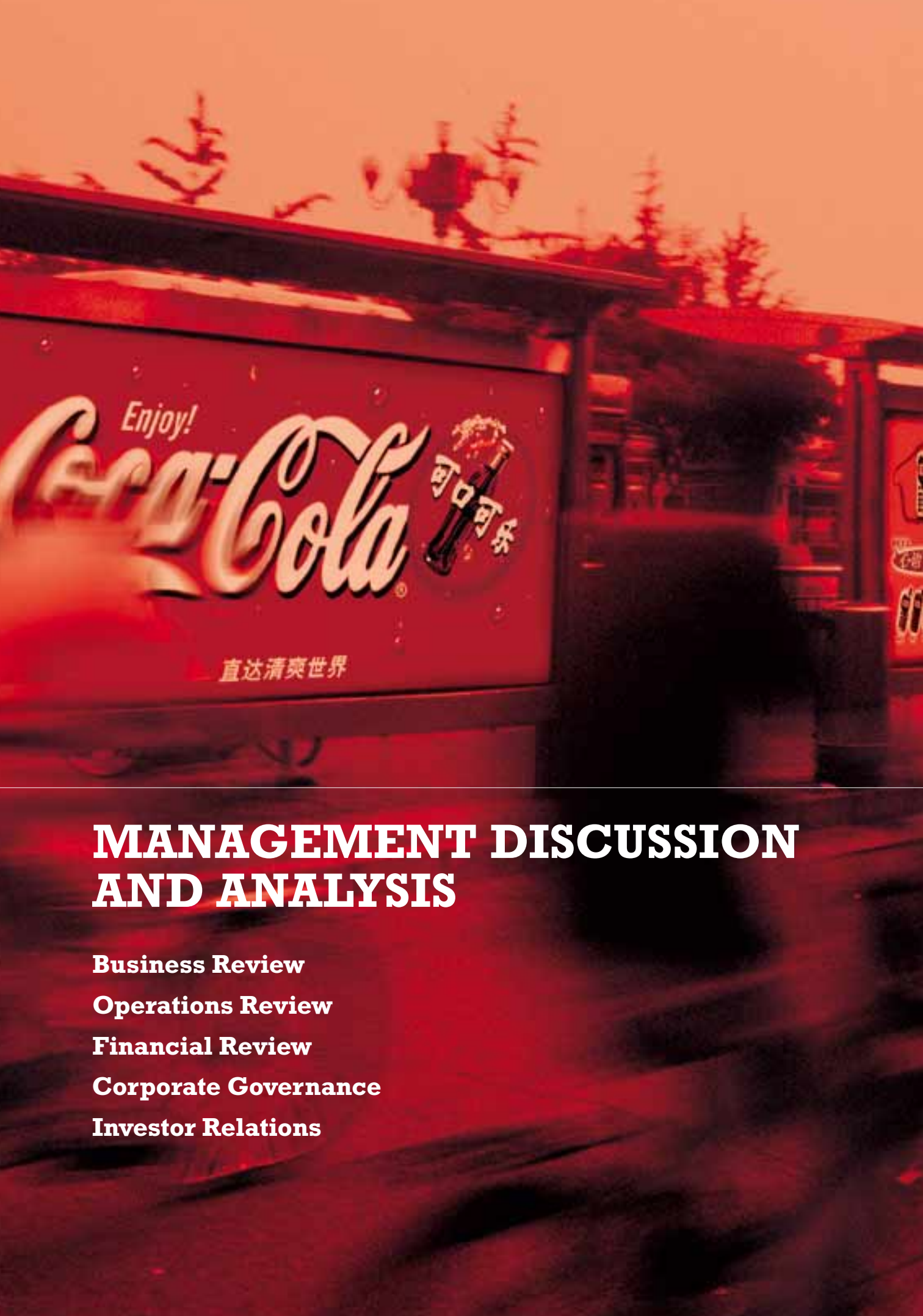


CLEAR DIRECTION

**LEADING THE
TRANSFORMATION
OF THE OUTDOOR
INDUSTRY**



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Operations Review

Financial Review

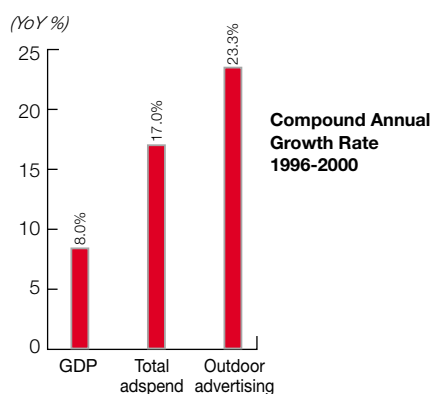
Corporate Governance

Investor Relations



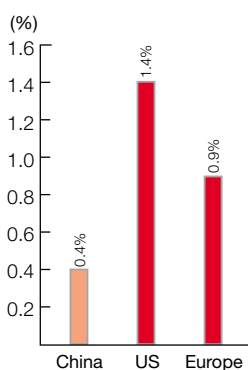
MANAGEMENT DISCUSSION AND ANALYSIS

The Fastest-Growing Advertising Segment – Outdoor Advertising



Source: Zenith Media, 2000

Advertising Spending as % of GDP



Source: Zenith Media, 2000

Business Review

Industry Overview

As the world's largest consumer market, China is now the seventh biggest economy in the world. With an annual GDP of over US\$1 trillion, China has the fastest growing advertising industry in Asia, at a 17% compound growth rate. As a percentage of GDP, however, advertising spending is still comparatively low at 0.4%. This indicates that China has strong growth potential in the foreseeable future. Indeed, advertising spending is predicted to reach US\$6.5 billion by 2003. Based on total advertising revenues, outdoor advertising is the fastest-growing segment, with the potential to be worth over US\$1 billion by 2003. Zenith Media expects outdoor advertising to grow at an annual rate of 11.6% over the next three years.

While the outdoor advertising market offers immense potential, the industry remains highly fragmented with numerous competitors. This offers a major opportunity for industry consolidation. There are over 80,000 companies in the outdoor media sector, and Clear Media is the largest player in the fastest growing segment of this industry. With a proven business model based on solid fundamentals, Clear Media is a high-growth and high-return



company with a sustainable track record of four consecutive years of profitable growth.

A number of factors have contributed to the strong growth of the outdoor sector. Advertisers are facing increasing costs in broadcast media due to the proliferation of channels and the fragmentation of audiences. Outdoor advertising presents a very cost-effective alternative. In terms of cost-per-thousand (CPM), it is just 5-10% of the cost of television and newspapers. The massive urbanization of China and the “always on” characteristic of outdoor advertising makes our industry extremely attractive to advertisers and consumers alike. Backed by the world’s largest outdoor media company – Clear

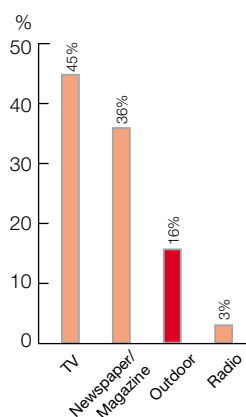
Channel – we have the global resources and local knowledge to transform this industry.

Overview of Outdoor Advertising

Outdoor advertising in China is regulated by laws and regulations pertaining to the advertising industry. Additionally, outdoor advertising is the ONLY media sector where foreign ownership is permitted. Outdoor advertising has four main categories:

- Street furniture – the fastest-growing segment of outdoor advertising, both globally and locally. It includes advertising on bus shelters and other public amenities. Local governments have been receptive to street furniture because the construction costs are fully funded by the concession holders, while the government receives a fixed rental income for the concessions and the public benefits from improved public amenities.
- Point-of-sale advertising – the latest development in outdoor advertising, where operators enter into contracts with shopping centers, supermarkets and department stores to install and maintain advertising panels. One of the benefits of this model is that it taps a different advertising budget, which is

China Media Mix in 2000

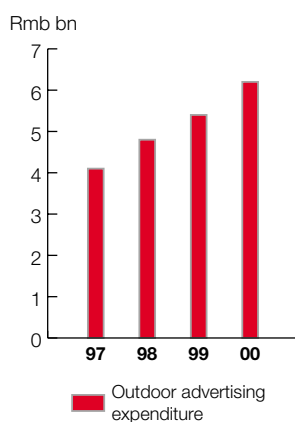


Source: Zenith Media, 2000



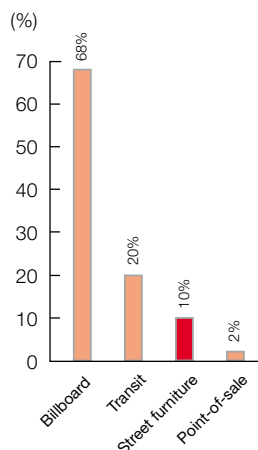
MANAGEMENT DISCUSSION AND ANALYSIS

Outdoor Advertising Market in China



Source: China Advertising Yearbook, Zenith Media, 2000

China Outdoor Segments



Source: Zenith Media, 2000

complementary to our bus shelter business.

- Transit – advertising on bus bodies and interiors, metro railway stations and trains, and airports and other public transport.
- Billboard – a very fragmented industry in China, which presents an opportunity for consolidation when the time is right.

Bus shelter advertising, Clear Media's main line of business, has a number of advantages over other forms of outdoor media:

- Our bus shelters provide a public service and are located in prime city/town centers nationwide.
- Our advertisers can reach their target audience in an efficient, standardized network throughout 29 key cities in China.
- Our bus shelters are well-lit and visible at night – an “always on” mass media network of choice.
- Our standardized network offers a cost-effective national coverage of the most affluent consumers of China.



As the government deregulates more industry sectors, advertising in China is expected to grow faster than the GDP. Within that industry, outdoor advertising is expanding even faster than other segments as media buyers come to appreciate its effectiveness in supplementing established media, as well as being a primary medium in its own right. At Clear Media, we are well positioned to reap the benefits of China's liberalizing and flourishing market.

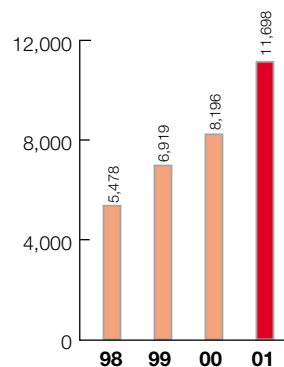
Company Strategy

Clear Media is a leading outdoor media company in China, with a network of standardized products and services reaching the most affluent consumers in 29 key cities nationwide. With our insight into the PRC outdoor advertising market, we have formulated a number of short-term and long-term goals to take advantage of the tremendous growth potential in China. One of our unique strengths is our strong shareholder base – a union of Clear Channel, the world's largest outdoor media company, and White Horse, a renowned advertising company in China. This foundation gives us a solid base for future growth, and we have developed several

Nationwide Coverage



Increase in Numbers of Bus Shelter Display Panels





MANAGEMENT DISCUSSION AND ANALYSIS

strategies to realize our potential. Our key strategies include:

- Expand our bus shelter network – we plan to enhance our market share through our two-pronged strategy of organic growth and aggressive acquisitions. As we benchmark our “panel density” with other international cities, we see plenty of growth potential in our core business.
- Grow our leadership – we plan to extend our presence in tier-two cities while continuing to strengthen our dominance in key cities. We will increase occupancy rates and maximize our revenue by optimizing yield throughout our network.
- Develop new products – we plan to continue our development of a point-of-sale network to serve the incremental needs of our advertisers.

WTO Positive Impact

We are confident that the outdoor advertising market in China will continue to outpace domestic economic growth and, with China’s admission to the WTO, new categories of advertisers such as film, entertainment and financial services will be brought into our business.

Operations Review

Bus Shelters

Our bus shelter network provides a solid foundation for Clear Media. Our business model has been proven highly successful with a track record of four consecutive years of sustainable and profitable growth. We will accelerate this positive momentum, both organically and through acquisitions. Last year, we increased the total number of display panels in our bus shelter network from 11,107 to 15,443, and the

City	Our 12-sheet Equivalent Panels	Our Market Share (%) ¹
Beijing	1,709	51
Shanghai	1,228	97
Guangzhou	1,282	54

¹ Our estimate as of December 2001.



number of 12-sheet-equivalent panels from 8,196 to 11,698. This increase came from the construction of 2,240 new panels and the acquisition of 1,262 12-sheet-equivalent panels in six cities including Guangzhou, Shanghai (Pudong) and other key advertising markets. This is in line with our strategy of network expansion and consolidation. We now own the largest number of bus shelter display panels in 23 of the 29 cities in which we operate, including Beijing, Shanghai and Guangzhou, and we are the undisputed leader in the bus shelter advertising sector.

Point-of-Sale

Point-of-sale advertising is a newly developing facet of our business. Point-of-sale advertising taps a different sales promotion budget, thus allowing us to expand our product portfolio without affecting our existing business. Last year, we pursued this new line of outdoor advertising by signing 13 contracts with 17

shopping malls in Beijing, Shanghai, Guangzhou and Shenzhen. We have further expanded the network by signing a contract with the renowned supermarket chain Luen Hua Supermarkets in Shanghai, for the installation of 400 advertising lightboxes in 200 Luen Hua outlets. We now have a total advertising display area of over 3,400 square meters and we plan to further increase our presence this year.

Billboards

Clear Media has a total of 55 billboards located in Beijing and Shanghai and surrounding areas, all of them located on or near major highways. Billboard advertising is fragmented in China and regulations governing construction and operation are unstable. While Clear Media has no immediate plans to expand its billboard network, we believe that the billboard segment holds longer-term potential and we will continue to closely monitor opportunities in this market segment.

Average Monthly Occupancy Rates and Average Prices

	2001	2000	1999
Average monthly occupancy rate	72%	72%	64%
Average prices (Rmb)	4,333	4,027	3,442



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

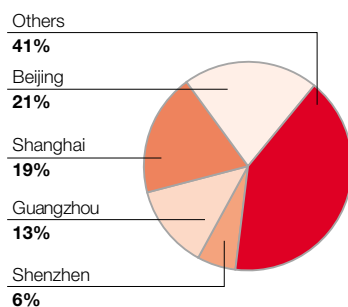
We derived 100% of our turnover in China, and our turnover increased by 36.5% to HK\$355 million for the fiscal year 2001 compared with fiscal year 2000. This growth reflects both increased bus shelter revenue from existing concessions, as well as revenue generated by the billboards, an operation which started in the second half of fiscal year 2000, and point-of-sale, an operation which started during the last quarter of 2001. In terms of our bus shelter operations, the weighted average number of 12-sheet equivalent panel available for sales increased by approximately 22.3% to 9,144

panels compared with the same period in 2000. Our occupancy rate has remained constant at approximately 72% for the year ended 31 December 2001.

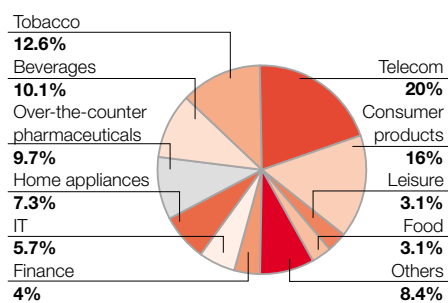
Expenses

Cost of sales consisted of the amortized cost of our concession rights and direct operating costs. Cost of sales increased by 38.2% from HK\$143.8 million to HK\$198.7 million in fiscal year 2001. As a percentage of turnover, cost of sales increased from 55.3% in fiscal year 2000 to 56.0% in fiscal year 2001 due to the additional operating costs associated with billboard and point-of-sale operations.

Turnover by Geographical Area 2001

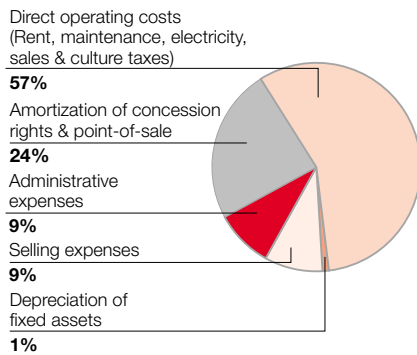


Turnover by Sectors 2001





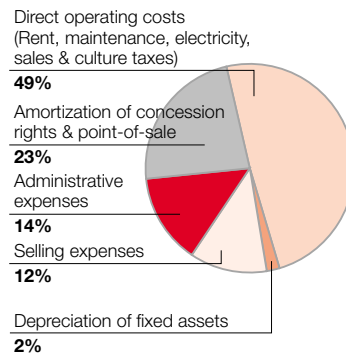
Cost Breakdown 2001



Amortized cost of our concession rights increased by 36.8% to HK\$63.0 million in fiscal year 2001 compared with the same period in 2000 due to the expansion of our network, but remained constant at 17.7% as a percentage of turnover.

Direct operating costs increased by 38.9% to HK\$135.6 million in 2001 which represented about 38.2% of turnover as compared with 37.6% in 2000. This increase is primarily due to a 40% increase in rent from HK\$44.1 million to HK\$61.8 million as a result of the expansion of our network and the billboard and point-of-sale operations in fiscal 2001. Excluding the

Cost Breakdown 2000



additional rent incurred on the billboards and point-of-sale business lines, our bus shelters rent remained constant at approximately 14.8% of turnover. As a percentage of turnover, both our maintenance and electricity costs also remained constant at around 8% and 5% respectively, for both periods. Our maintenance costs increased from HK\$20.4 million in fiscal year 2000 to HK\$26.2 million in fiscal year 2001. Our electricity costs increased from HK\$13.3 million in fiscal year 2000 to HK\$17.4 million in fiscal year 2001. Sales and culture taxes, which are levied as a percentage of turnover, have increased proportionately to the increase in turnover.



MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses increased by 7.2% from HK\$23.1 million in 2000 to HK\$24.7 million in 2001 and represented a decrease from 8.9% as a percentage of turnover in fiscal year 2000 to 6.9% in fiscal year 2001. Staff costs remained relatively constant at HK\$10.0 million in fiscal year 2001 as compared with HK\$10.4 million in fiscal year 2000. Total traveling, rental, office and other expenses increased slightly from HK\$12.7 million in fiscal year 2000 to HK\$14.7 million in fiscal year 2001 as a result of our business expansion.

Administrative expenses increased by 40.6% from HK\$32.2 million in fiscal year 2000 to HK\$45.3 million in fiscal year 2001, representing 12.4% as a percentage of turnover in fiscal year 2000 and 12.8% in fiscal year 2001. Staff costs increased from HK\$20.2 million in fiscal year 2000 to HK\$25.1 million in fiscal year 2001, mainly as a result of the increase in head count to cope with the expanded operations. Traveling and entertainment costs increased by 21.3% from HK\$6.1 million in fiscal year 2000 to HK\$7.4 million in fiscal year 2001 due to the expansion of our network and operations. Office rent and expenses only increased marginally from HK\$2.6 million in fiscal year 2000 to HK\$2.9 million in fiscal year 2001. The increase in our administrative expenses also reflected an

increase in provisions for doubtful debts from HK\$4.3 million in fiscal year 2000 to HK\$6.9 million in fiscal year 2001, resulting from the expansion of our customer base and change in the aging profile of our accounts receivable with respect to our small and medium sized customers. We also incurred certain increased auditing, legal and other expenses in connection with the expansion of our business.

Depreciation costs increased by 19.3% in connection with the depreciation of fixed assets, such as automobiles, office and computer equipment and other assets, from HK\$3.5 million in fiscal year 2000 to HK\$4.2 million in fiscal year 2001.

Profit

Our EBITDA margin improved from 42.5% for the fiscal year 2000 to 43.3% in fiscal year 2001.

Net profit increased by 41.3% from fiscal year 2000 to HK\$58.9 million in fiscal year 2001 due to the expansion of our bus shelter network. Our net profit margin improved slightly from 16% for the year ended 31 December 2000 to 16.6% for the same period in 2001.



Cash Flow

Funds generated from operations during fiscal year 2001 was HK\$247.9 million. The amount has doubled from that of fiscal year 2000 as a result of higher profit from operating activities, better accounts receivable turnover and the pushing back of payments to creditors. Other significant cash inflow during the year included additional capital raised during the year plus proceeds from the initial public offering totaling HK\$764.7 million and net financing from banks of HK\$16.3 million. The funds were mainly used for the payment of net interest of HK\$16.6 million, payment of dividends of HK\$22.6 million, payment of tax of HK\$1.6 million and capital expenditure of HK\$246.1 million. Net cash generated during the year was HK\$742 million, together with the cash and cash equivalents

brought forward of HK\$67.4 million, have resulted in ending cash and bank balances of HK\$809.4 million as at 31 December 2001.

Accounts Receivable

The Group has placed particular emphasis on improving its working capital efficiency, and has achieved good performance in reducing the ageing profile of its accounts receivable in 2001. Accounts receivable from third party clients were outstanding for an average of 147 days as at 31 December 2001, as compared to 177 days in October 2001, and 140 days at 31 December 2000. Amount due from Guangdong White Horse Advertising Company Limited, a customer of the Group in which one of the directors has an ability to exercise significant direct or indirect influence over the

Cash Flow Data

Year ended 31 December,	2001 HK\$'000	2000 HK\$'000
Cash inflow (outflow) from operating activities	247,894	122,274
Cash inflow (outflow) from investing activities	(246,095)	(117,511)
Cash inflow (outflow) from financing activities	781,033	64,438
Cash inflow (outflow) from returns on investments and servicing of finance	(39,192)	(14,834)
Tax paid	(1,631)	—
Net cash and cash equivalents at beginning of year	67,402	13,035
Net cash and cash equivalents at year end	809,411	67,402



MANAGEMENT DISCUSSION AND ANALYSIS

management, decreased from 270 days at 31 December 2000 to 170 days in October 2001, and 138 days as at 31 December 2001. The Management has put in a great deal of effort to reduce the number of days that our accounts receivable are outstanding, including linking sales commissions to the collection of debts. We have also set up a credit-control committee to take charge of collection of overdue receivables. Their responsibilities include compiling a fortnightly collection list for distribution to sales managers to follow up, reviewing overdue receivables with senior management and initiating legal or other appropriate measures to recover outstanding balances.

Interest-Bearing Bank and Other Borrowings

Our long-term objective is to maintain a stable and healthy cash flow with a target debt-to-equity ratio of approximately 25%. The debt-to-equity ratio, expressed as a percentage of net interest-bearing borrowings over the shareholders' fund of HK\$1,130 million, was 22.6% as at 31 December 2001.

As at 31 December 2001, Clear Media had pledged time deposits of US\$12,453,723 (HK\$97,509,482) and HK\$78 million to banks as securities for short-term bank loans of

RMB180.1 million. All our short-term bank loans are interest-bearing at rates ranging from 4.31% to 5.85%.

Exposure to Foreign Exchange Risk

Our only investment is the operating vehicle of the Group, Hainan White Horse Advertising Media Investment Company Limited, and all of our operations are conducted by this operating vehicle within China. Apart from interest payable, repayment of foreign currency loans obtained to finance our operating vehicle's operations and any potential future dividend to be declared by our operating vehicle to its shareholders, most of our revenue, capital investment and expenses are denominated in Renminbi. As of today, we have not experienced difficulties in obtaining government approvals to make foreign exchange purchases when the need arises and we have not issued any financial instruments for hedging purposes.

Capital Expenditure

In the year 2001, HK\$271.3 million was incurred to obtain bus shelter concession rights, HK\$5.5 million on billboard concession rights, HK\$15.6 million on construction of advertising display panels located in shopping malls and supermarkets, and HK\$4.3 million on fixed assets. We plan to invest an average of HK\$240

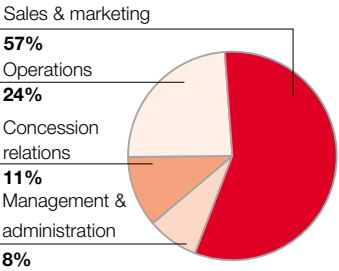


million per year in the construction of bus shelters display panels, as well as acquiring display panels in key locations, to further expand our network in China.

Use of Proceeds from Initial Public Offering

The proceeds from the initial public offering, after netting off related expenses paid and payable, were HK\$648 million. After the initial public offering, Clear Media used HK\$26.6 million of its net proceeds to repay certain outstanding short-term bank loans and shareholder’s loans as set out in the prospectus. The unused IPO proceeds have been placed as fixed deposits with well-known banks in Hong Kong. There has been no change in the application of the proceeds from that described in the prospectus and the proceeds will be used mainly to finance the organic growth and acquisitions of our bus shelter inventory and point-of-sale business as detailed in the prospectus of Clear Media dated 10 December 2001.

Full-time Employees



Employment, Training and Development

As at 31 December 2001, Clear Media had 196 employees, an additional 37 employees compared to 31 December 2000. Employees are remunerated based on their performance, experience and prevailing industry practices. Apart from the base salary, share options are granted to senior management.



MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Governance

Clear Media is committed to corporate governance – the principles of transparent, responsible and value-driven management and control of a company. The Board and senior management of Clear Media are dedicated to these values. The Directors' overriding objective is to increase shareholder value within an appropriate framework that protects the rights and interests of shareholders and ensures Clear Media is properly managed. The committee structure adopted by the management plays an important role in enhancing our corporate governance. Our audit and remuneration committees draw widely on the expertise of outside professionals to ensure that the highest standards are adhered to in all our business decisions and the interests of our shareholders are protected.

Remuneration Committee

We have set up a remuneration committee comprising three non-executive directors – Peter Cosgrove, Roger Parry, Coline McConville and one independent non-executive director –

Wang Shou Zhi. The remuneration committee is responsible for making recommendations to the Board of Directors on the Company's framework of executive remuneration and for determining on behalf of the Board of Directors specific remuneration packages and conditions of employment for executive directors.

Audit Committee

We have set up an audit committee comprising two independent non-executive directors and one non-executive director – Pedro Man, Wang Shou Zhi and Peter Cosgrove. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and recommendations to the Board of Directors.

Investor Relations

Clear Media listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 19 December 2001. Approximately 30% of our issued share capital is publicly traded on the Stock Exchange, with institutional shareholders around the world holding the majority.



We are committed to transparent and timely disclosure and we take a proactive approach to communicating with shareholders, investors and regulatory bodies. Our policy of open and full disclosure is accomplished through various presentations, investors meetings, roadshows and teleconferences. Regular visits to our operations throughout the PRC allow analysts and fund managers to better understand Clear Media's operations and management.

More information about Clear Media can be obtained through our website:

<http://www.clear-media.net>