

Clear Media Limited

(Incorporated in Bermuda with limited liability)

HK\$312,000,000

Zero Coupon Convertible Bonds due 2009

ISSUE PRICE: 100%

The Zero Coupon Convertible Bonds due 2009 in the aggregate principal amount of HK\$312,000,000 (the "Bonds") will be issued by Clear Media Limited (the "Issuer"). The issue price shall be 100 per cent. of the aggregate principal amount of the Bonds.

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) 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 Issuer (the "Shares") at an initial conversion price of HK\$9.585 per Share (the "Conversion Price"). The Conversion Price is subject to adjustment in the circumstances described under "Terms and Conditions of the Bonds — Conversion". The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 20 September 2004 was HK\$7.10 per Share.

In lieu of delivery of some or all of the Shares required to be delivered upon the valid exercise of a conversion right, the Issuer may elect to make a cash settlement payment in respect of all or any portion of a holder's Bonds deposited for conversion. See "Terms and Conditions of the Bonds — Conversion — Conversion Procedure — Cash Settlement".

The Bonds will not bear interest except in limited circumstances. Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 121.899 per cent. of their principal amount on 27 October 2009 (the "Maturity Date"). All or some of the Bonds may be redeemed at the option of the relevant holder on 27 October 2007 at 112.616 per cent. of their principal amount. At any time on or after 27 October 2006 but not less than seven business days prior to the Maturity Date, the Issuer may redeem the Bonds in whole and not in part at their Early Redemption Amount (as defined in the Terms and Conditions) if the closing price of the Shares for each of 30 consecutive Trading Days (as defined in the Terms and Conditions) immediately prior to the date upon which notice of such redemption is given was at least 130 per cent. of the applicable Early Redemption Amount divided by the Conversion Ratio (as defined in the Terms and Conditions). The Issuer may also redeem the outstanding Bonds (in whole only and not in part) at their Early Redemption Amount if at any time the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued. The Bonds may also be redeemed at the option of the holders at their Early Redemption Amount on the occurrence of a Change of Control or a De-Listing (each as defined in the Terms and Conditions). All, but not some only, of the Bonds may be redeemed at any time at their Early Redemption Amount, in the event of certain changes relating to Hong Kong taxation. See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation".

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of selectively marketed securities (as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules")) and such permission is expected to become effective on 28 October 2004. The Shares are currently listed on the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares issuable upon conversion of the Bonds.

Investing in the Bonds and the Shares involves certain risks. See "Risk Factors" beginning on page 7.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States.

For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

The Bonds will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, without interest coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about 27 October 2004 (the "Closing Date"), with a common depository for, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream").

Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Bookrunner and Lead Manager



The date of this Offering Circular is 25 October 2004

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Issuer. The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, and its subsidiaries, (collectively, the "Group"), and the issue of the Bonds and the Shares, which is material in the context of the issue and offering of the Bonds; (ii) the statements contained in it relating to the Issuer and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect, and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Lead Manager, the Trustee or the Agents. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Lead Manager, the Trustee or the Agents to subscribe for or purchase any of, the Bonds or the Shares and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Lead Manager, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Lead Manager, the Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Lead Manager, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable on conversion or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Japan, Singapore and Hong Kong, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "Subscription and Sale".

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Lead Manager or any person affiliated with the Lead Manager in connection with its investigation of the accuracy of such information or its investment decision.

The Hong Kong Stock Exchange takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Unless otherwise specified or the context requires, references herein to “Hong Kong dollars”, “HK dollars” and “HK\$” are to the lawful currency of Hong Kong, references herein to “US dollars” or “US\$” are to the lawful currency of the United States of America (the “US”), references herein to “Renminbi” or “RMB” are to the lawful currency of the People’s Republic of China (the “PRC”), references to “SSAP” are to Hong Kong Financial Reporting Standards and references to “IFRS” are to International Financial Reporting Standards. For convenience only and unless otherwise noted, all translations from HK dollars into US dollars in this Offering Circular were made at the rate of HK\$7.7941 to US\$1.00. No representation is made that the HK dollar or US dollar amounts referred to in this Offering Circular could have been or could be converted into US dollars or HK dollars, as the case may be, at any particular rate or at all.

References to “China” and the “PRC” in this Offering Circular means The People’s Republic of China and for geographical reference only (unless otherwise stated) excludes Taiwan, Macau and Hong Kong.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

IN CONNECTION WITH THIS ISSUE, J.P. MORGAN SECURITIES LTD. MAY (TO THE EXTENT PERMITTED BY APPLICABLE LAWS) OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON J.P. MORGAN SECURITIES LTD. TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

Unless otherwise stated, all information in this Offering Circular is stated as at 21 October 2004, being the latest practicable date prior to the printing of this Offering Circular for the purpose of ascertaining certain information contained in it.

Forward-looking Statements

The Issuer has made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the Issuer's and its subsidiaries' (collectively the "Group") financial position, future expansion plans, prospects, business strategy and the plans and objectives of the Issuer's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. These forward-looking statements are based on the Issuer's current expectations about future events. Although the Issuer believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things: risks associated with international global business activities; general economic and political conditions; possible disruptions to commercial activities due to nature and human induced disasters, including terrorist activities and armed conflict; fluctuations in foreign currency exchange rates; and those other risks identified in the "Risks Factors" section of this Offering Circular.

The words "anticipate," "believe," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's actual results could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as of the latest practicable date. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

Incorporation of Financial Information

The audited consolidated financial statements of the Issuer which are contained in the Annual Reports of the Issuer for the years ended 31 December 2001, 2002 and 2003 and the unaudited consolidated financial statements which are contained in the Interim Reports of the Issuer for the six-month periods ended 30 June 2003 and 2004 are incorporated by reference in this Offering Circular. Copies of the accounts are available and may be (i) obtained free of charge, upon request, at the head office and principal place of business in Hong Kong of the Issuer at 3205 Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong or (ii) downloaded free of charge from the Issuer's website on the internet at www.clear-media.net.

Table of Contents

	<i>Page</i>
Summary	1
Summary Financial Information	2
The Offering	4
Risk Factors	7
Terms and Conditions of the Bonds	13
The Global Certificate	42
Use of Proceeds	44
Share Information	45
Capitalisation and Indebtedness	46
Description of the Group	47
Substantial Shareholders' and Directors' Interests	58
Recent Developments and Prospects	61
Description of the Shares	62
Taxation	67
Subscription and Sale	69
General Information	72

Summary

The summary below is intended only to provide a very limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

The Issuer is one of the leading outdoor advertising companies in China with a strong focus on bus shelter advertising. The Issuer's network of bus shelter advertising space, known as the "Feng Shen Bang-Adshel Network", covers 30 cities in China. The Issuer is one of the pioneers in the bus shelter advertising business in China. The business of the Issuer principally involves installing bus shelters in cities in exchange for the concession rights to sell and manage the advertising space at these bus shelters. The Issuer conducts its business in China through its operating subsidiary, Hainan White Horse Advertising Media Investment Company Limited (the "WHA Joint Venture").

Currently, the Issuer is one of the largest operators of bus shelter advertising in China based on the number of advertising panels at bus shelters. As at 30 June 2004, the Issuer operated over 9,000 bus shelter sites with more than 19,000 display panels. The Issuer believes that it has the highest number of display panels in 21 out of the 30 cities in which it operates, including Beijing, Shanghai and Guangzhou.

The Issuer is focused on expanding its "Feng Shen Bang-Adshel Network". The density of bus shelter advertising panels situated in China's major cities is estimated to be substantially less on a per capita basis than that in some developed advertising markets, offering room for further growth. The Issuer also plans to broaden its portfolio of outdoor media products through expanding its "Core + More" strategy. This strategy involves the Issuer focusing on its core business of bus shelter advertising and looking out for opportunities to expand its outdoor advertising business through other media.

The Issuer was incorporated in Bermuda as an exempted company under the Bermuda Companies Act on 30 March 2001. In December 2001, the Issuer completed an initial public offering of its shares and its shares were listed on the Main Board of the Hong Kong Stock Exchange on 19 December 2001 (Code : 0100).

As at 31 December 2003, the Issuer had an authorised share capital of HK\$70,000,000 divided into 700,000,000 ordinary shares of HK\$0.10 and an issued and fully paid up share capital of HK\$50,160,850 consisting of 501,608,500 ordinary shares of HK\$0.10 each. As at 30 June 2004, Clear Channel Outdoor, Inc. and The Capital Group Companies, Inc. each held 48.1 per cent. and 14.1 per cent. of the Issuer.

For the year ended 31 December 2003, the Group had consolidated turnover of HK\$488.2 million and consolidated net profit from ordinary activities attributable to shareholders of HK\$81.8 million and at the same date had consolidated capital and reserves of HK\$1,288.4 million. For the six months ended 30 June 2004, the Group had consolidated turnover of HK\$243.7 million and consolidated net profit from ordinary activities attributable to shareholders of HK\$32.1 million and at the same date had consolidated capital and reserves of HK\$1,324.0 million.

Summary Financial Information

The following tables set forth the summary consolidated financial information of the Issuer as at and for the periods indicated. The summary audited consolidated financial information as at and for the years ended 31 December, 2001, 2002 and 2003 set forth below are extracted from the previously published Issuer's audited consolidated financial statements and should be read in conjunction with the previously published audited consolidated financial statements of the Issuer for each of the three years ended 31 December, 2001, 2002 and 2003 (including the audited consolidated profit and loss accounts of the Issuer for each of the three years ended 31 December 2001, 2002 and 2003 and the audited consolidated balance sheets of the Issuer as at 31 December 2001, 2002 and 2003) and the notes thereto incorporated by reference in this Offering Circular. Certain items in the consolidated financial statements of the Issuer as at and for the years ended 31 December 2001, 2002 and 2003 have been aggregated for the purpose of presentation of the summary financial information in the tables below.

The summary unaudited consolidated financial information as at and for the six-month periods ended 30 June, 2003 and 2004 are derived from the Issuer's previously published unaudited consolidated financial statements and should be read in conjunction with the previously published unaudited consolidated financial statements of the Issuer for each of the six-month periods ended 30 June, 2003 and 2004 and the notes thereto, which have been prepared on a basis consistent with the audited consolidated financial statements. The financial condition and results of operations of the Group for the six-month period ended 30 June 2004 should not be taken as an indication of the expected financial position and results of operations for the full year ending 31 December 2004.

Selected Financial Information

Consolidated Profit and Loss Account

	Years ended 31 December			Six months ended 30 June	
	audited	audited	audited	unaudited	unaudited
	2001	2002	2003	2003	2004
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Turnover	355.0	426.9	488.2	218.1	243.7
Cost of sales	(198.7)	(241.7)	(282.1)	(140.5)	(150.6)
Gross profit.....	156.3	185.2	206.1	77.6	93.1
Other revenue.....	9.6	8.9	6.0	2.5	2.0
Selling and distribution costs	(24.7)	(34.1)	(37.6)	(12.1)	(23.7)
Administrative expenses	(45.3)	(64.8)	(62.6)	(28.1)	(26.5)
Profit from operating activities.....	95.9	95.2	111.9	39.9	44.9
Finance costs	(25.1)	(7.6)	(8.1)	(3.7)	(4.1)
Profit before tax	70.8	87.6	103.8	36.2	40.8
Tax	(6.5)	(8.8)	(13.5)	(6.1)	(5.5)
Profit before minority interests	64.3	78.8	90.3	30.1	35.3
Minority interests	(5.4)	(7.7)	(8.5)	(2.9)	(3.2)
Net profit from ordinary activities Attributable to shareholders	58.9	71.1	81.8	27.2	32.1
Earnings per share					
Basic.....	15.52 cents	14.18 cents	16.30 cents	5.42 cents	6.40 cents
Diluted	N/A	N/A	16.26 cents	N/A	6.26 cents

Consolidated Balance Sheet

	As at 31 December			As at 30 June	
	audited	audited	audited	unaudited	unaudited
	2001	2002	2003	2003	2004
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Non-current assets					
Fixed assets	84.7	69.4	51.3	46.0	48.4
Concession rights	622.7	846.1	861.6	836.8	933.4
Deferred tax assets	—	—	0.3	—	0.3
Investment securities	—	—	—	2.2	—
	707.4	915.5	913.2	885.0	982.1
Current assets					
Accounts receivable	85.5	113.6	167.8	161.3	187.0
Notes receivable.....	—	—	—	8.5	—
Prepayments, deposits and other receivables.....	14.6	37.3	82.2	58.5	97.1
Due from related parties	54.2	51.4	26.2	48.1	24.4
Short term investments.....	—	—	10.3	—	7.1
Pledged time deposits.....	175.5	140.0	199.5	171.5	190.4
Cash and bank balances.....	809.4	267.2	224.8	236.9	200.0
	1,139.2	609.5	710.8	684.8	706.0
Current liabilities					
Other payables and accruals.....	256.9	132.3	142.7	130.0	180.3
Deferred income	3.9	9.2	3.1	9.8	7.9
Due to a shareholder	3.8	—	—	—	—
Tax payable.....	4.4	5.6	8.2	6.4	6.8
Interest-bearing bank borrowings					
— Secured	327.6	134.8	162.3	163.0	163.1
— Unsecured	104.0	17.4	9.4	9.4	—
	700.6	299.3	325.7	318.6	358.1
Net current assets.....	438.6	310.2	385.1	366.2	347.9
Total assets less current liabilities .	1,146.0	1,225.7	1,298.3	1,251.2	1,330.0
Financed by:					
Issued capital	50.0	50.2	50.2	50.2	50.2
Reserves	1,079.8	1,159.5	1,238.1	1,186.7	1,273.8
Share holders funds.....	1,129.8	1,209.7	1,288.3	1,236.9	1,324.0
Deferred tax liabilities.....	2.9	2.9	—	4.1	—
Minority interests	13.3	13.1	10.0	10.2	6.0
	1,146.0	1,225.7	1,298.3	1,251.2	1,330.0

The Offering

Terms and phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds". This is a summary of the terms and conditions of the Bonds. Please refer to the section "Terms and Conditions of the Bonds" in this Offering Circular for a detailed description of the terms and conditions.

Issuer	Clear Media Limited.
Issue	HK\$312,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2009 convertible into fully-paid ordinary shares with par value of HK\$0.10 each of the Issuer (the "Bonds").
Issue Price	100 per cent.
Denomination	HK\$10,000 and integral multiples thereof.
Interest	Save for default interest as provided for in the Terms and Conditions, the Bonds do not bear interest.
Closing Date	27 October 2004.
Maturity Date	27 October 2009.
Negative Pledge	So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist, and the Issuer will procure that no Subsidiary (as defined in the Terms and Conditions) will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any International Investment Securities (as defined in the Terms and Conditions) or to secure any guarantee of or indemnity in respect of any International Investment Securities unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Trust Deed (a) are secured equally and rateably therewith, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
Conversion Period for the Bonds	From and including 26 November 2004 up to and including the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on 28 September 2009 or, if the Bonds shall have been called for redemption before the Maturity Date, then up to a date no later than seven business days prior to the date fixed for redemption thereof.
Conversion Price	HK\$9.585 per Share which will be subject to adjustment for, amongst other things, subdivision or consolidation of Shares, bonus issues, rights issues and other dilutive events.

Cash Settlement Option

In lieu of delivery of some or all of the Shares required to be delivered upon the exercise of a conversion right, the Issuer may elect to make a cash settlement payment in respect of all or any portion of a holder's Bonds deposited for conversion. See "Terms and Conditions of the Bonds — Conversion — Conversion Procedure — Cash Settlement".

Final Redemption

Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the Terms and Conditions, the Bonds will be redeemed on 27 October 2009 at 121.899 per cent. of their principal amount.

Redemption at the Option of the Issuer

On or at any time after 27 October 2006 but not less than seven business days prior to the Maturity Date, the Issuer may redeem all of the Bonds at the relevant Early Redemption Amount (as defined in the Terms and Conditions) if the closing price of the Shares (as defined in the Terms and Conditions) for each of 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given in accordance with the Terms and Conditions, was at least 130 per cent. of the applicable Early Redemption Amount divided by the Conversion Ratio (as defined in the Terms and Conditions).

The Issuer may redeem all of the Bonds at any time if the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued.

Tax Redemption

The Issuer may redeem all, and not some only, of the Bonds at the Early Redemption Amount in the event of certain changes in Hong Kong or Bermuda taxation, with the result that the Issuer has or will become obliged to pay additional amounts, subject to limited exceptions (see "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Taxation Reasons").

Redemption at the Option of the Bondholders

The holder of each Bond will have the right to require the Issuer to redeem all or some only of the Bonds on 27 October 2007 at 112.616 per cent. of the principal amount of each Bond.

In addition, following the occurrence of a Change of Control (as defined in the Terms and Conditions), the holder of each Bond will have the right to require the Issuer to redeem all of the Bonds on the Relevant Event Put Date (as defined in the Terms and Conditions) at the Early Redemption Amount.

In the event of a De-Listing (as defined in the Terms and Conditions), the holder of each Bond will have the right to require the Issuer to redeem all of the Bonds on the Delisting Put Date (as defined in the Terms and Conditions) at the Early Redemption Amount.

Form and Registration of the Bonds

The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Closing Date with a common depository for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

Governing Law

English law.

Lead Manager

J.P. Morgan Securities Ltd.

Trustee

J.P. Morgan Corporate Trustee Services Limited

Listing and Trading

Application has been made to list the Bonds and the Shares issuable upon conversion of the Bonds on the Hong Kong Stock Exchange.

The Shares are currently, and those Shares to be issued upon conversion of the Bonds will be, listed on the Hong Kong Stock Exchange.

Use of Proceeds

The proceeds from the issue of the Bonds (after deducting expenses) will be used for general corporate and working capital purposes.

Risk Factors

Prior to investing in the Bonds, investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Issuer may be materially adversely affected by any of these risks. The risks described below are not the only ones relevant to the Issuer or the Bonds. Additional risks and uncertainties not presently known to the Issuer, or which the Issuer currently deems immaterial, may also have an adverse effect on an investment in the Bonds.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Issuer's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

Risks relating to the Issuer and its business

The Issuer may need to increase its investment in bus shelter infrastructure in order to win new concessions and to renew its existing concessions

In executing its business strategy of expanding its business, the Issuer intends to bid for a significant number of new outdoor advertising concessions in the next few years. As at June 30, 2004, the Issuer's concessions had an average remaining term of approximately 9 years (weighted by revenues for the period ended 30 June 2004). Acquisition of new concessions or renewal of existing concessions may require additional investment as compared to the Issuer's current arrangements. If the Issuer cannot pass on such increased cost to its customers, the Issuer's profit margins would decrease. Further, the opportunity to enter into, or the ability to secure concessions, may become more difficult if the market becomes more competitive.

The Issuer is currently, and may in future be, unable to use its intangible assets to secure bank financing

The Issuer believes that commercial banks in China generally require security in the form of tangible assets such as cash deposits and real property as a condition for granting loans to companies. However, the Issuer's bus shelter concessions, which are its principal assets, are intangible in nature and, as such, the Issuer has been, and may continue to be, unable to identify a bank in China willing to accept these concessions as collateral. In the event that the Issuer is unable to identify such a bank, it may need to use cash or other assets as collateral for its financing needs and this may raise its cost of capital.

The Issuer outsources some of its bus shelter network maintenance and certain related services to the White Horse Companies

The Issuer outsources to, and relies on, the White Horse Companies (as defined in the section headed "Description of the Group") to perform some of its bus shelter maintenance and certain other related services to facilitate the operation of its bus shelter network in 15 of the cities in which it operates. The Issuer has entered into a 3-year agreement (which will expire in 2007) with each of the White Horse Companies in respect of the provision of such services. The Issuer paid maintenance fees to the White Horse Companies in the sums of approximately HK\$21.2 million and HK\$21.6 million respectively for the two years ended 31 December, 2002 and 2003 and HK\$4.0 million for the six months ended 30 June 2004. One of the Issuer's directors, Mr Han Zi Dian can exercise, or control the exercise, of over 30 per cent. of the voting power at general meetings or is able to indirectly exercise influence over the management of such White Horse Companies. As such, the Issuer may face potential conflicts of interests in connection with the enforcement and performance of these maintenance services agreements and, in particular, if a dispute arises in connection with these agreements. As the Issuer relies on the White Horse Companies to perform the maintenance and other services, a failure or refusal by the White Horse Companies to perform their obligations under these maintenance services agreements may disrupt the Issuer's business.

The Issuer's business depends on the Issuer's ability to obtain and retain concessions from entities authorised by local authorities in China, which are terminable upon giving reasonable notice

The Issuer operates its business in China under certain concessions granted by entities authorised by local governmental agencies in the cities in which it operates. Such concessions could be terminated by the entities authorised by local governmental agencies upon giving reasonable notice. The grounds for termination may include (but are not limited to) circumstances where the Issuer's business activities contravene PRC law, the concessions or the Issuer's business activities are regarded as detrimental to social public interest or are against mandatory provisions of law or administrative regulations. If the Issuer were to lose its existing concessions, the Issuer would be unable to provide its advertising services for its customers in China, and its results of operations would be materially and adversely affected.

The Issuer's revenues depend on the overall outdoor advertising market which can fluctuate significantly based on economic conditions

The Issuer relies on sales of advertising space for its revenues. As such, the Issuer's revenues are affected by trends in the advertising industry as well as general economic conditions. The Issuer's revenues might decline during a period of general economic downturn, particularly in markets in which the Issuer conducts its business. A reallocation of advertising expenditures or budgets currently attributable to outdoor advertising to other forms of media by the Issuer's customers could also materially impact its revenues.

The Issuer relies on concessions in certain key cities for a substantial portion of its advertising revenue, the loss of which would have an adverse effect on its revenues

The Issuer has developed its business by targeting key cities in China which it views as crucial for establishing an advertising network to launch national or local advertising campaigns. If the Issuer loses concessions in such key cities and in particular in the three largest advertising markets of Beijing, Shanghai and Guangzhou, which represented 51 per cent. of its revenues in the first half of the fiscal year 2004, the Issuer may not be able to attract the same quality and/or quantity of advertisers. Such a loss would have a disproportionately adverse effect on the Issuer's revenues.

The Issuer faces increasing competition in the outdoor advertising industry and from other forms of advertising

The Issuer faces competition in its markets from other outdoor advertising companies. Over the past few years, there has been a significant increase in the variety and diversity of out-of-home media formats, including advertising displays in shopping malls, airports, stadiums, supermarkets and on taxis, buses and trains. In addition, other forms of advertising media such as television, broadcast radio, magazines and newspapers also add to the competitive pressure which may have a material adverse effect on the Issuer's profitability and financial performance. While the Issuer's business plan has enabled it to compete successfully with other forms of advertising media in its markets to date, the Issuer cannot be certain that it will be able to do so in the future.

The Issuer believes that in recent years outdoor advertising expenditure has increased more rapidly than the overall advertising expenditure in China. However, the Issuer does not know and cannot be sure whether this trend will continue or whether in the future, outdoor advertising expenditure will grow at a slower rate than the advertising industry as a whole. The Issuer's business, financial condition and results of operations would be materially and adversely affected if its major customers reallocate their advertising expenditure or budgets to other forms of advertising.

The Issuer may not be able to make strategic acquisitions for growth

One element of the Issuer's growth strategy is to make strategic acquisitions in markets in which the Issuer currently operates as well as in new markets. While the Issuer believes that the outdoor advertising industry in China is highly fragmented and that significant acquisition opportunities

are available, the Issuer cannot be sure that it can identify suitable acquisition candidates, and the Issuer is likely to face competition from other outdoor advertising companies for attractive acquisition opportunities. In addition, if prices sought by sellers of outdoor advertising display space rise, the Issuer may have difficulty in finding suitable acquisition opportunities.

The Issuer may be unable to effectively manage its growth

The Issuer has been expanding its business rapidly and intends to continue to do so either through organic growth or through acquisitions of other businesses and assets. Such expansion may place a significant strain on the Issuer's managerial, operational and financial resources, and will further contribute to an increase in the Issuer's financing requirements. The Issuer will need to manage its growth effectively, which may entail devising and effectively implementing business plans, training and managing its growing workforce, managing its costs and implementing adequate control and reporting systems in a timely manner. The Issuer cannot give any assurance it will be successful in managing its growth or in integrating and assimilating any acquired business. The Issuer's failure to do so could affect its success in executing its business plans and adversely affect its revenues, profitability and results of operations.

The Issuer relies on certain key executives in the conduct of its business

The success of the Issuer's business depends to a significant extent upon the continued services of its executive officers and other key management, in particular, Mr Han Zi Jing, its Chief Executive Officer. The Issuer believes its incentive and share option schemes are designed to retain key employees. In addition, its key employees are subject to non-competition agreements. If the Issuer is unable to retain the services of its executive officers and other key management personnel, its business would be adversely affected.

One of the Issuer's subsidiaries is subject to litigation proceedings

One of the Issuer's subsidiaries, China Outdoor Media Investment (Hong Kong) Company Limited ("China Outdoor Media"), has been involved in litigation since 10 August 1999 in connection with the sale of the entire issued share capital of four Hong Kong private companies by an independent third party, Advertasia Street Furniture Limited ("Advertasia"). On 28 November 2001, China Outdoor Media and the Issuer entered into a Deed of Indemnity under which certain shareholders of the Issuer agreed to indemnify the Issuer and China Outdoor Media with respect to claims, losses, damages and expenses relating to the litigation. On 8 October 2004, the High Court of Hong Kong, acting as a court of first instance, made an order of specific performance of the agreement in favour of Advertasia and ordered China Outdoor Media to pay Advertasia equitable damages and interest. See "Description of the Group — Litigation" for further details. While the Issuer and China Outdoor Media are currently seeking legal advice on the next appropriate course of action, there can be no assurance that the Issuer or China Outdoor Media will proceed with an appeal or will be successful in any appeal proceedings against the judgment. If the Issuer decides not to appeal or if judgment on appeal is awarded against the Issuer or China Outdoor Media, each of the Issuer and China Outdoor Media will rely on the Deed of Indemnity in order to be compensated with regard to all claims, losses and damages incurred by it with respect to the litigation.

Risks relating to the advertising industry in China

The PRC Government censors advertising content and imposes liability on advertising companies for publishing advertising content which is in breach of certain regulations, which may limit the Issuer's business operations

In China, the advertising business is governed by the PRC Advertising Law which came into effect on February 1, 1995. The PRC Advertising Law stipulates that advertisers, advertising operators and distributors, including entities such as the Issuer, that engage in advertising activities are liable for the accuracy of the content of the advertisements and such advertisers have to ensure that the advertised products, activities or services are in full compliance with applicable law. The contents of advertisements for commodities such as pharmaceuticals, medical apparatus, agrichemicals and veterinary drugs are subject to censorship and official or unofficial guidelines. If

the Issuer's operations are viewed as being in breach of these regulations, penalties may be imposed which include fines, confiscation of advertising fees, orders to cease dissemination of the relevant advertisement and orders to publish an advertisement correcting the misleading information. If the case is considered by relevant governmental authority to be a serious breach, the PRC Government may revoke the Issuer's license pursuant to which the Issuer operates its advertising business.

The Issuer's business operations may be affected by regulatory changes

The Issuer is unable to predict what additional regulations may be imposed on outdoor advertising in China in the future. Changes in laws and regulations governing outdoor advertising, the Issuer's business licenses or otherwise affecting outdoor advertising in China may have a material adverse effect on its business operations. Such changes (including changes to current interpretation or understanding of practice) may have retroactive effect.

Risks relating to China in general

Political and economic policies of the PRC Government could affect the Issuer's business

The economy of China differs from the economies of most developed countries belonging to the Organization for Economic Cooperation and Development in a number of respects, including:

- Structure.
- Level of governmental involvement.
- Level of development.
- Level of capital reinvestment.
- Control of capital reinvestment.
- Control of foreign exchange.
- Allocation of resources.

Before its adoption of reform and open-door policies beginning in 1978, China was primarily a planned economy. Since that time, the PRC Government has been reforming China's economic system and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC Government still owns a significant portion of the productive assets in China, economic reform policies since the late 1970s have emphasized autonomous enterprises and the utilization of market mechanisms. Although the Issuer believes that these reforms will have a positive effect on its overall and long-term development, the Issuer cannot predict whether certain changes to China's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on its current or future business, financial condition or results of operations.

There are uncertainties regarding interpretation and enforcement of PRC laws and regulations

The PRC legal system is based on statutory law. Under this system, prior court decisions may be cited as persuasive authority but are not binding precedents. Since 1979, the PRC Government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organization and governance, foreign investment, commerce, taxation and trade. As these laws, regulations and legal requirements are relatively new and because of the limited volume of published case law and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve some uncertainty. These uncertainties could limit the legal protection or recourse available to the Issuer.

Certain changes in foreign exchange regulations may adversely affect the Issuer's financial condition and results of operations

The Renminbi currently is not a freely convertible currency. The Issuer generates and receives most of its revenue in Renminbi. A portion of the Issuer's Renminbi revenue must be converted into other currencies to meet foreign currency obligations of the Group, including any principal repayment of the Bonds and payment on dividends which may be declared in the future on the Issuer's Shares.

Under the existing foreign exchange regulations in China and following the completion of the Offering, the Issuer may undertake current account foreign exchange transactions without prior approval from SAFE by producing commercial documents evidencing such transactions, provided that they are processed through Chinese banks licensed to engage in foreign exchange transactions. The PRC Government has stated publicly that it intends to make the Renminbi freely convertible in the future. However, uncertainty exists as to whether the PRC Government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in China.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require the prior approval of SAFE. These limitations could affect the Issuer's ability to obtain foreign currency through debt financing or to obtain foreign currency for capital expenditures. If due to these limitations on foreign exchange, the Issuer cannot obtain the required foreign currency in a timely manner, its financial condition and results of operations could be adversely affected.

Fluctuation of the Renminbi could affect the Issuer's financial condition and results of operations

The value of the Renminbi may fluctuate due to changes in the PRC Government's policies and depends to a large extent on China's domestic and international economic and political developments, as well as supply and demand in the local market. Since 1994, the conversion of the Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by The People's Bank of China and the official exchange rate for the conversion of Renminbi to US dollars has generally been stable. The directors cannot give any assurance that the value of the Renminbi will continue to remain stable against the US dollar or Hong Kong Dollars. Any devaluation of the Renminbi may adversely affect the results of the Issuer's operations and therefore its ability to repay the Bonds since the Issuer receives most of its revenue and expresses its profits in Renminbi.

Public Health Concerns may adversely impact on the Issuer's business

The outbreak of Severe Acute Respiratory Syndrome ("SARS") that began in China and Hong Kong in early 2003 and spread elsewhere, had an adverse impact on the economies and financial markets of many countries and caused short term disruptions to the Issuer's operations. There is a risk that SARS could recur any time and its long term impact is unclear. In addition, an epidemic of highly pathogenic avian influenza, which began in mid-December 2003 in Korea, is considered to be a public health concern. If avian influenza infections continue to escalate, the effects on the regional economies could be similar to or worse than those experienced as a result of SARS. The Issuer cannot give any assurance that future outbreaks of SARS, avian influenza or other contagious diseases will not occur and that any future outbreaks, or the measures taken by the governments of the PRC and other countries against, SARS, avian influenza or other contagious diseases, will not have a material adverse effect on the Issuer's operations.

Risks relating to the Bonds and the Shares

Lack of Public Market for the Bonds

The Bonds are a new issue of securities for which there is currently no trading market. Application has been made to the Hong Kong Stock Exchange for the Bonds to be admitted for trading on the Hong Kong Stock Exchange. No assurance can be given that an active trading

market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. The Lead Manager is not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Lead Manager.

Trading Price of the Bonds and the Shares

The market price of the Bonds is expected to be affected, amongst other things, by fluctuations in the market price of the Shares. The future issue of Shares by the Issuer or the disposal of Shares by any of the substantial shareholders of the Issuer or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds and the Shares. The Issuer has undertaken that it will not, and will procure that none of its nominees or subsidiaries will, inter alia, allot or issue or offer to allot or issue, or grant any option, right or warrant to subscribe any Shares or any interests in Shares or any securities convertible or exercisable or exchangeable for or substantially similar to Shares or any interests in Shares for a period of 90 days from 27 October 2004, without the prior written consent of the Lead Manager (see "Subscription and Sale"). In addition, Clear Channel Outdoor, Inc. has undertaken that it will not pledge, sell, contract to sell, sell any contract to purchase, purchase any option to sell, grant any option, right or warrant to subscribe, otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any securities which are convertible into or exercisable or exchangeable for or otherwise carrying rights to acquire Shares or enter into any agreement or arrangement whereby any such securities or interests may be issued during a period of 90 days from 27 October 2004 or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or publicly announce any such sale or disposal of any Shares, without the prior written consent of the Lead Manager.

Potential Dilution of the Ownership Interest of Existing Shareholders

The conversion of some or all of the Bonds will dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the existence of the Bonds may facilitate short selling of the Shares by market participants.

Terms and Conditions of the Bonds

The following other than the words in italics is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of HK\$312,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds Due 2009 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of Clear Media Limited (the "**Issuer**"), was authorised by a resolution of the Board of Directors of the Issuer passed on 18 October 2004. The Bonds are constituted by a trust deed (as amended or supplemented from time to time) (the "**Trust Deed**") dated 27 October 2004 (the "**Issue Date**") and made between the Issuer and J.P. Morgan Corporate Trustee Services Limited as trustee for the holders of the Bonds (the "**Trustee**", which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees under the Trust Deed). The Issuer has entered into a paying, conversion and transfer agency agreement (as amended or supplemented from time to time, the "**Agency Agreement**") dated 27 October 2004 with the Trustee, JPMorgan Chase Bank, London Branch as principal paying, conversion and transfer agent (the "**Principal Agent**"), J.P. Morgan Bank Luxembourg S.A. as registrar (the "**Registrar**") and the other paying, conversion and transfer agents appointed under it (each a "**Paying Agent**", "**Conversion Agent**", "**Transfer Agent**" (references to which shall include the Registrar) and together with the Registrar and the Principal Agent, the "**Agents**") relating to the Bonds. References to the "**Principal Agent**", "**Registrar**" and "**Agents**" below are references to the principal agent, registrar and agents for the time being for the Bonds. The statements in these terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection at the registered office of the Trustee being at the date hereof at Trinity Tower, 9 Thomas More Street, London E1W 1YT and at the specified offices of each of the Agents. The Bondholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1 STATUS

The Bonds constitute direct, senior, unsubordinated, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future direct, senior, unsubordinated, unconditional and unsecured obligations.

2 FORM, DENOMINATION AND TITLE

2.1 Form and Denomination

The Bonds are issued in registered form in the denomination of HK\$10,000 each. A bond certificate (each a "**Certificate**") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond and each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a Global Certificate deposited with a common depositary for, and representing Bonds registered in the name of a common nominee of, Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, société anonyme. The Conditions are modified by certain provisions contained in the Global Certificate.

2.2 Title

Title to the Bonds passes only by transfer and registration in the register of Bondholders as described in Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Terms and Conditions “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered.

3 TRANSFERS OF BONDS; ISSUE OF CERTIFICATES

3.1 Register

The Issuer will cause to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement a register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds (the “**Register**”). Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding.

3.2 Transfers

Subject to Condition 3.5 and the terms of the Agency Agreement, a Bond may be transferred or exchanged by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Transfer Agents. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

3.3 Delivery of New Certificates

3.3.1 Each new Certificate to be issued upon a transfer or exchange of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any other relevant Transfer Agent of the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder) to the address specified in the form of transfer. The form of transfer is available at the specified office of the Transfer Agent.

Except in the limited circumstances described herein (see “The Global Certificate”), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

3.3.2 Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, exchanged or converted, a new Certificate in respect of the Bonds not so transferred, exchanged or converted will, within seven business days of delivery of the original Certificate to the Registrar or other relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, exchanged or converted (but free of charge to the holder) to the address of such holder appearing on the Register.

3.3.3 For the purposes of these Conditions (except for Condition 7 and except as expressly provided otherwise), “**business day**” shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

3.4 Formalities Free of Charge

Registration of a transfer of Bonds will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; and (ii) the Issuer or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

3.5 Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for redemption pursuant to Condition 8.2 and Condition 8.3; (ii) after a Conversion Notice (as defined in Condition 6.2) has been delivered with respect to such Bond; (iii) after a Put Option Notice (as defined in Condition 8.4) has been deposited in respect of such Bond; (iv) after a Relevant Event Put Exercise Notice (as defined in Condition 8.5) has been deposited in respect of such Bond; or (v) after a Purchase Notice (as defined in Condition 8.6) has been deposited in respect of such a Bond, each such period being a “**Closed Period**”.

3.6 Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder upon request.

4 NEGATIVE PLEDGE

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist, and the Issuer will procure that no Subsidiary (as defined below) will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security**”) upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any International Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any International Investment Securities unless, at the same time or prior thereto, the Issuer’s obligations under the Bonds and the Trust Deed (a) are secured equally and rateably therewith, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

For the purposes of these Conditions, “**International Investment Securities**” means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other investment securities which are for the time being, or are intended by the issuer thereof to be quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market.

“**Subsidiary**” or “**subsidiary**” means in relation to any person any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong or Bermuda law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person.

5 INTEREST

Save as provided in Condition 7.5, the Bonds do not bear any interest.

6 CONVERSION

6.1 Conversion Right

6.1.1 Conversion Period: Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the **"Conversion Right"**. Subject to and upon compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on and after 26 November 2004 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on 28 September 2009 (but, except as provided in Condition 6.1.4, in no event thereafter) or if such Bond shall have been called for redemption before the Maturity Date (as defined below), then up to the close of business (at the place aforesaid) on a date no later than seven business days (at the place aforesaid) prior to the date fixed for redemption thereof (the **"Conversion Period"**).

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

6.1.2 Fractions of Shares: Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 20 September 2004 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in Hong Kong dollars (by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6.1.1, as corresponds to any fraction of a Share not issued if such sum exceeds HK\$100.

6.1.3 Conversion Price and Conversion Ratio: The price at which Shares will be issued upon conversion, as adjusted from time to time (the **"Conversion Price"**) will initially be HK\$9.585 per Share but will be subject to adjustment in the manner provided in Condition 6.3. The Conversion Ratio is equal to the principal amount of each Bond divided by the then Conversion Price.

6.1.4 Revival and/or survival after Default: Notwithstanding the provisions of Condition 6.1.1, if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date (as defined in Condition 8.1) by reason of the occurrence of any of the events referred to in Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8.1, the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 6.1.1, any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined in Condition 6.2.1(ii)) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

6.1.5 Meaning of "Shares": As used in these Conditions, the expression "**Shares**" means ordinary shares with a par value of HK\$0.10 each of the Issuer (which include ordinary shares of the Issuer listed on the Hong Kong Stock Exchange (as defined below)) or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

6.2 Conversion Procedure

6.2.1 Conversion Notice:

- (i) To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours at the specified office of any Conversion Agent a notice of conversion (a "**Conversion Notice**") in duplicate in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Certificate and any amounts required to be paid by the Bondholder under Condition 6.2.2.
- (ii) The conversion date in respect of a Bond (the "**Conversion Date**") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6.1.4 above) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right or, in the case of a conversion on redemption pursuant to Condition 6.7, the relevant date fixed for redemption. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents to such withdrawal. "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") or the Alternative Stock Exchange (as defined in Condition 6.4 below), as the case may be, is open for securities trading.

6.2.2 Stamp Duty etc.: A Bondholder delivering a Certificate in respect of a Bond for conversion or the Trustee, in the case of conversion pursuant to Condition 6.7 by way of deduction from the net proceeds of sale referred to in Condition 6.7, must pay to the relevant Conversion Agent any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in Bermuda, Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or Alternative Stock Exchange on conversion) (the "**Taxes**") and such Bondholder or the Trustee (as the case may be) must pay (in the case of the Trustee by way of deduction from the net proceeds of sale as aforesaid) all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued) must provide the Agent with details of the relevant tax authorities to which the Agent must pay monies received in settlement of Taxes payable pursuant to this Condition 6.2.2. The Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes including stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6.2.2.

6.2.3 Registration:

- (i) As soon as practicable, and in any event not later than ten Stock Exchange Business Days after the Conversion Date, the Issuer will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the

relevant Bondholder deposited or paid as required by Conditions 6.2.1 and 6.2.2, register the person or persons designated for the purpose in the Conversion Notice (or, in the case of Bonds converted in accordance with Condition 6.7, the Trustee or its nominee) as holder(s) of the relevant number of Shares in the Issuer's share register and will, if the Bondholder (or the Trustee or its nominee) has also requested in the Conversion Notice, take all necessary action to enable the Shares to be delivered through the Central Clearing and Settlement System of Hong Kong for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Issuer's Hong Kong branch share registrar (currently Tengis Limited) notified to Bondholders in accordance with Condition 17 or, if so requested in the relevant Conversion Notice, cause its Hong Kong share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.

- (ii) If the Conversion Date in relation to any Bond shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant Condition 6.3, but before the relevant adjustment becomes effective under the relevant Condition, upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective immediately after the relevant record date.
- (iii) The person or persons designated in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.
- (iv) If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6.2.3 prior to the time such retroactive adjustment shall have become effective), the Issuer will pay to the converting Bondholder or his designee an amount (the "**Equivalent Amount**") in Hong Kong dollars equal to the Fair Market Value of any such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven business days (as defined in Condition 7) thereafter. The Equivalent Amount shall be paid by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong and sent to the address specified in the relevant Conversion Notice.

6.2.4 Cash Settlement: Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of Shares deliverable upon conversion of the Bonds is required to satisfy the Conversion Right in respect of a Conversion Notice, the Issuer shall have the option to pay to the relevant Bondholder or the Trustee (as the case may be) an amount of cash in Hong Kong dollars equal to the Cash Settlement Amount (as defined

below) in order to satisfy such Conversion Right in full or in part (in which case the other part shall be satisfied by the delivery of Shares) (the “**Cash Settlement Option**”). In order to exercise the Cash Settlement Option, the Issuer shall provide notice of the exercise of the Cash Settlement Option (the “**Cash Settlement Notice**”) to the relevant Bondholder or the Trustee (as the case may be) as soon as practicable but no later than the fifth Trading Day (as defined below) following the date of delivery of the Conversion Notice (the “**Cash Settlement Notice Date**”). The Cash Settlement Notice must specify the number of Shares in respect of which the Issuer will make a cash payment in the manner described in this Condition. The Issuer shall pay the Cash Settlement Amount no later than 15 Trading Days following the Cash Settlement Notice Date. If the Issuer exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be converted on the same Conversion Date, the Issuer shall make the same proportion of cash and Shares available to such converting Bondholders.

“**Cash Settlement Amount**” means the product of (i) the number of Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bond(s) to which the Conversion Notice applies, and in respect of which the Issuer has elected the Cash Settlement Option and (ii) the arithmetic average of the closing price (as defined below) of Shares on the Hong Kong Stock Exchange for each day during the ten Trading Days (as defined below) immediately after the Cash Settlement Notice Date.

6.3 Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in certain events set out in the Trust Deed, including the following events:

6.3.1 Consolidation, Subdivision or Reclassification: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

6.3.2 Capitalisation of Profits or Reserves:

(i) If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of the Shares (the “**Shareholders**”) by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received (a “**Scrip Dividend**”) and which would not have constituted a Capital Distribution (as defined herein), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue; and
- B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds 107.5 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue;
- B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

OR by making such other adjustment as a leading independent investment bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Trustee, shall certify to the Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- 6.3.3 Capital Distribution:** If and whenever the Issuer shall pay or make any Capital Distribution (as defined below) (including, for the avoidance of doubt, an Excess Dividend) to the Shareholders (except where the Conversion Price falls to be adjusted under Condition 6.3.2 above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement, as determined in good faith by a leading investment bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Trustee, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is made.

When the Capital Distribution is by means of distribution of an Excess Dividend, only such portion of cash dividend or distribution which exceeds the amounts referred to in Condition 6.4.7 (the “**excess portion**”) shall be regarded as a Capital Distribution and only the excess portion shall be taken into account in the determination of the Fair Market Value of the portion of the Capital Distribution attributable to one Share.

6.3.4 Rights Issues of Shares or Options over Shares: If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 92.5 per cent. of the Current Market Price (as defined below) per Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

6.3.5 Rights Issues of Other Securities: If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement, as determined in good faith by a leading investment bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Trustee, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

6.3.6 Issues at less than Current Market Price: If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6.3.4 above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise as mentioned in Condition 6.3.4 above) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 92.5 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

6.3.7 Other Issues at less than Current Market Price: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this Condition 6.3.7, in the event of the issue wholly for cash by the Issuer or any Subsidiary (otherwise than as mentioned in Conditions 6.3.4, 6.3.5 or 6.3.6 above) or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary) any other company, person or entity of any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 92.5 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

6.3.8 Modification of Rights of Conversion etc: If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6.3.7 above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 92.5 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Issuer for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as a leading investment bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Trustee considers appropriate (if at all) for any previous adjustment under this Condition 6.3.8 or Condition 6.3.7 above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

6.3.9 Other Offers to Shareholders: If and whenever the issue, sale or distribution by or on behalf of the Issuer or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Issuer or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Conditions 6.3.4, 6.3.5, 6.3.6 or 6.3.7 above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and

B is the Fair Market Value on the date of such announcement, as determined in good faith by a leading investment bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Trustee, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

6.3.10 Other Events: If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6.3, the Issuer shall at its own expense request a leading investment bank (acting as an expert), selected by the Issuer and approved in writing by the Trustee, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination PROVIDED THAT where the circumstances giving rise to any adjustment pursuant to this Condition 6.3 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6.3 as may be advised by a leading investment bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Trustee, to be in its opinion appropriate to give the intended result.

6.4 For the purposes of these Conditions:

6.4.1 "Alternative Stock Exchange" means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

6.4.2 "Average Closing Price" is the arithmetic average of the closing price per Share for each Trading Day during the Relevant Period.

6.4.3 "Capital Distribution" means: (i) any distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves); and (ii) any cash dividend or distribution of any kind (excluding any dividend or distribution to the extent that it is not an Excess Dividend) by the Issuer for any financial period (whenever paid and however described) unless:

- (a) (and only to the extent that) in the case of a distribution in specie only, it does not, when taken together with the aggregate of the Fair Market Value of any other Dividends previously made or paid in respect of all periods ending after 31 December 2003, exceed the aggregate of the consolidated net profits for such periods (less the aggregate of any consolidated net losses) attributable to Shareholders for all periods ending after 31 December 2003, after deducting minority interests and preference dividends (if any) but (1) deducting any amounts in respect of any asset previously credited to the Issuer's reserves (in respect of any period or date up to and including 31 December 2003) pursuant to any revaluation of such asset, where amounts arising on the disposal of such asset have contributed to such profits and (2) deducting any exceptional and extraordinary items, (and for the avoidance of doubt after excluding any amount arising as a result of any reduction in registered capital, share premium account or capital redemption reserve), but including any profit transferred from any reserve), in each case calculated by reference to the audited consolidated profit and loss accounts for such periods of the Issuer and its Subsidiaries; or

- (b) it comprises a purchase or redemption of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer) where the weighted average price (before expenses) on any one day in respect of such purchases does not exceed the average closing market price of the Shares as quoted by the Hong Kong Stock Exchange or as the case may be, Alternative Stock Exchange, by more than 7.5 per cent. either (1) for the five market days on which transactions in the Shares were recorded preceding the day of the purchase, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement (excluding, for the avoidance of doubt, general authority for such purchases given by a Shareholders' meeting of the Issuer, or any notice convening such meeting) and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day.
- (c) In making any such calculation under this Condition 6.4.3, such adjustments (if any) shall be made as a leading investment bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Trustee, may consider appropriate to reflect (1) any consolidation or subdivision of the Shares, (2) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (3) the modification of any rights to Dividends of Shares.

6.4.4 "closing price" for the Shares for any Trading Day shall be the closing market price quoted by the Hong Kong Stock Exchange or, as the case may be, the Alternative Stock Exchange for such Trading Day.

6.4.5 "Current Market Price" means, in respect of a Share at a particular time on a particular date, the average of the closing prices quoted by the Hong Kong Stock Exchange or as the case may be, by the Alternative Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said 20 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the Fair Market Value thereof reduced by an amount equal to the amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the Shares on each of the said 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share,

and provided further that:

- (iii) if such closing prices are not available on each of the 20 Trading Days during the relevant period, then the arithmetic average of such closing prices which are available in the relevant period shall be used (subject to a minimum of two such closing prices); and

- (iv) if only one or no such closing prices is available in the relevant period, then the Current Market Price shall be determined in good faith by an independent investment bank of international repute (acting as an expert) appointed by the Issuer and approved by the Trustee in writing.

6.4.6 “Dividend” means any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes, without limitation, an issue of Shares or other securities credited as fully or partly paid up) provided that:

- (i) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of Shares be, satisfied by the issue or delivery of Shares or other property or assets, then, the Dividend in question shall be treated as a Dividend of (a) the cash Dividend so announced or (b) the Current Market Price on the date of announcement of such Dividend, of such Shares or the Fair Market Value of other property or assets to be issued or delivered in satisfaction of such Dividend (or which would be issued if all holders of Shares elected therefor, regardless of whether any such election is made) if the Current Market Price of such Shares or the Fair Market Value of other property or assets is greater than the cash Dividend so announced; and
- (ii) any issue of Shares falling within Condition 6.3.2 shall be disregarded.

6.4.7 “Excess Dividend” means the excess of (a) the aggregate, on a per Share basis, of all cash dividends or distributions in cash charged or provided for in the accounts of the Issuer in respect of the same financial year, over (b) the higher of:

- (i) 1.5 per cent. of the Average Closing Price of one Share during the Relevant Period; and
- (ii) the amount per Share corresponding to the relevant financial year set out below:

in respect of the financial year ending	Amount per Share
	(HK\$)
31 December 2004	0.070
31 December 2005	0.081
31 December 2006	0.093
31 December 2007	0.106
31 December 2008	0.122
31 December 2009	0.141

For the purposes of the above, the Fair Market Value of a Dividend shall (subject as provided in paragraph (a) of the definition of “Dividend” above and in the definition of “Fair Market Value” below) be determined as at the date of the first public announcement of the relevant Dividend.

6.4.8 “Relevant Period” means the period beginning on the 30th Trading Day prior to the Trading Day (the “relevant Trading Day”) immediately preceding the date on which the Shares are quoted ex-dividend on the Hong Kong Stock Exchange in respect of the relevant cash dividend (being considered for the purposes of adjustment to the Conversion Price pursuant to Condition 6.4.7) and ending on the relevant Trading Day.

6.4.9 “Fair Market Value” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by a leading investment bank (acting as an expert), selected by the Issuer and approved in writing by the Trustee; provided that (i) the fair market value of a cash Dividend paid or to be paid per Share shall be the amount of such cash Dividend per Share determined as at the date of announcement of such Dividend; and (ii) where options,

warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

- 6.4.10 “Trading Day”** means a day when the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange is open for dealing business, provided that if no closing price is reported in respect of the relevant Shares on the Hong Kong Stock Exchange or, as the case may be, the Alternative Stock Exchange for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.
- 6.4.11** On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest one Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 17 as soon as practicable after the determination thereof.
- 6.4.12** The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their nominal value or would require shares to be issued in any other circumstances not permitted by applicable law.
- 6.4.13** Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of a leading investment bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Trustee, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by a leading investment bank of international repute (acting as an expert), selected by the Issuer and approved in writing by the Trustee, to be in its opinion appropriate in order to give such intended result.
- 6.4.14** No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6.3.1 above or to correct an error.
- 6.4.15** If the Issuer fails to select an independent investment bank when required for the purposes of Condition 6.3, the Trustee may select such a bank. The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

6.5 Undertakings

- 6.5.1** The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders or with the approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of Bondholders to give such approval:
- (i) it will use its reasonable endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange and (c) if the Issuer is unable to obtain or maintain such listing, to obtain and maintain a listing for all the Shares issued on the exercise of the

Conversion Rights on an Alternative Stock Exchange as the Issuer may from time to time (with the prior written consent of the Trustee) determine and will forthwith give notice to the Bondholders in accordance with Condition 17 below of the listing or delisting of the Shares (as a class) by any of such stock exchanges;

- (ii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds;
- (iii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund (except, in each case, as permitted by law); and
- (iv) it will use its reasonable endeavours to maintain the listing of the Bonds on the Hong Kong Stock Exchange provided if it is unable to do so, having used such endeavours, or if the maintenance of such listing is unduly onerous, the Issuer will instead use all reasonable endeavours promptly to obtain and thereafter to maintain a listing for the Bonds on such other stock exchange as it may (with the approval of the Trustee (such approval not to be unreasonably withheld)) decide or, failing such decision, as the Trustee may reasonably determine.

6.5.2 In the Trust Deed, the Issuer has undertaken with the Trustee that so long as any Bond remains outstanding:

- (i) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds and will ensure that all Shares will be duly and validly issued as fully-paid; and
- (ii) it will not make any offer, issue or distribution or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Issuer.

provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

6.5.3 The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

6.6 Notice of Change in Conversion Price

The Issuer shall give notice to the Hong Kong Stock Exchange and the Bondholders in accordance with Condition 17 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

6.7 Conversion by the Trustee

6.7.1 The Trustee may, in its absolute discretion (and without any responsibility for any loss occasioned thereby or by not so doing), within the period commencing on the date five days immediately prior to, and ending at the close of business on the business day in Bermuda and Hong Kong immediately prior to, the date fixed for redemption from time to time of any of the Bonds under Condition 8.1, 8.2 or 8.3, elect (on behalf of the relevant Bondholders) by notice in writing to the Issuer and the Principal Agent to exercise the Conversion Rights in respect of all the Bonds due for redemption on such date (the "**Exercise Date**") and in respect of which Conversion Rights have not previously been exercised by Bondholders ("**Unexercised Bonds**") at the Conversion Price applicable on the Conversion Date, provided that all (if any) necessary consents have been obtained and the Trustee is satisfied or is advised by an independent investment bank of international repute (acting as an expert) appointed by the Trustee at the expense of the Issuer that the net proceeds of an

immediate sale of the Shares arising from such conversion, disregarding any liability (other than a liability of the Trustee) to taxation or the payment of any capital, stamp, transfer, issue or registration duties consequent thereon, together in each case with any other amount payable by the Issuer in respect of such exercise, would be likely to exceed by 5 per cent. or more of the Early Redemption Amount (as defined in Condition 8) of the Bonds which would otherwise be payable in respect of such Unexercised Bonds.

6.7.2 All of the Shares delivered, or to be delivered, on such conversion shall be sold by, or on behalf of, the Trustee as soon as practicable, and (subject to any necessary consents being obtained, and to the deduction by the Trustee of any amount which it determines to be payable in respect of its liability to taxation and the payment of any capital, stamp, transfer, issue or registration duties (if any) and any costs incurred by the Trustee in connection with the transfer, delivery and sale thereof ("**Trustees Expenses**")) the net proceeds of sale, and any cash in lieu of fractions and any other amount payable by the Issuer in respect of the relevant exercise in respect of the Unexercised Bonds shall be held by the Trustee and distributed rateably to the holders of such Unexercised Bonds.

6.7.3 The Trustee shall have no liability in respect of the exercise or non-exercise of its discretion pursuant to this Condition 6.7 or the timing of such exercise or in respect of any such sale of Shares whether for the timing of any such sale or the price at which any such Shares are sold, or the inability to sell any such Shares or otherwise.

7 PAYMENTS

7.1 Principal

Payment of principal will be made by transfer to the registered account of the Bondholder or by Hong Kong dollar cheque drawn on a bank in Hong Kong mailed to the registered address of the Bondholder if it does not have a registered account. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

7.2 Registered Accounts

For the purposes of this Condition, a Bondholder's registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

7.3 Fiscal Laws

All payments are subject in all cases to any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

7.4 Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

7.5 Default Interest and Delay In Payment

If the Issuer fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 3 per cent. per annum from the due date. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

7.6 Business Day

In this Condition, “**business day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

8 REDEMPTION, PURCHASE AND CANCELLATION

8.1 Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 121.899 per cent. of its principal amount on 27 October 2009 (the “Maturity Date”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8.2 or Condition 8.3 below (but without prejudice to Condition 10).

8.2 Redemption at the Option of the Issuer

8.2.1 On or at any time after 27 October 2006 but not less than seven business days prior to the Maturity Date, the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem the Bonds in whole and not in part, provided that no such redemption may be made unless the closing price of the Shares for each of 30 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given pursuant to Condition 17, was at least 130 per cent. of the applicable Early Redemption Amount divided by the Conversion Ratio. If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive Trading Day period, appropriate adjustments for the relevant days approved by an investment bank (acting as an expert) selected by the Issuer and approved in writing by the Trustee shall be made for the purpose of calculating the closing price for such days.

8.2.2 Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at their Early Redemption Amount (as defined below) at the date fixed for such redemption.

8.2.3 If at any time the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 16), the Issuer shall have the option to redeem such outstanding Bonds in whole but not in part at their Early Redemption Amount (as defined below). The Issuer will give at least 30 days’ but not more than 60 days’ prior notice to the holders for such redemption.

8.3 Redemption for Taxation Reasons

8.3.1 At any time the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) redeem all, and not some only of the Bonds at their Early Redemption Amount, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay

additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Bermuda or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 20 September 2004, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer (taking reasonable measures available to it) and (b) an opinion of independent legal or tax advisors of recognised international standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders.

8.3.2 Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at their Early Redemption Amount.

8.4 Redemption at the Option of the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on 27 October 2007 (the "**Put Option Date**"), at 112.616 per cent. of the principal amount of each Bond. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice (the "**Put Option Notice**") together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 20 days prior to the Put Option Date.

A Put Option Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of a Put Option Notice delivered as aforesaid on the Put Option Date.

8.5 Redemption for Change of Control

8.5.1 Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem in whole but not in part such holder's Bonds on the Relevant Event Put Date at their Early Redemption Amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent ("**Relevant Event Put Exercise Notice**") together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 17. The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

8.5.2 A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds which form the subject of the Relevant Event Put Exercise Notices delivered as aforesaid on the Relevant Event Put Date.

8.5.3 The Trustee shall not be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred.

8.5.4 Not later than ten days after becoming aware of a Relevant Event, the Issuer shall procure that notice regarding the Relevant Event shall be delivered to Bondholders (in accordance with Condition 17) and the Hong Kong Stock Exchange stating:

- (i) the Relevant Event Put Date;
- (ii) the date of such Relevant Event and, briefly, the events causing such Relevant Event;
- (iii) the date by which the Relevant Event Put Exercise Notice (as defined below) must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) briefly, the Conversion Right and the then current Conversion Price;
- (vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right or Conversion Right; and
- (viii) that a Relevant Event Put Exercise Notice, once validly given, may not be withdrawn.

8.5.5 For the purposes of this Condition 8:

- (i) **“control”** means the acquisition or control of more than 50 per cent. of the voting rights attaching to the issued share capital of the Issuer or the right to appoint and/or remove all or the majority of the members of the Issuer’s Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;
- (ii) a **“Change of Control”** occurs when:
 - (a) any person or persons, acting together, acquires control of the Issuer if such person or persons does not or do not have, and would not be deemed to have, control of the Issuer on the Issue Date;
 - (b) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Issuer or the successor entity; or
 - (c) one or more other persons acquires the legal or beneficial ownership of all or substantially all of the Issuer’s issued share capital,

provided it shall not be a Change of Control if Clear Channel Outdoor, Inc. acquires control of the Issuer;

an **“Affiliate”** of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person;

a **“person”** includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s Board of Directors or any other governing board and does not include the Issuer’s wholly-owned direct or indirect subsidiaries;

- (iii) **“Relevant Event”** occurs when there has been a Change of Control in the Issuer.

- (iv) **“Early Redemption Amount”** of a Bond, for each HK\$10,000 principal amount of the Bonds, is determined so that it represents for the Bondholder a gross yield of 4.00 per cent. on a semi-annual basis. The applicable Early Redemption Amount for each HK\$10,000 principal amount of Bonds is calculated on an annual basis in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (*provided* that if the date fixed for redemption is the Semi-Annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-Annual Date):

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1 + r/2)^{d/p}$$

Previous Redemption Amount = the Early Redemption Amount for each HK\$10,000 principal amount on the Semi-Annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to 27 April 2005, HK\$10,000)

Semi-Annual Date	Early Redemption Amount (HK\$)
27 April 2005	10,200.00
27 October 2005	10,404.00
27 April 2006	10,612.08
27 October 2006	10,824.32
27 April 2007	11,040.81
27 October 2007	11,261.62
27 April 2008	11,486.86
27 October 2008	11,716.59
27 April 2009	11,950.93
27 October 2009	12,189.94

$r = 4.00$ per cent. expressed as a fraction.

$d =$ number of days from and including the immediately preceding Semi-Annual Date (or if the Bonds are to be redeemed on or before 27 April 2005, from and including the Closing Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

$p = 180$

8.6 Delisting Put Right

8.6.1 In the event the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange (a **“Delisting”**) each Bondholder shall have the right (the **“Delisting Put Right”**), at such Bondholder’s option, to require the Issuer to redeem all (but not less than all) of such Bondholder’s Bonds on the twentieth business day after notice has been given to Bondholders regarding the Delisting referred to under Condition 8.6.2 below or, if such notice is not given, the twentieth business day after the Delisting (the **“Delisting Put Date”**) at their Early Redemption Amount (the **“Delisting Put Price”**).

8.6.2 Promptly after becoming aware of a Delisting, the Issuer shall procure that notice regarding the Delisting Put Right shall be given to Bondholders (in accordance with Condition 17) and the Hong Kong Stock Exchange stating:

- (i) the Delisting Put Date;

- (ii) the date of such Delisting and, briefly, the events causing such Delisting;
- (iii) the date by which the Purchase Notice (as defined below) must be given;
- (iv) the Delisting Put Price and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) briefly, the Conversion Right and the then current Conversion Price;
- (vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Delisting Put Right or Conversion Right; and
- (viii) that a Purchase Notice, once validly given, may not be withdrawn.

8.6.3 To exercise its rights to require the Issuer to purchase its Bonds, the Bondholder must deliver a written irrevocable notice of the exercise of such right (a "**Purchase Notice**"), in the then current form obtainable from the specified office of any Agent, to any Paying Agent on any business day prior to the close of business at the location of such Paying Agent on such day and which day is not less than 10 business days prior to the Delisting Put Date.

8.6.4 A Purchase Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds which form the subject of the Purchase Notices delivered as aforesaid on the Delisting Put Date.

8.6.5 The Trustee shall not be required to take any steps to ascertain whether a Delisting or any event which could lead to the occurrence of a Delisting has occurred.

8.6.6 For the purposes of this Condition, "**business day**" shall mean a day on which commercial banks are open for business in London and Hong Kong.

8.7 Redemption following exercise of a Put Option

Upon the exercise of any put option specified in Conditions 8.4, 8.5 or 8.6, payment of the applicable redemption amount shall be conditional upon delivery of the Bondholder's Certificate (together with any necessary endorsements) to any Paying Agent on any business day together with the delivery of any other document(s) required by these Conditions, and will be made promptly following the later of the date set for redemption and the time of delivery of such Certificate. If the Paying Agent holds on the Put Date (as defined below) money sufficient to pay the applicable redemption monies of Bonds for which notices have been delivered in accordance with the provisions hereof upon exercise of such right, then, whether or not such Certificate is delivered to the Paying Agent, on and after such Put Date, (i) such Bond will cease to be outstanding; (ii) such Bond will be deemed paid; and (iii) all other rights of the Bondholder shall terminate (other than the right to receive the applicable redemption monies). "**Put Date**" shall mean the Relevant Event Put Date, the Put Option Date or the Delisting Put Date, as applicable.

8.8 Purchases

The Issuer or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise. Such Bonds may, at the option of the Issuer or the relevant Subsidiary, be held, resold or cancelled. The Bonds so acquired, while held on behalf of the Issuer or any Subsidiary, shall not entitle the holders thereof to exercise any voting rights with respect to such Bonds.

8.9 Cancellation

All Bonds which are redeemed or converted by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

8.10 Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition will be given in accordance with Condition 17, and specify the Conversion Price as at the date of the relevant notice, the closing price of the Shares (as quoted on the Hong Kong Stock Exchange) as at the latest practicable date prior to the publication of the notice, the date for redemption, the manner in which redemption will be effected and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

9 TAXATION

9.1 All payments of principal made by the Issuer will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Bermuda or Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

9.1.1 to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Bermuda or Hong Kong, as the case may be, otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority which such holder is legally capable and competent of making but fails to do so; or

9.1.2 (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days; or

9.1.3 where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

9.1.4 presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent or Conversion Agent in a Member State of the European Union.

9.2 For the purposes hereof, "**relevant date**" means the date on which such payment first becomes due except that if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

9.3 References in these Conditions to principal shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

10 EVENTS OF DEFAULT

- 10.1 The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject to being indemnified and/or secured by the Bondholders to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their Early Redemption Amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if any of the following events has occurred:
- 10.1.1 a default is made in the payment of any principal or Early Redemption Amount due in respect of the Bonds and such default continues for a period of 3 business days;
 - 10.1.2 failure by the Issuer to deliver the Shares or pay the Cash Settlement Amount in respect of such Shares as and when such Shares are required to be delivered or such Cash Settlement Amount is required to be paid, as the case may be, following conversion of a Bond;
 - 10.1.3 the Issuer does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee;
 - 10.1.4 the Issuer or any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries;
 - 10.1.5 (i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph 10.1.5 have occurred equals or exceeds U.S.\$7.5 million or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank selected by the Trustee on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

- 10.1.6 a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries, which is material to the Issuer and its Material Subsidiaries as a whole, and is not discharged or stayed within 30 days;
- 10.1.7 an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders;
- 10.1.8 an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries (as the case may be) and is not discharged within 30 days;
- 10.1.9 it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed;
- 10.1.10 any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Material Subsidiaries, which is material to the Issuer and its Subsidiaries as a whole; or
- 10.1.11 any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

For the purposes of this Condition, “**Material Subsidiary**” means:

- (i) China Outdoor Media Investment, Inc., China Outdoor Media Investment (Hong Kong) Company Limited or Hainan White Horse Advertising Media Investment Company Limited; and
- (ii) any Subsidiary of the Issuer:
- (a) whose gross revenues or net profits or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues or net profits as shown by its latest audited income statement exceed 10 per cent. of the consolidated gross revenues or net profits (as applicable) as shown by the then latest published audited consolidated income statement of the Issuer and its Subsidiaries;
- (b) whose gross assets or (in the case of a Subsidiary which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries) as shown by its latest audited balance sheet exceed 10 per cent. of the gross consolidated assets of the Issuer and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Issuer and its Subsidiaries; or
- (c) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Material Subsidiary, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Material Subsidiary.

References to the audited income statement and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated income statement and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by

law to be produced, or if no such income statement or balance sheet is required by law to be produced or is not produced when the Subsidiary becomes a Material Subsidiary, to a pro forma income statement or balance sheet, prepared by the Auditors (as defined in the Trust Deed) for the purpose of such determination.

“**Subsidiary**” or “**subsidiary**” means in relation to any person any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong or Bermuda law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person.

10.2 Notwithstanding receipt of any payment after the acceleration of the Bonds, a Bondholder may exercise its Conversion Right by depositing a Conversion Notice with a Conversion Agent or Paying Agent during the period from and including the date of a default notice with respect to an event specified in Condition 10.1.2 (at which time the Issuer will notify the Bondholders of the number of Shares per Bond to be delivered upon conversion, assuming all the then outstanding Bonds are converted) to and including the 30th business day after such payment.

If any converting Bondholder deposits a Conversion Notice pursuant to this Condition 10 on the business day prior to, or during, a Closed Period, the Bondholder’s Conversion Right shall continue until the business day following the last day of the Closed Period, which shall be deemed the Conversion Date, for the purposes of such Bondholder’s exercise of its Conversion Right pursuant to this Condition 10.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10, the Issuer will deliver Shares (which number will be disclosed to such Bondholder as soon as practicable after the Conversion Notice is given) in accordance with the Conditions, except that the Issuer shall have twelve business days before it is required to register the converting Bondholder (or its designee) in its register of members as the owner of the number of Shares to be delivered pursuant to this Condition and an additional five business days from such registration date to make payment in accordance with the following paragraph.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10, the Issuer shall, at the request of the converting Bondholder, pay to such Bondholder an amount in Hong Kong dollars (the “**Default Cure Amount**”), equal to the product of (x) (i) the number of Shares that are required to be delivered by the Issuer to satisfy the Conversion Right in relation to such converting Bondholder minus (ii) the number of Shares that are actually delivered by the Issuer pursuant to such Bondholders’ Conversion Notice and (y) the Share Price (as defined below) on the Conversion Date; provided that if such Bondholder has received any payment under the Bonds pursuant to this Condition 10, the amount of such payment shall be deducted from the Default Cure Amount.

The “**Share Price**” means the closing price of the Shares as quoted by the Hong Kong Stock Exchange or, as the case may be, Alternative Stock Exchange on the Conversion Date or, if no reported sales take place on such date, the average of the reported closing bid and offered prices, in either case as reported by the Hong Kong Stock Exchange or other applicable securities exchange on which the Shares are listed for such day as furnished by a reputable and independent broker-dealer selected from time to time by the Trustee at the expense of the Issuer for such purpose.

11 CONSOLIDATION, AMALGAMATION OR MERGER

The Issuer will not consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation or convey or transfer its properties and assets substantially as an entirety to any person (the consummation of any such event, a “**Merger**”), unless:

- (i) the corporation formed by such Merger or the person that acquired such properties and assets shall expressly assume, by a supplemental trust deed, all obligations of the Issuer under the Trust Deed and the performance of every covenant and agreement applicable to it contained therein;
- (ii) immediately after giving effect to any such Merger, no Event of Default, and no event which, after notice or lapse of time, or both, may become an Event of Default shall have occurred and be continuing or would result therefrom; and
- (iii) the corporation formed by such Merger, or the person that acquired such properties and assets, shall expressly agree, among other things, to indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal and premium on the Bonds.

12 PRESCRIPTION

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal and premium) and five years (in the case of default interest, if any) from the relevant date (as defined in Condition 9) in respect thereof.

13 ENFORCEMENT

At any time after the Bonds have become due and repayable, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

14 MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

14.1 Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the principal amount of the Bonds or default interest, premium (if any) (including any Early Redemption Amount) or the Equivalent Amount in respect of the Bonds or to change the method of calculation of the Early Redemption Amount, (iii) to change the currency of payment of the Bonds, or (iv) to cancel or modify the Conversion Rights or the put options specified in Condition 8 or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 33 per cent., in principal amount of the Bonds for the

time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

14.2 Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 14.1 above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer to the Bondholders as soon as practicable thereafter.

14.3 Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Bondholders, to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds. In such event, the Issuer shall give notice to Bondholders in accordance with Condition 17 and, so long as the Bonds are listed on the Hong Kong Stock Exchange, shall inform the Hong Kong Stock Exchange and prepare a supplemental offering circular.

14.4 Interests of Bondholders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

14.5 Certificates/Reports

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions and/or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee and/or the Issuer in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

15 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

17 NOTICES

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*) and, so long as the Bonds are listed on the Hong Kong Stock Exchange and the rules of that Exchange so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be the *South China Morning Post*). Such notices shall be deemed to have been given on the later of the date of such publications. Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

18 AGENTS

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain (i) a Principal Agent, (ii) a Registrar, (iii) an Agent having a specified office in a major financial centre in Europe and (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders in accordance with Condition 17 and in any event not less than 45 days' notice will be given.

19 INDEMNIFICATION

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer without accounting for any profit.

20 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999.

21 GOVERNING LAW

The Bonds, the Trust Deed and the Agency Agreement are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds the Issuer has in the Trust Deed irrevocably submitted to the courts of England and in relation thereto has appointed Clear Channel International, now at 1 Cluny Mews, London, SW5 9EG, United Kingdom, as its agent for service of process in England.

The Global Certificate

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the "Conditions" or the "Terms & Conditions") set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder (as defined in the Conditions) of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each HK\$10,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in the Bonds in respect of which the Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

Payments of principal and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

Bondholder's Redemption

The Bondholder's redemption option in Conditions 8.4, 8.5 and 8.6 may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement or exercise within the time limits specified in those Conditions.

Redemption at the option of the Issuer

The option of the Issuer provided for in Condition 8.2 shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by that Condition and Condition 8.10.

Registration of Title

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds in respect of which the Global Certificate is issued shall be recognised as the beneficiaries of the trusts set out in the Trust Deed, to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder, as if they were themselves the holders of the Bonds in such principal amounts.

Use of Proceeds

The net proceeds from the issue of the Bonds, estimated to be approximately HK\$299,000,000 after deducting certain expenses (including but not limited to underwriting commission to be charged by the Lead Manager), will be used for general corporate and working capital purposes, including financing possible strategic acquisitions.

Share Information

Market Price

The Shares have been listed on the Hong Kong Stock Exchange since 19 December 2001. The table below sets out the closing prices and the trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Total Trading
	High	Low	End of Period	Volume of Shares
	HK\$	HK\$	HK\$	
2002				
First Quarter	6.4	4.15	4.625	106,295,100
Second Quarter	6.25	4.7	5.3	51,122,121
Third Quarter	5.65	4.725	4.75	33,449,397
Fourth Quarter	4.75	3.375	3.95	6,493,045
2003				
First Quarter.....	4.1	3.7	3.7	9,858,762
Second Quarter	4.3	3.25	4.3	10,687,566
Third Quarter	5.0	4.175	4.475	88,212,603
Fourth Quarter	5.85	4.825	5.1	52,437,780
2004				
January	6.8	5.4	6.7	20,788,380
February	7.8	6.85	7.0	6,411,900
March	7.3	6.8	6.85	4,434,100
April.....	7.5	6.8	6.95	4,337,325
May.....	6.95	6.55	6.9	8,159,800
June	6.8	6.2	6.2	4,790,900
July.....	6.0	5.35	5.4	2,378,500
August.....	5.95	5.35	5.75	6,112,000
September	7.9	5.8	7.25	15,939,000
October (through to 20 October 2004)	7.25	6.85	6.85	1,817,300

Source: Bloomberg

Dividends

To date, the Issuer has not declared any dividends on the Shares.

Capitalisation and Indebtedness

Capitalisation and Indebtedness of the Issuer

As at 30 June 2004, the authorised share capital of the Issuer was HK\$70,000,000 divided into 700,000,000 ordinary shares of HK\$0.10 par value each and its issued share capital was HK\$50,160,850 consisting of 501,608,500 ordinary shares of HK\$0.10 par value each.

The following table sets forth the consolidated capitalisation and indebtedness of the Issuer as at 30 June 2004 and as adjusted to give effect to the issue of the Bonds:

	As at 30 June 2004	
	Actual	Adjusted
	(in HK\$ million)	(in HK\$ million)
Short-term borrowings		
Secured.....	163.1	163.1
Total short-term borrowings.....	163.1	163.1
Long-term borrowings		
The Bonds to be issued	—	312
Total long-term borrowings.....	—	312
Shareholders' equity		
Share capital	50.2	50.2
Reserves.....	996.3	996.3
Retained profits	277.5	277.5
Shareholders' funds	1,324.0	1,324.0
Minority interests	6.0	6.0
Total capitalisation ¹	1,330.0	1,642.0
TOTAL SHORT-TERM BORROWINGS AND CAPITALISATION	1,493.1	1,805.1

Note:

1 Total capitalisation represents the sum of long-term borrowings, minority interests and shareholders' funds.

Assuming full conversion of the Bonds at the initial Conversion Price of HK\$9.585 per share, the Bonds will be convertible into approximately 32,551,000 shares at a par value of HK\$0.10 each.

There has been no material change in the capitalisation of the Issuer since 30 June 2004.

Description of the Group

INTRODUCTION

The Issuer is one of the leading outdoor advertising companies in China with a strong focus on bus shelter advertising. The Issuer's network of bus shelter advertising space, known as the "Feng Shen Bang-Adshel Network", covers 30 cities in China. The Issuer is one of the pioneers in the bus shelter advertising business in China. The business of the Issuer principally involves installing bus shelters in cities in exchange for the concession rights to sell and manage the advertising space at these bus shelters. The Issuer conducts its business in China through its operating subsidiary, Hainan White Horse Advertising Media Investment Company Limited (the "WHA Joint Venture") (see "Description of the Group — History").

Currently, the Issuer is one of the largest operators of bus shelter advertising in China based on the number of advertising panels at bus shelters. As at 30 June 2004, the Issuer operated over 9,000 bus shelter sites with more than 19,000 display panels. The Issuer believes that it has the highest number of display panels in 21 out of the 30 cities in which it operates, including Beijing, Shanghai and Guangzhou.

The Issuer is focused on expanding its "Feng Shen Bang-Adshel Network". The density of bus shelter advertising panels situated in China's major cities is estimated to be substantially less on a per capita basis than that in some developed advertising markets, offering room for further growth. The Issuer also plans to broaden its portfolio of outdoor media products through expanding its "Core + More" strategy. This strategy involves the Issuer focusing on its core business of bus shelter advertising and looking out for opportunities to expand its outdoor advertising business through other media.

The Issuer was incorporated in Bermuda as an exempted company under the Bermuda Companies Act on 30 March 2001. In December 2001, the Issuer completed an initial public offering of its shares and its shares were listed on the Main Board of the Hong Kong Stock Exchange on 19 December 2001 (Code: 0100).

As at 31 December 2003, the Issuer had an authorised share capital of HK\$70,000,000 divided into 700,000,000 ordinary shares of HK\$0.10 and an issued and fully paid up share capital of HK\$50,160,850 consisting of 501,608,500 ordinary shares of HK\$0.10 each. As at 30 June 2004, Clear Channel Outdoor, Inc. and The Capital Group Companies, Inc. each held 48.1 per cent. and 14.1 per cent. of the Issuer.

For the year ended 31 December 2003, the Group had consolidated turnover of HK\$488.2 million and consolidated net profit from ordinary activities attributable to shareholders of HK\$81.8 million and at the same date had consolidated capital and reserves of HK\$1,288.3 million. For the six months ended 30 June 2004, the Group had consolidated turnover of HK\$243.7 million and consolidated net profit from ordinary activities attributable to shareholders of HK\$32.1 million and at the same date had consolidated capital and reserves of HK\$1,324.0 million.

HISTORY

One of the Issuer's directors, Mr. Han Zi Dian founded Guangdong White Horse Advertising Company Limited ("White Horse Advertising") in Guangzhou, China in 1986 which began to develop its own bus shelter advertising network in China under the "Feng Shen Bang" brand. By 1997, the network owned by White Horse Advertising had grown to include approximately 4,000 display panels in 16 cities.

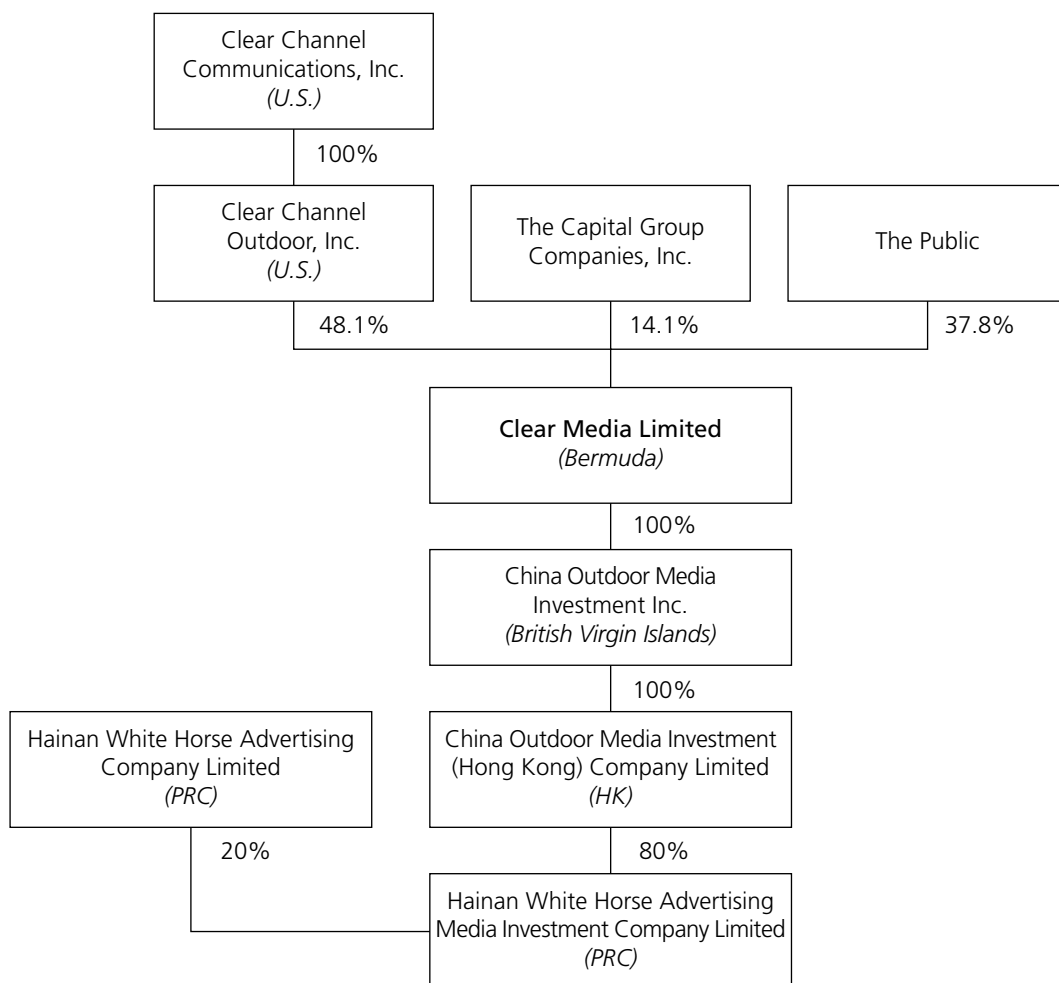
In March 1998, Outdoor Media China, Inc ("Outdoor Media China") and Clear Channel Outdoor, Inc (a wholly-owned subsidiary of Clear Channel Communications, Inc) entered into a 50/50 joint venture arrangement and formed China Outdoor Media Investment, Inc. ("China Outdoor Media"), which then owned a 95 per cent. shareholding in the WHA Joint Venture. The WHA Joint Venture then acquired the network of display panels owned by White Horse Advertising.

Through a subsequent restructuring exercise which involved the incorporation of the Issuer, the Issuer became the holding company of China Outdoor Media and an indirect substantial shareholder of the WHA Joint Venture holding 80 per cent. of the issued share capital of the WHA Joint Venture. The Issuer has been listed on the Main Board of the Hong Kong Stock Exchange since 19 December 2001. As at 30 June 2004, the market capitalisation of the Issuer was HK\$3.1 billion.

The Issuer conducts its business in the PRC through its main operating subsidiary, the WHA Joint Venture. The WHA Joint Venture was issued a business licence by Hainan Provincial Administration for Industry and Commerce (“HAIC”) in March 1998 and a further business licence in August 1998. The business licence granted by HAIC in March 1998 permits the WHA Joint Venture to build, develop and lease furniture upon which outdoor advertising media can be displayed. The business licence issued in August 1998 permits the WHA Joint Venture to disseminate and post outdoor advertising media upon such fixtures. Prior to the issue of the business licence by HAIC in August 1998, the WHA Joint Venture did not enter into dissemination contracts directly with advertisers but instead appointed Guangdong White Horse Outdoor Advertising Company as its agent to execute dissemination contracts directly with advertisers, which dissemination contracts have all been completed.

In May 2000, the WHA Joint Venture also obtained approval from the PRC State Administration for Industry and Commerce (“SAIC”) to operate its advertising business. This approval was reaffirmed with an expanded business scope in June 2001.

The following chart sets forth the Issuer’s shareholders, its subsidiaries and minority interest as at 30 June 2004:



Although the Issuer has an indirect 80 per cent. shareholding in the WHA Joint Venture, the Issuer (through its wholly-owned subsidiaries China Outdoor Media Investment, Inc and China Outdoor Media Investment (Hong Kong) Company Limited) is entitled to 90 per cent. of the after tax profits of the WHA Joint Venture from 1 July 2001 until the end of the fiscal year 2005. After the end of the fiscal year 2005, the Issuer will be entitled to 80 per cent. of the after tax profits of the WHA Joint Venture.

COMPETITIVE STRENGTHS AND STRATEGY

The Issuer believes that its key competitive strengths are:

- The Issuer's strong market position as one of the largest operators of bus shelter advertising in China in terms of the number of advertising panels at bus shelters. Based on the data available to the Issuer, the Issuer also believes that it has the largest market share in certain key cities in China, including Beijing (where the Issuer will hold an estimated 86 per cent. of the market share, in terms of the number of bus shelters, consequent to its recent acquisition of concession rights in Beijing), Shanghai and Guangzhou (where the Issuer currently holds an estimated 98 per cent. of the market share in terms of the number of bus shelters). The bus shelter network of the Issuer is also geographically comprehensive (spanning 30 cities in China) and standardised in terms of display, size, quality and set-up.
- The Issuer believes that it has established good working relationships with local governmental agencies. This will be a factor that will assist the Issuer in obtaining future concession rights to bus shelters and in renewing existing concession rights held by the Issuer. The average remaining term of the concession rights currently held by the Issuer is approximately 9 years (based on revenues for the period ended 30 June 2004) as at 30 June 2004.
- The Issuer aims to distinguish itself from its competitors by the quality of its products, the extensiveness of its bus shelter advertising space network coverage and its professionalism. The Issuer's bus shelter displays are designed, constructed and maintained to high international standards. The Issuer has a commitment to maintaining its facilities and therefore enjoys a reputation among advertisers for the quality and reliability of its products and services. The bus shelter displays across the Issuer's network are uniform in quality and in size. This facilitates the advertisers in effectively launching nationwide advertising campaigns at short notice. In addition, the Issuer has an experienced management team with local and international advertising expertise.
- The Issuer has established relationships with a number of advertisers. The Issuer's network has been used to market various brands in China for over 400 advertisers, including Unilever, Mengniu Dairy, Yili Dairy, Amway, Lenovo, Siemens and Wrigley.
- The Issuer has strong support from Clear Channel Communications, Inc and White Horse Advertising. The Issuer's largest indirect shareholder, Clear Channel Communications, Inc, is the one of the world's largest media companies with significant operations in radio, television and outdoor advertising; its subsidiary, Clear Channel Outdoor, Inc., pioneered outdoor advertising in the United States. Clear Channel's active involvement in the Issuer's business has benefited the Issuer. The Issuer also has strong support from White Horse Advertising, an advertising agency which is principally managed by one of its directors, Mr. Han Zi Dian. White Horse Advertising's familiarity with the climate of the advertising market in China and its China advertising experience has been crucial to the Issuer's "Feng Shen Bang-Adshel Network" gaining acceptance and credibility in the advertising community in China.

The Issuer's key objective and business strategy is to continue to be one of the largest outdoor advertising companies in China with a strong focus on bus shelter advertising and a reputation for high quality products and professional standards. The Issuer plans to continue to expand its bus shelter advertising operations to maintain and strengthen its market position amongst the

other bus shelter advertising operators in China. The Issuer plans to achieve its objective by way of acquisitions from existing bus shelter advertising operators and by way of obtaining new concession rights from governmental agencies. The Issuer also has plans to offer a wider range of outdoor advertising products and services in the future.

THE ISSUER'S BUSINESS OPERATIONS

The Issuer's principal business is the selling of advertising space on various outdoor media in China. To add value for its clients, the Issuer is also closely involved in developing the advertising campaigns and advertising concepts of its customers and assisting its customers in media planning. The Issuer's main line of business is bus shelter advertising which represented approximately 99 per cent. of its revenues for the six months ended 30 June 2004, 97.5 per cent. of the Issuer's revenues for the year ended 31 December, 2003 and 94.6 per cent. of the Issuer's revenues for the year ended 31 December 2002.

A small proportion of the Issuer's business also comprises of advertising on billboards (unipoles) and "Point-of-Sale" advertising, which represented approximately 1 per cent. of the Issuer's revenues for the six months ended 30 June 2004, 2.5 per cent. of the Issuer's revenues for the year ended 31 December, 2003 and 5.4 per cent. of the Issuer's revenues for the year ended 31 December 2002. The decrease in the proportion of revenues from the Issuer's billboard and "Point of Sale" advertising business is due to the expansion of the Issuer's bus shelter advertising network which has resulted in the increased proportion of revenues from its bus shelter advertising business. In line with the Issuer's business strategy to concentrate on expanding its bus shelter advertising network, the Issuer had also outsourced some of its billboard and "Point-of-Sale" advertising business to third parties.

Bus Shelter Advertising

The Issuer believes that it is one of the largest bus shelter advertising companies in China in terms of the number of advertising panels based on industry data available to the Issuer. The Issuer markets its bus shelter advertising network under the "Feng Shen Bang-Adshel Network". As at 30 June 2004, the Issuer had concession rights to more than 9,000 bus shelter sites and more than 19,000 display panels and as at 31 December 2003, the Issuer had concession rights to more than 7,000 bus shelter sites and more than 17,000 display panels .

Bus shelters are an effective outdoor advertising medium since they can generally be located in a city's most central locations where installing other types of advertising display panels is typically prohibited or highly restricted. Advertising on bus shelters is permitted in these premier locations because bus shelters provide a valuable community function of sheltering bus passengers and providing night illumination for city centers. All of the Issuer's advertising panels are well-illuminated and highly visible 24 hours a day, reaching both vehicle and pedestrian audiences.

Bus shelter advertising is also a cost-effective medium. The Issuer estimates that the Cost-per-thousand impressions ("CPM") (defined as the cost to reach a thousand persons, a standard measurement of the cost effectiveness for a particular media of advertising) for bus shelter advertising in Beijing is approximately one-twentieth of the CPM for television and newspapers in the city. Outdoor advertising is also an effective way to enhance and complement the effect of other medium of advertising in that it adds reach, frequency and impact to other advertising medium like television, print and radio campaigns.

Approximately 94.7 per cent. of the Issuer's display panels are located on bus shelters, with the remaining 2.6 per cent. being display panels on taxi stands and 2.7 per cent. being road sign displays. The Issuer's overall strategy, operational requirements, manufacturing process and sales and marketing efforts in respect of bus shelters, taxi stands and road signs are substantially the same.

Comprehensive Geographical Coverage

The Issuer believes that its reputation for quality and reliability has assisted it to successfully obtain concession rights from entities authorised by local governmental agencies for advertising space at bus shelters. Since the commencement of the Issuer's business in 1998, the Issuer has consistently grown its inventory of bus shelters. Initially, the Issuer's business expansion concentrated on top advertising cities in China, including Beijing, Shanghai and Guangzhou. Since then, the Issuer has successfully expanded its "Feng Shen Bang-Adshel Network" to cover other key advertising markets in China like Nanjing and Wuhan.

As at 30 June 2004, the Issuer had over 9,000 bus shelter sites with more than 19,000 display panels covering 30 cities in China. The Issuer believes that it has the largest market share based on number of bus shelter display panels in 21 out of the 30 cities it operates in. As at 30 June 2004, approximately 33 per cent. of its bus shelter sites are located in Beijing, Shanghai and Guangzhou, China's three largest advertising markets. The remaining are located throughout other major cities in China. See "Premier Locations" below.

The Issuer believes that its "Feng Shen Bang-Adshel Network" is currently the most geographically comprehensive outdoor display network in China in terms of the number of bus shelters. The Issuer believes that the comprehensive nature of its "Feng Shen Bang-Adshel Network" allows efficient media planning and media buying for its customers and also allows the Issuer to generate higher revenue per panel.

Premier Locations

One of the key strengths of the Issuer's operations is its strong market position in China's largest advertising markets. The majority of its bus shelters are located in city centers with traffic flow of more than 150,000 people per day to ensure high frequency of the number of bus shelter display panels reached by consumers per day.

In Beijing, Shanghai and Guangzhou, the Issuer estimates that it has an average of 90 per cent. of the market share by reference to the number of bus shelter display panels based on the industry data reviewed by the Issuer. As at 30 June 2004, approximately 33 per cent. of the Issuer's display panels were located in, and 51 per cent. of revenues in the first half of 2004 were derived from, these markets.

The following table sets out the Issuer's estimates relating to the key markets in which the Issuer operated as at 30 June, 2004:

City	Income Index ¹	As at 30 June, 2004	
		The Issuer's 12-sheet Equivalent Panels ⁴	Market Share of the Issuer (per cent.) ²
	(RMB)		
Beijing	13,883	1,992	36 ³
Shanghai	14,867	1,623	98
Guangzhou	15,003	2,486	99

Notes:

- 1 Based on *China Statistical Report for 2003*; the average disposal income per capita of all urban households in China=100.
- 2 The Issuer's estimate as of July 2004, in terms of the number of bus shelters.
- 3 This has increased to 86 per cent. as at the latest practicable date pursuant to the Issuer's recent acquisition of bus shelter concession rights in Beijing.
- 4 A "display panel" is an advertising display unit within a bus shelter upon which the same advertisement is present on both sides. A "12-sheet equivalent panel" is one actual 12-sheet panel, two 6-sheet panels or three 4-sheet panels.

The Issuer seeks to continue to expand its network in these large markets and increase its presence in new markets. The Issuer's objective is to continue to provide its advertiser customers with the most comprehensive network coverage of bus shelters in premier locations throughout China.

Bus Shelter Concessions

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

The Issuer's bus shelter concession contracts have initial terms of five to twenty years. As at 30 June 2004 (based on the unaudited financial information) the average remaining term of the concession rights currently held by the Issuer is approximately 9 years (weighted by revenues for the period ended 30 June 2004). In terms of renewal rights, approximately 58 per cent. of the concession rights held by the Issuer, based on the number of bus shelters, grant the Issuer the right of first refusal to renew the concession contracts provided that the terms offered by the Issuer are no less favourable than the competing tenders. Some of the Issuer's concession contracts also allow the Issuer to renew the term of the contracts before the expiration of the existing term.

Maintenance Arrangements

As at 30 June 2004, the Issuer has entered into maintenance agreements with 24 companies for the maintenance of its bus shelters located in 24 cities in which the Issuer operates. Out of the 24 companies, 15 are connected persons of the Issuer due to the fact that one of the Issuer's directors, Mr Han Zi Dian can exercise, or control the exercise of, over 30 per cent. of the voting power at general meeting or is able to indirectly exercise influence over the management of such entities. These connected persons are collectively referred to as the White Horse Companies as defined in the section "Description of the Group — Connected Transactions" below. Please refer to the section below for more information.

Under the maintenance agreements, the 24 companies are responsible for posting advertisements, cleaning, repair, maintenance and obtaining display content approvals from the local arm of the PRC State Administration for Industry and Commerce. The Issuer pays each of the companies a monthly maintenance fee comprising two components, a pre-determined base cost and an incentive payment. The incentive payment serves as a bonus to motivate the companies to meet certain performance standards set by the WHA Joint Venture. The terms of these maintenance agreements are based on normal commercial terms.

Under the maintenance agreements, the bus shelters in the Issuer's network are cleaned once every three to five days, depending on the weather conditions. It is the Issuer's policy that its bus shelters are inspected on a regular basis to ensure quality control and to allow the Issuer to promptly respond to any deviation from its quality standards.

Sales

The principal source of the Issuer's revenue is advertising sales. The Issuer sells advertising space at bus shelters. The advertising space is divided into display panels at the bus shelters. The advertising space at each of the bus shelters is sold on a line-by-line and package basis. Line-by-line or panel-by-panel sales means that a customer is purchasing one or a set of display panels at one or multiple bus shelter sites. Line-by-line purchasing works well for small advertising campaigns as it allows flexibility in terms of location selection.

The occupancy rate of the advertising space fluctuates in the course of a year as there are "off-peak" and "peak" advertising periods in a year. For example, the first quarter of a calendar year

usually involves reduced sales for the Issuer while the fourth quarter will typically see higher sales. The following table sets out the Issuer's average annual occupancy rate, which is the percentage of its display panels that are rented, for the years ended 31 December, 2002 and 2003, and the six months ended 30 June, 2003 and 2004:

For the period ended	31 December,		30 June,	
	2002	2003	2003	2004
Occupancy rate	68%	70%	67%	67%

All of the Issuer's advertising sales are conducted by its sales staff. The Issuer has regional sales offices in Beijing, Shanghai and Guangzhou and sales centers in Wuhan, Shenzhen, Chengdu, Shangyang, Xian, Changsa, Qingdao, Fujian and Jinjiang. Customers can place sales orders at any of the Issuer's regional sales offices for bus shelter sites managed by the Issuer's other regional offices.

Billboard and Point of Sale Advertising

The Issuer leases its billboard sites from entities authorised by local governmental agencies that have been granted the right to sell the advertising space on such billboards by the relevant government highway authorities or other relevant government department. The terms of the Issuer's billboard contracts with these governmental agencies vary and provide for renewal subject to the satisfaction of certain conditions. The Issuer pays an annual rental fee to the relevant lessor and outsources the concession rights and maintenance of these billboards to third parties.

The Issuer has concession rights to certain standing display panels located at supermarkets and shopping malls. This form of advertising is designed to influence the purchasing behaviour of consumers at such retail locations. The Issuer outsources the design, installation, maintenance and concession rights to these standing display panels to third parties.

The reason for outsourcing its billboard and point-of-sale advertising business is that these operations comprise an insubstantial part of the Issuer business and the Issuer is currently concentrating its efforts in building and expanding its core business of bus shelter advertising.

Customers

Advertisers purchase advertising space either directly from the Issuer or through an advertising agency. Advertising agencies are entitled to a standard 15 per cent. advertising commission from the Issuer. Typically, larger advertisers engage advertising agencies to design and plan their advertising campaigns and conduct their media buying. For the six months ended 30 June 2004, sales derived from advertising agencies represented 76 per cent. of the Issuer's revenues. For the years ended 31 December, 2002 and 2003, advertising agency sales represented 79 per cent. and 63 per cent. of the Issuer's revenues.

The credit terms granted by the Issuer to its customers depend on the duration of the advertising campaign. Typically, the length of the advertising campaign is one month and the credit term ranges from one to three months.

The quality and coverage of the Issuer's "Feng Shen Bang-Adshel Network" has attracted a broad base of international and domestic customers. As at 30 June 2004, the Issuer had a customer base of over 400 advertisers, including those that are represented by advertising agencies. Customers which have advertised on the Issuer's display panels include major household names such as Unilever, Mengniu Dairy, Yili Dairy, Amway, Lenovo, Siemens and Wrigley, as well as many local brands.

For the year ended 31 December 2003, sales to the Issuer's top five customers accounted for less than 30 per cent. of the Issuer's turnover and none of the Issuer's top ten customers accounted for more than 6 per cent. of the Issuer's turnover individually. As at 31 December 2003, the Issuer's major customers came from the telecommunications, beverages and personal care products sectors.

Suppliers

The Issuer is not dependent on any particular supplier who provides goods or services which are specific to its business and which are required on a regular basis to enable it to continue to supply or service its customers.

Employees

As at 30 June 2004, the Issuer had a total of 315 employees.

The Issuer has 11 operational departments. The Issuer's employees are divided by business functions as follows: 57 per cent. in sales and marketing, 24 per cent. in operations, 11 per cent. in concession relations and 8 per cent. in management and administration. The Issuer believes that its employees have extensive experience in China's advertising industry.

The employees of the Issuer 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 Issuer and to individual performance as a recognition of effort. Share options are also granted to senior management of the Issuer so as to align their interests with that of the Issuer's.

Competition

The Issuer competes primarily with other outdoor advertising companies in China that operate in the street furniture, billboard and transport advertising segments. In general, the Issuer also indirectly competes with other media, such as newspapers and television, as well as magazines and radio.

Outdoor advertising companies compete primarily on the basis of price, location, and the quality and range of products they offer, as well as network coverage and the services they provide.

China's outdoor advertising market is highly fragmented, comprising a large number of local operators and a small number of regional and national players.

Although the Issuer's bus shelter network has expanded and increased its reach as a whole across China, the Issuer faces local competition from smaller operators in certain cities. These operators' networks primarily comprise of local bus shelters in a particular city.

Restrictive Covenant

The Issuer has undertaken to Clear Channel Outdoor, Inc and Clear Channel Communications, Inc (together, "Clear Channel") that it will not carry on or engage in any outdoor advertising activities outside of the PRC until the third anniversary after such time that Clear Channel's shareholding interest in the Issuer falls below 20 per cent. and Clear Channel ceases to be the largest shareholder of the Issuer.

The Issuer has undertaken to Outdoor Media China, Inc, Mr Han Zi Zing, Mr Han Zi Dian and Mr Han Zi Wei (the "Han Brothers") that it will not carry on or engage in any outdoor advertising activities outside of the PRC until the third anniversary of the later date on which Outdoor Media China, Inc's shareholding interest in the Issuer falls below 5 per cent. and when none of the Han Brothers is a director or senior management of the Issuer.

Clear Channel Outdoor, Inc, Clear Channel Communications, Inc, Outdoor Media China, Inc and the Han Brothers have also undertaken to the Issuer that if any of them acquires any international group of companies or businesses which would compete with the Issuer's business in

the PRC, such party would offer to sell the companies or the part of business that competes with the Issuer's business in the PRC to the Issuer at the lower of the price paid by the acquiring party of such competing business or the fair value of such business as assessed by an independent third party valuer. In the event that the Issuer does not elect to purchase such competing business the acquiring party will have to divest itself of such business within 12 months of the acquisition.

Insurance

The Issuer maintains insurance policies against civil liability that might arise from injuries suffered by third parties as a result of the Issuer's business activities. The Issuer also provides insurance coverage for injuries suffered by its employees in the performance of their duties during the course of their employment. The Issuer maintains property insurance for its office furnishings and equipment.

Connected Transactions

Maintenance Service Agreements

On 30 November 2001, the WHA Joint Venture entered into maintenance service agreements with certain connected persons of the Issuer for a fixed term of 10 years. In order to comply with the continuing connected transactions provisions of the Listing Rules of the Hong Kong Stock Exchange, the maintenance service agreements were terminated on 11 May 2004. On the same day, the WHA Joint Venture entered into new maintenance and service agreements (the "Maintenance and Service Agreements") with the White Horse Companies (as defined below) on substantially the same terms as the previous agreements for a fixed term of three years. Pursuant to the Maintenance and Service Agreements, the WHA Joint Venture outsources to the relevant White Horse Company, the provision of maintenance and other related services in respect of the bus shelters in 15 cities in the PRC in which the WHA Joint Venture operates.

The White Horse Companies are connected persons of the Issuer due to the fact that one of the directors of the Issuer, Mr Han Zi Dian, can exercise, or control the exercise of, over 30 per cent. of the voting power at general meetings or is able to indirectly exercise influence over the management of such White Horse Companies.

"White Horse Companies" for the purpose of this section of the Offering Circular means Guangdong White Horse Outdoor Advertising Company Limited Shenyang Branch; Henan White Horse Advertising Company Limited; Tianjin White Horse Feng Shen Advertising Company Limited; Guangdong White Horse Outdoor Advertising Company Limited Xi'an Branch; Yunnan White Horse Advertising Company Limited; Guangdong White Horse Outdoor Advertising Company Limited Hunan Branch; Guangdong White Horse Outdoor Advertising Company Limited Nanchang Branch; Fuzhou White Horse Advertising Company Limited; Guangdong White Horse Outdoor Advertising Company Limited Nanjing Branch; Xiamen White Horse Advertising Company Limited; Nanning White Horse Feng Shen Advertising Company Limited; Guangdong White Horse Outdoor Advertising Company Limited Shijiazhuang Branch; Ha'r'bin White Horse Feng Shen Advertising Company Limited; Wuxi White Horse Feng Shen Advertising Company Limited; and Guangdong White Horse Outdoor Advertising Company Limited Shenzhen Branch.

Framework Agreement

On 11 May 2004, the WHA Joint Venture and White Horse Advertising entered into a framework agreement (the "Framework Agreement") for a fixed term of three years. This agreement formalises the advertising commission arrangement between the WHA Joint Venture and White Horse Advertising. Under the advertising commission arrangement, White Horse Advertising, as an advertising agency engaged by end customers for planning and implementing advertising campaigns, assists the WHA Joint Venture in procuring advertising sales. In return, the WHA Joint Venture pays an advertising commission to White Horse Advertising.

White Horse Advertising is a connected person of the Issuer because one of the directors of the Issuer, Mr Han Zi Dian, is able to exercise influence over the management and day-to-day operations as director and general manager of White Horse Advertising and controls the composition of a majority of the board of directors of White Horse Advertising from an indirect interest of 14.2 per cent. in White Horse Advertising.

Approval by independent shareholders

The Maintenance and Service Agreements and the Framework Agreement constitute continuing connected transactions of the Issuer under the Listing Rules and have been approved by the Company's independent shareholders by poll at the Special General Meeting on 28 May 2004.

Litigation

On 10 August 1999, Advertasia Street Furniture Limited, an independent third party ("Advertasia") commenced an action against China Outdoor Media Investment (Hong Kong) Company Limited (an indirect wholly owned subsidiary of the Issuer) 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 Investment (Hong Kong) Company Limited for the sum of HK\$68 million (the "Agreement"). Advertasia alleged that China Outdoor Media Investment (Hong Kong) Company Limited 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 Investment (Hong Kong) Company Limited contended the claim 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) and that a number of misrepresentations were made in respect of the four private companies. China Outdoor Media Investment (Hong Kong) Company Limited also counterclaimed for damages for all reasonably incurred costs and expenses in respect of the misrepresentation.

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 5 per cent. interest in the Issuer, (ii) Han Zi Jing, (iii) Clear Channel Outdoor, Inc. ("CCO"), one of the substantial shareholders of the Issuer, (iv) China Outdoor Media Investment (Hong Kong) Company Limited and (v) the Issuer, entered into a Deed of Indemnity (as amended, the "Deed of Indemnity"). Under the terms of the Deed of Indemnity, OMC, Han Zi Jing and CCO have covenanted and undertaken to indemnify (on a several basis, as to 65 per cent. CCO, and as to 35 per cent. in relation to OMC and Han Zi Jing jointly and severally) the Issuer and China Outdoor Media Investment (Hong Kong) Company Limited against all claims (including the claim by Advertasia), whether or not successful, compromised or otherwise settled, and any actions, damages, penalties, liabilities, legal fees, enforcement costs and expenses incurred by the Issuer and China Outdoor Media Investment (Hong Kong) Company Limited in respect of the claims.

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 Investment (Hong Kong) Company Limited will be required to complete the purchase of the afore-mentioned four private companies for a consideration of HK\$68 million. In addition, China Outdoor Media Investment (Hong Kong) Company Limited was ordered to pay to Advertasia (i) HK\$1,216,404.30 in equitable damages, (ii) interest at the rate of 1 per cent. over prime rate upon the sum of HK\$50 million from 5 May 1999 to the date of judgment and upon 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\$706,967.49 and HK\$365,284.98 at the rate of 1 per cent. over prime rate from dates to be agreed between Advertasia and China Outdoor Media Investment (Hong Kong) Company Limited to the date of judgment. China Outdoor Media Investment (Hong Kong) Company Limited was also ordered to pay the costs of the action. As China Outdoor Media Investment (Hong Kong) Company Limited has the benefit of the indemnity provisions under the Deed of Indemnity against the claim by Advertasia, the Issuer believes that the said judgment will not have a material adverse impact on its business. Under the terms of the judgment, China

Outdoor Media Investment (Hong Kong) Company Limited has been granted the right to appeal against the judgment. China Outdoor Media Investment (Hong Kong) Company Limited is currently seeking legal advice on the next appropriate course of action. There can however be no assurance that China Outdoor Media Investment (Hong Kong) Company Limited will, after taking all factors into consideration, proceed with such an appeal or will be successful in appealing against the judgment of the High Court.

Save as disclosed above, neither the Issuer 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 Issuer.

Substantial Shareholders' and Directors' Interests

DIRECTORS' DISCLOSURE OF INTERESTS

As at 30 June 2004:

- (a) the interests of each director and chief executive of the Issuer in the equity or debt securities of the Issuer or any associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (i) were notified to the Issuer and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) were entered in the register referred to therein pursuant to section 352 of the SFO or (iii) were notified to the Issuer and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were:

(i) Long position in Shares

Name of Director	Number of Shares held, capacity and nature of interest					Total	Percentage of Share capital
	Directly beneficially owned	Through spouse / minor children	Through controlled corporation	Beneficiary of a trust			
Han Zi Jing	—	—	25,090,000	—	—	25,090,000	5.0% ¹

Note:

- 1 The 25,090,000 Shares are held by Outdoor Media China, Inc., a company incorporated in Western Samoa Offshore Chambers. As at 26 April 2004, Mr. Han Zi Jing held approximately 98 per cent. of the issued share capital of Golden Profits Consultants Limited, which is the beneficial holder of 100 per cent. of the shares in Outdoor Media China, Inc. The effective interest of Mr. Han is therefore 98 per cent.

The Issuer operates a share option scheme ("Scheme") effective on 28 November 2001 which allows the directors at their discretion to invite employees, directors or consultants of any company in the Group to acquire options. The Issuer also adopted a pre-IPO option scheme ("Pre-IPO Scheme") on 28 November 2001 as described in the Issuer's prospectus dated 10 December 2001.

As at 30 June 2004, the options granted by the Issuer were as follows:

Name of Director	Type	Number of share options	Date of grant of share option ¹		Exercise period	Exercise price per Share ²	Price of Shares at grant date ³
Steven Yung	Pre-IPO Scheme	2,500,000	28/11/2001		29/11/2004 to 28/11/2008	HK\$ 5.89	—
	Scheme	1,250,000	29/06/2002		30/06/2005 to 29/06/2009	5.51	5.3
	Scheme	1,400,000	28/05/2003		28/05/2006 to 27/05/2010	3.51	3.5
		<u>5,150,000</u>					
Peter Cosgrove...	Pre-IPO Scheme	1,250,000	28/11/2001		29/11/2004 to 28/11/2008	5.89	—
	Scheme	625,000	29/06/2002		30/06/2005 to 29/06/2009	5.51	5.3
	Scheme	704,000	28/05/2003		28/05/2006 to 27/05/2010	3.51	3.5
		<u>2,579,000</u>					

Name of Director	Type	Number of share options	Date of grant		Exercise price per Share ²	Price of Shares at grant date ³
			of share option ¹	Exercise period		
Han Zi Jing	Pre-IPO Scheme	3,334,000	28/11/2001	29/11/2004 to 28/11/2008	HK\$ 5.89	—
	Scheme	1,666,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3
	Scheme	1,900,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5
	Scheme	1,000,000	19/11/2003	20/11/2006 to 19/11/2010	5.35	5.35
		<u>7,900,000</u>				
Teo Hong Kiong.	Pre-IPO Scheme	1,200,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—
	Scheme	600,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3
	Scheme	670,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5
		<u>2,470,000</u>				
Zou Nan Feng	Pre-IPO Scheme	800,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—
	Scheme	400,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3
	Scheme	666,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5
		<u>1,866,000</u>				
Zhang Huai Jun..	Pre-IPO Scheme	350,000	28/11/2001	29/11/2004 to 28/11/2008	5.89	—
	Scheme	175,000	29/06/2002	30/06/2005 to 29/06/2009	5.51	5.3
	Scheme	666,000	28/05/2003	28/05/2006 to 27/05/2010	3.51	3.5
		<u>1,191,000</u>				

Notes:

- 1 The vesting of the shares options is from the date of the grant until the commencement of the exercise period except for:
 - (i) the share options granted under the Pre-IPO Scheme, 33 per cent. of the options granted will vest at the end of the first full financial year (the "Period") after the grant date if the Issuer achieves a 20 per cent. growth in its earnings before interest, tax, depreciation, and amortisation (the "EBITDA") during the Period. Further, 66.7 per cent. of the options granted will vest at the end of the second full financial year after grant date if the Issuer achieves a compounded annual growth rate of 20 per cent. in its EDITDA during the first two full financial years after the grant date.
 - (ii) 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 Issuer has achieved an average annual earnings per share growth of 5 per cent. each year for the first three full financial years after the grant date.
- 2 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 Issuer's share capital.
- 3 The price of the 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.

Save as disclosed above, as at 30 June 2004, none of the directors and chief executive of the Issuer was interested in the equity or debt securities of the Issuer or any associated corporations (within the meaning of the SFO) which (i) were required to be notified to the Issuer and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Issuer and the Stock Exchange;

- (b) none of the directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2003, being the date to which the latest published audited financial statements of the Issuer were made up, and which was significant in relation to the business of the Group; and
- (c) none of the directors had any direct or indirect interest in any assets which had since 31 December 2003, being the date to which the latest published audited financial statements of the Issuer were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, so far as was known to the directors and chief executive of the Issuer, the persons, other than a director or chief executive of the Issuer, who had an interest or a short position in the Shares and underlying Shares disclosed to the Issuer pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO were:

Name of substantial shareholder of the Issuer	Number of Shares	Approximate percentage of the total issued shares
Clear Channel Outdoor, Inc.	241,337,500	48.1%
The Capital Group Companies, Inc.	70,659,000	14.1%

Save as disclosed above, the directors and chief executive of the Issuer are not aware that there is any party who, as at 30 June 2004, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Recent Developments and Prospects

This section contains information and statistics relating to the Issuer's industry and related industry sectors. This information and data has been derived from official and unofficial sources without independent verification. The Issuer cannot ensure that these sources have compiled such information and data on the same basis or with the same degree of accuracy or completeness as are found in other industries. You should not place undue reliance on statements in this section.

There has been a consistent increase in consumer spending in China in the last decade. In the first half of 2004, despite measures taken to cool the overheated economy of the PRC, consumer spending has continued to increase in tandem in per capita income. This has led to intense competition between different retail brands to appeal to their target consumer groups. The result is the increased efforts by consumer brands to differentiate their products and services from other market players through advertising and brand-building. This has created a positive environment for the advertising industry in the PRC as more businesses have realised the importance of publicity in promoting awareness and support for their products, brand names and services. In the first half of 2004, the Issuer's top three turnover contributors came from the beverages, telecommunications and personal care products sectors respectively. This mirrors the emergence of an increasingly consumer-focused economy in the PRC. The Issuer has also seen intensified advertising activities from new categories of advertisers as a result of the market liberalisation brought about by accession on the WTO. For example the automobile industry has quickly become one of the biggest group of advertisers and is now one of the Issuer's ten largest customers in terms of sales volume. The tightening of control in the distribution of advertising time in TV has also benefited the Issuer as some categories of advertisers such as pharmaceutical companies that used to spend substantial amounts on TV advertising have increased their advertising spending in the Issuer's outdoor advertising network in the first half of the current financial year. In addition, as the market has become more sophisticated, more companies have devised and adopted advertising strategies to build their brand names and awareness. This has led to more comprehensive advertising campaigns spanning various media like television, radio and outdoor display panels which has helped boost sales of the Issuer's outdoor display panels.

The second half is traditionally the peak advertising season and the Issuer believes this trend will continue in 2004.

The Issuer plans to continue to consolidate and integrate the 3,000 advertising panels recently acquired in Beijing due to be completed by the end of the year. While only making a small contribution for 2004, the new panels will significantly increase the Issuer's market share in terms of the number of advertising panels in the capital city and strengthen the Issuer's overall competitiveness. The Issuer believes that its market share in Beijing is poised to increase to an estimated 86 per cent. from 36 per cent. in terms of the number of advertising panels after the Issuer has consolidated and integrated the newly acquired bus shelters into its existing network. As the market leader in Beijing, Guangzhou and Shanghai, the Issuer will be able to further strengthen its leading position in the outdoor advertising industry in the PRC.

Description of the Shares

The following information is a summary of certain provisions of the Issuer's Bye-Laws (the "Bye-Laws") and certain other information concerning the Issuer. Such summary does not purport to be complete and is qualified in its entirety by reference to the full Bye-Laws.

General Meetings and Voting Rights

The Issuer must in each year hold a general meeting as its annual general meeting other than the year in which its statutory meeting is convened (being not more than 15 months after the previous annual general meeting) in addition to any other meeting in that year and must specify the meeting as such in the notice calling it. The annual general meeting may be held at such time and place as the board shall appoint. The directors may, whenever they think fit, convene a special general meeting, and special general meetings must also be convened on requisition within twenty-one (21) days of deposit of the requisition, such meeting to be held within two (2) months of the deposit of the requisition, as provided by the Companies Act 1981 of Bermuda as may from time to time be amended (the "Bermuda Companies Act") or, in default, may be convened by the requisitionists (being members holding not less than one-tenth of the paid-up capital of the Issuer).

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-Laws, at any general meeting on a show of hands, every member who is present in person or by proxy or by duly authorised corporate representative has one vote, and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he or she is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share. Notwithstanding anything contained in the Bye-Laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-Laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his or her votes or cast all the votes he or she uses in the same way.

At any general meeting a resolution put to the vote of the meeting will be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded.

Directors

The number of directors of the Issuer must not be less than two unless otherwise determined by the Issuer in a general meeting.

The directors may from time to time appoint any person to be a director either to fill a casual vacancy or, subject to authorization by the members in a general meeting, as an addition to the existing board but so that the number of directors appointed does not exceed any maximum number determined from time to time by the members in a general meeting. Any director so appointed shall hold office only until the next following annual general meeting of the Issuer and shall then be eligible for re-election at the meeting. Neither a director nor an alternate director is required to hold any shares in the Issuer by way of qualification.

The Issuer may by special resolution remove any director before the expiration of his or her period of office (but without prejudice to any claim which such director may have for damages for any breach of any contract between him and the Issuer) and may elect another person in his stead. Any person so elected shall hold office until the next appointment of directors or until their successors are elected or appointed or, in the absence of such election or appointment, the Issuer may at such general meeting authorise the board to fill any vacancy on the board.

Subject to the Bermuda Companies Act and to disclosure of any such interests in accordance with the Bye-Laws, no director or proposed or intended director will be disqualified by his or her office from contracting with the Issuer, either with regard to his or her tenure of any office or place of

profit or as vendor, purchaser or in any other manner whatsoever. Any such contract or any other contract or arrangement in which any director is in any way interested shall not be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Issuer or the members for any remuneration, profit or other benefits realised by any such contract or arrangement, by reason only of such director holding that office or the fiduciary relationship thereby established. A director who to his or her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Issuer shall declare the nature of his or her interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his or her interest then exists, or in any other case, at the first meeting of the board after he or she knows that he or she is or has become so interested.

Alteration of capital

The Issuer may from time to time by ordinary resolution in accordance with the relevant provisions of the Bermuda Companies Act:

- (i) increase its share capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Issuer in general meeting, as the directors may determine provided always that where the Issuer issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting";
- (iv) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Bermuda Companies Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred rights or be subject to any restrictions as compared with the other or others as the Issuer has power to attach to unissued or new shares;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

The Issuer may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Bermuda Companies Act, any share premium account or other undistributable reserve in any manner permitted by law.

Variation of rights of existing shares or classes of shares

Subject to the Bermuda Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed

at a separate general meeting of the holders of the shares of that class. The provisions of the Bye-Laws relating to general meetings will *mutatis mutandis* apply to every such separate general meeting, but the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy at least one-third in nominal value of the issued shares of that class, and at any adjourned meeting two members present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Transfers of shares

Subject to the Bye-Laws, all transfers of shares may be effected by transfer in writing in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by mechanically imprinted signature(s) or in such other manner of execution as the board may accept.

The instrument of transfer of any share must be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Issuer has a lien.

Power for the Issuer to purchase its own shares

Subject to the Bermuda Companies Act, the Issuer may purchase its own shares as permitted by law, with the power to do so exercisable by the board upon such terms and subject to such conditions as it thinks fit. On purchase, such shares will be cancelled and the amount of the issued, but not authorised, share capital of the Issuer shall be diminished accordingly. Under the Listing Rules and the Code on Share Repurchases published by the Securities and Futures Commission of Hong Kong, restrictions are imposed on the purchase by a listed company of its own shares, including a requirement for advance approval (either by way of a general mandate or by specific approval in relation to a particular transaction) by the shareholders in general meeting, limitations on purchases in the market over a particular period and reporting requirements. At the annual general meeting of the Issuer held on 28 May 2004, the directors were given a mandate authorising the directors to repurchase the shares of the Issuer listed on the Hong Kong Stock Exchange (or any other stock exchange on which the shares may be listed and recognized by the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong for that purpose). The aggregate nominal amount of the shares to be repurchased must not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Issuer in issue as at the date of the general meeting passing the mandate. The mandate is effective until the earlier of (i) the conclusion of the next annual general meeting of the Issuer, (ii) the expiration of the period within which the next annual general meeting of the Issuer is required by the Bye-Laws of the Issuer or any applicable laws to be held, and (iii) the revocation or variation of such mandate by an ordinary resolution of the shareholders of the Issuer in general meeting.

Dividends and other methods of distributions

Subject to the Bermuda Companies Act, the Issuer in general meeting may from time to time declare dividends in any currency to be paid to the members but no dividends can exceed the amount recommended by the board. The Issuer in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Bermuda Companies Act). No dividend shall be declared or paid and no distribution of contributed surplus shall be made if to do so would render the Issuer unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Whenever the board or the Issuer in general meeting have resolved that a dividend be paid or declared, the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Pre-emptive Rights

Subject to the Bermuda Companies Act, the Bye-Laws, the rules of the Hong Kong Stock Exchange, where applicable, and any direction given at a general meeting of the Issuer and without prejudice to any special rights or restrictions to any shares or class of shares, the board shall have the absolute discretion to offer, allot, grant options over or otherwise dispose of the unissued shares of the Issuer.

The listing agreement entered into by the Issuer and the Hong Kong Stock Exchange prohibits the issue of new shares, securities convertible into new shares or warrants or options or similar rights to subscribe for new shares or such convertible securities, other than to existing equity shareholders of a company in proportion to their existing shareholdings. This restriction does not apply in any case where (a) shareholders of a listed company in general meeting have specifically approved a particular issue of new shares or such other convertible securities, or (b) the issue of new shares is made pursuant to a general mandate given by the shareholders in general meeting to the directors to issue and allot securities not exceeding 20 per cent. of the existing issued share capital of the listed company as at the date of the granting of such general mandate.

At the annual general meeting of the Issuer on 28 May 2004, the directors were given a general mandate to allot, issue and deal with additional shares of the Issuer and to make or grant offers, agreements and options which might require the allotment of new shares. The aggregate nominal amount of new shares which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the directors pursuant to the mandate, otherwise than (i) a rights issue, (ii) the exercise of options granted under any share option scheme adopted by the Issuer, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Issuer in accordance with the Bye-Laws of the Issuer, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Issuer as at the date of the general meeting. The mandate is effective until the earlier of (i) the conclusion of the next annual general meeting of the Issuer, (ii) the expiration of the period within which the next annual general meeting of the Issuer is required by the Bye-Laws of the Issuer or any applicable laws to be held, and (iii) the revocation or variation of such mandate by an ordinary resolution of the shareholders of the Issuer in general meeting.

Procedure on Liquidation

A resolution that the Issuer be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Issuer shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Bermuda Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Issuer whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he or she

deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, and the liquidation of the Issuer may be closed and the Issuer dissolved but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

Share registrar

The principal share registrar is Butterfield Corporate Services Limited at 11 Rosebank Centre, Bermudiana Road, Hamilton, Bermuda and the Hong Kong share registrar is Tengis Limited at G/F Bank of East Asia, Harbor View Center, 56 Gloucester Road, Wanchai, Hong Kong.

Taxation

The following summary of certain consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as of 21 October 2004, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds or Shares under the laws of their country of citizenship, residence or domicile.

Bermuda

Tax

Under current Bermudian legislation, there is no withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable in Bermuda by the Issuer or any shareholders who are residents outside Bermuda.

Furthermore, the Issuer has obtained from the Minister of Finance in Bermuda, under The Exempted Undertakings Tax Protection Act, 1966 (as amended), an assurance that, in the event of there being enacted in Bermuda any legislation which in the future may impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 2016, be applicable to the Issuer or to any of its operations, or to shares, debentures or other obligations of the Issuer except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Issuer or to land in Bermuda leased or let to the Issuer.

Stamp Duty

As an exempted company, the Issuer is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. Neither the Issuer nor the shareholders or holders of Bonds, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty on the issue or transfer of Shares or in relation to the Bonds (including the transfer and conversion thereof).

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including Early Redemption Amounts) in respect of the Bonds.

No tax is payable in Hong Kong by withholding or otherwise in respect of payments of dividends on the Shares.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, conversion or redemption of the Bonds where such sale, disposal, conversion or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Shares where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue, transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) or conversion of a Bond.

No Hong Kong stamp duty will be chargeable upon the issue of the Shares. Hong Kong stamp duty is however payable on any purchase and sale of Shares for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1 per cent. of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2 per cent. is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

Proposed EU Directive on the Taxation of Savings Income

The Council of the European Union has adopted a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments unless during such period they elect otherwise.

Subscription and Sale

The Issuer has entered into a subscription agreement with the Lead Manager, dated 20 September 2004 (the "Subscription Agreement"), pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer agreed to sell to the Lead Manager, and the Lead Manager agreed to subscribe for, or procure subscribers for, the aggregate principal amount of the Bonds.

The Issuer has agreed in the Subscription Agreement with the Lead Manager that for the period of 90 days from 27 October 2004, neither the Issuer nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld) (i) issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal), any Shares of the Issuer or securities convertible or exchangeable into or exercisable for Shares of the Issuer or warrants or other rights to purchase Shares of the Issuer or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares save for Shares issued pursuant to the conversion provisions of the Bonds and other than such options granted by the Issuer pursuant to any publicly disclosed employee plan scheme of the Issuer.

The Subscription Agreement provides that the Issuer will indemnify the Lead Manager against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Lead Manager are subject to certain conditions precedent, and entitles the Lead Manager to terminate it in certain circumstances prior to payment being made to the Issuer.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

The Lead Manager and certain of its subsidiaries or affiliates have performed certain investment banking and advisory services for the Issuer and/or its subsidiaries and affiliates from time to time for which they have received customary fees and expenses. The Lead Manager may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries and affiliates in the ordinary course of their business.

In connection with this offering, to the extent permitted by, and in accordance with, applicable laws and regulations, the Lead Manager may over-allot or effect transactions in the Bonds with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail in the open market for a limited period. However, there is no obligation on the Lead Manager to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer or the Lead Manager.

United States

The Bonds and the New Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Lead Manager has represented that it has not offered or sold the Bonds, and agreed that it will not offer or sell, any Bonds within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, the Lead Manager has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds or the New Shares. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

The Lead Manager has represented, warranted and agreed that:

- (i) it has not offered or sold and, prior to the expiry of a period of six months from the issue date of the Bonds, will not offer or sell any Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

The Lead Manager has represented, warranted and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong and (ii) it has not issued and will not issue any advertisement, invitation or document relating to the Bonds, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Japan

The Lead Manager has represented and agreed that the Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and that the Bonds which it subscribes will be subscribed by it as principal and that, in connection with the initial offering of the Bonds, it will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other applicable laws and regulations of Japan.

Singapore

The Lead Manager has acknowledged that the Offering Circular will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell the Bonds, nor will it circulate or distribute the Offering Circular or any other offering document or material relating to the Bonds, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act 2001 of Singapore (the "SFA"), (2) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Bermuda

The Lead Manager has represented and agreed that it has not made and will not make any invitation to the public in Bermuda to offer or sell the Bonds.

General Information

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 020187875. The International Securities Identification Number for the Bonds is XS0201878757.
2. **Listing of Shares:** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Bonds.
3. **Listing of Bonds:** It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 28 October 2004. Listing of the Bonds on the Hong Kong Stock Exchange is conditional upon satisfaction of the requirements of that exchange, including execution of the Trust Deed and the Agency Agreement.
4. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer passed on 18 October 2004.
5. **No Material Adverse Change:** Except as disclosed in this Offering Circular there has been no material adverse change in the financial or trading position of the Issuer or its subsidiaries since 31 December 2003.
6. **Litigation:** Save as disclosed in this Offering Circular, neither the Issuer nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant adverse effect on the financial position of the Issuer or its subsidiaries nor is the Issuer aware that any such proceedings are pending or threatened.
7. **Available Documents:** Copies of the Annual Reports of the Issuer for the years ended 31 December, 2002 and 2003 and the Interim Reports of the Issuer for the six-month periods ended 30 June, 2003 and 2004 may be obtained free of charge, and copies of the Trust Deed and the Agency Agreement will be available for inspection from the Closing Date, at the specified office of the Issuer at 3205 Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong during normal business hours, so long as any of the Bonds is outstanding.
8. **Reliance on Certificates:** The Trustee may rely without liability to the Bondholders on any certificate prepared by the directors of the Issuer and accompanied by a certificate or report prepared by an internationally recognised firm of accountants pursuant to the Terms and Conditions and/or the Trust Deed whether or not addressed to the Trustee, and whether or not the internationally recognised firm of accountants' liability in respect thereof is limited by a monetary cap or otherwise limited or excluded and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Issuer to procure such delivery under the Terms and Conditions. Any such certificate or report shall be conclusive and binding on the Issuer, the Trustee and the Bondholders.
9. **Auditors:** The consolidated financial statements of the Issuer as at and for the years ended 31 December, 2002 and 2003 incorporated by reference in this Offering Circular have been audited by Ernst & Young, certified public accountants, as stated in their reports appearing therein. The consolidated financial statements of the Issuer as at and for the six-month periods ended 30 June 2003 and 2004 have not been audited but Ernst & Young have conducted a review in accordance with the Hong Kong Statement of Auditing Standards SAS 700 "Engagement to review interim financial report" issued by the Hong Kong Society of Accountants, as stated in their reports appearing therein.

Ernst & Young have given and not withdrawn their written consent for the purposes of paragraph 8(2) of Appendix 1 Part C of the Listing Rules to the issue of this Offering Circular with references to their audit reports dated 1 March 2002, 26 February 2003 and 26 February 2004 on the published annual consolidated financial statements of the Issuer for the years ended 31 December, 2001, 2002 and 2003 respectively, and with references to Ernst & Young in the form and context in which they appear.

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