1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

2. Financial Risk Management

The Group's activities are exposed to the following risks:

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, and available-for-sale financial assets, the Group's exposure to credit risk arises from default of counterparties, 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, the WHA Joint Venture, which solely conducts business within the PRC. Leaving aside interest payable, repayment of foreign currency loans obtained to finance the WHA Joint Venture's operations and potential future dividend the 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 governmental approval for its necessary foreign-exchange purchases. During the period under review, the Group did not issue any financial instruments for hedging purpose.

3. Critical Accounting Estimates and Judgments

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 have suffered any impairment. 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.

4. Segment Information

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

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

5. Other Income and Gains

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income	**2,998**	2,220
Fair value gains, net:		
Equity investments at fair value through profit or loss	**—**	3,271
	2,998	5,491

6. Finance Costs

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interests on bank loans wholly repayable within five years	**—**	924
Other finance costs:		
Provision for convertible bonds redemption premium	**8,700**	8,420
	8,700	9,344

7. Profit Before Tax

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

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of sales		
Cost of services provided	**56,883**	57,050
Operating lease rentals on bus shelters, unipoles and point-of-sale	**82,954**	68,094
Amortisation of concession rights and depreciation of point-of-sale	**73,613**	65,240
	213,450	190,384
Provision for doubtful debts	**7,547**	7,902
Auditors' remuneration	**625**	620
Disposal loss of concession rights	**85**	—
Depreciation of owned assets, excluding point-of-sale	**3,177**	3,050
Operating lease rentals on buildings	**6,486**	5,208
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**36,357**	27,994
Equity-settled share option expenses	**2,025**	3,233
Pension scheme contributions	**76**	89
	38,458	31,316
Bank interest income	**(2,998)**	(2,220)
Realised gain on equity investments at fair value through profit and loss	**—**	(3,271)

8. Tax

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Group:		
Current — Hong Kong profits tax	**—**	—
Current — PRC corporate income tax	**5,966**	8,646
Deferred	**(442)**	—
Total tax charge for the period	**5,524**	8,646

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

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

According to the Income Tax Law of the PRC Concerning Foreign Investment Enterprises and Foreign Enterprises, the WHA Joint Venture, a subsidiary of the Company established in Hainan Special Economic Zone of the PRC, was subject to corporate income tax at a rate of 15% on its assessable profits arising in the PRC for the current interim period.

9. Earnings per Share

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the Group of HK$42,057,000 (six months ended 30 June 2005: HK$35,366,000) and the weighted average number of 505,081,717 (six months ended 30 June 2005: 501,608,500) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Group of HK$42,057,000 (six months ended 30 June 2005: HK$35,366,000). The weighted average number of ordinary shares used in the calculation is the 505,081,717 (six months ended 30 June 2005: 501,608,500) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 15,450,111 (six months ended 30 June 2005: 11,594,646) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

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

10. Dividend

The Board of Directors resolved not to pay interim dividends to shareholders in respect of the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

11. Trade Receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, whose 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 of the Group's trade receivables relating 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:

	30 June 2006	31 December 2005
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Current to 90 days	**140,660**	112,923
91 – 180 days	**39,891**	67,905
Over 180 days	**114,918**	65,192
	295,469	246,020
Less: Provision for doubtful debts	**(15,500)**	(10,346)
Total trade receivables, net	**279,969**	235,674

12. Prepayments, Deposits and Other Receivables

A deposit of HK$100 million had been paid to the High Court in respect of the Advertasia litigation. This amount of money will remain at the High Court until the final result of the appeals to the courts (see Note 18).

13. Convertible bonds

On 25 October 2004, the Company issued HK$312,000,000 zero coupon convertible bonds due 2009, which were listed on the Stock Exchange of Hong Kong Limited. Each bond will, at the option of the holder, be convertible on and after 26 November 2004 up to and including 28 September 2009 into fully paid ordinary shares with a par value of HK$0.10 each of the Company at an initial conversion price of HK$9.585 per share. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at 121.899% of their principal amount on 27 October 2009. The net proceeds from the issue of the bonds will be used for general corporate and working capital purposes, including financing possible strategic acquisitions. As at 30 June 2006, none of the convertible bonds had been converted into ordinary shares of the Company.

14. Share Capital

	30 June 2006	31 December 2005
	(Unaudited) HK$'000	(Audited) HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
517,595,500 ordinary shares of HK$0.10 each (31 December 2005: 501,608,500)	**51,760**	50,161

14. Share Capital (Continued)

During the six months ended 30 June 2006, the subscription rights attached to 15,987,000 share options were exercised at subscription prices ranging between HK$3.51 and HK$5.89 per share, resulting in the issue of 15,987,000 shares of HK$0.10 each for a total consideration, before expenses, of HK$81,634,000. The related weighted average share price at the time of exercise was HK$10.1 per share. The related transaction costs amounted to HK$18,000.

	Number of shares in issue	Ordinary shares	Share premium	Share option reserve	Total
		HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	501,608,500	50,161	644,427	17,850	712,438
— Share options exercised	15,987,000	1,599	86,364	(6,329)	81,634
— Share issue expenses	—	—	(18)	—	(18)
— Equity-settled share option arrangements	—	—	—	2,025	2,025
At 30 June 2006	517,595,500	51,760	730,773	13,546	796,079

15. Reserves

The amount of the Group's reserves and the movements therein for the current period and prior period are presented in the consolidated statement of changes in equity on page 11 of the report.

16. Related Party Transactions

(a) Transactions with related parties

	Notes	For the six months ended 30 June 2006 (Unaudited) HK$'000	2005 (Unaudited) HK$'000
Agency commission paid to Guangdong White Horse Advertising Company Limited ("GWH")	(i)	**5,948**	1,625
Sales to GWH	(ii)	**33,705**	9,209
Bus shelter maintenance and display fees	(iii)	**3,874**	3,830
Creative services fees payable to GWH	(iv)	**1,451**	1,412

(i) The agency commission paid to GWH was based on the standard percentage of gross rental revenue for outdoor advertising spaces payable to other major third-party agencies used by the Group. On 11 May 2004, the WHA Joint Venture entered into a framework agreement for a fixed term of three years, which formalised the terms and conditions in the advertising commission agreement between the two parties. GWH is a related party of the Company because of one of the directors of the Company, Mr. Han Zi Dian, is able to exercise influence over the management and day-to-day operations as director and general manager of GWH and controls the composition of a majority of the board of directors of GWH from an indirect interest of 14.2% in GWH.

(ii) The sales to GWH were made according to published prices and conditions similar to those offered to the major customers of the Group.

16. Related Party Transactions (Continued)

(a) Transactions with related parties (Continued)

(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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 19 April 2006 with GWH, whereby GWH agreed to provide poster design service, the design of sales, marketing materials and company profiles and other related creative services to the Group. These transactions were entered into on terms no less favourable than those available to or from independent third parties.

(b) Outstanding balances with a related party

	30 June 2006	31 December 2005
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Due from GWH	**26,583**	26,574

16. Related Party Transactions (Continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employee benefits	**5,468**	5,553
Share-based payments	**860**	1,658
Total compensation paid to key management personnel	**6,328**	7,211

17. Commitments

(a) Capital commitments

	30 June 2006	31 December 2005
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Contracted, but not provided for:		
The construction of bus shelters for which concession rights are held	**18,220**	44,576

17. 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.

As at 30 June 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2006	31 December 2005
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Within one year	**165,970**	148,116
In the second to fifth years, inclusive	**588,035**	550,733
After five years	**548,182**	631,017
	1,302,187	1,329,866

18. Contingent Liabilities

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)") (an indirect wholly owned subsidiary of the Company) in the High Court of Hong Kong pursuant to an agreement dated 21 April 1999 entered into by them for the sale of the entire issued share capital of four Hong Kong private companies by Advertasia to China Outdoor Media (HK) for the sum of HK$68 million (the "Agreement"). Advertasia alleged that China Outdoor Media (HK) had wrongfully, and in breach of the Agreement, refused to purchase the shares held by Advertasia in the four private companies and/or failed to tender a payment of HK$50 million in relation to the Agreement. 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. On 8 October 2004, the High Court, acting as a court of first instance, made an order in favour of Advertasia. Clear Media had made an appeal against the judgement of the High Court.

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

A judgment of the Court of Appeal was made on 7 October 2005 and the appeal was dismissed. A Notice of Appeal was filed by China Outdoor Media (HK) on 8 December 2005 with the Court of Final Appeal and the case was filed with the Court of Final Appeal on 16 February 2006.

19. Approval of the Interim Financial Report

These condensed interim financial statements were approved and authorised for issue by the board of directors on 27 July 2006.