

# CEO'S REPORT

♥ WE ACCOMPLISHED  
THE GOALS FOR OUR INITIAL  
3-YEAR PLAN AND  
CONTINUED TO BE A MARKET  
LEADER IN THE OUTDOOR  
ADVERTISING MARKET  
IN CHINA.



2004 marked the third year since Clear Media was listed on the Stock Exchange in Hong Kong.

Looking back on the past three years, China has enjoyed tremendous growth in many areas, including the economy, sports and culture. Accompanying the rapid development of China's economy, Clear Media not only overcame challenges that arose due to the changing business environment, but also took advantage of opportunities made available in the advertising market. We accomplished the goals of our initial three-year plan and continued to lead within the outdoor advertising market in China.

Clear Media had over 24,000 12-sheet-equivalent panels, spanning 30 cities across China, as of 31 December 2004. This represents more than twice the number of panels as compared to three years ago. With the country's most extensive bus shelter network, our "always-on" standardized advertising network effectively differentiates us from other media players in assisting our advertisers in reaching their target audiences. Turnover, EBITDA and profit for the year ending 31 December 2004, registered an increase of 52%, 58% and 61% respectively, as compared to that three years ago.

Leveraging on its nationwide standardized outdoor advertising platform, Clear Media continued to develop its client base - both in terms of quantity and quality. The number of clients with orders over RMB5 million also increased satisfactorily in the past three years, and client mix remained, with the top three advertising industries being telecommunications, beverages, and cosmetics and toiletries. As a result of China's entry into the WTO, the entertainment and leisure goods sectors also recorded satisfactory growth. We continued to record very encouraging performance, particularly in our three key cities - Beijing, Shanghai and Guangzhou - which grew by an average of 20%. Comparatively, performance in mid-tier cities has been less satisfactory. We will continue to strengthen our sales centers and sales forces in mid-tier cities to tap more local and regional clients. We believe performance in these cities will improve in 2005.

Last year, we dramatically increased the coverage of our advertising network. The 2008 Olympics will certainly place Beijing in the spotlight internationally and we expect major consumer-product companies will substantially increase their advertising spending in Beijing and throughout China. We set the stage for our growth in Beijing by purchasing 3,000 advertising panels, the largest acquisition by the Company so far as a publicly traded company. We spent the past few months streamlining and refurbishing the newly acquired advertising panels, therefore the new panels did not record any contribution last year. We plan to launch these new advertising panels gradually into the market in the second quarter of this year. We will try our best to accelerate returns from these panels but the average occupancy rate and average pricing in Beijing for the coming year may be under slight short-term pressure. However, the returns from these panels will most likely pick up towards the 2008 Olympics.

To tap the business opportunities created by rapid economic development and the upcoming 2008 Olympics, Clear Media will continue to strengthen its core business, while closely monitoring new opportunities and challenges in China's outdoor advertising market.

Our objective remains the same - to enhance our leadership position in China's outdoor advertising market by improving operational efficiency, increasing the coverage of the network, and exploring new business opportunities.

From the sales orders-on-hand at the beginning of this year, we anticipate another satisfactory year in 2005. Meanwhile, we will closely monitor and control costs and expenses to further enhance our operational efficiency. We will continue to strive to increase value for our shareholders and to provide better and more effective services to clients.



**Han Zi Jing**  
*Chief Executive Officer*  
Clear Media Limited