


Our remarkable achievement,
underpinned by consistent
growth in turnover and
profit, has been earned through
diligent work and meticulous efforts.



Han Zi Jing
Chief Executive Officer



CEO'S REPORT

Clear Media reported another year of double-digit growth in 2006 as it celebrated the fifth anniversary of the listing of its shares, a successful streak of nine years. This remarkable achievement, underpinned by consistent growth in turnover and profit, has been earned through diligent work and meticulous efforts. In 2006, Clear Media recorded turnover of HK\$776 million, profit attributable to shareholders of HK\$120 million, representing year-on-year growth of 15% and 14%, respectively, while earnings per share grew 12% to HK\$0.23. As an established leader in China's outdoor media market, Clear Media is setting its sights on higher goals. The management's firm commitment to shareholders is that Clear Media will continue to explore new frontiers in development and growth.

China's advertising expenditure is the second largest in Asia and has grown five fold in the last decade. The enormous potential of the outdoor media business is underpinned by an estimated 17% share of the overall advertising industry in 2006. In major PRC cities like Beijing, Shanghai, Guangzhou and Shenzhen, the outdoor media advertising business grew at a more

subdued pace due to the maturity of these markets, while mid-tier cities such as Hangzhou, Nanjing, Chengdu and Xian continue to enjoy rapid growth. As the leading outdoor advertising media operator in China, Clear Media further strengthened its market position in the key cities in 2006. We extended our advertising network in mid-tier cities as part of our balanced development strategy.

We maintained stable growth in major cities with relatively developed markets. For Beijing, Shanghai and Guangzhou, sales were up 26%, 28% and 12%, respectively.

In Beijing, the process of consolidating our newly acquired advertising panels is still ongoing. Nevertheless, we are convinced that network expansion is an essential step within the broader context of long-term development, in which major cities like Beijing hold out enormous potential as growth drivers. Given the progress of major infrastructure work in urban Beijing in preparation for the Olympics in 2008, investment returns generated from advertising

panels in Beijing are expected to improve and in due course the newly acquired panels will be integrated into our networks to form a powerful platform for our advertisers.

We started off 2006 with a new initiative in Shanghai to convert all advertising panels into scrolling panels, which we believed would result in better services for advertisers, a more efficient network and improved average selling prices and gross profit margin. The scrolling panels in Shanghai proved to be hugely popular among customers and we succeeded in raising the prices for these innovative panels by 30%. We will assess the financial benefits of scrolling panels in future and consider further conversions in cities commanding higher occupancy rates, such as Chengdu, Nanjing, Hangzhou and Guangzhou. We believe that advertising expenditure in Shanghai will experience robust growth in coming years given the city's rapid growth and the numerous events to be hosted, such as Shanghai Expo 2010.

Our operations in mid-tier cities continued to register stable sales and occupancy rates, thanks to the ground work put in place in past years. While mid-tier cities such as Xi'an, Hangzhou and Nanjing outperformed others, our price increase had an

unfavorable impact on the occupancy rates in some cities, where certain SME customers apparently needed time to adapt to the new prices. In response, the Group has enhanced its services to these SME customers. We are confident that this temporary client loss will be reversed in the near future.

At the end of 2006, Clear Media owned over 28,000 bus shelter advertising panels, all strategically located to form the largest network of standardized bus shelter advertising panels in China. Over the past two years, we scaled down our acquisition plans to facilitate gradual integration of the panels and effective deployment of our resources. In 2006, we acquired approximately 600 panels in Beijing and 400 panels in Guangzhou. We also succeeded in renewing the contracts for most of the panels in Beijing. The acquisitions and renewals are instrumental for the further optimization of our advertising network in preparation for Olympics 2008. Our Olympics Sales Package launched towards the end of the year has been met with encouraging response and active negotiations are currently underway. We look forward to the Olympics Sales Package providing the best and most effective platform for customers in the periods leading up to Olympics 2008 and beyond.

Apart from the core bus shelter business, we have also made dedicated efforts to tap into other outdoor media business opportunities. Clear Media and Shenzhen Public Transport Advertising Co., Ltd entered into a five-year deal for bus body advertising in Shenzhen, in a bid to provide customers with more flexibility and choice in advertising packages. We are entering into this venture to test the synergies that might be generated in favor of Clear Media's outdoor media business, given the complementary nature of bus body advertising to bus shelter panels. In future, we will also look into the possibility of improvisations to our panels, such as LED screens.

Looking to four to five years ahead, Clear Media is expected to maintain steady growth and will continue to pursue the strategy of active organic network expansion each year. We are also committed to expanding our sales centers and teams in order to target SME customers and grow our market share. With a strong foothold at the forefront of China's outdoor market, Clear Media will venture forward

vigorously and aspire to fulfill broader goals. We will capitalize on every opportunity and strive to realize those with strong potential. Against market challenges and strong competition the management persist in honoring their commitment to shareholders, namely to take advantage of business development opportunities and to deliver solid and outstanding performance. Our results for the first quarter of the current year have thus far been satisfactory and we believe the positive trend will continue in 2007.



Han Zi Jing
Chief Executive Officer