

CLEAR MEDIA LIMITED

白馬戶外媒體有限公司



THE MODERN ART  
OF FUTURE BRANDS  
IN TODAY'S CHINA

Stock Code : 100

INTERIM REPORT 2007

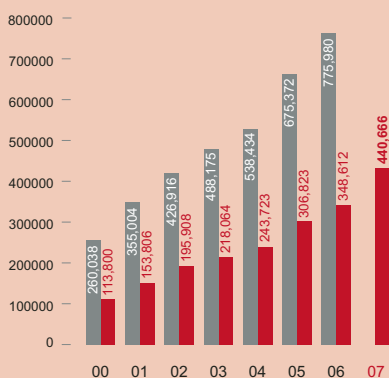
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- Group turnover increased by 26% to HK\$441 million
- Turnover of core bus shelter advertising increased by 20% to HK\$404 million
- EBITDA increased by 10% to HK\$147 million
- EBIT rose by 2% to HK\$57 million
- Net profit grew by 5% to HK\$44 million
- Net profit, before our Shenzhen bus body advertising business, increased by 20%

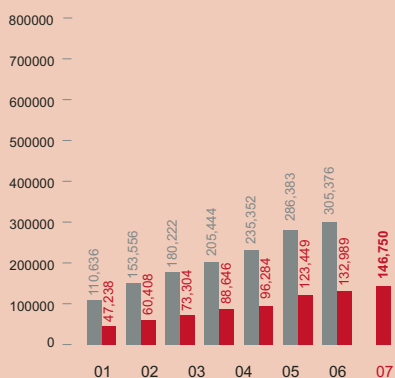
Turnover (HK\$'000)

■ Year ended 31 December  
■ Six months ended 30 June



EBITDA (HK\$'000)

■ Year ended 31 December  
■ Six months ended 30 June



# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

The advertising market in China continued to grow as China's robust economic growth continues, with its GDP gaining an increase of 11.5% in the first half of 2007. The development was fuelled mainly by the strong domestic demand and a benign international environment.

Amid the strong economic growth, and as preparations for the Beijing 2008 Olympic Games geared up, advertising spending in China continued to increase at a promising rate. According to industry projections, the PRC advertising spending is likely to grow at a double-digit rate in 2007 and 2008. It is also estimated that China will overtake Japan as the second largest advertising market globally after the United States, in terms of advertising expenditure, within the next 3 years if the double digit growth in China's advertising expenditure continues.

According to the PRC State Administration for Industry and Commerce, television remains the dominant advertising medium in China, followed by print and outdoor. There has been, however, diversion of advertising expenditure from traditional media to outdoor advertising as advertisers become increasingly aware of its cost-effectiveness.

## OPERATION REVIEW

### Core Bus Shelter Advertising Business

The Group's extensive outdoor advertising network in 30 cities in the PRC continued to do well in the first half of 2007 with a turnover of HK\$404 million, a 20% increase from HK\$336 million for the same period last year. The strong growth was driven by a 9% increase in average inventory to 26,908 panels (1H2006: 24,736 panels) and a 6% increase in overall occupancy rate to 59% (1H2006: 53%). The market response to the Olympics Sales Package has been encouraging since its introduction in the end of 2006 and active negotiations with key sponsors continue during this interim period.

The Group maintained its leading position in the bus shelter advertising market in Beijing, Shanghai and Guangzhou during this interim period. The average selling price ("ASP") in those three key cities increased by 4% during the period although on a nation-wide basis, ASP remained somewhat unchanged as the Group launched more promotional packages especially during the first quarter to cater for smaller customers.

### Key Cities

During the current six-month period, the Group's operations in Beijing, Shanghai and Guangzhou contributed to 53% of the Group's bus shelter advertising sales in total, compared to 54% in the same period last year.

Building on pre-2008 Olympics opportunities and the successful integration of bus shelters acquired in Beijing in 2006, the Group's sales revenue in the capital increased by 20% to HK\$84 million. Both ASP and occupancy rate increased by 3% while inventory increased by 10%, further strengthening the Group's position in Beijing.

The Group's sales revenue in Shanghai rose 6% during the period to HK\$54 million following the 9% increase in ASP and a 9% increase in average inventory. The slower than expected Chinese New Year season has lowered the average occupancy rate to 48%. However, performance in Shanghai picked up significantly in the second quarter.

The Group's operations in Guangzhou recorded growth of 28% in revenue to HK\$76 million in the first half of the year. The increase was attributable to a 5% higher ASP and a 7% higher occupancy rate. Average inventory available for sale during the period has also increased by 10% over the same period last year.

### Mid-Tier Cities

The Group's revenue from mid-tier cities showed a strong growth of 20% to HK\$190 million. During the interim period, the Group set up new sales centres in selected cities such as Xian and Nanjing to further strengthen its presence and to launch product packages suited to the needs of local customers. Average inventory increased by 8% across the cities. The occupancy rate has improved to 57%, although ASP decreased by 3% as a result of promotional packages launched to cater for smaller customers.

### Shenzhen Bus Body Advertising Business

In the first half of 2007 the Group entered into a five-year agreement for bus body advertising with Shenzhen Public Transport Advertising Company Ltd. Under this arrangement, the Group has the right to operate, manage and lease the advertising space of over 3,100 buses covering over 130 routes in Shenzhen and which accounted for nearly 70% of market share in this category of advertising space in Shenzhen, at the time of signing the agreement.

This new business venture generated HK\$24 million in revenue but incurred a loss of HK\$6 million for the six months ended 30 June 2007. The main bulk of the loss was incurred in the first quarter of 2007 during the project's commencement phase. The operations had picked up in the second quarter of 2007 and the Group expects the operations to break even in the second half of the year.

### Other Advertising Formats

During the period, the Group's other advertising formats, including airport advertising, point-of-sale and unipoles, generated a steady sales revenue of HK\$13 million while loss in the period was reduced to half a million.

## FINANCIAL REVIEW

### Turnover

The Group's turnover increased by 26% to HK\$441 million for the six months ended 30 June 2007 from HK\$349 million in the same period last year. Our entire turnover was derived from mainland China and our core bus shelter advertising business continued to be the key growth driver. Total sales from bus shelter advertising increased by 20% to HK\$404 million in the first half of 2007 (1H2006: HK\$336 million).

The Shenzhen bus body advertising business, a new operation for the Group since 1 January 2007, generated HK\$24 million of revenue and accounted for 6% of the increase in turnover. Contributions from other advertising formats including airport, point of sale and unipoles remained unchanged at HK\$13 million for both periods.

### Expenses

Total direct operating costs, which include rental, electricity, maintenance, sales and cultural levies and production cost increased by 48% from HK\$140 million last year to HK\$208 million in the first half of 2007.

Our operation of the Shenzhen bus body advertising business in the first half of 2007 has resulted in HK\$28 million (representing a 20% increase) in direct operating costs.

Excluding this new business, the other direct operating costs represented a 28% increase and represented about 44% of bus shelters and other advertising format's sales (1H2006: 40%). Whilst rental and electricity, as a percentage of sales, remained at 24% and 5% respectively for both periods, following the expansion of the network and the introduction of the new scrolling system in Shanghai, the Group has experienced an increase in cleaning and maintenance expenses. These expenses represented around 7% of turnover this year as compared with 5% in the first half of 2006. The reversal of the overprovision of sales taxes in 2006 has also resulted in a lower sales and cultural levies last year. Sales and cultural levies represented around 8% of sales in 2007 as opposed to 6% in the first half of 2006.

Amortization charges are incurred on the bus shelters and other advertising formats. Amortization charges increased by 17% to HK\$86 million (1H 2006: HK\$74 million) following the expansion of our network and the installation of the scrolling units in Shanghai. As a percentage of bus shelters and other advertising format sales, amortization remained at 21% of sales.

Total selling, general and administrative expenses increased by 14% in the first half of 2007 to HK\$90 million (1H2006: HK\$79 million), including a 7% increase caused by our management of the Group's Shenzhen bus body advertising business. Excluding this new business, selling, general and administrative expenses accounted for 20% of bus shelters and other advertising format's sales, a 2% decrease over the same period last year.

## EBITDA

The Group's earnings before interest, tax, depreciation and amortization ("EBITDA") increased by 10% to HK\$147 million in the first half of the year from HK\$133 million in the same period of 2006. EBITDA margin decreased to 33% from 38% as a result of the higher direct operating costs of our core bus shelter business and the loss incurred on the Group's new Shenzhen bus body advertising business during its restructuring.

## EBIT

Total earnings before interest and tax ("EBIT") was also affected by the loss incurred on the Group's Shenzhen bus body advertising and increased by only 2% from HK\$56 million to HK\$57 million for the period under review.

## Net Profit

Net profit increased by 5% to HK\$44 million for the six months ended 30 June 2007 as compared with HK\$42 million in the same period last year. The overall performance was affected by the loss incurred on the Group's new Shenzhen bus body advertising business during our restructuring of its sales force. If we were to exclude this new business, the net profit generated by the bus shelters and other advertising formats was HK\$50 million which reflected approximately a 20% increase period on period.

## Cashflow

Net cash inflow from our operating activities in the interim period decreased to HK\$83 million from HK\$112 million mainly as a result of a higher accounts receivable balance. Cash outflow from investing activities has reduced from HK\$241 million in the first six months of 2006 to approximately HK\$188 million this year as a result of a lower level of capital expenditure incurred on both organic growth and expansion by acquisition. During the period the Group has also placed an approximate HK\$30 million deposit with Beijing Morgan Investment Company, Limited ("BMIC") for the exclusive right to manage the advertising sales of seven LED screens on the outer walls of the Seven Star Morgan Centre in Beijing and pre-paid approximately HK\$71 million of forecast shared profits. The Group's total cash inflow from financing activities during the period amounted to HK\$58 million. This is mainly due to the proceeds from the issue of ordinary shares and the refund of the deposit, together with interest of HK\$107 million from the Hong Kong High Court in respect of Advertasia claim in January 2007, less cash outflow on repayment of bank loan and the increase in pledged time deposits during the period.

Free cash flow, defined as EBITDA before share compensation expense less cash outflow on capital expenditure, less income tax and net interest expense, increased to HK\$45 million for the current period compared to a negative free cash flow of HK\$120 million in the same period last year. The improvement in free cash flow was mainly a result of a higher EBITDA and lower capital expenditure in the current period.

### Trade Receivables

The Group's accounts receivable balance was HK\$442 million for the period under review compared to HK\$282 million as at 31 December 2006. Cash collection during the first half of the year is typically lower due to the Chinese New Year holiday. The higher sales generated in the second quarter of this year and in the fourth quarter 2006 resulted in an increase in the absolute amount of accounts receivable. Average accounts receivable outstanding days, on a time-weighted basis, improved to 142 days compared to 149 days of the same period last year. As at 30 June 2007, amounts due from Guangdong White Horse Advertising Company Limited, was HK\$37 million, reduced from HK\$50 million as at 31 December 2006.

### Prepayments, Deposits and Other Receivables

The Group's total prepayments, deposits and other receivables as at 30 June 2007 were HK\$178 million compared to HK\$280 million at 31 December 2006. The decrease was due mainly to the refund to the Group of a deposit, together with interest of HK\$107 million from the Hong Kong High Court upon winning the final appeal of Advertasia claim in December 2006.

### Long-term Deposits and Prepayments

The Group's long-term deposits and prepayments increased to HK\$131 million as at 30 June 2007 from HK\$30 million as at 31 December 2006. During the period, the Group entered into an agreement with BMIC for the management of the advertising sales of seven outdoor LED screens in Beijing. A performance guarantee of RMB30 million (equivalent to approximately HK\$30 million) was paid, which, inclusive of accrued interest, shall be refundable after 5 years. In addition, RMB70 million (equivalent to approximately HK\$71 million) was also paid as a prepayment of shared profits, which will be offset against the amount of future profits accruing to BMIC from the sales of advertising time on the LED screens.

### Pledged Time Deposits

During the period the Group has pledged RMB47 million (equivalent to approximately HK\$48 million) to the bank for the issuance of a performance guarantee for the Group's new Shenzhen bus body advertising business. This has resulted in an increased in the pledged time deposits from HK\$30 million as at 31 December 2006 to HK\$78 million as at 30 June 2007.

### Other Payables and Accruals

The Group's total payables and accruals as at 30 June 2007 were HK\$260 million compared to HK\$206 million as at 31 December 2006. The increase was due mainly to our increase in bus shelter rental cost payables.



## Liquidity, Financial Resources, Borrowing and Gearing

The Group financed its operations and investment activities with internally generated cash flow, balanced with proceeds from the previous issue of convertible bonds and short term borrowings.

Interest bearing bank borrowings, secured on the back of pledged time deposits, decreased from HK\$20 million as at 31 December 2006 to HK\$10 million as at 30 June 2007 as a result of repayments during the period. As at 30 June 2007, the Group also has bills payable of HK\$15 million (31 December 2006: HK\$26 million) and convertible bonds of HK\$336 million (31 December 2006: HK\$327 million). The debt to equity ratio, defined as a percentage of net interest bearing borrowings over shareholders' funds, was 17% as at 30 June 2007 (31 December 2006: 18%). As of 30 June 2007, the Group's total cash and cash equivalents amounted to HK\$210 million (HK\$257 million as at 31 December 2006).

The first date for the redemption of the convertible bond is 27 October 2007. The Group is currently exploring the most cost efficient way of refinancing this liability.

## Capital Expenditure

To strengthen the Group's leading position in China's outdoor media industry, the Group actively acquired concession rights and built bus shelters to expand its network of bus shelter advertising space during the period. For the six months ended 30 June 2007, HK\$61 million was spent on obtaining bus shelter concession rights and HK\$2 million on fixed assets, compared to HK\$212 million, and HK\$3 million respectively for the same period last year.

## Share Capital and Shareholder's Funds

During the six months ended 30 June 2007, the subscription rights attached to 1,566,000 share options were exercised at the subscription price ranging between HK\$3.51 to HK\$5.89 per share, resulting in the issue of 1,566,000 shares of par value HK\$0.1 each for a total consideration, before expenses, of HK\$8 million. As a result, Clear Media's issued and fully paid share capital increased to 524,368,500 shares (31 December 2006: 522,802,500 shares). Equity attributable to equity holders of the parent as at 30 June 2007 increased by 6% to HK\$1,942 million from HK\$1,832 million as at 31 December 2006. During the six months under review, no share repurchases were undertaken by the Company.

## Material Acquisitions and Disposals

During the period under review, there were no material acquisitions or disposals of any subsidiary, associate or joint venture of the Group.

## Exposure to Foreign Exchange Risk

The Group's only investment in China is its operating vehicle, Hainan White Horse Advertising Media Investment Company Limited (the "WHA Joint Venture"), which conducts business only within China. Most of the Group's turnover, capital investment and expenses are denominated in RMB, except for interest payable, repayment of foreign currency loans obtained to finance the Group's operating vehicle's operations and any potential future dividend to be declared by the Group's operating vehicle to shareholders. To date, the Group has not experienced any difficulties in obtaining governmental approvals for foreign exchange purposes when required. No financial instruments for hedging purposes were issued in the six months ended 30 June 2007.

The RMB has appreciated in the first half of the year. The Group's turnover and costs are largely denominated in RMB, which will largely offset each other. However, as the Group's net profit is reported in Hong Kong Dollars, there will be a translation gain as a result of the RMB appreciation. The majority of our operating assets are located in the PRC and denominated in Renminbi. The ongoing appreciation of the Renminbi has resulted in an increase in shareholders' equity of approximately HK\$58 million during the period.

## Employment, Training and Development

As at 30 June 2007, the Group had a total of 487 employees, an increase of 14% over the same period in 2006. The increase was largely made up of sales and marketing staff to strengthen our sales capabilities and to set off the Group's new Shenzhen bus body advertising business. Total staff costs were approximately 9% of turnover compared to 11% in the same period last year. As a matter of policy, employees are remunerated based on their performance, experience and the prevailing industry practices with compensation policies and packages reviewed on a regular basis. Bonuses are linked to both the performance of the Group and to individual performance as recognition of value creation. Share options are also granted to senior management in an effort to align individual interests with the Group's interests.

## Charge of Group Assets

There was no outstanding charge on the Group's assets as of 30 June 2007 other than time deposits of RMB76 million (approximately HK\$78 million) pledged as securities for short term bank loans of RMB10 million (approximately HK\$10 million), bills payable of RMB15 million (approximately HK\$15 million) and a performance guarantee issued by bank of RMB47 million (approximately HK\$48 million) for the Group's new Shenzhen bus body advertising business.

## Capital Commitments

As at 30 June 2007, the Group had capital commitments contracted but not provided for in relation to the construction of bus shelters amounted to HK\$13 million. (31 December 2006: HK\$12 million).

## Contingent Liabilities

During the period, neither the Company nor any of its subsidiaries has 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.

## OUTLOOK

China's economic growth is likely to remain strong in the rest of 2007 and consumer spending will continue to increase as the country's high-speed economic growth maintains its momentum. We believe the advertising industry will grow at a rate largely in tandem with the country's economic growth.

The 2008 Beijing Olympic Games is another key factor driving businesses to increase their advertising budgets in China this year to build brand awareness and launch new products. The continued impact brought by the preparations for the Olympic Games will bode well for the PRC advertising market in the near future. Industry analysts are generally optimistic that the Olympic Games will give China's advertising sector a significant boost. It is expected that the growth rate of the industry will rise from 12% in 2005/06 to 15% in 2007/08. Furthermore, as major infrastructure work in urban Beijing continues, we believe that bus shelter advertising will also benefit, given its aesthetic quality in improving city landscape and the convenience it offers to the general public.

We will develop value-added and highly innovative Olympics sales packages or formats with a view to capture the enormous opportunities afforded by the booming economy and the Beijing 2008 Olympics.

Apart from capitalizing on the 2008 Beijing Olympics, we will continue to focus on our core bus shelter advertising business and further expand our network through organic growth and acquisitions while maximizing overall yields.

We will also continue to explore possibilities of introducing new technology for outdoor advertising, such as LED panels, to maximize advertising impact.

We had made a venture into the bus body advertising business in Shenzhen in early 2007. We believe there is synergy between our core bus shelter business and bus body advertising business as they can provide customers with more flexibility and choice in advertising packages.

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		For the six months ended 30 June	
		2007	2006
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
	Notes		
Revenue	5	440,666	348,612
Cost of sales		(293,632)	(213,450)
<b>Gross profit</b>		147,034	135,162
Other income	5	6,466	2,998
Selling and distribution costs		(42,452)	(37,234)
Administrative expenses		(47,535)	(41,729)
Finance costs	6	(9,438)	(8,700)
<b>PROFIT BEFORE TAX</b>	7	54,075	50,497
Tax	8	(7,168)	(5,524)
<b>PROFIT FOR THE PERIOD</b>		46,907	44,973
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent		44,071	42,057
Minority interests		2,836	2,916
		46,907	44,973
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	9	HK8.42 cents	HK8.33 cents
Diluted	9	HK8.29 cents	HK8.08 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

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		30 June 2007	31 December 2006
	Notes	(Unaudited) HK\$'000	(Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		75,507	132,040
Concession rights		1,448,241	1,372,393
Long-term deposits and prepayments	11	130,895	30,000
Total non-current assets		1,654,643	1,534,433
<b>CURRENT ASSETS</b>			
Trade receivables	12	442,009	282,167
Prepayments, deposits and other receivables		178,435	280,372
Due from a related party		36,546	49,708
Pledged deposits		77,548	29,534
Cash and cash equivalents		209,922	257,360
Total current assets		944,460	899,141
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		260,055	206,122
Deferred income		10,229	8,786
Interest-bearing bank borrowing		10,263	19,906
Tax payable		10,130	13,211
Total current liabilities		290,677	248,025
<b>NET CURRENT ASSETS</b>		653,783	651,116
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,308,426	2,185,549
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	13	335,737	326,607
Net deferred tax liabilities		7,571	5,816
Total non-current liabilities		343,308	332,423
Net assets		1,965,118	1,853,126
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Issued capital	14	52,437	52,280
Equity component of convertible bonds	13	10,763	10,763
Reserves	15	1,879,241	1,769,017
		1,942,441	1,832,060
Minority interests		22,677	21,066
Total equity		1,965,118	1,853,126

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

## Attributable to equity holders of the parent

	Issued capital HK\$'000	Share Premium account HK\$'000	Equity component of convertible bonds HK\$'000	Share option reserve HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2006	50,161	644,427	10,763	17,850	351,007	31,060	435,087	1,540,355
Exchange realignment	-	-	-	-	-	16,729	-	16,729
Total income and expense recognised directly in equity	-	-	-	-	-	16,729	-	16,729
Profit for the period	-	-	-	-	-	-	42,057	42,057
Total income and expense for the period	-	-	-	-	-	16,729	42,057	58,786
Issue of shares	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 (unaudited)	51,760	730,773	10,763	13,546	351,007	47,789	477,144	1,682,782
Exchange realignment	-	-	-	-	-	43,658	-	43,658
Total income and expense recognised directly in equity	-	-	-	-	-	43,658	-	43,658
Profit for the period	-	-	-	-	-	-	77,986	77,986
Total income and expense for the period	-	-	-	-	-	43,658	77,986	121,644
Issue of shares	520	27,777	-	(2,676)	-	-	-	25,621
Share issue expenses	-	(12)	-	-	-	-	-	(12)
Equity – settled share option arrangements	-	-	-	2,025	-	-	-	2,025
At 31 December 2006	52,280	758,538	10,763	12,895	351,007	91,447	555,130	1,832,060
At 1 January 2007	52,280	758,538	10,763	12,895	351,007	91,447	555,130	1,832,060
Exchange realignment	-	-	-	-	-	58,131	-	58,131
Total income and expense recognised directly in equity	-	-	-	-	-	58,131	-	58,131
Profit for the period	-	-	-	-	-	-	44,071	44,071
Total income and expense for the period	-	-	-	-	-	58,131	44,071	102,202
Issue of shares	157	8,515	-	(483)	-	-	-	8,189
Share issue expenses	-	(10)	-	-	-	-	-	(10)
At 30 June 2007 (unaudited)	52,437	767,043	10,763	12,412	351,007	149,578	599,201	1,942,441

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

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	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cash generated from operations	92,325	116,192
Interest paid	(354)	–
Income taxes paid	(8,494)	(3,875)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>83,477</b>	<b>112,317</b>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(188,378)</b>	<b>(240,848)</b>
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>57,518</b>	<b>41,616</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(47,383)</b>	<b>(86,915)</b>
Cash and cash equivalents at beginning of period	257,360	302,567
Effects of foreign exchange rate changes, net	(55)	(112)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>209,922</b>	<b>215,540</b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 Accounts.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

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 2006.

## 2. FINANCIAL RISK MANAGEMENT

The Group’s activities are exposed to the following risk:

### 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.

The credit risk of the Group’s other financial asset, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts 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.



## 2. FINANCIAL RISK MANAGEMENT (Continued)

### Foreign exchange risk

The Group's only investment in China remains its operating vehicle, Hainan White Horse Advertising Media Investment Company Limited (the "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 potential future dividend WHA Joint Venture may declare to its shareholders, the bulk of its turnover, capital investment and expenses are 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 period under review, the Group did not issue any financial instruments for hedging purpose.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 property, plant and equipment and concession rights

The Group tests annually whether property, plant and equipment and concession rights have suffered any impairment. The recoverable amounts of property, plant and equipment and concession rights have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment was provided during the period.

## 4. SEGMENT INFORMATION

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

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

## 5. REVENUE AND OTHER INCOME

	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue		
Rendering of services	440,666	348,612
Other income		
Interest income	6,466	2,998

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interests on bank loans wholly repayable within five years	308	–
Other finance cost:		
Provision for convertible bonds redemption premium	9,130	8,700
	9,438	8,700

## 7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of services provided	85,825	56,883
Operating lease rentals on bus shelters, unipoles and point-of-sale	121,752	82,954
Amortisation of concession rights and depreciation of point-of-sale	86,055	73,613
<b>Cost of sales</b>	<b>293,632</b>	<b>213,450</b>
Impairment of accounts receivable	5,786	7,547
Auditors' remuneration	639	625
Depreciation of owned assets, excluding point-of-sale	3,647	3,177
Gain on disposal of items of property, plant and equipment	(23)	–
Loss on disposal of concession rights	102	85
Operating lease rentals on buildings	7,136	6,486
Employee benefits expense (including directors' remuneration):		
Wages and salaries	39,155	36,357
Equity-settled share option expenses	–	2,025
Pension scheme contributions	70	76
	39,225	38,458
<b>Interest income</b>	<b>(6,466)</b>	<b>(2,998)</b>

## 8. TAX

	For the six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Group:		
Current – Hong Kong profits tax	–	–
Current – PRC corporate income tax	5,413	5,966
Deferred	1,755	(442)
<b>Total tax charge for the period</b>	<b>7,168</b>	<b>5,524</b>

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

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

According to the Income Tax Law of the PRC on the Enterprises with Foreign Investment and Foreign Enterprises, the WHA Joint Venture, a subsidiary of the Company established in Hainan Special Economic Zone of the PRC, was subject to a 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\$44,071,000 (six months ended 30 June 2006: HK\$42,057,000) and the weighted average number of 523,424,677 (six months ended 30 June 2006: 505,081,717) ordinary shares in issue during the period.

## 9. EARNINGS PER SHARE (Continued)

The calculation of diluted earnings per share for the period is based on the profit attributable to equity holders of the Group of HK\$44,071,000 (six months ended 30 June 2006: HK\$42,057,000). The weighted average number of ordinary shares used in the calculation is the 523,424,677 (six months ended 30 June 2006: 505,081,717) ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 8,000,291 (six months ended 30 June 2006: 15,450,111) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period. Since the diluted earnings per share amount increased when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period and are ignored in the calculation of diluted earnings per share.

## 10. DIVIDEND

The Board of Directors resolved not to pay interim dividend to shareholders in respect of the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

## 11. LONG-TERM DEPOSITS AND PREPAYMENTS

A long-term deposit amounting to HK\$30,000,000 (31 December 2006: HK\$30,000,000) has been placed with an independent third party in connection with the acquisition of the rights to place advertisements on certain outdoor advertising media. This long-term deposit carries interest at the interest rate of 7% per annum. The deposit is to be refunded to the Group on 29 June 2009. The carrying amount of the long-term deposit approximates to its fair value.

In addition, the Group has signed an agreement on 2 April 2007 with BMIC for the management of the advertising sales of 7 outdoor giant LED screens in Beijing. The Group paid a performance guarantee of RMB30 million (approximately equivalent to HK\$30 million) to BMIC, which, inclusive of accrued interest, shall be refundable after 5 years. In addition, an amount of RMB70 million (approximately equivalent to HK\$71 million) had also been paid as the prepayment of the shared profits, this amount will be offset against the amount of future profits accruing to BMIC from the sales of advertising time on the LED screens.

## 12. 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 that the Group's trade receivables relate 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:

	<b>30 June 2007</b>	<b>31 December 2006</b>
	<b>(Unaudited) HK\$'000</b>	<b>(Audited) HK\$'000</b>
Current to 90 days	218,119	149,167
91 – 180 days	73,602	78,636
Over 180 days	167,923	70,785
	459,644	298,588
Less: Provision for impairment of trade receivables	(17,635)	(16,421)
<b>Total trade receivables, net</b>	<b>442,009</b>	<b>282,167</b>

## 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 2007, none of the convertible bonds had been converted into ordinary shares of the Company.

## 14. SHARE CAPITAL

	30 June 2007	31 December 2006
	(Unaudited) HK\$'000	(Audited) HK\$'000
Shares		
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
524,368,500 ordinary shares of HK\$0.10 each (31 December 2006: 522,802,500)	52,437	52,280

During the six months ended 30 June 2007, the subscription rights attaching to 1,566,000 share options were exercised at the subscription price ranging between HK\$3.51 – HK\$5.89 per share, resulting in the issue of 1,566,000 shares of HK\$0.1 each for a total consideration, before expenses, of HK\$8,189,000. The related weighted average share price at the time of exercise was HK\$8.43 per share. The related transaction costs amounted to HK\$10,000.

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2007	522,802,500	52,280	758,538	810,818
– Share options exercised	1,566,000	157	8,515	8,672
– Share issue expenses	–	–	(10)	(10)
At 30 June 2007	524,368,500	52,437	767,043	819,480

The Group granted 6,500,000 shares of share options to directors and employees on 29 June 2007. The fair value of options granted determined using the Black-Scholes valuation model was HK\$23,900,000 (period ended 30 June 2006: HK\$Nil). The significant inputs into the model were share price of HK\$8.5 at the grant date, exercise price of HK\$8.53, volatility of 38.7%, expected dividend yield of Nil%, an expected option life of 5.5 years and an annual risk free interest rate of 4.5%. The expected option life is based on the historical data in the past three years and is not necessarily indicative of the exercise patterns that may occur. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past three years. The volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

## 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 12 of the report.

## 16. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these condensed interim financial statements, the Group had the following transactions with related parties during the period, which fall under the definition of "Continuing connected transactions" under Chapter 14A of the Listing Rules.

		For the six months ended 30 June	
		2007	2006
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
	Notes		
Agency commission paid to Guangdong White Horse Advertising Company Limited ("GWH")	(i)	2,860	5,948
Sales to GWH	(ii)	16,373	33,705
Bus shelter maintenance and display fees	(iii)	1,848	3,874
Creative services fees payable to GWH	(iv)	1,524	1,451

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. On 5 March 2007, the WHA Joint Venture terminated the framework agreement and entered into a new three-year framework agreement with GWH for the years 2007, 2008 and 2009 on substantially the same terms as the previous agreement. 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.



## 16. RELATED PARTY TRANSACTIONS (Continued)

### (a) (Continued)

Notes: (Continued)

- (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 entered into various agreements (the “maintenance services agreements”) for the maintenance of bus shelters and the display of posters in the PRC with the White Horse Companies on 11 May 2004. 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 significant influence over the management of such White Horse Companies.

The maintenance services agreements were terminated on 20 April 2007. On the same day, the WHA Joint Venture entered into new maintenance services agreements with the White Horse Companies on substantially the same terms as the old agreements. The term of the new maintenance services agreements is from 20 April 2007 to 31 December 2008.

- (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

As disclosed in the condensed consolidated balance sheet, the Group had outstanding receivables from GWH of HK\$36,546,000 (31 December 2006: HK\$49,708,000) as at the balance sheet date. The balance is unsecured, interest-free and is repayable on demand.

## 16. RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended	
	30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	4,807	4,913
Employee share option benefits	–	860
Pension scheme contributions	42	32
Total compensation paid to key management personnel	4,849	5,805

## 17. COMMITMENTS

### (a) Capital commitments

	Group	
	30 June 2007	31 December 2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Contracted, but not provided for: The construction of bus shelters for which concession rights are held	12,745	11,564

## 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.

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	30 June 2007	31 December 2006
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within one year	193,475	187,048
In the second to fifth year, inclusive	681,755	645,722
After five years	578,465	576,165
	1,453,695	1,408,935

## 17. COMMITMENTS (Continued)

- (c) The Group has entered into a media rental contract under which the Group has committed to pay to a media owner a minimum guaranteed payment calculated based on the arrangements as stipulated in the respective contract. As at 30 June 2007, the amount of the total minimum guaranteed payment under the above contract is analysed as follows:

	Group	
	30 June 2007	31 December 2006
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within one year	24,107	–
In the second to fifth year, inclusive	193,152	210,707
	217,259	210,707

In addition to the minimum guaranteed payment, the contract also contains a profit sharing arrangement whereby operating profit exceeding certain threshold as stipulated in the contract will be shared between the two parties at pre-agreed ratio.

## 18. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed interim financial statements were approved and authorised for issue by the board of directors on 30 July 2007.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2007, the interests and short positions of the directors, the chief executive or their associates in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

**A. Long positions in ordinary shares of the Company as at 30 June 2007:**

Name of director	Number of shares held, capacity and nature of interest				Beneficiary of a trust	Total	% of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation				
Han Zi Jing	-	-	7,700,000	-	-	7,700,000	1.47%

Note: The 7,700,000 shares are held by Outdoor Media China, Inc. ("OMC"), a company incorporated in Western Samoa of Offshore Chambers. As at 30 June 2007, Mr. Han Zi Jing held approximately 98% of the issued share capital of Golden Profits Consultants Limited, which is the beneficial holder of 100% of the shares in OMC. The effective interest of Mr. Han in OMC is therefore 98%.

The interests of the directors in the share options of the Company are separately disclosed on pages 35 to 37.

**B. Long positions in the shares of Clear Channel Communications, Inc. as at 30 June 2007:**

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

Name of director	Number of shares held, capacity and nature of interest: shares					
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	% of issued share capital
Mark Mays	782,714	16,712	1,022,293 (Note 2)	146,267 (Note 3)	1,967,986	0.40
Paul Meyer	21,874	–	–	–	21,874	0.0044
Jonathan Bevan	1,500	–	–	–	1,500	0.0003
Mark Thewlis	400	–	–	–	400	0.00008

Notes:

1. Clear Channel Communications, Inc. is the ultimate holding company of the Company.
2. These are held through MPM Partners, Ltd, a limited partnership organised in the state of Texas, USA, where Mark Mays is the general partner and which is 28.26% owned by trusts which beneficiaries are Mark May's children, 51.19% owned by Mark Mays and 20.55% owned by his spouse.
3. Aggregate number of shares held by the trusts for which Mark Mays is the trustee or a co-trustee. Of the shares held by these trusts, the children of Mark Mays are the beneficiaries of approximately 36,964 shares and Mark Mays is the beneficiary of approximately 11,250 shares.

C. Long positions in the shares of Clear Channel Outdoor Holdings, Inc. as 30 June 2007:

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

Name of director	Number of shares held, capacity and nature of interest: shares					
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	% of issued share capital
Mark Mays	16,667	–	–	–	16,667	0.005
Paul Meyer	40,000	–	–	–	40,000	0.011
Jonathan Bevan	19,458	–	–	–	19,458	0.005
Mark Thewlis	10,708	–	–	–	10,708	0.003

Note:

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

D. Right to acquire shares in Clear Channel Communications, Inc. as at 30 June 2007:

Name of director	Date of grant	Number of outstanding options as at 30 June 2007	Option period	Subscription price per share of Clear Channel Communications, Inc.
Mark Mays	29/02/2000	78,335	28/02/2005 – 28/02/2010	US\$63.79
	12/02/2001	259,319	12/02/2006 – 12/02/2011	US\$55.54
	12/02/2001	1,799	12/02/2006 – 12/02/2011	US\$55.54
	14/12/2001	261,119	14/12/2006 – 14/12/2011	US\$44.31
	19/02/2003	235,006	19/02/2008 – 19/02/2013	US\$35.06
	19/02/2004	156,671	31/12/2004 – 19/02/2009	US\$42.63
	12/01/2005	217,684	12/01/2010 – 12/01/2015	US\$30.31
	16/02/2005	47,001	16/02/2010 – 16/02/2015	US\$32.88

**E. Right to acquire shares in Clear Channel Outdoor Holdings, Inc. as at 30 June 2007:**

<b>Name of director</b>	<b>Date of grant</b>	<b>Number of outstanding options as at 30 June 2007</b>	<b>Option period</b>	<b>Subscription price per share of Clear Channel Outdoor Holdings, Inc.</b>
Mark Mays	11/11/2005	100,000	11/11/2010 – 11/11/2015	US\$18.00
	23/05/2007	12,500	23/05/2008 – 23/05/2017	US\$29.03
	23/05/2007	12,500	23/05/2009 – 23/05/2017	US\$29.03
	23/05/2007	12,500	23/05/2010 – 23/05/2017	US\$29.03
	23/05/2007	12,500	23/05/2011 – 23/05/2017	US\$29.03
Paul Meyer	11/11/2005	30,741	02/12/2006 – 02/12/2008	US\$33.02
	11/11/2005	17,566	14/12/2004 – 14/12/2008	US\$26.35
	11/11/2005	17,567	14/12/2005 – 14/12/2008	US\$26.35
	11/11/2005	114,183	19/02/2004 – 19/02/2009	US\$25.35
	11/11/2005	30,742	12/02/2006 – 12/02/2008	US\$33.02
	11/11/2005	35,133	14/12/2006 – 14/12/2008	US\$26.35
	11/11/2005	35,133	19/02/2008 – 19/02/2010	US\$20.85
	11/11/2005	91,250	11/11/2008 – 11/11/2012	US\$18.00
	11/11/2005	91,250	11/11/2009 – 11/11/2012	US\$18.00
	11/11/2005	182,500	11/11/2010 – 11/11/2012	US\$18.00
Jonathan Bevan	12/02/2001	1,756	12/02/2006 – 12/02/2008	US\$33.02
	25/07/2001	2,635	25/07/2005 – 25/07/2008	US\$31.88
	25/07/2001	2,635	25/07/2006 – 25/07/2008	US\$31.88
	14/12/2001	1,756	14/12/2005 – 14/12/2008	US\$26.35
	14/12/2001	1,757	14/12/2006 – 14/12/2008	US\$26.35
	19/02/2003	2,195	19/12/2006 – 19/02/2010	US\$20.85
	19/02/2003	2,196	19/02/2007 – 19/02/2010	US\$20.85
	19/02/2003	4,392	19/02/2008 – 19/02/2010	US\$20.85
	19/02/2004	8,783	31/12/2004 – 19/02/2009	US\$25.35
	12/01/2005	3,293	12/01/2008 – 12/01/2012	US\$17.89
	12/01/2005	3,294	12/01/2009 – 12/01/2012	US\$17.89
	12/01/2005	6,588	12/01/2010 – 12/01/2012	US\$17.89
	13/02/2006	3,125	13/02/2009 – 13/02/2013	US\$19.85
	13/02/2006	3,125	13/02/2010 – 13/02/2013	US\$19.85



Name of director	Date of grant	Number of outstanding options as at 30 June 2007	Option period	Subscription price per share of Clear Channel Outdoor Holdings, Inc.
	13/02/2006	6,250	13/02/2011 – 13/02/2013	US\$19.85
	23/05/2007	6,625	23/05/2008 – 23/05/2017	US\$29.03
	23/05/2007	6,625	23/05/2009 – 23/05/2017	US\$29.03
	23/05/2007	6,625	23/05/2010 – 23/05/2017	US\$29.03
	23/05/2007	6,625	23/05/2011 – 23/05/2017	US\$29.03
Mark Thewlis	12/02/2001	1,756	12/02/2006 – 12/02/2008	US\$33.02
	14/12/2001	219	14/12/2004 – 14/12/2008	US\$26.35
	14/12/2001	220	14/12/2005 – 14/12/2008	US\$26.35
	14/12/2001	439	14/12/2006 – 14/12/2008	US\$26.35
	19/02/2003	1,097	19/02/2006 – 19/02/2010	US\$20.85
	19/02/2003	1,097	19/02/2007 – 19/02/2010	US\$20.85
	19/02/2003	2,197	19/02/2008 – 19/02/2010	US\$20.85
	19/02/2003	1,756	19/02/2007 – 19/02/2009	US\$25.35
	13/02/2006	6,250	13/02/2009 – 13/02/2013	US\$19.85
	13/02/2006	6,250	13/02/2010 – 13/02/2013	US\$19.85
	13/02/2006	12,500	13/02/2011 – 13/02/2013	US\$19.85
	23/05/2007	6,625	23/05/2008 – 23/05/2017	US\$29.03
	23/05/2007	6,625	23/05/2009 – 23/05/2017	US\$29.03
	23/05/2007	6,625	23/05/2010 – 23/05/2017	US\$29.03
	23/05/2007	6,625	23/05/2011 – 23/05/2017	US\$29.03
Teo Hong Kiong	11/11/2005	2,500	11/11/2010 – 11/11/2015	US\$18.00

Save as disclosed above, none of the directors nor the chief executive had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the "Share option schemes" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director, or his or her respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the Group's operations. Under the Scheme, the directors may, at their discretion, invite any employees, directors or consultants of any company in the Group to acquire options. The Scheme became effective on 28 November 2001 and, unless otherwise cancelled or amended, will remain in force for seven years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option scheme of the Company pursuant to which options may from time to time be granted to directors, consultants, and/or employees of any company in the Group, shall initially not exceed 10% of the relevant class of securities of the Company in issue excluding, for this purpose, shares issued on the exercise of options under the Scheme and any other share option scheme of the Company. Upon the grant of options for shares up to 10% of the relevant class of securities of the Company and subject to the approval of the shareholders of the Company in general meetings, the maximum number of shares to be issued under this scheme when aggregated with securities to be issued under any other share option scheme of the Group, may be increased by the board of directors provided that the number of shares to be issued upon the exercise of all outstanding options does not exceed 30% of the relevant class of securities in issue from time to time.

No option may be granted to any person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time.

An option may be exercised in accordance with the terms of the Scheme at any time during the option period (and not more than seven years after the date of grant). The option period will be determined by the board of directors and communicated to each grantee. The board of directors may provide restrictions on the period during which the options may be exercised. There are no performance targets which must be achieved before any of the options can be exercised except for the share options granted on 28 May 2003, 19 November 2003 and 29 June 2007. For the share options granted on 28 May 2003, 19 November 2003 and 29 June 2007, the options will not become vested at the end of the third year after the grant date unless the Company has achieved an average annual earnings per share growth of 5% each year for the first three full financial years after the grant date. However, the board of directors retains discretion to accelerate the vesting of fixed term options in the event that certain performance targets are met.

The subscription price for the Company's shares under the Scheme will be a price determined by the board of directors and notified to each grantee. The subscription price will be the highest of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (iii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant. An option shall be deemed to have been granted and accepted by an eligible participant (as defined in the Scheme) and to have taken effect when the acceptance form as described in the Scheme is completed, signed and returned by the grantee with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant.

As at 30 June 2007, the number of shares issuable under share options granted under the Scheme was 18,148,000 which represented approximately 3.5% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options may be granted to each eligible participant in the Scheme within any 12-month period up to the date of the latest grant, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

On 28 November 2001, the Company also adopted a pre-IPO share option scheme (the "Pre-IPO share option scheme") conditionally as described in the Company's prospectus dated 10 December 2001. The principal terms of the Pre-IPO share option scheme are substantially the same as the terms of the Scheme except that:

- (a) Employees, directors and consultants of the Group who have contributed substantially to the growth of the Group and to the initial public offering or full-time employees and directors of the Group are eligible to participate in the Pre-IPO share option scheme;
- (b) The subscription price for the shares under the Pre-IPO share option scheme shall be equal to the offer price; and
- (c) The Pre-IPO share option scheme will remain in force for a period commencing on the date on which the Pre-IPO share option scheme is conditionally adopted by the shareholders of the Company and ending on the day immediately prior to 19 December 2001, after which period no further options will be granted but in all other respects the provisions of the Pre-IPO share option scheme shall remain in full force and effect.

As at 30 June 2007, the number of shares issuable under share options granted under the Pre-IPO share option scheme was 6,934,000, which represented approximately 1.3% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Pre-IPO share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The share options granted under the Pre-IPO share option scheme and the Scheme for a consideration of HK\$1.00 per grant are set out below:

Name or category of participant	Type of share option scheme	Number of share options						Date of grant of share options*	Exercise period	Price of the Company's shares***			
		At the beginning of the period	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At the end of the period			Exercise price per share** HK\$	At grant date of options HK\$	Immediately before the exercise date HK\$	At exercise date of options HK\$
<b>Director</b>													
Steven Yung	The Scheme	1,250,000	-	-	-	-	1,250,000	29/06/2002	30/6/2005 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	-	-
		2,650,000	-	-	-	-	2,650,000						
<b>Peter Cosgrove</b>													
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	30/6/2005 to 29/06/2009	5.51	5.3	-	-
		1,875,000	-	-	-	-	1,875,000						
<b>Han Zi Jing</b>													
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	30/6/2005 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	-	-
	The Scheme	-	1,500,000	-	-	-	1,500,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	-	-
		7,900,000	1,500,000	-	-	-	9,400,000						

SUPPLEMENTARY INFORMATION

Name or category of participant	Type of share option scheme	Number of share options						Date of grant of share options*	Exercise period	Exercise price per share** HK\$	Price of the Company's shares*** Immediately		
		At the beginning of the period	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At the end of the period				At grant date of options	before the exercise date	At exercise date of options
											HK\$	HK\$	HK\$
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	-	800,000	-	-	-	800,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	-	-
		1,200,000	800,000	-	-	-	2,000,000						
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	30/6/2005 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	-	-
	The Scheme	-	400,000	-	-	-	400,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	-	-
		1,866,000	400,000	-	-	-	2,266,000						
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	30/6/2005 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	-	-
	The Scheme	-	800,000	-	-	-	800,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	-	-
		1,191,000	800,000	-	-	-	1,991,000						

Name or category of participant	Type of share option scheme	Number of share options						Date of grant of share options*	Exercise period	Exercise price per share** HK\$	Price of the Company's shares*** Immediately		
		At the beginning of the period	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At the end of the period				At grant date of options HK\$	before the exercise date HK\$	At exercise date of options HK\$
<b>Others</b>													
Members of senior management and other employees of the Group	Pre-IPO share option scheme	800,000	-	(800,000)	-	-	-	28/11/2001	29/11/2004 to 28/11/2008	5.89	-	8.33	8.22
	The Scheme	400,000	-	(400,000)	-	-	-	29/06/2002	30/6/2005 to 29/06/2009	5.51	5.3	8.15	8.16
	The Scheme	366,000	-	(366,000)	-	-	-	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5	9.20	9.20
	The Scheme	1,900,000	-	-	-	-	1,900,000	19/11/2003	20/11/2006 to 19/11/2010	5.35	5.35	-	-
	The Scheme	-	3,000,000	-	-	-	3,000,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	-	-
		3,466,000	3,000,000	(1,566,000)	-	-	4,900,000						
In aggregate	Pre-IPO share option scheme	7,734,000	-	(800,000)	-	-	6,934,000						
	The Scheme	4,516,000	-	(400,000)	-	-	4,116,000						
	The Scheme	4,998,000	-	(366,000)	-	-	4,632,000						
	The Scheme	2,900,000	-	-	-	-	2,900,000						
	The Scheme	-	6,500,000	-	-	-	6,500,000						
		20,148,000	6,500,000	(1,566,000)	-	-	25,082,000						

- \* 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, 19 November 2003 and 29 June 2007, the options will not become vested at the end of the third year after the grant date unless the Company has achieved an average annual earnings per share growth of 5% each year for the first three full financial years after the grant date.
- \*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options will be the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

During the period, 6,500,000 share options were granted by the Company.

Apart from the foregoing, at no time during the period ended 30 June 2007 was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or any of their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, the following interests and short positions of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued share capital</b>
Clear Channel KNR Neth Antilles NV	271,579,500	51.79%
Julius Baer Investment Management LLC	41,903,352	7.99%
ZAM Europe L.P.	40,169,000	7.66%

Save as disclosed above, as at 30 June 2007, no person or corporation, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests or short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## CORPORATE GOVERNANCE

The Board is committed to the principles of corporate governance for a transparent, responsible and value-driven management that is focused on enhancing shareholders' value. In order to reinforce independence, accountability and responsibility, the role of the Clear Media's Chairman is separate from that of Clear Media's CEO. The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee with defined terms of reference.

Corporate governance practices adopted by the Group during the six month period ended 30 June 2007 are in line with the code provisions set out in Code on Corporate Governance Practices, Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

None of the Directors are aware of any information that would reasonably indicate that Clear Media is not, or was not for any part of the six month period ended 30 June 2007, in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

## AUDIT COMMITTEE

The Audit Committee is comprised of a majority of independent non-executive directors with substantial expertise in finance as well as relevant market experience. The Committee has reviewed the accounting policies and practices adopted by the Group as well as the unaudited interim financial statements for the six months period ended 30 June 2007. The Committee has also discussed with the external auditors their work in relation to the interim review. As part of discharging its responsibilities, the Committee has also met with the internal auditor and monitored his work on internal controls, risk management and financial reporting matters.

## COMPLIANCE WITH MODEL CODE OF APPENDIX 10 OF THE LISTING RULES

The Directors confirm that the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules has been adopted, and all Directors, following specific enquiry by Clear Media, have confirmed their compliance during the six month period under review.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Clear Media has not redeemed any of its listed securities during this interim period. Neither the Clear Media nor any of its subsidiaries has purchased or sold any of the listed securities during the said period.

## INVESTOR RELATIONS AND COMMUNICATIONS

The Group has maintained communications with investors and analysts through regular meetings, investment conferences and electronic newsletters. The Group also maintains an investor relations website ([www.clear-media.net](http://www.clear-media.net)) to disseminate information to investors and shareholders on a timely basis.

**By Order of the Board**  
**Clear Media Limited**  
**Steven Yung**  
*Chairman*

30 July 2007

# FACTSHEET AT A GLANCE

## Shareholder Information with 5% or more shareholding as at 20 July 2007

• Clear Channel KNR Neth Antilles NV	51.79%
• Julius Baer Investment Management LLC	7.99%
• ZAM Europe L.P.	7.66%
• The Public	32.56%

**Nominal Value:** HK\$0.10 per share

**Listing:** Main Board of The Stock Exchange of Hong Kong Limited

**Listing Date:** 19 December 2001

## Ordinary Shares:

• Shares in issue as at 30 June 2007	524,368,500 shares
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## Market Capitalization:

• as at HK\$8.50 per share (based on closing price on 30 June 2007)	HK\$4.46 billion
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## Stock Code:

• Hong Kong Stock Exchange	100
• Reuters	0100.HK
• Bloomberg	100 HK

**Financial Year End:** 31 December

**Business Area:** Outdoor Media

**Directors:**

Han Zi Jing  
Teo Hong Kiong  
Zou Nan Feng  
Steven Yung (*Non-Executive Director*)  
Paul Meyer (*Non-Executive Director*)  
Peter Cosgrove (*Non-Executive Director*)  
Mark Mays (*Non-Executive Director*)  
Han Zi Dian (*Non-Executive Director*)  
Jonathan Bevan (*Non-Executive Director*)  
Desmond Murray (*Independent Non-Executive Director*)  
Leonie Ki Man Fung (*Independent Non-Executive Director*)  
Wang Shou Zhi (*Independent Non-Executive Director*)  
Zhang Huai Jun (*alternate to Han Zi Dian*)  
Mark Thewlis (*alternate to Mark Mays, Paul Meyer & Jonathan Bevan*)

**Company Secretary:** Lisa Cheong

**Head Office:** Room 3205  
32/F Windsor House  
311 Gloucester Road  
Causeway Bay  
Hong Kong

**Registered Office:** Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

**Legal Advisors:** *Hong Kong and United States Law*  
Freshfields Bruckhaus Deringer

*PRC Law*  
King & Wood PRC Lawyers

*Bermuda Law*  
Conyers Dill & Pearman

**Auditors:** Ernst & Young

**Principal Bankers:** Shanghai Pudong Development Bank  
HSBC

# CORPORATE INFORMATION

**Principal Share Registrar:**

Butterfield Corporate Services Limited  
11 Rosebank Centre  
Bermudiana Road  
Hamilton Bermuda

**Hong Kong Share Registrar:**

Tricor Tengis Limited  
26/F Tesbury Centre  
28 Queen's Road East  
Hong Kong

**Authorized Representatives:**

Steven Yung  
Lisa Cheong

**Investor Relations Contact:**

Lisa Cheong

**PR Consultant:**

iPR Ogilvy Ltd.

**Corporate Website:**

[www.clear-media.net](http://www.clear-media.net)  
[www.irasia.com/listco/hk/clearmedia](http://www.irasia.com/listco/hk/clearmedia)