	—	—	—	3,000,000						
		42,050,000	—	—	—	(333,000)	41,717,000						

* 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 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.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 69 of the financial statements.

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) Company

	Share option reserve	Share premium account	Contributed surplus	Equity component of convertible bonds	Retained profits/ (Accumulated losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004						
As previously reported	—	644,427	449,773	—	5,396	1,099,596
Prior year adjustments:						
Equity-settled share option arrangements	3,250	—	—	—	(3,250)	—
As restated	3,250	644,427	449,773	—	2,146	1,099,596
Equity-settled share option arrangements (as restated)	7,300	—	—	—	—	7,300
Equity component of convertible bonds	—	—	—	10,763	—	10,763
Net loss for the year (as restated)	—	—	—	—	(5,098)	(5,098)
At 31 December 2004 (as restates)	10,550	644,427	449,773	10,763	(2,952)	1,112,561
Equity-settled share option arrangements	7,300	—	—	—	—	7,300
Net loss for the year	—	—	—	—	(873)	(873)
At 31 December 2005	17,850	644,427	449,773	10,763	(3,825)	1,118,988

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 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.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Fixed assets

During the current year, the Group paid HK$4,141,000 (2004: HK$4,134,000) to acquire fixed assets.

(b) Concession rights

During the current year, the Group paid HK$129,005,000 to acquire concession rights and to settle the outstanding liability for the acquisition of concession rights brought forward from the prior year of HK$49,733,000.

During the prior 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 year before of HK$21,159,000.

(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	
	2005	2004
	HK$'000	HK$'000
Cash and bank balances	302,567	337,233

29. COMMITMENTS

(a) Capital commitments

	Group	
	2005	2004
	HK$'000	HK$'000
Contracted, but not provided for:		
The construction of shelters for which concession rights are held	44,576	35,177

29. COMMITMENTS (Continued)

(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 15 years.

At 31 December 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	**2004**
	HK$'000	**HK$'000**
Within one year	**148,116**	143,437
In the second to fifth years, inclusive	**550,733**	537,931
After five years	**631,017**	672,101
	1,329,866	1,353,469

30. CONTINGENT LIABILITIES

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

	Group	
	2005	**2004**
	HK$'000	**HK$'000**
Bills discounted with recourse	**8,843**	2,820

(b) On 10 August 1999, Advertasia Street Furniture Limited ("Advertasia"), an independent third party, commenced an action against China Outdoor Media Investment (Hong Kong) Company Limited ("China Outdoor Media (HK"), a wholly owned subsidiary of the Company, in the High Court of Hong Kong with regard 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) argued 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.

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 its group companies 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 its group companies in respect of the claims.

30. CONTINGENT LIABILITIES (Continued)

(b) (Continued)

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% over the prime rate on the sum of HK$50 million from 5 May 1999 to the date of judgment and on the sum of HK$18 million from 30 June 2000 to the date of judgment; and (iii) interest on the respective sums of HK$144,122, HK$706,967 and HK$365,284 at the rate of 1% over the prime rate from dates to be agreed between Advertasia and China Outdoor Media (HK) to the date of judgment . China Outdoor Media (HK) was also ordered to pay the costs of the action. China Outdoor Media (HK) made an unsuccessful appeal against this judgment in the Court of Appeal and has subsequently filed an appeal to the Court of Final Appeal in Hong Kong. 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 judgment will not have a material impact on its business.

In January 2005, China Outdoor Media (HK) paid to the High Court the sum of HK$100 million in respect of the aforementioned claim made by Advertasia (note 18), and this amount of money will remain at the High Court until the result of the appeal to the Court of Final Appeal. 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 and its shareholders, the Company will be fully indemnified against all damages, penalties, liabilities, legal fees, enforcement costs and expenses incurred by the Company and its group companies in respect of the claims.

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.

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

The following table sets out the related party transactions which fall under the definition of "continuing connected transactions" under Chapter 14A of the Listing Rules:

	Note	2005 HK$'000	2004 HK$'000
Agency commission paid to GWH	(i)	**5,864**	2,677
Sales to GWH	(ii)	**33,228**	15,168
Bus shelter maintenance and display fees	(iii)	**7,819**	8,156
Creative services fees payable to GWH	(iv)	**2,854**	2,825

31. RELATED PARTY TRANSACTIONS (Continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (Continued)

(a) 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 Dan, 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.

Other than the above, the Group entered into various trademark licence agreements and an option agreement (which constitute "connected transactions" as defined in Chapter 14A of the Listing Rules) 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, a shareholder of the Company and an international company incorporated under the laws of Western Samoa, and/or Mr. Han Zi Jing, a director of the Company and his associates has at least a 10% direct or indirect interest in the Company, the licence shall be on an exclusive basis and Guangdong White Horse will not have any termination rights. Upon OMC and/or Mr. Han Zi Jing and his 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 licence was granted for RMB1.00 but otherwise was royalty-free.

31. RELATED PARTY TRANSACTIONS (Continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (Continued)

(a) Notes: (Continued)

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

(iii) 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.

(iv) 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 of the Group 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 HK$1.00 but otherwise was royalty-free.

(v) On 30 November 2001, China Outdoor Media (HK) and Hainan White Horse, 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 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.

The Group also entered into the following transaction with related parties (which constitutes a "connected transaction" as defined in Chapter 14A of the Listing Rules) after 31 December 2005:

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 connected transaction 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.

(b) Outstanding balances with a related party

As disclosed in the consolidated balance sheet, the Group had outstanding receivables from GWH of HK$26,574,000 (2004: HK$19,807,000) (note 19), as at the balance sheet date. The balance is unsecured, interest-fee and has no fixed terms of repayment.

31. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of the key management personnel of the Group:

	2005 HK$'000	2004 HK$'000
Short term employee benefits	9,843	9,321
Equity-settled share option expenses	3,317	3,317
Pension Scheme Contribution	63	67
Total compensation paid to key management personnel	13,223	12,705

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, convertible bonds, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and convertible bonds.

Foreign exchange risk

The Group's only investment in China remains its operating vehicle, WHA Joint Venture, which solely conducts business within the PRC. Leaving aside interest payable, repayment of foreign currency loans obtained to finance WHA Joint Venture's operations and any potential future dividend WHA Joint Venture may declare to its shareholders, the bulk of its turnover, capital investment and expenses is denominated in Renminbi. At the time of printing this report, the Group had not experienced any difficulties in obtaining government approval for its necessary foreign-exchange purchases. During the year under review, the Group did not issue any financial instruments for hedging purposes.

33. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 February 2006.