



**Han Zi Jing**  
*Chief Executive Officer*

# “Our new initiatives will build on the solid foundation of Clear Media established over the years:

staying focused, being creative, keeping abreast of market trends and making no mistakes to capture opportunities. ”

With double-digit growth for eight years in a row, Clear Media has firmly established itself as the leader in China's outdoor media market. For the management, leading the Company to grow on its strengths and to constantly explore new frontiers for development represents our unwavering commitment to our shareholders. Clear Media has secured unrivaled leadership position in China's outdoor media market over the years despite the ups-and-downs in the market and challenges from its competitors. In 2005, Clear Media recorded turnover of HK\$675 million and profit attributable to shareholders of HK\$105 million, representing year-on-year growth of 25% and 20%, respectively. The stellar performance was the result of our focused and yet flexible strategies for development, our unique insight for a balanced market portfolio and, most importantly, our prime focus for maximizing shareholders' benefit.

The year under review represents a year of harvest for Clear Media. The outdoor media sector in China grew at a faster pace than other traditional media on the back of an expanding mobile population emerging from an increasingly urbanized society. Advertising expenditure on outdoor media in the past year is estimated to have grown by roughly 15%, reflecting the attraction of outdoor media in China's advertising market and justifying our long-standing strategy of focusing on outdoor advertising.

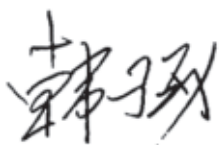
At the end of December 2005, Clear Media owned over 25,000 bus shelter advertising panels throughout the nation through organic growth and acquisitions. In 2005, we scaled down our acquisition plans so that additional supply resulting from aggressive acquisitions in Beijing completed in 2004 could be gradually taken up.

Aside from expanding our network, we also committed our efforts to deepen our understanding of the market and of our clients, with a view to leading the market with the launch of innovative services. We started off 2006 with a new initiative in Shanghai, with plans to convert all advertising panels in Shanghai into scrolling panels before the end of the year. We believe this new strategy will enable more effective use of our existing resources and provide a stronger impact of the advertisements placed. It will also help improve the average selling prices, and hence the gross profit margin, of advertising panels. Our new initiatives will build on the solid foundation of Clear Media established over the years: staying focused, being creative, keeping abreast of market trends and making no mistakes to capture opportunities.

As we noted in our last annual report, while a significant increase of advertising panels in Beijing will have a short-term impact on our occupancy rate, it is an important move that will help us build a solid foundation in the long term. Our occupancy rates for Guangzhou, Shanghai and Beijing in 2005 were 68%, 70% and 64%, respectively. Guangzhou and Shanghai were strong performers, but our performance in Beijing lagged behind slightly, partly due to the realignments of public transport routes by the municipal government as preparation for the Olympics, and partly due to renovation and improvement works carried out for our newly-acquired panels. On a more positive note, the rental level was stable despite the drop in occupancy. We are confident that the Beijing market will flourish in 2007 following our ground work completed last year and further work to be completed in the near future.

On another front, our set-ups in mid-tier cities such as Hangzhou, Xi'an, Chengdu and Nanjing worked extremely well to deliver solid results, proving yet again the importance of our strategy of balanced development. Over the past years, we have been adhering strictly to the principle of maintaining a balanced mix of key cities and mid-tier cities. We sought to avoid undue reliance on major cities by leveraging our dominant network to drive growth in mid-tier cities, but nevertheless continuing to explore further opportunities in large cities to consolidate our position. This interaction between large cities and mid-tier cities, which we expect to account for 55% and 45%, respectively, of our revenues in the coming years, represents the unique strategy for Clear Media.

In 2006, we are planning to add several hundred advertising panels in Shanghai through organically building bus shelters, in addition to undertaking a renovation project. Our scrolling panels in Shanghai are expected to contribute to profit growth, as their average pricing generally enjoys a premium compared to static panels. Also in the pipeline is the Olympics Sales Package to be launched later this year that aims to encourage advertisers to book their advertising space early to enjoy value packages in the year that the 2008 Beijing Olympics Games will be held. As we gear up our marketing efforts, we will continue to expand our sales team, enhance staff training programs and improve salary packages for our employees to ensure that we retain the best people to deliver sound results for the Company. While this will mean a considerable increase in staff costs, we believe that the Company will enjoy greater rewards in the future. All in all, Clear Media is set to achieve healthy growth by capturing opportunities in China where outdoor advertising is developing rapidly and by becoming the best platform for advertisers to connect with their clients.



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