

Clear Media is committed to maintaining high standards of corporate governance at all times and in all areas of its operations. The Board believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole.

Code on Corporate Governance Practices

The Board regularly reviews the Group’s corporate governance guidelines and developments. It is our belief that, during the year just ended, the Group has endeavored to comply with the relevant recommendations as laid down in the Code and “Corporate Governance Report” as set out in Appendix 23 of the Listing Rules. The Board has also reviewed the Group’s corporate governance practices and is satisfied that the Group has been in full compliance with all the code provisions of the Code.

The Board

Member Attendance of Board and Committee Meetings for the Year 2005

Number of Meetings Attended and Held				
	Board Meetings	Audit Committee	Remuneration Committee	Capital Expenditure Committee
Executive Directors				
Mr. Steven Yung	4/4			
Mr. Han Zi Jing	4/4			
Mr. Teo Hong Kiong	4/4			3/3
Mr. Zou Nan Feng	3/4			
Non-executive Directors				
Mr. Mark Mays	1/4			
Ms. Lenna Chin (alternate to Mark Mays)	4/4			
Mr. Roger Parry	2/4		2/2	
Mr. Tim Maunder (alternate to Roger Parry)	1/4			
Mr. Peter Cosgrove	4/4	4/4	2/2	
Mr. Jonathan Bevan	2/4		0/2	3/3
Mr Han Zi Dian	0/4			
Mr. Zhang Huai Jun (alternate to Han Zi Dian)	3/4			1/3
Independent Non-executive Directors				
Mr. Desmond Murray	4/4	4/4	2/2	
Mr. Wang Shou Zhi	4/4	3/4	2/2	
Ms. Leonie Ki Man Fung	4/4	4/4	2/2	

As on the date of this report, the Board comprised 12 Directors. There are three Executive Directors including the Chief Executive Officer (the “CEO”); six Non-executive Directors including the Chairman; and three Independent Non-executive Directors. Detailed biographies outlining each individual Director’s range of specialist experience and suitability for the successful long-term running of the Group can be found on page 34.

The Group insists on a clear division of responsibilities among its top management. To this end, the Group adopts a dual leadership structure in which the role of the Chairman is kept separate from that of the CEO. Ultimately, the Chairman is responsible for overseeing all Board functions, while the CEO, the Executive Directors and the senior management team are jointly responsible for the day-to-day management of the Group’s business.

The Group believes that its Non-executive and Independent Directors comprise a good mix of local and overseas advertising and promotional experts, financial and business consultants and other diversified industry experts. The Board also believes that such a group is ideally qualified to advise the management team on future strategy development, finance and other statutory requirements, and to act as guardians of shareholders’ interests. The Board evaluates the independence of all Independent Non-executive Directors on an annual basis and has received written confirmation from each Independent Non-executive Director regarding his/her independence. As on the date of this report, the Board is satisfied that all such Directors are in full compliance with the independence guidelines as laid down in the Listing Rules.

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group’s overall strategy, operation and financial performance. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision. Specific topics discussed at these quarterly Board meetings include: overall strategy; major acquisitions and disposals; annual budgets; interim and annual results; recommendations on Directors’ appointment(s) or reappointment(s); matters relating to share capital; approval of major capital projects; dividend policies; and other significant operational and financial matters. All four quarterly Board meetings are scheduled one year in advance in order to

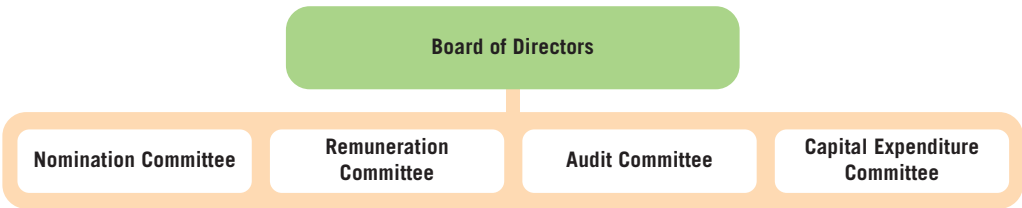
ensure maximum attendance by Directors. All business transacted at individual Board meetings is documented in the minutes of each meeting. Some Board decisions are made via written resolutions authorized by all Directors. All Board members have access to the advice and services of the Group's Company Secretary. If necessary, Directors also have recourse to external professional advice at the Group's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

The Board decides on corporate strategies, approves overall business plans and supervises the Group's financial performance, management and organization on behalf of the shareholders. Specific tasks that the Board delegates to the Group's management include the preparation of annual and interim accounts for the Board's approval before public reporting; implementation of strategies approved by the Board; the monitoring of operating budgets; the implementation of internal controls procedures; and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

All new Non-executive Directors will be briefed by the Company lawyers about the duties and obligations as a Director of a listed company. Newly-appointed Non-executive Directors are also encouraged to discuss with the Chairman any additional information or training they feel they may require, to more effectively discharge their duties.

In accordance with the Group's Articles of Association and related Board resolutions, one-third of Board members who have served the longest on the Board, including the Chairman and CEO, are required to retire by rotation each year at the Annual General Meeting. Directors who stand down subsequently become eligible for re-election at the same Annual General Meeting.

The Board considers that the Group has sufficient and appropriate liability insurance to cover its Directors and senior management team against any legal liability arising from their performance of their duties.



Board Committees

The Board has established four Committees with clearly-defined written terms of reference. The main roles and responsibilities of these Committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are published on the Group's website at www.clear-media.net. The different Committees' independent views and recommendations not only ensure proper control of the Group but also the continual achievement of the high corporate governance standards expected of a listed company. The Chairman of each Committee reports the outcome of the Committee's meetings to the Board for further discussion and approval.

Nomination Committee

Established in 2003, the Nomination Committee reports to the Board and makes recommendations regarding the appointment of Directors, its evaluation of the Board's composition and the management of Board succession with references endorsed by the Board itself. All members of this Committee are Non-executive Directors, with Independent Non-executive Directors accounting for half of the Committee's membership.

Composition of the Nomination Committee

- Steven Yung, Non-executive Director (Chairman)
- Peter Cosgrove, Non-executive Director
- Wang Shou Zhi, Independent Non-executive Director
- Desmond Murray, Independent Non-executive Director
- Leonie Ki Man Fung, Independent Non-executive Director

The Nomination Committee adopts certain criteria and procedures in the nomination of new Directors. The criteria include the candidates' professional background, especially their experience in advertising and promotions; their financial and commercial experience; and their past track record with other listed companies. The Nomination Committee also considers information on candidates available from various sources including the database of the Institute of Directors in Hong Kong as well as recommendations from the management team and other knowledgeable individuals. Candidates who satisfy all of the relevant criteria are then short-listed by the Chairman and Secretary of the Nomination Committee before their nominations are proposed to the Nomination Committee. The Nomination Committee subsequently meets to select the final candidate and submit its recommendation to the Board for its final approval. There was no meeting of this Committee during 2005. The Committee met once in early January 2006 to discuss and recommend the nomination of Mr. Paul Meyer as Non-executive Director and Deputy Chairman of the Company.

Audit Committee

The Audit Committee was set up in 2001 and provides the Board with advice and recommendations. All Audit Committee members are Non-executive Directors, with the majority of them being Independent Non-executive Directors. The Audit Committee is chaired by an Independent Non-executive Director, Mr. Desmond Murray, a retired audit partner from Pricewatercoopers (Hong Kong), who possesses extensive experience in, and knowledge of, finance and accounting. All members of this Committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters.

Composition of the Audit Committee

Desmond Murray, Independent Non-executive Director (Chairman)

Peter Cosgrove, Non-executive Director

Wang Shou Zhi, Independent Non-executive Director

Leonie Ki Man Fung, Independent Non-executive Director

The Audit Committee's functions are:

- to decide on the appointment, terms of engagement of the external auditors;
- to review and monitor financial reporting and the reporting judgement contained in them; and
- to review financial and internal controls, accounting policies and practices with management, internal and external auditors.

The Audit Committee met four times in 2005.

Every year, the Chairman of the Audit Committee meets with the Group's external auditors to discuss the annual audit plan. The meetings of the Audit Committee are attended by members of the Committee, and where necessary, the external auditors and internal auditors.

In 2005, external auditors made presentations to the Audit Committee on the implications of the introduction of new accounting standards in Hong Kong. The Audit Committee subsequently reported its recommendations to the Board for further review and approval.

Also in 2005, the Audit Committee reviewed and approved the annual internal audit plan on a risk-assessment basis, in line with the Group's business risks. All issues reported by internal auditors are monitored closely by the Group's senior management until such time as appropriate measures can be taken to address and resolve the issues in question.

The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process. All external audit partners are subject to periodic rotations and the ratio of annual fees for non-audit services and for audit services is subject to close scrutiny by the Audit Committee.

During the year under review, the fees paid to the Group’s external auditors Ernst and Young, were as follows:

	2005 HK\$'000	2004 HK\$'000
Audit fees	950	880
Non-audit fees	51	78

The Audit Committee has concluded that it is satisfied with the findings of its review of the audit and non-audit service fees, process and effectiveness, independence and objectivity of Ernst and Young. The Audit Committee will therefore recommend to the Board that Ernst and Young be re-appointed as the Group’s external auditors at the Annual General Meeting in 2006.

Internal Control and Internal Audit

The Board is entrusted with the overall responsibility for establishing and maintaining the Group’s internal control systems and reviewing their effectiveness. The role of the Group’s management is to implement all Board policies on risk and control.

The Group’s internal control systems are designed to provide reasonable protection of Clear Media’s assets, and to safeguard these assets against unauthorized use or disposition by ensuring that all such transactions are executed in accordance with management’s authorisation. The systems also ensure that accounting records are sufficiently accurate for the preparation of financial information used for operation and for reporting purposes. The Group has adopted proper procedures with duly assigned levels of authority in areas of financial, operational and compliance controls and risk management to ensure that its assets and resources remain secure at all times.

The role of the Audit Committee is, through discussion with management and use of internal audit and other consultants, to review the effectiveness of the internal control systems, including financial, operational and compliance controls and risk management functions, and to report to the Board any and all significant risk issues.

In 2004, the Board approved a 5-year rotational internal audit plan covering several different departments. The ultimate objective of this plan is to reduce potential risks and improve operational efficiency. The Group subsequently outsourced the completion of this work to a suitably qualified consultant. The Group's internal auditors report their findings and make their recommendations directly to the Board. The internal auditors also report directly to the Audit Committee on a regular basis and have the right to consult the Audit Committee without first referring to the management. The Audit Committee reports to the Board at each Board meeting the progress of work plan and related findings.

In July 2005, the Group's controlling shareholder, Clear Channel Communications, Inc ("CCU"), through its subsidiary Clear Channel Outdoor Holdings, Inc ("CCO") and, in turn, through Clear Channel KNR Neth Antilles NV, increased its shareholding in the Group, resulting in the consolidation of Clear Media in CCU's and CCO's financial results. CCU and CCO are listed companies on the New York Stock Exchange and are subject to certain rules in accounting, disclosure and internal control procedures, including the rules set out in the Sarbanes-Oxley Act. As Clear Media has become a subsidiary of CCU and CCO post-July 2005, the Group intends to ensure its systems comply with the requirements of the Act.

Capital Expenditure Committee

Formed in 2003, the Capital Expenditure Committee is in charge of reviewing and recommending new projects involving capital expenditures greater than HK\$10,000,000 to the Board for its approval in order to ensure more efficient usage of the Group’s capital resources. The members of this Committee include the Group’s National Sales Director, Chief Financial Officer and two Non-executive Directors with relevant international operational experience.

Composition of the Capital Expenditure Committee

- Jonathan Bevan, Non-executive Director
- Teo Hong Kiong, Chief Financial Officer, Executive Director
- Zhang Huai Jun, National Sales Director
- Mark Thewlis, Alternate Non-executive Director (Appointed member on 31 January, 2006)

The Capital Expenditure Committee met three times during in 2005 to review new projects and subsequently made appropriate recommendations to the Board for its approval.

Remuneration Committee

The Remuneration Committee was formed in 2001 and is responsible for the formulation of the Group’s remuneration policy and for the approval of remuneration packages for all Directors and senior managers. Specific areas covered by the Remuneration Committee’s reviews include the granting of share options and the annual review of remuneration packages. The Remuneration Committee currently has five members, all of whom are Non-executive Directors, and approximately half of whom are Independent Non-executive Directors of the Group.

The Remuneration Committee met twice in 2005 to review and approve the Directors’ remuneration packages.

Composition of the Remuneration Committee

Jonathan Bevan, Non-executive Director (Chairman) (appointed Chairman on 31 January 2006)
Peter Cosgrove, Non-executive Director
Desmond Murray, Independent Non-executive Director
Wang Shou Zhi, Independent Non-executive Director
Leonie Ki Man Fung, Independent Non-executive Director

Remuneration Policy

The primary objective of the Group’s remuneration policy is to retain and motivate Executive Directors by linking their compensation with the Group’s performance and evaluate their compensation against corporate goals, so that the interests of the Executive Directors are aligned with those of shareholders. No Director can, however, approve his or her own remuneration.

Executive Directors’ Remuneration:

Basic salary

The Remuneration Committee annually reviews and approves the basic salary of all Executive Directors of the Group. Details of each Executive Directors’ salary are detailed in the “Notes to the Financial Statements” on pages 89 to 90.

Share options

The Remuneration Committee is also entrusted with approving all grants of share options under the Group’s approved share option scheme for Executive Directors. Such share options are granted based on each Director’s performance and the achievement of certain goals that are consistent with the Group’s objective of maximizing long-term value for its shareholders. Details of the share options granted to Executive Directors to date are published on page 63 of the “Report of the Directors”. There was no grant of share options to Executive Directors in 2005.

Non-executive Directors’ Remuneration

All fees paid to Non-executive Directors for their services to the Group are subject to annual review and approval by the Remuneration Committee. The Group also offers its Non-executive Directors reimbursement of invoices for out-of-pocket expenses incurred by them while discharging their duties as Directors, such as attending meetings on behalf of the Group. Full details of all such fees paid to Non-executive Directors during 2005 can be found on page 90 of the “Notes to the Financial Statements”. The Non-executive Directors, together with the other directors of the Company, are subject to retirement by rotation and re-election in accordance with the Company’s bye-laws at each annual general meeting.

Code of Conduct and Business Ethics

The Directors of the Group have a duty and responsibility to act honestly and with due diligence and care when carrying out their duties on behalf of the Group. All Directors have been provided with the latest version of the “Guidance on the Disclosure of Price Sensitive Information” published by the Hong Kong Exchanges and Clearing Limited. The Group also provides all its Directors with copies of the “Guidelines for Directors” published by the Hong Kong Institute of Directors, as well as detailed updates on the Listing Rules as prepared by the Group’s lawyers.

Social Responsibility and Sustainability

The Group is committed to being a good corporate citizen and does everything reasonably possible to ensure the well-being of the communities in which it operates its bus shelter network. To this end, subject to availability, the Group donates approximately 10% of its advertising panels to local municipal governments to help promote community events. The Group is also an active and enthusiastic donor of sponsored advertising spaces for various charitable causes.

Directors’ Securities Transactions

The Group has adopted strict procedures that require all Directors to confirm that their securities transactions are fully compliant with the Model Code as set out in Appendix 10 of the Listing Rules. In 2005, all Directors confirmed their compliance with the Model Code. Specified employees who are likely to be in possession of unpublished price-sensitive information related to the Group and its activities must also comply with guidelines as exacting as those set out in the Model Code. No non-compliance report was received from any such employee during 2005.

Directors’ Interests

Full details of individual Director’s interests in the shares and share options of the Company are set out on pages 63 of the “Report of Directors”.

Directors’ and Auditors’ Responsibilities for Accounts

Directors’ and the auditors’ responsibilities to shareholders are included on page 66 of the “Report of the Auditors”.

Open Communication

Clear Media is committed to acting in good faith and in the best interest of its shareholders at all times and in all areas of its operations. The Group actively promotes open communication and full disclosure of all information needed to protect and maximize returns for its shareholders. The Group is also an enthusiastic provider of communications channels between itself, its shareholders, investors and the public at large.

Communications with Shareholders

Effective communication with shareholders has always been one of Clear Media's top priorities. The various channels via which the Group communicates with its shareholders include interim and annual reports, information on the Stock Exchange, a corporate website, and general and investor meetings held either face-to-face or via telephone conference calls. The Group reports to its shareholders twice a year and maintains a regular dialogue with investors. Interim and annual results are announced as early as possible, to keep shareholders informed of the Group's performance and operations. The publication of the Group's financial results on a semi-annual basis enhances transparency about its performance and ensures that details of new developments affecting the Group are made available in a timely manner. The Group typically announces its interim and annual results no later than 3 months after the end of the relevant periods. All shareholders are encouraged to attend the Annual General Meeting to discuss the progress of Clear Media's business.

Shareholders' Rights

The Group's bye-laws state that shareholders holding not less than one-tenth of the Group's paid-up capital carrying voting rights shall at all times have the right to request the Board to call a special meeting to discuss specified business transactions. To request such a meeting, individuals must send a written notice to the Group's registered address at least 21 days in advance of the proposed date of the meeting. This procedure also applies to any proposals to be tabled at shareholders' meetings for adoption.

Voting Rights

All shares in Clear Media are ordinary shares. The total number of outstanding shares issued at the time of going to press amounted to 501,608,000. All shareholders whose shares are registered in the Group's register of shareholders before the record dates published in the Group's shareholders' meeting notice are entitled to vote at the meetings. Voting normally takes the form of a show of hands or, in the case of related-party transactions, a taking of a poll. Results of shareholders' meetings are reported to the public via newspaper announcements and also uploaded onto the Group's website.

Shareholders wishing to exercise their right to vote by proxy may do so upon presentation of a written and dated instrument appointing their proxy. The letter convening each shareholders' meeting includes a proxy form which appoints the Board as proxy for each specific proposal. All shareholders are welcome to ask questions or present proposals for discussion at these meetings.

Investor Relations

Clear Media regards open communications with both existing and potential investors as being vital to its sustained success. To this end, the Group insists on full, honest, equal and timely disclosure of all essential information regarding its business to the investment community.

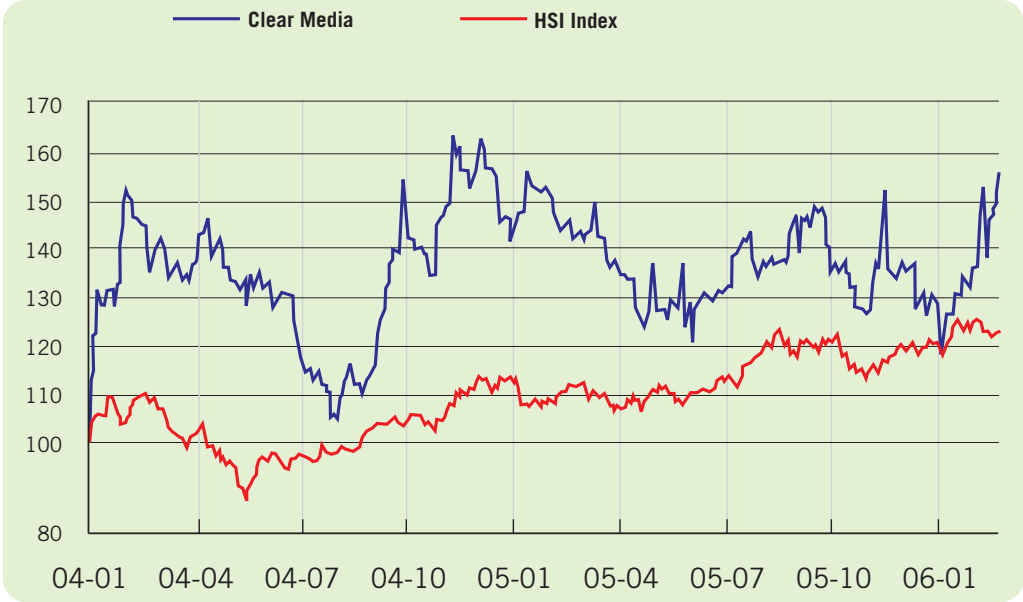
We believe that as a direct result of the Group's commitment to transparent communication, Clear Media received wide coverage amongst the institutional investment community, with key local and international research houses regularly publishing reports on the Group and its activities. The Group is determined to develop closer ties with the investment community, and our senior management team regularly attends investor conferences organized by securities houses in Hong Kong, China and overseas.

The Group uses a variety of other channels to communicate with the public. The Group's "Clear Focus" e-newsletter provides shareholders, investors and the media with regular updates on the Group and its activities. The Group's corporate website also provides an effective communication platform via which the public and investor community can enjoy fast, easy access to up-to-date information regarding the Group.

Financial Calendar 2006

Results Announcement 2005	24 February
Annual General Meeting	25 May
Interim Results Announcement 2006	July/August
Financial Year End	31 December

Share Price Performance



(Source: Bloomberg)

84.5 million shares were traded on HKEx in 2005. The highest trading price for the share was HK\$8.0 on 17 January 2005 and the lowest was HK\$6.05 on 29 December 2005.