

CORPORATE GOVERNANCE REPORT

Clear Media is pledged to fostering and upholding high standards of corporate governance – the principles of transparent, responsible and value-driven management and control of a company. It is the Company's responsibility and commitment to enhance the confidence of current and future shareholders, investors, employees, business partners and the public in both national and international markets. The Directors overriding objective is to maximize shareholders' long-term value within an appropriate framework which protects the rights and interests of shareholders and ensures that Clear Media is properly managed.

The Directors are committed to the principles underpinning best practice in corporate governance. This is supported by a company-wide commitment to high standards of business ethics.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. These include obligations on Directors relating to disclosure of interests in securities, disclosure of any conflict of interest in a transaction involving Clear Media, prohibitions on dealing in securities, and restrictions on disclosure of price-sensitive information.

Clear Media has adopted a code of conduct which sets out the main corporate governance practices.

Board of Directors

The Bye-laws of the Company provides that there shall be not fewer than two Directors; and no maximum limit has been laid down.

The present Board of Directors comprises seven non-executive Directors and four executive Directors. Names, details and qualifications of Directors appear in the latter part of this Report. Though the Chairman of the Board is an executive Director, the pre-dominance of non-executive Directors ensures the independence of the Board from management.

Seven formal Board meetings were held during the year. Meeting agendas are settled by the Chairman of the Board to ensure adequate coverage of financial, strategic and major risk areas throughout the year.

At every Annual General Meeting (AGM), one third of the Directors (other than the Chairman and Chief Executive Officer), or the nearest number to one third, shall retire from Office and be eligible for re-election. A Director appointed since the most recent AGM shall hold office only until the next general meeting and shall then be eligible for re-election. The Directors to retire each year shall be the Directors longest in office since being elected or re-elected. The nomination committee will advise the Board the re-appointment of any non-executive director at the conclusion of his or her specified term of office which is usually three years.

The Board is accountable to shareholders. Its key responsibilities include the formulation of long-term business directions and strategies, monitoring of internal control, review of financial statements, and approval of capital expenditures and annual budget. The management is delegated with the authority to make decisions on daily operations related to the Company's

business affairs. The Board reviews the performance of the management to ensure company policies are carried out properly and the business is run smoothly in the best interests of Clear Media and its stakeholders.

The posts of Chairman and Chief Executive Officer (CEO) are separate. There is a clear distinction between their responsibilities. The Chairman is responsible for the Company's overall business directions and coordination between the Board and the Company's management, and the CEO is responsible for the business operations and executions of decisions made by the Board.

Directors are entitled to seek independent professional advice at the Company's expense in connection with their duties and responsibilities as Directors, subject to the prior consent of the Chairman.

To assist in fulfilling its responsibilities and to allow detailed consideration of various issues, the Board has established a remuneration committee and an audit committee under the Code of Best Practice under the Listing Rules of The Hong Kong Stock Exchange. Each Committee has its own charter setting out the authority delegated to it by the Board and the manner in which the Committee is to operate.

Remuneration Committee

The Remuneration Committee consists of no fewer than three members appointed from among the directors, the majority of whom are non-executive directors, in order to ensure independence and objectivity. Presently, it includes Roger Parry (Chairman), Peter Cosgrove and Jonathan Bevan as non-executive directors, and Desmond Murray and Wang Shou Zhi as independent non-executive directors. The Remuneration Committee is responsible for making recommendations to the Board regarding the Company's framework of executive remuneration and for determining on behalf of the Board specific remuneration packages and conditions of employment for specific directors. The Chief Executive Officer shall be invited to attend meetings to discuss the performance of executive directors and make proposals as necessary, and will also report to the Committee on significant group-wide changes in salary structure and conditions affecting other employees at senior executive level.

Three meetings were held during the year. The duties of the committee are:

- to make recommendations to the Board regarding the Company's framework of executive remuneration and its costs, and to determine on behalf of the Board specific remuneration packages and conditions of employment (including pension rights for executive directors);
- to determine the terms of any compensation package in the event of early termination of the contract of any executive director; and
- to make recommendations to the Board regarding the content of the Board's annual report to shareholders on directors' remuneration (including the Company's policy on executive directors' remuneration, details of individual remuneration and other terms and conditions).



Audit Committee

The Audit Committee is comprised of not fewer than three non-executive directors appointed from amongst the directors, with the majority being independent, to preserve the integrity and objectivity of its work. Presently, it includes two independent non-executive directors, Desmond Murray (Chairman) and Wang Shou Zhi and non-executive director 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. It meets to review the completeness, accuracy and fairness of the financial statements of the Company and to consider the nature and scope of internal and external audit reviews, as well as the effectiveness of the systems of internal control. The Audit Committee scrutinizes the nature and extent of any non-audit work undertaken by the Company's auditors. Internal control systems have been designed to allow the Board to monitor the Company's overall financial position and to protect its assets. The purpose is to ensure against material financial misstatement or loss. The Directors are responsible for these systems, and must ensure that appropriate authorities and guidelines are in place.

Three meetings were held during the year. The main functions of the committee are:

- to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;
- to review the half-year and annual financial statements before submission to the Board;
- to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management, where necessary);
- to review the external auditor's management letter and management's response;
- to review the company's internal control system;
- to consider the major findings of internal investigations and management's response.

Nomination Committee

The Nomination Committee was set up in February 2004, and it consists of no fewer than three members appointed from amongst the directors, the majority of whom are non-executive directors, in order to ensure independence and objectivity. Presently, it includes executive director Steven Yung (chairman), non-executive directors Roger Parry and Peter Cosgrove, and independent directors Wang Shou Zhi and Desmond Murray. The Nomination Committee is responsible for making recommendations to the Board regarding the appointment of directors and senior management, and its key responsibilities are:

- to review the composition of the Board, including the skills knowledge and experience of the board, and consider and advise the Board as to any changes that may be required to achieve a balanced and appropriately qualified Board and the independence of any present or proposed non-executive directors;
- to satisfy itself that plans are in place for orderly succession for appointments to the Board and other senior positions, and will search for, consider and make recommendations to the Board in relation to the appointment of Directors, including the position of Chairman;

- to re-appoint any non-executive director at the conclusion of his or her specified term of office;
- to consider the time commitments required of non-executive directors, individually and collectively;
- to deal with any matters relating to the continuation in office as a director or any director at any time;
- to recommend to the Chairman the membership of the Board Committees of the Board, and the Chairmanships thereof;
- to prepare suitable job descriptions and letters of appointment in relation to the Board and, if appropriate, chairmanship and membership of Board Committees;

Capital Expenditure Committee

The Company has set up a Capital Expenditure Committee with an objective to review capital expenditure plan proposed by the Company's management team. This committee will send the reviewed plan to the Board for its approval. The committee members include senior staff from the Finance and Sales Departments and a member of the Board.

Ethical Standards

All Directors, executives and employees are expected to abide by laws and regulations, respect confidentiality and the proper handling of information and act with the highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, Clear Media, competitors, customers and the community.

Environment

The Board is aware of the responsibilities of Clear Media in relation to environmental concerns and the Company has added tremendous value to the quality of lifestyle in the communities that it serves. Clear Media's extensive bus shelter network offers protection from the wind, sun and rain, while also beautifying the environment. The Company also ensures that the health and safety of employees is protected. The Company also, upon availability, donates around 10% of its advertising display panels to local municipal governments to help promote community events.

Open Communication

Every member of Clear Media has a duty to act in good faith in the best interests of the shareholders. Therefore, the Company sets a policy of open communication and full disclosure to make sure shareholders are well represented and fully informed, in order to maximize their values and returns in the long run. Clear Media is committed to providing adequate channels for communications between shareholders and the Company. It also aims to improve the



effectiveness of these channels. The major communication channels are as follows:

- The Company reports to its shareholders twice a year. Annual and interim results are announced as early as possible to keep shareholders informed of the performance and operations of the Company.
- Annual report and interim report are produced for each results announcement. With the Company's dedicated effort to provide shareholders and investors with transparent and thorough information, the annual reports of Clear Media have been widely recognized in the community. The Annual Report 2003, themed "Brand Revolution", won a number of international awards which include:
 - 2003 International ARC Awards
Gold Award (Overall Annual Report)
Honors Awards (Cover Photo/Design)
 - Platinum PR Awards 2003
Honorable Mention
 - 17th Annual International MERCURY 2003 Awards
Silver Award (Annual Reports - Overall Presentation: Media)
- The Annual General Meeting (AGM) provides a very good opportunity for the Board and the management to communicate with shareholders. The Chairman, Board members and the auditor make every effort to attend the meeting and answer shareholders' questions.
- The Internet provides an ideal medium to make information on the Company available, in addition to the more traditional methods of financial reports and press releases. The Clear Media website, www.clear-media.net, includes a 'Corporate Governance' section which offers extensive company information to shareholders and other stakeholders. For those who do not have Internet access, hard copies of the website information are available upon request to the Company Secretary.
- In August, the Company launched its first corporate e-newsletter, *Clear Focus*, to keep its stakeholders informed of the latest developments of Clear Media and the outdoor advertising industry. The second issue followed in December and the Company will continue this publication on a regular basis. The e-newsletters have been uploaded onto the company website and directly emailed to investors and analysts in the financial market.
- Shareholders and other stakeholders are also welcome to express their opinions directly to the Company Secretary.

Understanding general market concerns about the extent of disclosure by listed companies, we will continue to enhance the disclosure of financial information to improve corporate transparency and stakeholder trust.

Investor Relations

Clear Media has a wide base of investors and is committed to cultivating high standards of

investor relations through regular and open communications.

As a result of our efforts in investor relations, Clear Media has become a widely covered stock, with key brokerage and investment houses regularly publishing research on the Company. The management is encouraged by the extent and depth of this coverage and is committed to fostering an even closer working relationship with the investment community in order to increase its understanding of the Company.

During 2003, the Company demonstrated this commitment by involving senior management in frequent meetings with research analysts and institutional investors. They also participated in a significant number of local, regional and global investor conferences as set out in Figure 1.

Apart from institutional investors, the Company also values the interests of minority shareholders. We believe that the press can act as an effective communications channel between the Company and the shareholders among the public. Therefore, we maintain frequent contact and close relationships with the local and regional press. In June 2003, the Company invited journalists to a site visit in Guangzhou to promote their understanding of the operations and scale of Clear Media's advertising network. Via wide press reportage, shareholders are informed of Clear Media's latest developments.

Consistent with our efforts to provide high-quality and timely disclosures of the Company's operations and financial information, we continually upgrade the investor information section of our corporate website. This enables the investment community to access up-to-date information about the Company in a quick and user-friendly manner.



Clear Media's Participation in Investor Relations Activities in 2003 (Figure 1)

Month	Organizer	Activity	Location
January	UBS Warburg	Greater China Conference	Shanghai
February	SalomonSmith Barney	Hong Kong/China Telecom & Media Corporate Day	Hong Kong
	Deutsche Bank	China In & Out Conference	Shanghai
		Annual Results Announcement – Analyst presentation	Hong Kong
		Post Annual Results roadshow	Hong Kong
March	CLSA	Charter Jet Tour	Qingdao
		Post Annual Results roadshow	Hong Kong/Singapore
June	UBS Warburg	Investor Luncheon	Hong Kong
July	Deutsche Bank	CEPA Luncheon Presentation	Hong Kong
August		Interim Results Announcement – Analyst presentation	Hong Kong
		Post Interim Results roadshow	Hong Kong
September	CLSA	Investors' Confernece	Hong Kong
	JP Morgan	Asia Equity Conference	New York
		Post Interim Results roadshow	Singapore/Tokyo
October	UBS Warburg	China Forum	New York
	ING Barings	China Small-Cap Corporate Day	Hong Kong/Singapore
November	Morgan Stanley	Asia Pacific Conference	Singapore
	BNP Peregrine	China Economic Development Forum	Chengdu

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SERVICE INDUSTRY



从这儿，
你可以去任何地方。