

CORPORATE GOVERNANCE REPORT

Clear Media is committed to ensuring 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 complied with the relevant recommendations as laid down in the Code and the requirements of the "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 2006

	Number of meetings attended and held				
	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Capital Expenditure Committee
Executive Directors					
Mr. Han Zi Jing	4/4				
Mr. Teo Hong Kiong	4/4				3/3
Mr. Zou Nan Feng	2/4				
Non-executive Directors					
Mr. Steven Yung	4/4			2/2	
Mr. Paul Meyer (appointed on 31 Jan 06)	4/4				
Mr. Mark Mays	2/4				
Ms. Lenna Chin (alternate to Mark Mays) (resigned on 31 Jan 06)	0/0				
Mr. Roger Parry (resigned on 31 Jan 06)	0/0		0/0		
Mr. Peter Cosgrove	4/4	3/3	2/2	2/2	
Mr. Jonathan Bevan	3/4		2/2		3/3
Mr. Han Zi Dian	1/4				
Mr. Zhang Huai Jun (alternate to Han Zi Dian)	2/4				1/3
Mr. Mark Thewlis (alternate to Mark Mays, Paul Meyer and Jonathan Bevan) (appointed on 31 Jan 06)	4/4				3/3
Independent Non-executive Directors					
Mr. Desmond Murray	4/4	3/3	2/2	2/2	
Mr. Wang Shou Zhi	4/4	3/3	2/2	1/2	
Ms. Leonie Ki Man Fung	4/4	3/3	2/2	2/2	

The Board of Directors

As of the date of this report, the Board comprised 12 members. 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 Director’s range of specialist experience and suitability for the successful long-term management of the Group can be found on page 38.

Chairman and CEO

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 in a non-executive capacity, while the CEO, the Executive Directors and the senior management team are jointly responsible for the day-to-day management of the Group’s businesses.

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, and that they actively bring their valuable experience to the Board for promoting the best interests of the Company and its

shareholders. 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.

Each Director is requested to disclose to the Company the number and nature of offices held in public companies or organizations and any other significant commitments annually. 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 at the date of this report, the Board considers all Independent Non-executive Directors to be in full compliance with the independence guidelines as laid down in the Listing Rules.

The Board has arranged Directors’ and Officers’ Liability Insurance for all Directors and officers of the Company for insurance coverage against any legal liability arising from the performance of their duties.

Board Proceedings

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group’s overall strategy, operations, and financial performance. The Board also ensures that its

members are supplied in a timely manner, all necessary information in a form and of a quality appropriate to enable the Board 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), approval of major capital projects, dividend policies, and other significant operational and financial matters. All quarterly Board meetings are scheduled one year in advance in order to ensure maximum attendance by the 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 kept apprised of all major changes that may affect the Group's businesses.

The minutes of Board meetings are prepared by the Company Secretary with details of the matters considered by the Board and the decisions reached, including any concerns raised by Directors or dissenting views expressed. The draft minutes are

circulated to all Directors for their comments within a reasonable time after the meeting, and the final minutes are adopted in the next meeting. Some Board decisions are made via written resolutions authorized by all Directors. Minutes of the Board meetings are maintained by the Company Secretary and available for inspection by all Directors at the Company's registered office.

Appointment, Re-election and Removal of Directors

Shareholders of the Company in general meeting, or the Board upon recommendation of the Nomination Committee of the Company, can appoint any person as a Director of the Company at any time. Directors who are appointed by the Board must retire at the first annual general meeting after their appointments, but they are eligible for re-election at that general meeting, and such election is separate from the normal retirement of Directors by rotation. 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 at each Annual General Meeting. Directors who are eligible for re-election at the same Annual General Meeting.

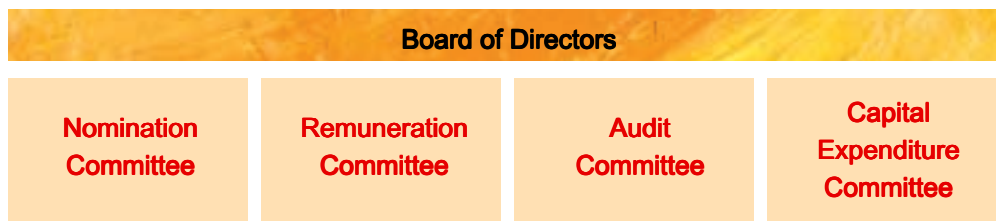
All newly-appointed Directors are briefed by the Company's lawyers about their duties and obligations as a Director of a listed company. Newly appointed Directors are also encouraged to discuss with the Chairman any additional information or training they feel they require to more effectively discharge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

Roles of the Board

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, implementation of strategies approved by the Board, monitoring the operating budgets, implementation of internal controls procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations.

Board Committees

The Board has established four Committees to oversee particular aspects of the Company's affairs. The main roles and responsibilities of these Committees including the authority delegated to them by the Board are published on the Group's website at www.clear-media.net. The independent views of the different Committees and their 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.



Audit Committee

The main roles and responsibilities of the Audit Committee are set out by the Board with clearly defined written terms of reference. The Committee consists of four 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 PricewaterhouseCoopers (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. None of the Committee members is a partner or former partner of Ernst and Young, the Company's external auditors. The Chief Financial Officer, the internal auditor, and representatives of the external auditors of the Company are expected to attend meetings of the Committee. At the discretion of the Committee, other people may also be invited to the meetings.

Members 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

Under its Terms of Reference, the Audit Committee's functions are

- to decide on the appointment and terms of engagement of the external auditors;

- to review and monitor financial reports and the judgements contained in them; and
- to review financial and internal controls, and accounting policies and practices, with our management and internal and external auditors.

The Audit Committee met three times in 2006.

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

Apart from considering the issues arising from the audit, the Committee also discusses matters raised by the auditors. In 2006, external auditors made presentations to the Audit Committee on the implications of the introduction of new accounting standards in Hong Kong. The Committee also regularly reviews the effectiveness of the Company's financial controls, internal control systems, and risk management system. The Audit Committee reviewed and approved the annual internal audit plan on a risk-assessment basis, in line with the Group's business risks. The Audit Committee subsequently reported its recommendations to the Board for further review and approval. 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 Chairman of the Committee summaries activities of the Committee and highlights issues arising therefrom to the Board after each Audit Committee meeting.

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 to those 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:

	2006	2005
	HK\$'000	HK\$'000
Audit fees	1,249	950
Non-audit fees	308	51

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, and 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 2007.

Remuneration Committee

The main roles and responsibilities of the Remuneration Committee are set out by the Board with clearly defined written terms of reference. The Committee is responsible for the formulation of the Group's remuneration policies and for the approval of remuneration packages for all Directors. 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 Non-executive Directors, with a majority of Independent Non-executive Directors.

The Remuneration Committee met twice in 2006 to review and approve the Directors' remuneration packages.

Members of the Remuneration Committee

Jonathan Bevan, Non-executive Director (Chairman)
 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 evaluating their compensation against corporate goals, so that the interests of the Executive Directors and senior management team are aligned with those of our 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 Director's salary are in "Notes to the Financial Statements" on pages 94 to 95.

Share options

The Remuneration Committee is also entrusted with approving all grants of share options under the Group's approved share options scheme for Executive Directors. Such share options are granted based on each employee'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 and the management team to date are published on page 67 of the "Report of the Directors." There was no grant of share options to the Executive Directors in 2006.

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 2006 can be found on page 95 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.

Nomination Committee

The main roles and responsibilities of the Nomination Committee are set out by the Board with clearly defined written terms of reference. 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. The Nomination Committee currently has five Non-executive Directors, with a majority of Independent Non-executive Directors.

Members 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 procedure in the nomination of new Directors. The criteria include candidate's professional background, especially experience in advertising, financial and commercial experience, and 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. The Nomination Committee met two times in 2006 to discuss and recommend the nomination of a Non-executive Director and other issues.

Capital Expenditure Committee

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.

Members 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 in 2006 to review new projects and subsequently made recommendations to the Board for its approval.

Internal Control and Internal Audit

The Board is entrusted with 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 authorization. The systems also ensure that accounting records are sufficiently accurate for the preparation of financial information used for

operational and reporting purposes. The Group has adopted comprehensive 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 other consultants, and the use of the internal audit function, 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 significant risks and 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 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 meeting during the year the progress of the work plan and related findings.

The Company effectively became a subsidiary of Clear Channel Outdoor Holdings, Inc. ("CCO") and its controlling shareholder Clear Channel Communications, Inc. ("CCU") in 2005, resulting in the consolidation of Clear Media in CCO's and CCU's financial results. CCO and CCU 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 (SOX). The Group conducted an audit regarding its compliance with the requirements under the SOX in the second half of 2006 by its internal auditors and external auditors, and we are pleased to report that the Group is in compliance with the rules and requirements stipulated in SOX.

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 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 contributes to 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 a 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 2006, 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 2006.

Directors' Interests

Full details of individual Director's interests in the shares and share options of the Company are set out on page 67 of the "Report of Directors".

Directors' and Auditors' Responsibilities for Accounts

Directors' and the auditors' responsibilities to shareholders are included on page 71 of the "Report of the Auditors".

Open Communication

Clear Media is committed to acting in good faith and in the best interests 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.

Communications with Shareholders

Effective communication with shareholders has always been one of Clear Media's priorities. The various channels by which the Group communicates with its shareholders include interim and annual reports, the Company 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 on a timely basis. 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. An Annual General Meeting will be held no later than 5 months after the financial year-end, and all shareholders are encouraged to attend the Annual General Meeting to discuss the progress of Clear Media's businesses.

Shareholders' Rights

The Group's by-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 522,802,500. All shareholders whose shares are registered in the Group's register of shareholders before the record date 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.

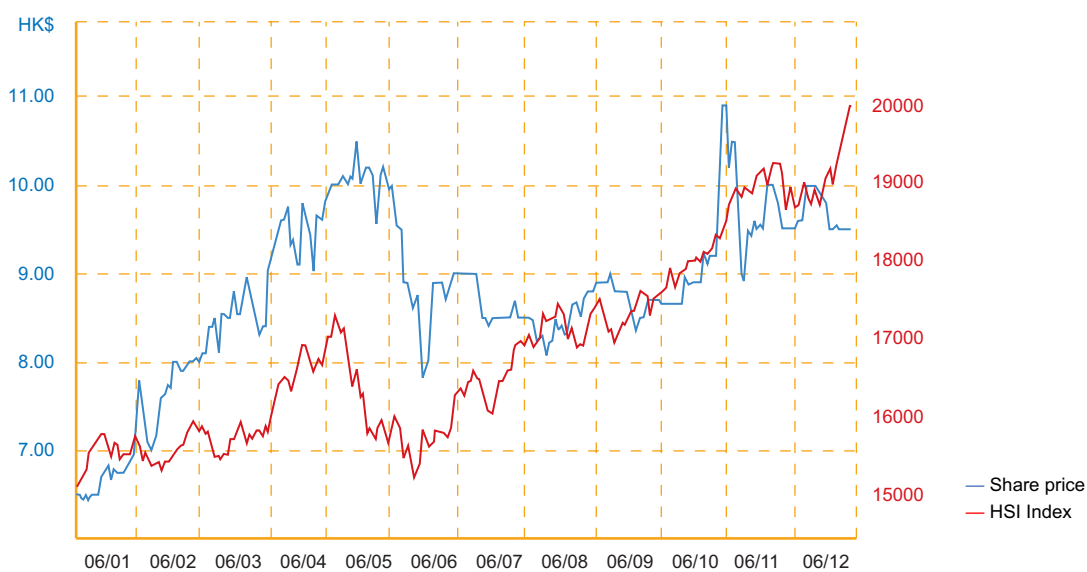
We believe that as a direct result of the Group's commitment to transparent communications, Clear Media receives wide coverage amongst the institutional investment community, with key local and international research houses regularly publishing reports on the Group and its activities. The Group is determined 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 communications platform where the public and investor community has fast, easy access to up-to-date information regarding the Group.

Results Announcement 2006	14 February
Annual General Meeting	23 May
Interim Results Announcement	July/August
Financial Year End	31 December

Financial Calendar 2007

Share Price Performance



(Source: Bloomberg)

69.4 million shares were traded on HKEx in 2006. The highest trading price for the share was HK\$10.9 on 31 October 2006 and the lowest was HK\$6.45 on 5 January 2006.

(Source: Bloomberg)