Clear Media Limited

白馬戶外媒體有限公司

Stock code: 100

Clear • China • Consumer

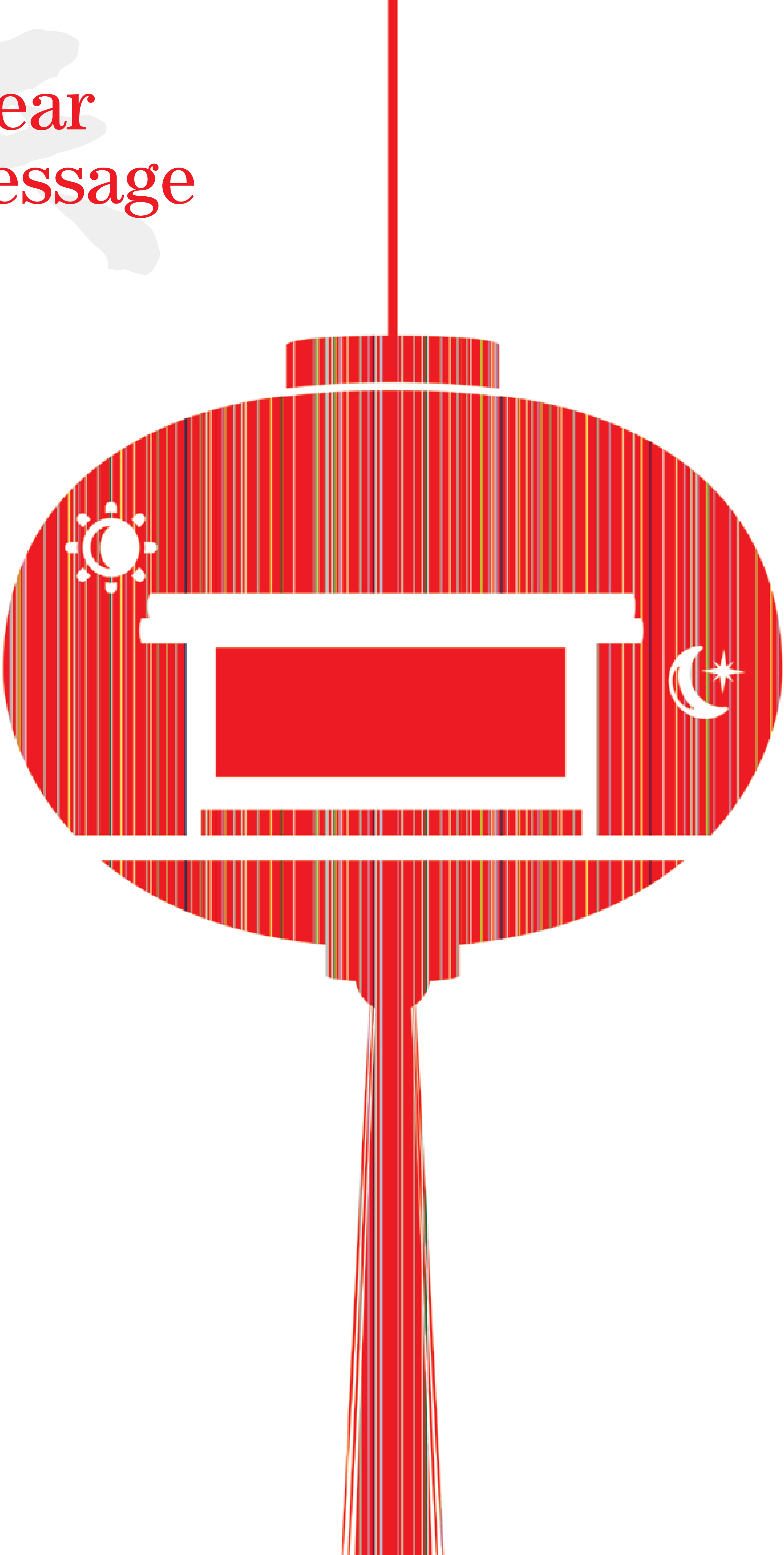
Annual Report 2011

Contents

Clear Media Limited (SEHK:100)

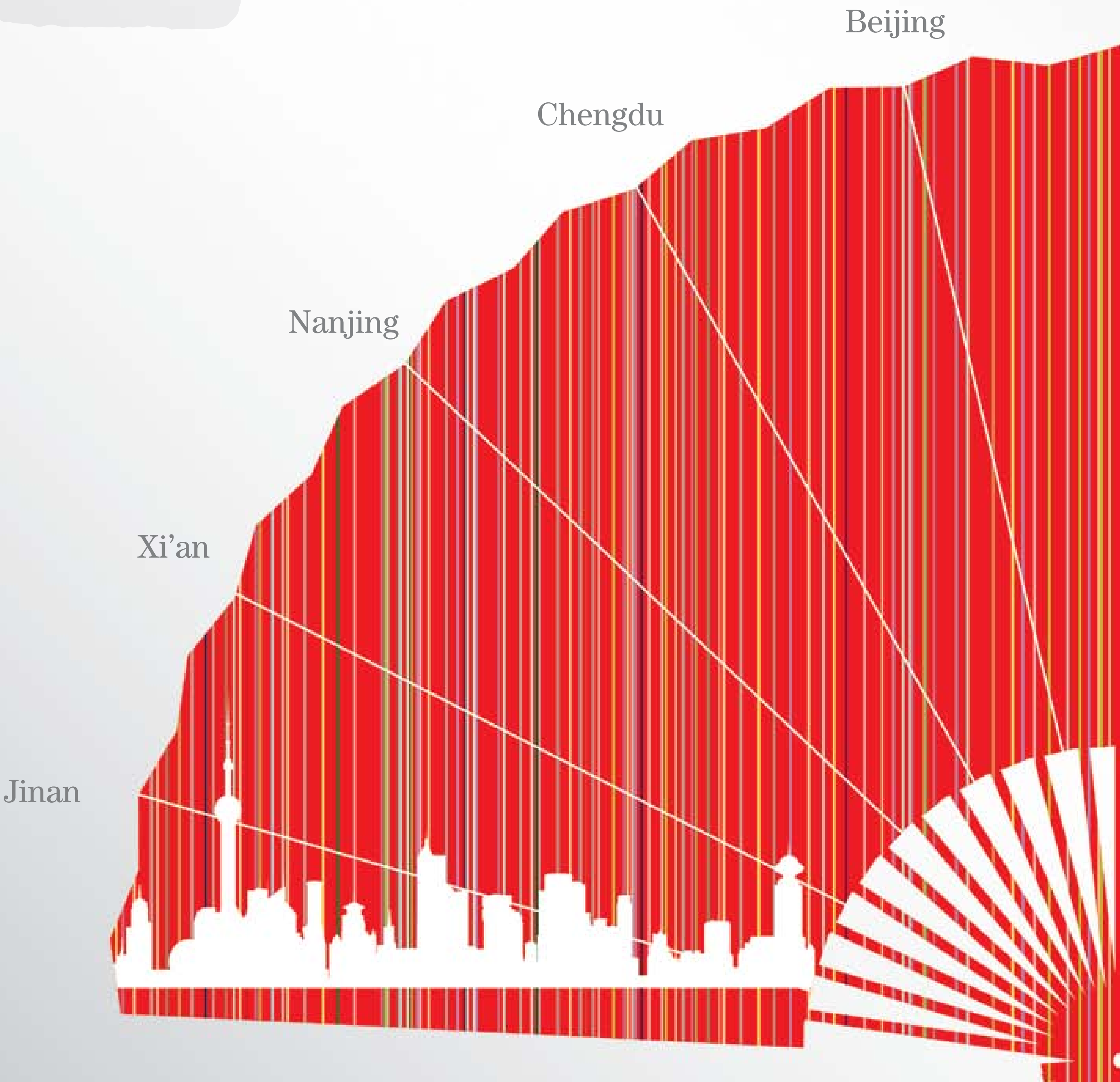
is a leading outdoor media company in China. We are listed on the main board of The Stock Exchange of Hong Kong Limited and derive 100% of our revenue from the PRC. One of our unique strengths is our strong shareholder base — a union of Clear Channel Outdoor (NYSE: CCO), the world's largest outdoor media company, and White Horse, a renowned media company in China. In the past thirteen years, Clear Media has created a standardised, nationwide bus shelter outdoor advertising network that covers nearly 30 key cities in China, reaching the most affluent PRC consumers. We enjoy a leading market share in key cities and serve international and local advertisers. Our original business plan remains the foundation for our phenomenal growth in the past decade — standardised panels that allow advertisers to create a single-sized message for display across the country. Our street furniture not only enhances the kaleidoscopic background of China's cities, but shelters people while they wait for their buses — a perfect combination of form and function.

Clear Message



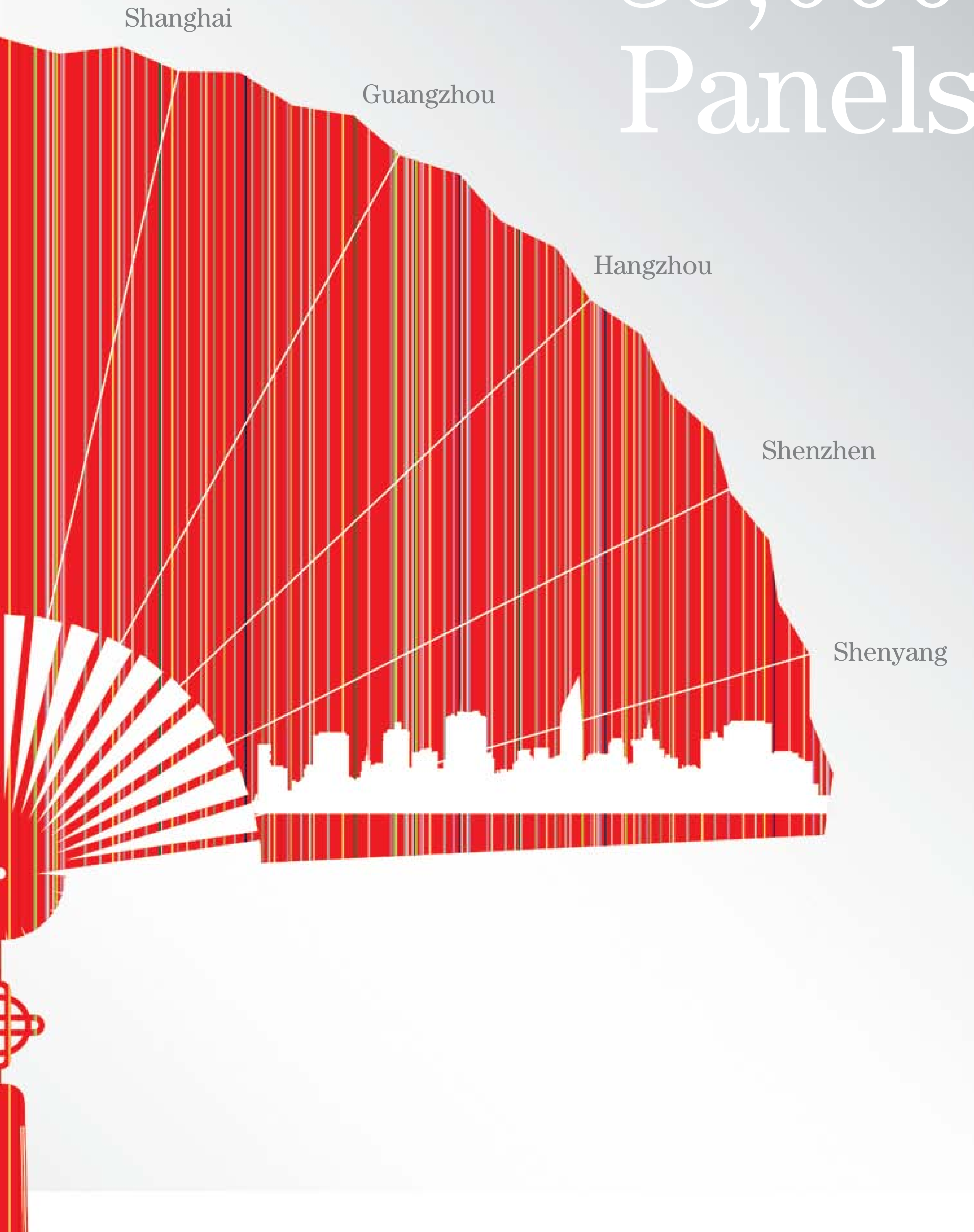
24 hours a day,
7 days a week,
365 days a year

China Coverage

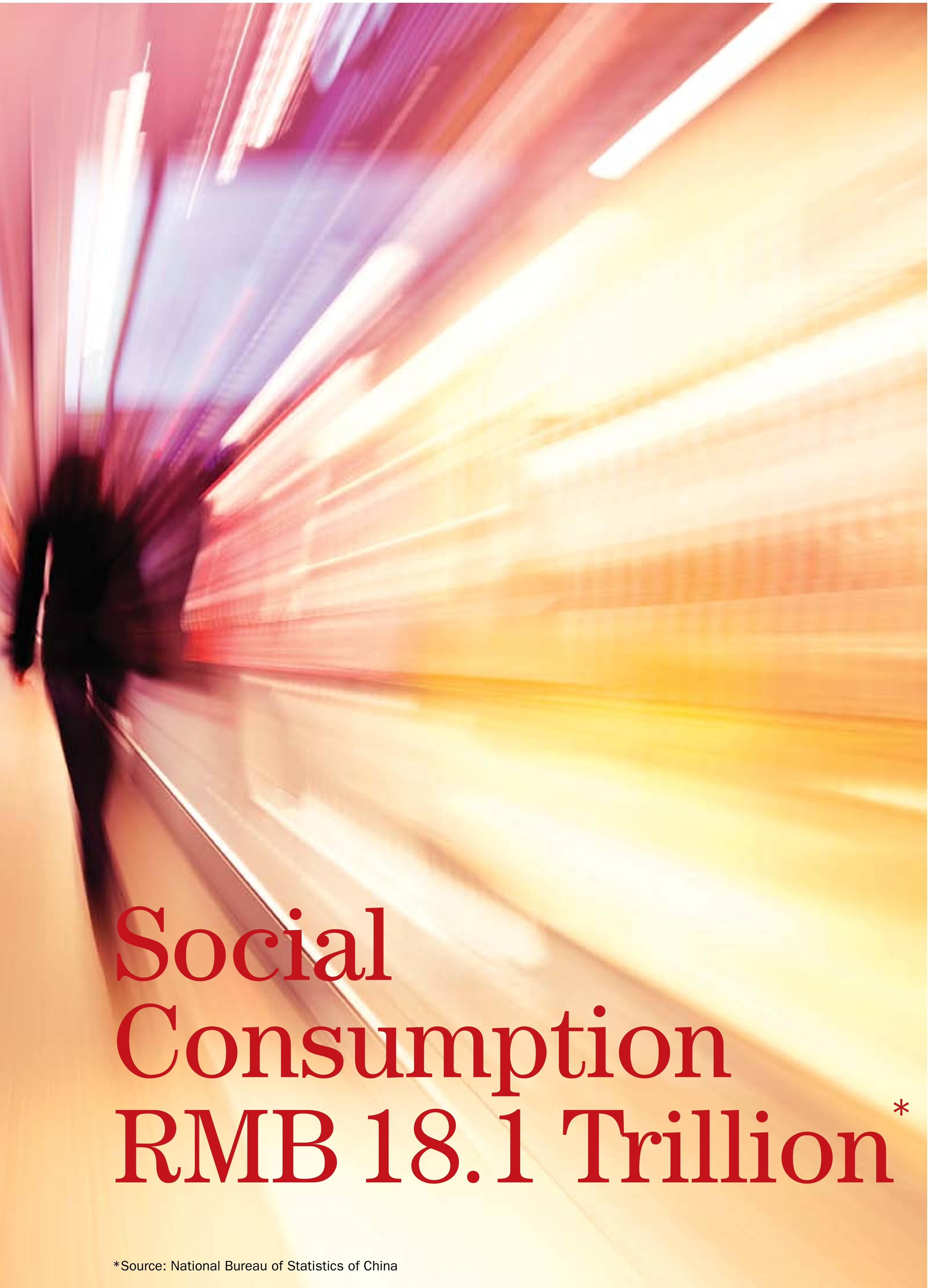


28 Key Cities

Over 35,000 Panels



Consumer Focus



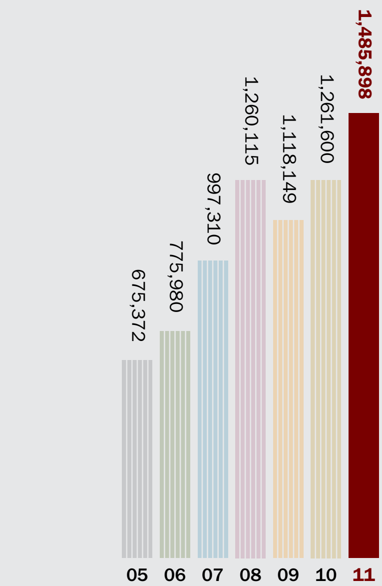
Social Consumption RMB 18.1 Trillion*

*Source: National Bureau of Statistics of China

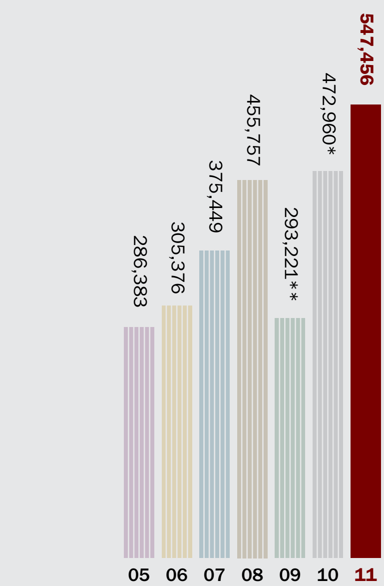
Financial Highlights

	2011	2010
Full Year Results (HK$'000)		
Turnover	**1,485,898**	1,261,600
EBITDA	**547,456**	472,960*
Operating profit	**275,129**	227,402*
Net profit	**187,542**	166,068*
Basic EPS (HK cents)	**35.45**	31.50*
Consolidated Statement of Financial Position Data (HK$'000)		
Cash and cash equivalents	**973,226**	671,338
Total assets	**3,733,576**	3,253,272
Total liabilities	**576,698**	447,049
Equity attributable to owners of the parent	**3,078,602**	2,746,504
Cash Flow Data (HK$'000)		
Cash generated from operations	**674,173**	492,893
Net increase in cash and cash equivalents	**301,936**	250,649
Financial Ratios		
Current ratio	**3.48 times**	3.82 times
EBITDA margin	**36.8%**	37.5%
Net profit margin	**12.6%**	13.2%
Debt-to-equity ratio	**0.0%**	0.0%

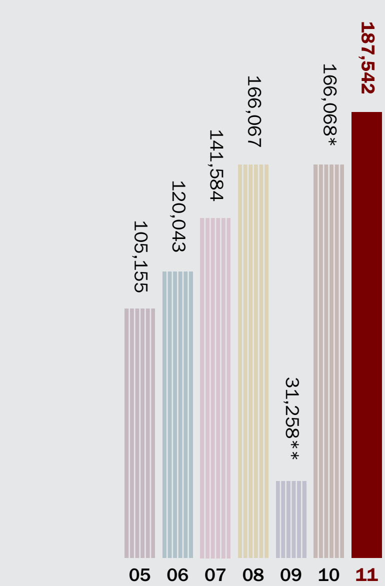
Turnover (HK$'000)



EBITDA (HK$'000)



Net Profit (HK$'000)



* Amounts include the effect of the Share Option Expenses Adjustment of HK$20 million booked in the year ended 31 December 2010. Please refer to the Management Discussion and Analysis - Financial Review - Expenses section for description on the Share Option Expenses Adjustment.

** Amounts include the effect of the one-off non-cash charges resulted from the change in display format mandated by the Shanghai authorities, preparing for the 2010 World Expo.

Fact Sheet at a Glance

Shareholder Information as at 31 December 2011	
■ Clear Channel KNR Neth Antilles NV	51.34%
■ International Value Advisers, LLC	20.01%
■ Asia Landmark Master Fund Ltd	5.06%
Nominal Value :	HK$0.10 per share
Listing :	Main Board of The Stock Exchange of Hong Kong Limited
Listing Date :	19 December 2001
Ordinary Shares	
• Shares outstanding as at 31 December 2011	529,000,500 shares
Market Capitalization	
• as at HK$3.00 per share (based on closing price on 30 December 2011)	HK$1,587 million (approximately US$204 million)
Stock Code	
• Hong Kong Stock Exchange	100
• Reuters	0100.HK
• Bloomberg	100 HK
Financial Year End	31 December

Chairman's Statement

Dear Fellow Shareholders,

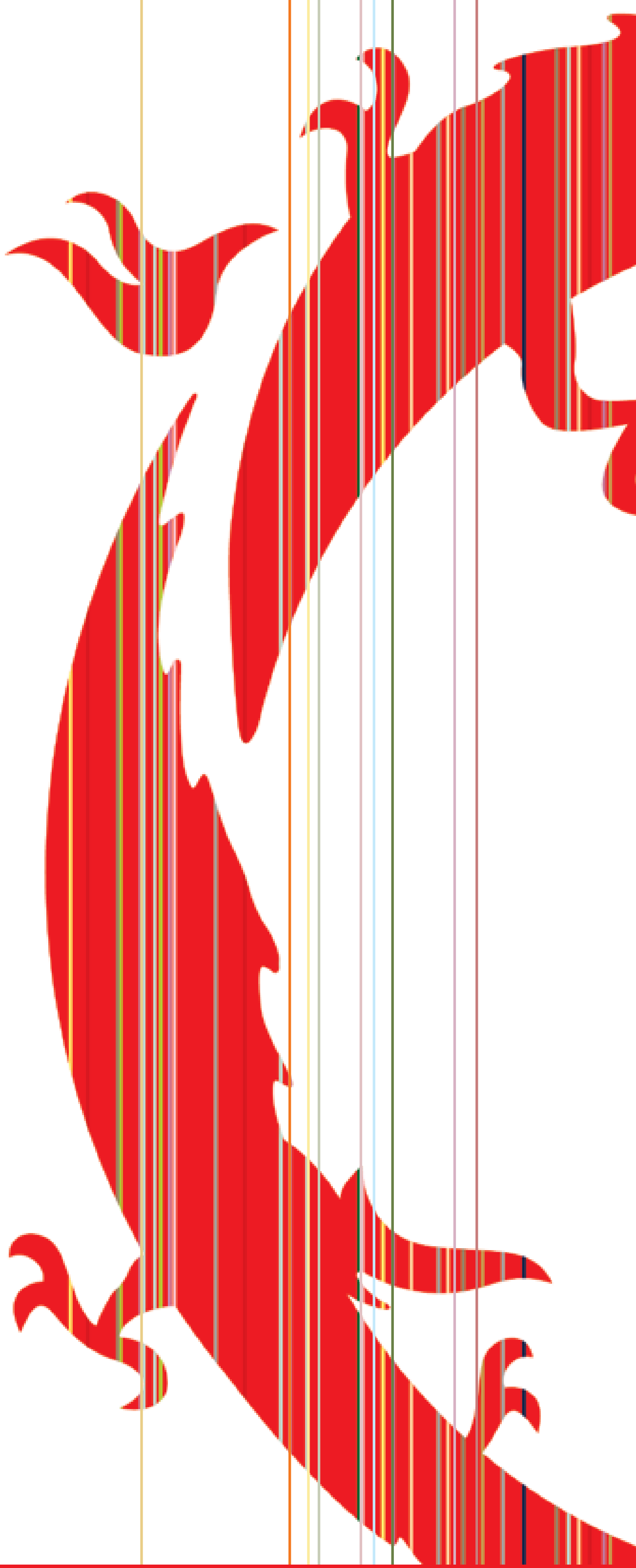
We have managed to achieve good profitable growth amid the challenging global economic environment and the tightening effect of the Chinese government's measures to control inflation and property prices. Clear Media made notable progress in business development during the year by leveraging on its existing assets. We performed well in most key cities despite the lack of any major event in any top-tier city, and we further expanded our bus shelter network. The good rapport that our management team has built over the years between our company and our clients ensured the Group remained a trusted partner of our customers.

In the long-run, China's economic growth is expected to be driven by rising domestic consumption which will create a good environment for us to further develop our core advertising business. Looking forward, we plan to capitalize on our strong financial position to expand our bus shelter network and deploy new display or interactive technology at the right time with a view to strengthen and broaden our core bus shelter operations, and explore complementary advertising formats and segments to widen our advertising footprint profitably.

I would like to express my sincere gratitude to our staff and management for their hard work and dedication that have contributed to Clear Media's performance in the industry. As a publicly listed company, we are committed to maintaining a high level of transparency with good corporate governance. We will always do our best to create greater value for our shareholders as the reward for their faith and their unfailing support over the years.

Yours sincerely,

Zhu Jia
Chairman of the Board



CEO's Report

With our robust financial position, high-caliber management team, high standard of corporate governance, and solid business foundation, we will continue to lead in China outdoor advertising industry and strive for greater business growth

Despite the challenging international macro-environment, China's domestic consumption continued to rise on the back of continued urbanization and rising general income. This provided a favorable foundation for the development of the advertising industry in China. The overall sentiment for advertising spending was robust in light of the immense opportunities in the domestic retail market in China. Clear Media, with our strong nation-wide market position and new customers secured in recent years, was in the position to leverage on the robust sentiment.

As a result, the Group's turnover increased by 18% to HK$1,486 million for the year ended 31 December 2011 from HK$1,262 million in the previous year. The Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 21%* to HK$547 million mainly due to the higher turnover in the current year. Net profit increased by 28%* to HK$188 million. Earnings per share for the year ended 31 December 2011 was HK 35.45 cents, representing a 13% increase from the previous year. The Directors proposed for the first time a final dividend of HK 5 cents per share.

* The percentage comparison excludes the effect of the Share Option Expense Adjustment of HK$20 million booked in the year ended 31 December 2010. Please refer to the Management Discussion and Analysis – Financial Review – Expenses section for description on the Share Option Expenses Adjustment.

CEO's Report

In 2011, Clear Media added a net total of 2,000 panels to its bus shelter network, covering 28 major cities in China with approximately 35,000 panels (2010: 33,000 panels) as of 31 December 2011. This solidifies the Group's position as the leading nationwide, standardized, bus shelter advertising network. Sales revenue from core bus shelter advertising business increased by 16% to HK$1,361 million in 2011, from HK$1,173 million in the previous year. In 2011, even though demand and average sale price ("ASP") have softened in the Shanghai market after the conclusion of the 2010 Shanghai World Expo, the Group's strategy of achieving optimal balance between ASP increase and occupancy rate continued to pay off. During the year ended 31 December 2011, overall ASP increased by 4% and overall occupancy rate increased from 61% in 2010 to 66% in 2011.

New advertising clients from the Beverage, Internet, and Fashion industries made significant contributions to the Group's revenue increase during the year, while Beverages, Food, and Telecommunications remained the top three industries, accounting for about half of the Group's turnover. As the effectiveness of the bus shelter platform became increasingly recognized in the market, the demand from clients in the Fashion and Entertainment industries increased.

For the year ended 31 December 2011, sales in the top three cities — Beijing, Shanghai and Guangzhou — increased by 17% to HK$747 million (2010: HK$637 million) and accounted for 55% of total sales of the core bus shelter business (2010: 54%).

Beijing performed impressively, with sales, ASP and occupancy rate all recording increases. ASP rose by 9%, while the occupancy rate improved from 62% in 2010 to 70% in 2011, in line with the Group's core strategy of balancing rate card increases with occupancy rates. Sales revenue from Beijing increased by 25% for the year ended 31 December 2011, to HK$357 million (2010: HK$285 million), contributing 26% to the Group's total bus shelter advertising revenue. In late 2011, the Group acquired the concession rights for approximately 700 bus shelter panels to further strengthen its leadership position and broaden future revenue in Beijing. The average number of panels in Beijing increased by 2% during the year.

Since the conclusion of the Shanghai World Expo in late 2010, demand in Shanghai softened. Further, the Group's Shanghai operation was also faced with intense price competition from the other street furniture format. As a result, sales revenue from Shanghai declined 4% to HK$170 million for the year. ASP declined 22% while the occupancy rate improved from 52% in 2010 to 57% in 2011. The average number of panels in Shanghai increased by 11% during the year.

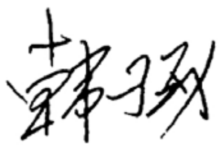
The bus shelter advertising business in Guangzhou delivered remarkable results, with sales revenue increasing by 26% to HK$220 million. This was driven by a 16% increase in the average number of bus shelter panels, a 7% rise in ASP and an increase in the occupancy rate from 61% in 2010 to 62% in 2011.

Revenue from all mid-tier cities increased by 15% to HK$614 million. ASP increased by 7% and occupancy rate improved from 62% in 2010 to 66% in 2011. Hangzhou, Shenzhen, Shenyang, Shijiazhuang, Dalian, Changsha and Fuzhou performed well with a more than 20% increase in sales revenue. The Shenzhen International University Games and the increase in advertising spending by major advertisers in an effort to expand into tier-two and tier-three cities have all contributed to the increase. In the second half of 2011, the Group acquired concession rights to approximately 680 bus shelter panels in Kunming.

In 2012, the Group will continue to strike an optimal balance between rate-card increases and occupancy rates while expanding its bus shelter network, and seek to identify new technologies that will enhance the displays of its bus shelter advertising panels at the right time, as well as investment opportunities in other outdoor advertising formats that hold strategic value in line with the Group's interests. The Group will also strive to increase market share in mid-tier cities by putting more resources into the expansion and enhancement of its district sales centers.

Clear Media also plans to roll-out a new Bar Code System for centralised inventory management to improve product quality, enhance operating efficiency and create greater value in its existing assets. Furthermore, efforts to raise the cleaning and maintenance standards of its bus shelters in key cities in order to maintain the premium pricing position of the Group's advertising platform will be extended to more cities in 2012.

Looking forward, we are cautious about issues that include uncertainty over the global economic environment and the tightening effect of the government measures to curb property prices and inflation on the advertising industry in China. Nevertheless, in the long-run, we remain optimistic about the prospects of the advertising sector in China on the back of a continuous increase in domestic consumer spending. With our robust financial position, high-caliber management team, high standard of corporate governance, and solid business foundation, we will continue to lead in China outdoor advertising industry.



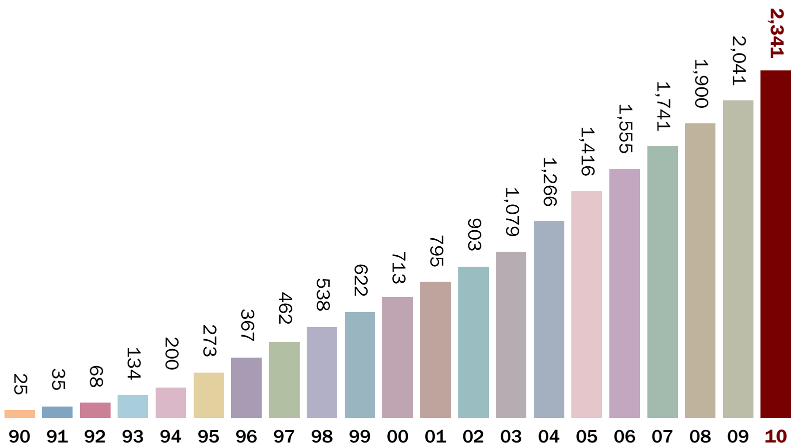
Han Zi Jing
Chief Executive Officer
Clear Media Limited

Management Discussion and Analysis

The overall sentiment for advertising spending was robust in light of the immense opportunities in the domestic retail market in China

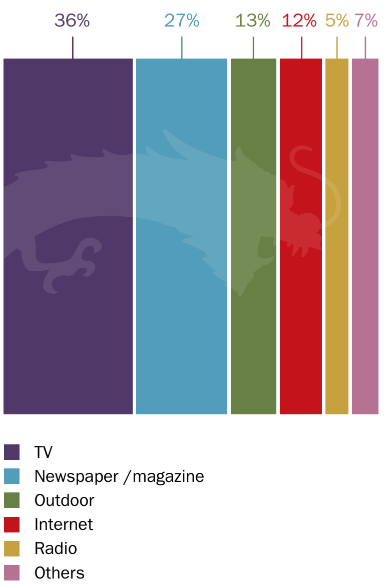
Advertising Expenditure Growth in China (RMB 100 Million)

(SAIC: 2011)



Media Mix in China

(Company estimates)



INDUSTRY OVERVIEW

The world economy struggled through uncertainty about the European sovereign debt crisis and worries about the state of economic recovery in the United States which, in turn, hampered global economic recovery in 2011. The Chinese government implemented measures to curb inflation and property prices during the year. Despite the challenging international macro-economic environment and the tightening effect of these government policies, China's domestic consumption continued to rise on the back of continued urbanization and rising general income. This provided a favorable foundation for the development of the advertising industry in China.

The overall sentiment for advertising spending was robust in light of the immense opportunities in the domestic retail market in China. International brands continued to invest in brand-building in China. Domestic brands in the Greater China Region were even more active, increasing their advertising spending to gain further ground in the consumer market in China. While tier-one cities continued to be important, some advertisers were increasing their advertising spending as they expanded into tier-two and tier-three cities.

New advertising clients from the Beverage, Internet and Fashion industries made significant contributions to our revenue increase during the year.

Beverages, Food and Telecommunications remained the top three industries, accounting for about half of the Group turnover. As the effectiveness of our bus shelter platform became increasingly recognized in the market, the demand from our clients in the Fashion and Entertainment industries increased.

Although advertiser demand continued to rise, as new inventories and capacity were added by new and existing advertising platform operators, competition between outdoor advertising and other advertising formats continued to be keen.

OPERATION REVIEW

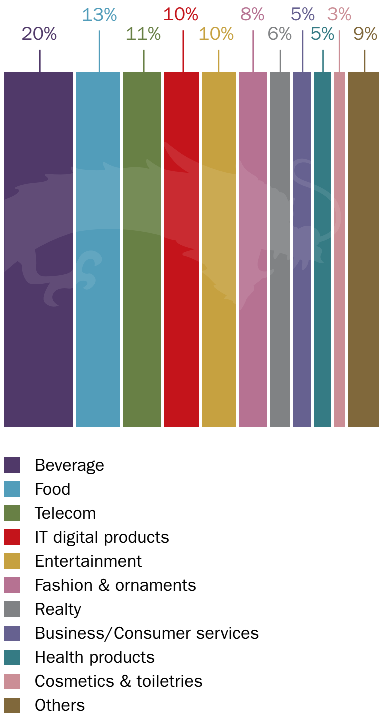
CORE BUS SHELTER ADVERTISING BUSINESS

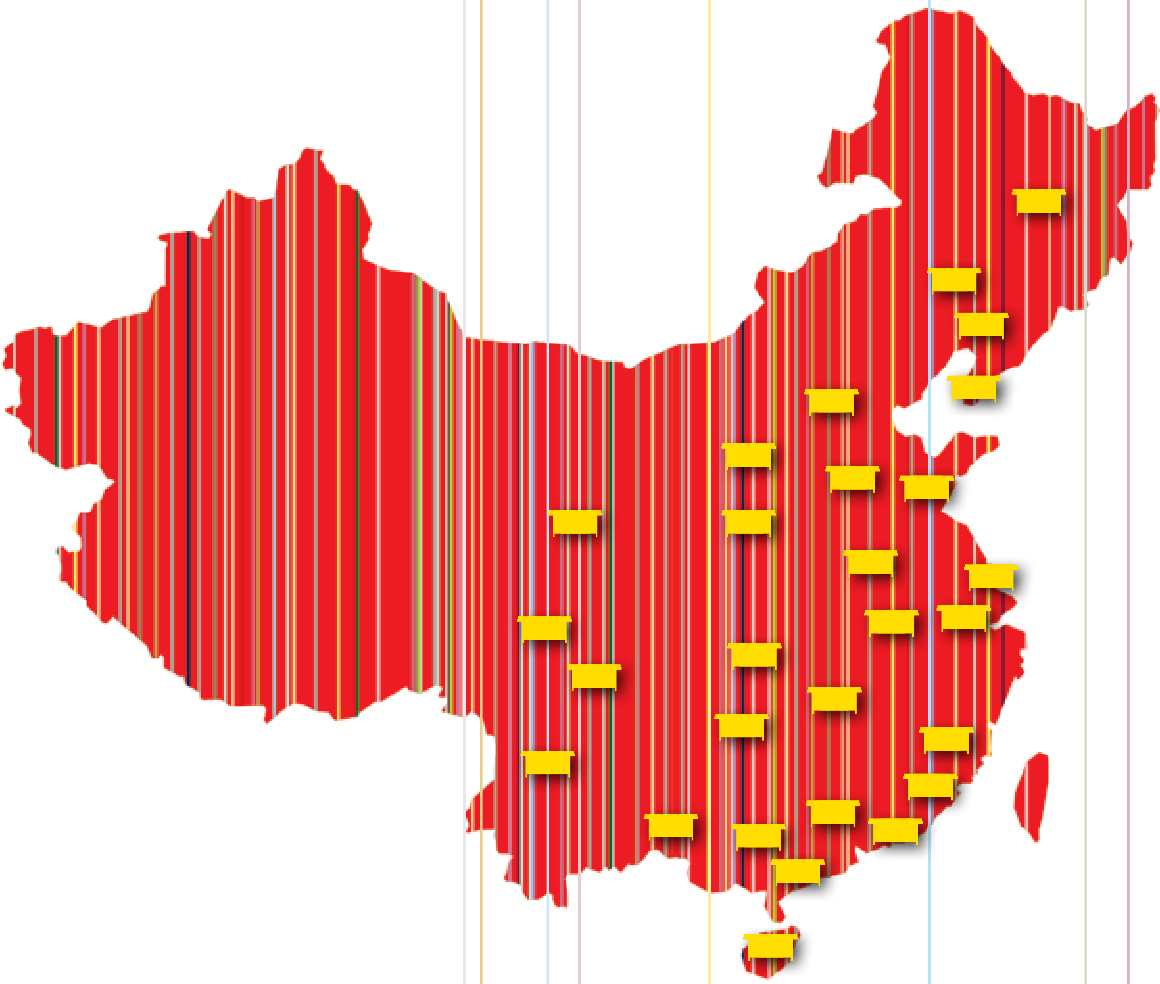
In 2011, the Group added net total of 2,000 panels to our bus shelter network, covering 28 major cities in China with approximately 35,000 panels (2010: 33,000 panels) as of 31 December 2011. This solidifies our position as the leading nationwide, standardized, bus shelter advertising network.

During the year ended 31 December 2011, our core bus shelter advertising business performed well with sales revenue increasing by 16% to HK$1,361 million in 2011, from HK$1,173 million in the previous year. This was achieved thanks to our leading market position, our growth strategy, and rapidly rising domestic consumption in China.

The Shanghai World Expo boosted demand and average sale price ("ASP") in Shanghai during 2010. In 2011, even though demand and ASP have softened in the Shanghai market after the conclusion of the World Expo event, our Group's strategy of achieving optimal balance between ASP increase and occupancy rate continued to pay off. During the year ended 31 December 2011, overall ASP increased by 4% and overall occupancy rate increased from 61% in 2010 to 66% in 2011.

Clear Media's Client Mix 2011
(by industry)





KEY CITIES

For the year ended 31 December 2011, sales in the top three cities — Beijing, Shanghai and Guangzhou — increased by 17% to HK$747 million (2010: HK$637 million) and accounted for 55% of total sales in our core bus shelter business (2010: 54%). Our bus shelter business in Beijing and Guangzhou performed well with a sales revenue increase of 25% and 26%, respectively. Sales revenue in Shanghai, on the other hand, decreased 4% as customer demand and ASP in Shanghai softened after the Shanghai World Expo.

Beijing

Beijing performed impressively, with sales, ASP and occupancy rate all recording increases. ASP rose by 9%, while the occupancy rate improved from 62% in 2010 to 70% in 2011, in line with the Group's core strategy of balancing rate card increases with occupancy rates. The average number of panels in Beijing increased by 2% during the year. As a result, sales revenue from Beijing increased by 25% for the year ended 31 December 2011, to HK$357 million (2010: HK$285 million), contributing 26% to the Group's total bus shelter advertising revenue.

During the second half of the year, the Beijing authority initiated a shelter clean-up exercise aimed at controlling shelters being installed without proper approval, and also setting requirement for standardization of shelter design, re-enforcement of shelters to prevent safety problems and other similar measures. As part of this exercise, a computer chip will be attached to legitimate shelters and the shelter information will be captured on a computerized system to enable the Beijing authority to better control the bus shelter network in the future.

In late 2011, the Group acquired the concession rights for approximately 700 bus shelter panels to further strengthen our leadership position and broaden our future bus shelter advertising revenue in Beijing. Because these new panels were acquired towards the end of the year, the corresponding revenue potential was not reflected in our sales revenue for 2011.

Shanghai

Mainly boosted by the Shanghai World Expo, bus shelter advertising revenue increased by 30% in Shanghai during 2010. Since the conclusion of the event in late 2010, demand in Shanghai softened. Further, our Shanghai operation was also faced with intense price competition from the other street furniture format. As a result, sales revenue from Shanghai declined 4% to HK$170 million for the year. ASP declined 22% while the occupancy rate improved from 52% in 2010 to 57% in 2011. The average number of panels in Shanghai increased by 11% during the year.

Guangzhou

Our bus shelter advertising business in Guangzhou delivered remarkable results, with sales revenue increasing by 26% to HK$220 million. This was driven by a 16% increase in the average number of bus shelter panels, a 7% rise in ASP and an increase in the occupancy rate from 61% in 2010 to 62% in 2011.

MID-TIER CITIES

Revenue from all mid-tier cities increased by 15% to HK$614 million. ASP increased by 7% and occupancy rate improved from 62% in 2010 to 66% in 2011. The average number of bus shelter panels increased by 1%.

Among the mid-tier cities where we operate, Hangzhou, Shenzhen, Shenyang, Shijiazhuang, Dalian, Changsha and Fuzhou performed well with a more than 20% increase in sales revenue. The Shenzhen International University Games and the increase in advertising spending by major advertisers in an effort to expand into tier-two and tier-three cities have all contributed to an increase in sales revenue.

In the second half of 2011, the Group acquired concession rights to approximately 680 bus shelter panels in Kunming.

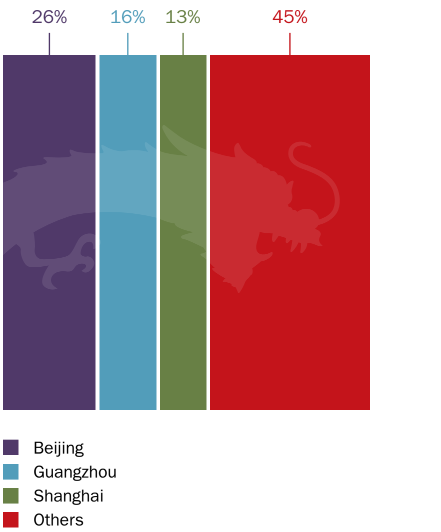
SHENZHEN BUS BODY ADVERTISING BUSINESS

With help of the Shenzhen International University Games, this operation performed well during the year. Sales revenue increased by 41% to HK$123 million, although the net profit from this business was relatively small at approximately HK$2 million. The Group has reached the end of its 5-year lease agreement and 2011 was the last year we operated this business.

OTHER ADVERTISING FORMATS

The Group's revenue from other advertising formats remained roughly unchanged at approximately HK$2 million for the year ended 31 December 2011.

Turnover by Geographical Location in 2011



Management Discussion and Analysis

Turnover by Operation in 2011

FINANCIAL REVIEW

TURNOVER

The Group's turnover increased by 18% to HK$1,486 million for the year ended 31 December 2011 from HK$1,262 million in the previous year. Our turnover was entirely derived from mainland China and the core bus shelter advertising business continued to generate over 90% of total Group revenue. Total sales from bus shelter advertising for the year ended 31 December 2011 increased by 16% to HK$1,361 million (2010: HK$1,173 million).

The Shenzhen bus body advertising business generated HK$123 million of revenue for the year ended 31 December 2011, an increase of 41% from HK$87 million in the previous year.

EXPENSES

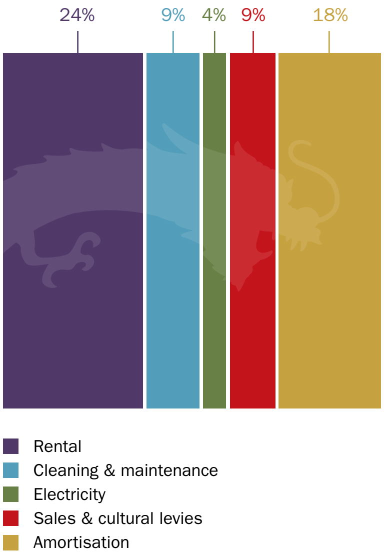
During the year under review, the Group's total direct operating costs, including rental, electricity, maintenance, sales and cultural levies and production cost, increased by 19%, to HK$669 million, from HK$560 million in the previous year.

Total rental costs increased by 17% for the year ended 31 December 2011 mainly due to the increase in the number of bus shelter panels and the revision of rental levels in certain cities. Total rental costs, as percentage of total revenue, however, remained at 24% for the current year.

Cleaning and maintenance costs, and sales and cultural levies, increased slightly to 9% of total revenue. The increase of cleaning and maintenance costs was mainly due to the increase in the number of bus shelter panels and a number of new measures imposed during the year to raise the cleaning and maintenance standard in key cities in order to maintain the premium pricing position of our advertising platform. We will expand these measures to more cities in 2012 and also implement other new measures including a new electronic inventory management system ("Bar Code System"). Even though this will translate into higher cleaning and maintenance costs, we believe that this is critical and will benefit the Group in the long run. The increase of sales and cultural levies was mainly due to the new city construction tax and education surcharge imposed since December 2010. Electricity costs remained stable at 4% of total revenue.

Amortisation charges incurred on the bus shelters and other advertising formats increased by 11% to HK$264 million (2010: HK$239 million). As a percentage of total sales, amortisation expenses decreased to 18% compared to 19% in the previous year.

Cost Breakdown by % Turnover



Total selling, general and administrative expenses, excluding depreciation and amortisation, appeared to have increased by 13% to HK$250 million for the year ended 31 December 2011 (2010: HK$221 million), mainly due to the write-back of HK$20 million share option expenses in previous years. The Company granted 6,500,000 shares of options in June 2007 (the "2007 Options"). The vesting condition of the 2007 Options was not met and as such the corresponding share option expenses recognized in previous years amounting to HK$20 million were reversed on 30 June 2010, the vesting date for the 2007 Options ("Share Option Expenses Adjustment"). Excluding the Share Option Expense Adjustment in the previous year, total selling, general and administrative expenses, excluding depreciation and amortisation, increased by 4% to HK$250 million (2010: HK$241 million), mainly due to the higher staff costs but offset by a lower provision being made for the impairment of accounts receivable.

Other expenses increased from HK$8 million in the previous year to HK$20 million mainly representing the loss on disposal and write down of concession rights in relation to the dismantling of bus shelter in Shenzhen in preparation for the World University Games and replacement of certain shelter components in connection to the city cleaning up and standardization of shelter exercise undertaken by the Beijing authority in the second half of the year.

EBITDA

The Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 16% to HK$547 million for the year ended 31 December 2011 from HK$473 million in the previous year mainly due to the higher turnover in the current year. EBITDA margin remained at 37%. Excluding the Share Option Expense Adjustment, EBITDA increased by 21% to HK$547 million (2010: HK$453 million) while EBITDA margin increased to 37% from 36% in the previous year.

EBIT

The Group's earnings before interest and tax ("EBIT") increased by 21% to HK$275 million for the year ended 31 December 2011 from HK$227 million in the previous year. Excluding the impact from the Share Option Expense Adjustment, EBIT increased by 33% to HK$275 million (2010: HK$207 million), mainly due to higher turnover in the current year.

FINANCE COSTS

During the year under review, the Group carried no debt hence the finance cost incurred was minimal at HK$3 million (2010: HK$3 million).

TAXATION

Taxes levied on the Group increased to HK$71 million for the year ended 31 December 2011 from HK$51 million in the previous year. This was primarily due to the increase in assessable profits as a result of the higher turnover during the year.

Management Discussion and Analysis

According to the new PRC Enterprise Income Tax Law effective on 1 January 2008, the WHA Joint Venture, an indirect majority-owned subsidiary of the Company established in the Hainan Special Economic Zone of the PRC, was subject to a corporate income tax at an average rate of 24.5% (2010: 23.5%) on its assessable profits arising in the PRC for the year ended 31 December 2011. The tax rate will increase eventually to 25% in 2012. The deferred tax balances have been adjusted accordingly to reflect the tax rate increment applicable to the respective periods when the assets are realized or the liabilities are settled.

NET PROFIT

Net profit increased by 13% to HK$188 million for the year ended 31 December 2011 from HK$166 million in the previous year. Excluding the Share Option Expense Adjustment, net profit increased by 28%, while net profit margin remained at 13%.

CASH FLOW

Net cash flows from operating activities increased by as much as 36% to HK$649 million for the year ended 31 December 2011 from HK$478 million in the previous year, mainly due to the higher operating profit for the year and improvement in working capital management.

Net cash flows used in investing activities increased to HK$347 million for the year ended 31 December 2011 from HK$244 million in the previous year mainly due to the higher capital expenditure outlay on expansion of the Group's bus shelter network. In particular, the Group made acquisitions of bus shelter concession rights in Kunming and Beijing during the year.

There were no net cash flows from financing activities during the year as no external financing was required and there was no exercise of share option in 2011.

Free cash flow, defined as EBITDA (before losses on disposal and write off of concession rights and other assets and equity-settled share option expenses) less cash outflow on capital expenditure, less income tax and net interest expense, increased to HK$159 million for the year ended 31 December 2011 compared to HK$151 million in the previous year. The increase was mainly due to the higher EBITDA generated in 2011 offset by higher capital expenditure during the year.

TRADE RECEIVABLES

The Group's accounts receivable balance due from third parties increased by 16% to HK$515 million as at 31 December 2011 from HK$445 million as at 31 December 2010. This was mainly due to the higher sales during the current year. None of the accounts receivable was due from connected persons, as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Accounts receivable from Guangdong White Horse Advertising Company Limited ("GWH") are disclosed separately and discussed below.

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally 90 days, extending up to 180 days for major customers. The Group maintains control over its outstanding receivables. Overdue balances are reviewed regularly and processes are in place to ensure balances are collected. The accounts receivable relates to a large number of diversified customers.

Average accounts receivable outstanding days, on a time-weighted basis, improved to 106 days for the current year from 119 days in the previous year. As at 31 December 2011, the provision for impairment of accounts receivables increased to HK$40 million from HK$39 million as at 31 December 2010. We will continue to closely monitor the accounts receivable balance and ensure the level of provision is appropriate but prudent.

DUE FROM RELATED PARTY

As at 31 December 2011, the amount due from GWH decreased to HK$134 million from HK$142 million as at 31 December 2010. The decrease was mainly due to the higher level of cash collection from GWH during the year. We will continue to work closely with GWH to expedite collection.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group's total prepayments, deposits and other receivables as at 31 December 2011 decreased to HK$186 million from HK$261 million as at 31 December 2010.

The decrease of prepayments, deposits and other receivables was mainly due to the full settlement from Beijing Pangu Investment Co., Ltd. ("BMIC") amounting to RMB80 million. Further, the balance of prepayments, deposits and other receivables for the year ended 31 December 2011 included a deposit receivable amounting to HK$15 million (31 December 2010: HK$25 million), which has been placed with an independent third party in Guangzhou (the "Guangzhou Bus Body Advertising Rights Deposit"). The arrangement was terminated in November 2009. HK$10 million was settled during the year and the remaining balance of HK$15 million is expected to be repaid in 2012.

LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Total long-term prepayments, deposits and other receivables included a non-current portion of a prepaid bus shelter lease payment amounting to HK$13 million (31 December 2010: HK$15 million).

OTHER PAYABLES AND ACCRUALS

The Group's total payables and accruals as at 31 December 2011 were HK$454 million, compared to HK$377 million as at 31 December 2010. The increase was mainly due to increase in capital expenditure and bus shelter rental cost payables. It would be inappropriate to give the turnover days against sales figures as the payable is more closely related to capital expenditure incurred for the acquisition of bus shelter concession rights.

ASSETS AND LIABILITIES

As at 31 December 2011, the Group's total assets amounted to HK$3,734 million, a 15% increase from HK$3,253 million, as at 31 December 2010. The Group's total liabilities increased to HK$577 million as at 31 December 2011, from HK$447 million as at 31 December 2010. Net assets as at 31 December 2011 increased by 12% to HK$3,157 million from HK$2,806 million as at 31 December 2010. This was mainly a result of the retention of the net profit earned during the year and foreign exchange gain from translation of the Group's RMB operation in mainland China. Net current assets increased from HK$1,148 million as at 31 December 2010, to HK$1,321 million as at 31 December 2011.

As at 31 December 2011, the Group's total cash and bank balances amounted to HK$973 million (31 December 2010: HK$671 million).

SHARE CAPITAL AND SHAREHOLDERS' EQUITY

There was no change in share capital during the year. Total shareholders' equity for the Group as at 31 December 2011 rose by 12%, to HK$3,157 million, from HK$2,806 million as at 31 December 2010. The Group's reserves as at 31 December 2011 amounted to HK$3,026 million, a 12% increase over the corresponding balance of HK$2,694 million as at 31 December 2010. This was mainly a result of the retention of the net profit earned during the year and the foreign exchange difference from translation of the Group's RMB operation in mainland China. The Group undertook no share repurchases during the year.

Management Discussion and Analysis

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group's only investment in China remains its operating vehicle, the WHA Joint Venture, which solely conducts business within the PRC. Leaving aside interest payable, repayment of foreign currency loans obtained to finance the WHA Joint Venture's operations, the bulk of its turnover, capital investment and expenses is denominated in RMB. As at the date of this report, the Group has not experienced any difficulties in obtaining government approval for its necessary foreign exchange purchases. During the year under review, the Group did not issue any financial instruments for hedging purposes.

The average exchange rate of the RMB has appreciated by 4.95% against the Hong Kong Dollar during the year. The Group's turnover and costs are largely denominated in RMB, which will largely offset each other. However, as the Group's net profit is reported in Hong Kong Dollars, the appreciation of RMB will have a positive impact on the Group's net profit.

The majority of our operating assets are located in the PRC and are denominated in RMB. The foreign exchange rate of the RMB has appreciated against the Hong Kong Dollars during the year, and has resulted in an increase of foreign currency translation reserve of approximately HK$140 million (2010: HK$92 million).

LIQUIDITY, FINANCIAL RESOURCES, BORROWING AND GEARING

The Group financed its operations and investment activities mainly with internally generated cash flow.

As of 31 December 2011, the Group's total cash and cash equivalents amounted to HK$973 million (HK$671 million as at 31 December 2010). As at the same year end, the Group had bills payable of HK$53 million (31 December 2010: HK$71 million). The Group had no short-term or long-term debt outstanding as at 31 December 2011 (31 December 2010: Nil).

The Group's current policy is to maintain a low level of gearing. This policy will be reviewed on an annual basis. We will continue to invest and expand our bus shelter network and explore investment opportunities in alternate media assets with an aim to maximise return to shareholders.

CAPITAL EXPENDITURE

For the year ended 31 December 2011, the Group spent HK$383 million on the construction of bus shelters and acquisition of concession rights, and HK$12 million on fixed assets, compared to HK$260 million and HK$12 million, respectively, in 2010. Total capital expenditure increased for the current year was mainly due to higher capital expenditure outlay on expansion of the Group's bus shelter network.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no other material acquisitions or disposals of any subsidiaries, associates or joint ventures of the Group during the year.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2011, the Group had a total of 505 employees, a decrease of 3% compared to 31 December 2010. Total wages and salaries increased by 15% year-on-year mainly due to salary increment and higher sales commission earned by our employees.

As a matter of policy, employees are remunerated based on their performance, experience and the prevailing industry practices, and compensation policies and packages are reviewed on a regular basis. Bonuses are linked to the performance of both the Group and the individual as recognition of value creation. Share options are also granted to senior management in an effort to align individual interests with the Group's interests. Training courses and conferences aimed at improving team members' knowledge and skills were organized throughout the year.

CHARGES ON GROUP ASSETS

There was no outstanding charge on the Group's assets as at 31 December 2011, other than time deposits of RMB27 million (approximately HK$33 million) pledged as securities for bills payable of RMB43 million (approximately HK$53 million), and time deposits of RMB10 million (approximately HK$12 million) pledged for a guarantee issued by a bank of RMB20 million (approximately HK$25 million) for the Group's Shenzhen bus body advertising business.

CAPITAL COMMITMENTS

As at 31 December 2011, the Group had capital commitments contracted but not provided for in relation to the construction of bus shelters amounting to HK$25 million (31 December 2010: HK$15 million).

CONTINGENT LIABILITIES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against the Company or any of its subsidiaries.

OUTLOOK

Our management is cautious about issues that include uncertainty over the global economic environment and the tightening effect of the government measures to curb property prices and inflation, on the advertising industry in China. In the long-run, Clear Media is optimistic about the prospects of the advertising sector in China on the back of a continuous increase in domestic consumer spending.

In 2012, we will continue to strike an optimal balance between rate-card increases and occupancy rates. We will continue to provide tailor-made business plans and packages for our customers. And we will continue to foster a customer-centric mindset among our sales staff. In addition to consolidating our presence in core cities, we will strive to increase our market share in mid-tier cities by putting more resources into the expansion and enhancement of our district sales centers.

In 2011, new initiatives were deployed to raise the cleaning and maintenance standards of our bus shelters in key cities in order to maintain the premium pricing position of our advertising platform. We will extend these efforts to more cities in 2012 as we believe the Group's bus shelter advertising businesses will enjoy long-term benefit from the upgraded standards.

The Group also plans to further improve our internal management system in 2012, including the roll-out of a new Bar Code System for centralised inventory management. This should improve our product quality, enhance our operating efficiency and create greater value in our existing assets.

The Group has achieved encouraging results for the past two years. Looking forward, we will endeavor to strengthen and broaden our core advertising business by expanding our bus shelter network through organic buildout, third-party leasing and acquisitions, and by deploying new display or interactive technology at the right time. Riding on our solid business foundation and financial strength, we will be actively exploring complementary advertising formats and segments to widen our advertising footprint profitably.

FAQS

WHAT ARE YOUR KEY COMPETITIVE ADVANTAGES?

We combine local knowledge of China and global expertise of our largest shareholder - Clear Channel in the United States, the world's largest outdoor advertising company. Our management team and staff are all very experienced in the outdoor advertising industry. Our nationwide network spans across nearly 30 key cities in China, offering the convenience of a one-stop shop. We have the advantage of being a "pioneering market player" and enjoy a leading market share in the top cities in which we operate. We have established solid relationships with local governments and have a good reputation in the industry. A majority of our concessions have contractual periods of ten years or more. The longer we maintain our leadership role in the outdoor advertising industry, the more we are trusted by advertisers and city governments.

WHY IS CLEAR MEDIA ATTRACTIVE TO INVESTORS?

Profitability — The first thing investors see is our proven track record of thirteen consecutive years of solid performance. **Transparency** — Because we are a publicly traded company, investors can see how we operate and know they can get answers to their questions before committing themselves. **Independence** — all media companies in China, except for those operating in the outdoor segment, are state-owned. **Responsibility** — we are committed to monitoring internal control and ensuring high standards of corporate governance at all times and in all areas of its operations with the objective to maximize long term shareholders' value. We effectively adopt the best practice of control policies and procedures of Clear Channel, our largest shareholder and the world's largest outdoor advertising company, listed on the New York Stock Exchange.

WHAT IS YOUR LONG-TERM STRATEGY AND HOW WILL YOU MAINTAIN THE GROWTH MOMENTUM?

Clear Media is optimistic about the long-term prospects of the advertising sector in China on the back of continuous rise in domestic consumption driven by urbanization and rising general income. Looking forward, we will continue to optimise the balance between advertising rate-card increase and the rise in occupancy rate and we will endeavor to further broaden our advertising revenue by expanding our bus shelter network through organic buildout, third-party leasing and acquisitions, and by deploying new display or interactive technology at the right time. In addition, we will be actively exploring complementary advertising formats and segments to widen our advertising footprint profitably.

WHAT IS YOUR CASH POSITION AND GEARING RATIO?

The Group continued to enjoy a strong financial position, with net cash of as much as HK$973 million and no debt as at 31 December 2011. During 2011, cash generated from operations increased by 37% to HK$674 million and net cash rose by HK$302 million. Our Directors proposed for the first time a final dividend of HK 5 cents per share. Going forward, future dividend is expected to be assessed on an annual basis. We plan to utilise the remainder of our financial resources to further expand our bus shelter advertising network, deploy new display or interactive technology at the right time and actively explore complementary advertising formats and segments to widen our advertising footprint profitably.

Biographies of Directors

Chairman of the Board
Chairman of the Nomination Committee
Chairman of the Directors' Securities Dealing Committee
Non-Executive Director

ZHU JIA

Mr. Zhu, aged 49, is currently a Managing Director of Bain Capital Asia, LLC. He has extensive experience in investing and capital markets transactions. Since joining Bain Capital in 2006, Mr. Zhu has led Bain Capital's investments in China. Before joining Bain Capital Asia, LLC in 2006, he was a Managing Director of the investment banking division of and the Chief Executive Officer of the China business of Morgan Stanley Asia Limited. Mr. Zhu is currently the Non-Executive Chairman of ASIMCO Technologies Limited. He is also a Non-Executive Director of Gome Electrical Appliances Holding Limited, SinoMedia Holding Limited, Greatview Aseptic Packaging Company Limited, and Sunac China Holdings Limited, the shares of which are listed on the Stock Exchange of Hong Kong, and a Director of Youku.com, listed on the New York Stock Exchange.

Deputy Chairman
Non-Executive Director

WILLIAM ECCLESHARE

Mr. Eccleshare, aged 56, is currently the Chief Executive Officer of Clear Channel Outdoor Holdings, Inc. (CCO). Prior to his appointment by CCO effective from January 2012, Mr. Eccleshare was the President and Chief Executive Officer of Clear Channel International (CCI), a subsidiary of CCO. Before his appointment by CCI effective from September 2009, Mr. Eccleshare was the Chairman and CEO of BBDO Europe, one of the world's leading marketing communications agencies, where he was responsible for all BBDO advertising, direct marketing, digital, and public relations agencies. Prior to that position, Mr. Eccleshare was the Chairman and CEO of Young & Rubicam EMEA. Throughout his career, he also held senior executive roles at McKinsey & Company, where he was Partner, European Branding Practice; Ammirati Puris Lintas, as Chairman and CEO EMEA; and J Walter Thomson, where he held various senior titles. Mr. Eccleshare is also a Non-Executive Director at Hays Plc. He was the Chairman of the Company's Remuneration Committee until 9 February 2012.

Mr. Eccleshare holds an M.A. in history from Trinity College Cambridge.

Deputy Chairman
Chairman of the Cash Committee
Non-Executive Director

PETER COSGROVE

Mr. Cosgrove, aged 58, has been a Director of the Company since 2001 and has over 20 years' experience in the outdoor advertising industry. He is currently the Chairman of Buspak Advertising (Hong Kong) Limited.

In 2004, Mr. Cosgrove was appointed a Director of APN News & Media Limited, a company listed on the Australian Stock Exchange. He is the Chairman of GlobeCast Australia, a broadcasting business in Australia and New Zealand.

Chief Executive Officer
Executive Director

Chief Financial Officer
Executive Director

Chief Operating Officer
Executive Director

HAN ZI JING

Mr. Han, aged 56, has been with the Group since 1998. Before that, he was General Manager of Guangdong White Horse Group Corporation, a diversified company with interests ranging from property to medical equipment. Mr. Han was also Director of the Hong Kong Overseas Representative Office of China Science and Technology Association, a liaison body between the PRC Government and the international science and technology communities. Mr. Han has a Bachelor's degree and graduated from a postgraduate course at the South China Normal University. He is a brother of Mr. Han Zi Dian.

TEO HONG KIONG

Mr. Teo, aged 47, joined the Group in 1999 from PricewaterhouseCoopers. He worked in both the Singapore and Beijing offices of PricewaterhouseCoopers where he held senior positions. He graduated from the National University of Singapore and is a Certified Public Accountant in Singapore.

ZHANG HUAI JUN

Zhang Huai Jun (Harrison), aged 41, was appointed as Chief Operating Officer of the Company in November 2007. Mr. Zhang joined Hainan White Horse Advertising Media Investment Co., Ltd. in July 2000. He was appointed as National Sales Director from September 2002 to October 2007 and Sales General Manager of Northern Sales Center from July 2000 to August 2002.

Before joining the Company, Mr. Zhang worked for Procter & Gamble (China) as Brand Manager in its marketing department from 1996-2000. Mr. Zhang has extensive experience of marketing, sales and media.

Mr. Zhang graduated from Guanghua School of Management, Peking University in 1996 with a Bachelor degree in Economics.

Biographies of Directors

Non-Executive Director

Non-Executive Director

Non-Executive Director

JONATHAN BEVAN

Mr. Bevan, aged 40, has been Non-Executive Director since May 2010. Prior to this he was an alternate Director of the Company from November 2007 to May 2010 and was a Non-Executive Director of the Company between December 2003 and November 2007. He is the Managing Director and Chief Operating Officer of Clear Channel International (CCI) which operates the outdoor interests of Clear Channel Outdoor Holdings Inc in Europe, Latin America, Australasia and Asia. He has over 14 years experience in out of home advertising having previously held a number of positions at CCI, most recently including Chief Financial Officer from November 2006 to November 2009. Prior to joining CCI he trained as a Chartered Accountant at Coopers and Lybrand (now PricewaterhouseCoopers).

He graduated in Economics from Bristol University in the United Kingdom.

MARK THEWLIS

Mr. Thewlis, aged 45, is the Regional President for Clear Channel's Radio and Outdoor Advertising operations in Asia Pacific and prior to that was Senior Vice President — Operations with responsibility for a number of business units throughout Europe. Mr. Thewlis previously held the position of Director of Finance for Clear Channel International based in London.

Prior to joining Clear Channel Outdoor in 2002, Mr. Thewlis was Chief Financial Officer for Adshel Street Furniture Pty Ltd in Australia — a joint venture between Clear Channel Outdoor and APN News & Media Limited. Mr. Thewlis was involved with the early development of the business, including extensive contract negotiations with local authorities, management of the annual capital expenditure programme and establishment of third-party finance facilities.

Mr. Thewlis obtained his degree in accounting from the University of Canberra in 1990. He then qualified as a Chartered Accountant in Australia and became a registered tax agent in 1994.

HAN ZI DIAN

Mr. Han, aged 48, is one of the founders of the bus shelter advertising business acquired by the WHA Joint Venture in April 1998. He is also the General Manager of White Horse Advertising, one of China's leading domestic advertising agencies, and is an adjunct professor at the Design Faculty of the Guangzhou Art College. He has 20 years' experience in the advertising industry and was voted by News Weekly as one of the "Top 10 Advertising Persons from 1979-1999" in China. Mr. Han is the Vice Chairman of the China International Advertising Association. He graduated from the Design Faculty of Guangzhou Arts College. He is the brother of Mr. Han Zi Jing.

Chairman of the Audit Committee
Chairman of the Remuneration Committee
Independent Non-Executive Director

Independent Non-Executive Director

Independent Non-Executive Director

DESMOND MURRAY

Mr. Murray, aged 56, is a qualified accountant and a member of the Hong Kong Institute of Certified Public Accountants. Since June 2011, he has been appointed as an Independent Non-Executive Director of Sun Art Retail Group Limited which is listed on the Main Board of the Hong Kong Stock Exchange. He was an audit partner in PricewaterhouseCoopers Hong Kong from 1987 through 2000. Since withdrawing from practice with PricewaterhouseCoopers, Mr. Murray has taken on a number of non-executive directorships and acts as a business consultant to a number of smaller businesses. While working with PricewaterhouseCoopers, he advised boards and audit committees of companies listed in Hong Kong, China, and throughout the region, both as an audit partner and as an advisor in relation to both internal audit and corporate governance.

Mr. Murray has been a Director of the Company since 2003.

WANG SHOU ZHI

Mr. Wang, aged 65, has over 25 years in researching design theories and history since 1982, and has been a professor of design theories in the Department of Liberal Arts & Sciences in Art Center College of Design in Pasadena, California since 1988. He is the Dean of Cheung Kong School of Art and Design, Shantou University since December 2011, and prior to that he was the Vice Dean. Mr. Wang has been the Chief Consultant of the Academic Orientation Committee of Tsinghua (Qinhua) University since 2003, and an honor professor at the Central Academy of Fine Art, Shanghai University, Nanjing Polytechnic University and some twenty other universities in China.

He is also a lecturer at the Southern California Institute of Architecture, California Institute of the Arts, Otis Institute of Art & Design, and the University of Southern California. Mr. Wang has acted as Chief Advisor to China's Industrial Design Association, National Advertising Association, National Interior Design Association, and the National Graphic Design Association. He obtained his postgraduate degree from the Graduate School of Wuhan University.

Mr. Wang has been a Director of the Company since 2001.

LEONIE KI SBS, JP

Ms. Ki, aged 64, has over 30 years of experience in integrated communication and marketing services. She was Founder and Chairman of Grey Hong Kong Advertising Ltd. and Grey China Advertising Ltd. Currently, Ms. Ki serves as Non-executive Director of New World Development Co. Ltd., Managing Director of New World China Enterprises Projects Ltd, and Independent Non-Executive Director of Sa Sa International Holdings Limited. She is also a member of Court and Council of Lingnan University of Hong Kong as well as a member of the CPPCC of the Yunnan Province in the PRC.

Ms. Ki has been a Director of the Company since 2004.

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 on Corporate Governance Practices (the "Code") and the requirements of the "Corporate Governance Report" as set out in Appendix 14 and Appendix 23, respectively 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 2011:

	Number of meetings attended and held					
	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Capital Expenditure Committee	Cash Committee
EXECUTIVE DIRECTORS						
Mr. Han Zi Jing *(Chief Executive Officer)*	4/5					
Mr. Teo Hong Kiong *(Chief Financial Officer)*	5/5				6/6	
Mr. Zhang Huai Jun *(Chief Operating Officer)*	5/5				6/6	2/2
NON-EXECUTIVE DIRECTORS						
Mr. Zhu Jia *(Chairman)* (appointed with effect from 23 Aug 2011)	1/1					
Mr. Jingsheng Huang *(Chairman)* (resigned with effect on 22 Aug 2011)	2/3			2/2		
Mr. William Eccleshare	5/5		3/3			
Mr. Peter Cosgrove	5/5	4/4	3/3	3/3		2/2
Mr. Jonathan Bevan	4/5				6/6	
Mr. Mark Thewlis	5/5				6/6	2/2
Mr. Han Zi Dian (brother of Mr. Han Zi Jing)	0/5					
ALTERNATE DIRECTORS						
Mr. Zou Nan Feng (alternate to Zhang Huai Jun and Han Zi Dian)	0/5					
INDEPENDENT NON-EXECUTIVE DIRECTORS						
Mr. Desmond Murray	5/5	4/4	3/3	3/3		
Mr. Wang Shou Zhi	4/5	4/4	3/3	2/3		
Ms. Leonie Ki Man Fung	5/5	4/4	3/3	3/3		

Since the Directors' Securities Dealing Committee was established with the principal function of handling the notification and clearance of our directors' dealing in our Company's securities pursuant to Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) to the Listing Rules and regular committee meetings are not considered necessary for its principal function, there was no Directors' Securities Dealing Committee meeting during the year.

As of the date of this report, the Board comprises 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 pages 28 to 31.

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 non-executive 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 organisations 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 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 appraised of all major changes that may affect the Group's businesses.

The minutes of Board meetings are prepared by the Group's 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 authorised 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.

Corporate Governance Report

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 Bye-laws and related Board resolutions, one-third of the 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 are eligible for re-election at the same Annual General Meeting. All non-executive directors are appointed for a fixed term of three years and are subject to retirement by rotation and re-election at least once every three years.

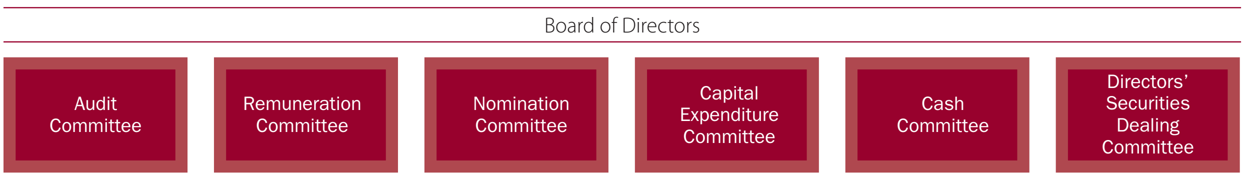
All newly appointed directors are briefed by the Company's lawyers about their duties and obligations as a director of a listed company. Newly appointed directors are also encouraged to discuss with the Chairman any additional information or training they feel they require to discharge their duties more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

ROLES OF THE BOARD

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

BOARD COMMITTEES

The Board has established six Committees to oversee particular aspects of the Group'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. Except for the Directors' Securities Dealing Committee of which regular meetings are not considered necessary for its principal function, 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 have 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 Group's company secretary, 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 include:

— deciding on the appointment and terms of engagement of the external auditors;
— reviewing and monitoring financial reports and the judgements contained in them; and
— reviewing financial and internal controls and accounting policies and practices with our management and internal and external auditors.

The Audit Committee met four times in 2011.

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 process, the Audit Committee also discusses matters raised by the external auditors. In 2011, the external auditors made presentations to the Audit Committee on the implications of the introduction of new accounting standards in Hong Kong. The Audit Committee also regularly reviews the effectiveness of the Company's financial controls, internal control systems, and risk management system. The Audit Committee reviews and approves the annual internal audit plan on a risk-assessment basis and assesses whether they are in line with the Group's business risks. The Audit Committee subsequently reports its recommendations to the Board for further review and approval. All issues reported by the 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 Audit Committee summarises the activities of the Audit 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 & Young were as follows:

	2011 **HK$'000**	2010 HK$'000
Audit fees	**1,822**	1,580
Non-audit fees	**1,408**	616

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 & Young. The Audit Committee will therefore recommend to the Board that Ernst & Young be re-appointed as the Group's external auditors at the Annual General Meeting in 2012.

Corporate Governance Report

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 Remuneration 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 three times in 2011 to review and approve the directors' remuneration packages.

MEMBERS OF THE REMUNERATION COMMITTEE

William Eccleshare, *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 to the Group's performance and evaluating their compensation against corporate goals, so that the interests of the executive directors and the 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 Financial Statements" on pages 79 to 81.

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 maximising long-term value for its shareholders. Details of the share options granted to executive directors and the management team to date are published on pages 51 to 54 of the "Report of the Directors."

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 2011 can be found on pages 79 to 81 of the "Notes to 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

Zhu Jia, *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 a candidate's professional background, especially advertising, financial and commercial experience, and 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 the 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 approval. The Nomination Committee met three times in 2011 to discuss and recommend the nomination of non-executive directors 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 Chief Financial Officer, Chief Operating Officer and two non-executive directors with relevant international operational experience.

MEMBERS OF THE CAPITAL EXPENDITURE COMMITTEE

Teo Hong Kiong, *Chief Financial Officer, Executive Director*
Zhang Huai Jun, *Chief Operating Officer, Executive Director*
Jonathan Bevan, *Non-Executive Director*
Mark Thewlis, *Non-Executive Director*

The Capital Expenditure Committee met six times in 2011 to review new projects and subsequently made recommendations to the Board for its approval.

CASH COMMITTEE

In August 2011, the Cash Committee was established, with the main roles and responsibilities clearly defined in its terms of reference, for reviewing the adequacy of and the options for utilization of the Group's cash on hand with a view to enhance shareholders' interests, and making related recommendations to the Board. The options to be considered by the Cash Committee, from time to time, include, but not limited to, the following:

i) significant capital investment for the organic expansion of the Group's businesses;
ii) significant mergers and acquisitions;
iii) recommendation for various forms of dividends;
iv) share repurchase by the Company; and
v) repayment of any significant borrowing, if any.

The members of this Committee include two non-executive directors and the Group's Chief Operating Officer.

Corporate Governance Report

MEMBERS OF THE CASH COMMITTEE

Peter Cosgrove, *Non-Executive Director (Chairman)*
Zhang Huai Jun, *Chief Operating Officer, Executive Director*
Mark Thewlis, *Non-Executive Director*

The Cash Committee met twice in 2011 to review the adequacy of and various options for utilization of the Group's cash on hand and made recommendations to the Board for its approval.

DIRECTORS' SECURITIES DEALING COMMITTEE

In August 2011, the Directors' Securities Dealing Committee was established with the main roles and responsibilities clearly defined in its terms of reference and the principal function for handling the notification and clearance of Directors' dealing in the Company's securities pursuant to Appendix 10 to the Listing Rules. The members of this Committee include the Chairman of our Board, the Chief Financial Officer and a non-executive director.

MEMBERS OF THE DIRECTORS' SECURITIES DEALING COMMITTEE

Zhu Jia, *Non-Executive Director (Chairman)*
Teo Hong Kiong, *Chief Financial Officer, Executive Director*
Mark Thewlis, *Non-Executive Director*

Given the nature of the Committee's principal function, regular meetings are not considered necessary and there was no Committee meeting during the year.

During the year, the Committee received one notification letter from a non-executive Director and subsequently, issued one clearance letter in response pursuant to Appendix 10 to the Listing Rules.

INTERNAL CONTROL, INTERNAL AUDIT AND FINANCIAL REPORTING

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 the Group's assets, and to safeguard these assets against unauthorised 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 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 2010, the Board approved a 3-year rotational internal audit plan covering several different departments. The objective of this plan is to reduce potential risks and improve operational efficiency. The Group subsequently outsourced the completion of this work to a 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 the progress of the work plan and related findings to the Board at each meeting during the year.

INTERNAL CONTROL, INTERNAL AUDIT AND FINANCIAL REPORTING (CONTINUED)

The Company effectively became a subsidiary of Clear Channel Outdoor Holdings, Inc. ("CCO") in 2005, resulting in the consolidation of the Group in CCO's financial results. CCO is listed on the New York Stock Exchange and is 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 a review regarding its compliance with the requirements under the SOX in 2011 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.

The directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs of the results and cash flow for the year. Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Independent Auditor's Report on page 56 of this annual report has set out the responsibilities of Ernst & Young, the external auditors of the Company.

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 of 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 legal advisors.

The Group is committed to ethical business conduct and compliance with underlying Bribery and Corruption Laws. During the year, the Group implemented new Code of Business Conducts and Ethics and Anti-corruption Compliance Policies and Procedures which apply to all of the Group's employees.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. In 2011, 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 2011.

DIRECTORS' INTERESTS

Full details of individual director's interests in the shares and share options of the Company are set out on pages 48 to 54 of the "Report of the Directors."

OPEN COMMUNICATION

The Group 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 maximise returns for its shareholders.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

Effective communication with shareholders has always been one of the Group's priorities. The various channels by which the Group communicates with its shareholders include interim and annual reports, the Company's websites, and general 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 in a timely manner. The publication of the Group's financial results on a semi- annual basis enhances transparency regarding 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 two months and three months, respectively after the end of the relevant periods. An Annual General Meeting will be held no later than 6 months after the financial year-end, and all shareholders are encouraged to attend the Annual General Meeting to discuss the progress of the Group's businesses.

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 before 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 the Company are ordinary shares. The total number of outstanding shares issued at the date of this annual report was 529,000,500. All shareholders whose shares are registered in the Company's register of shareholders before the record date published in the Company's shareholders' meeting notice are entitled to vote at the meetings. In accordance with the Listing Rules, any votes of shareholders at the Company's general meetings are taken by poll. Results of shareholders' meetings are reported to the public via announcements submitted to the Hong Kong Stock Exchange, and are also uploaded to the Group's websites.

Shareholders who wish to exercise their rights 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

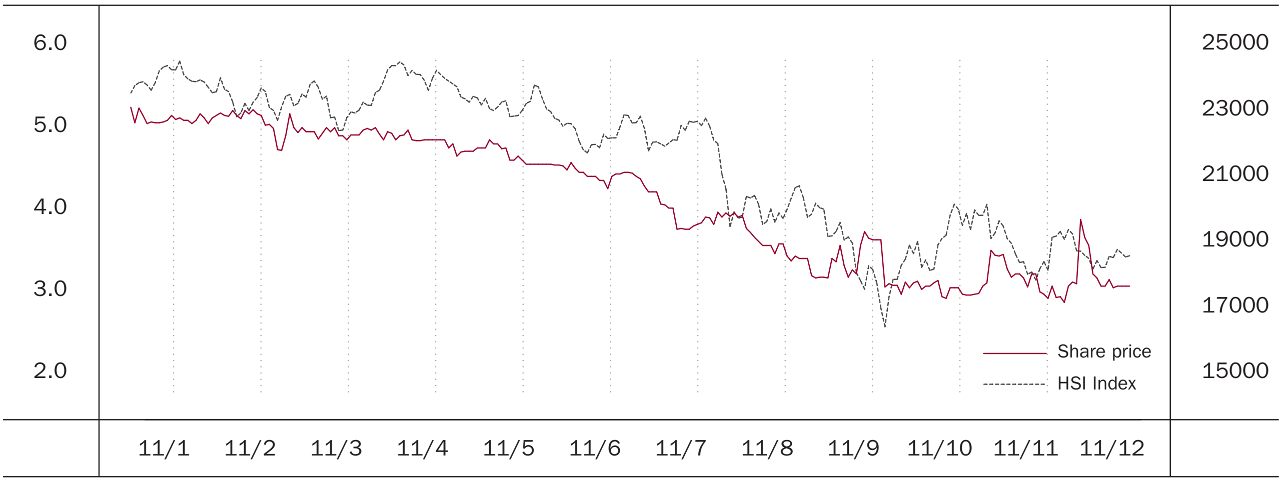
The Group regards open communication with both existing and potential investors as being vital to its sustained success. To this end, the Group insists on full, honest, equal and timely disclosure of all essential information regarding its business to the investment community. The Group is committed to transparent communication and is determined to maintain close ties with the investment community. Our senior management team regularly attends investor conferences organised by securities houses in Hong Kong, China and overseas.

The Group's corporate website also provides an effective communication platform where the public and investor community have fast and easy access to up-to-date information regarding the Group.

FINANCIAL CALENDAR 2012

Results Announcement 2011	9 February
Annual General Meeting	Early June
Interim Results Announcement	Early August
Financial Year End	31 December

SHARE PRICE PERFORMANCE



Sources: (Bloomberg)

82.1 million shares were traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2011. The highest trading price for the share was HK$5.19 on 5 January 2011 and the lowest was HK$2.80 on 6 December 2011.

Report of the Directors

The directors of the Company are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 57 to 104.

At the Board meeting held on 9 February 2012, the Directors proposed a final dividend of 5 cents per share (2010: Nil) which is equivalent to HK$26,450,025 (2010: Nil) based on the 529,000,500 outstanding shares. The final proposed dividend has been classified as a separate component in the equity and it has not been recognised as a liability in the financial statements. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed dividend will be payable on Friday, 20 July 2012 to the shareholder registered on the Register of Members on Monday, 11 June 2012.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements is set out on page 107. This summary does not form part of the audited financial statements.

The following is a summary of the published combined results and of the assets, liabilities and minority interests of the Group prepared on the basis set out in the note below:

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Results					
Profit attributable to:					
— Owners of the parent	**187,542**	166,068	31,258	166,067	141,584
— Non-controlling interests	**20,865**	10,323	5,332	16,873	13,248
Assets and liabilities					
Total assets	**3,733,576**	3,253,272	2,914,352	2,959,055	2,737,970
Total liabilities	**(576,698)**	(447,049)	(376,291)	(485,193)	(585,603)
Total equity	**3,156,878**	2,806,223	2,538,061	2,473,862	2,152,367

PROPERTY, PLANT AND EQUIPMENT AND CONCESSION RIGHTS

Details of movements in the property, plant and equipment and concession rights of the Group for the year ended 31 December 2011 are set out in notes 15 and 17 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year together with the reasons therefor, and details of the Company's share option schemes are set out in notes 24 and 25 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's retained earnings and other components of equity available for cash distribution and/or distribution in specie amounted to HK$1,334,620,000 (2010: HK$1,331,428,000) of which HK$26,450,025 (2010: Nil) has been proposed as a final dividend for the year. In accordance with the Bermuda Companies Act 1981, the Company's contributed surplus may be distributed in certain circumstances.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company's shares have been listed on the Stock Exchange since 19 December 2001. Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year and up to the date of this report.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions in Hong Kong (2010: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the Group's turnover for the year. Payment to the Group's five largest suppliers who provide goods and services which are specific to the Group's businesses and which are required on a regular basis to enable the Group to continue to supply or service its customers accounted for less than 30% of the Group's total payment to suppliers for the year.

None of the directors, or any of their associates, or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest advertisers and/or suppliers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 29 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules. The Group entered into the following continuing connected transactions and connected transactions during the year ended 31 December 2011:

1. CONTINUING CONNECTED TRANSACTIONS

(a) On 8 February 2010, the WHA Joint Venture terminated the previous framework agreement signed on 5 March 2007 and entered into a new three-year framework agreement (the "Framework Agreement") with Guangdong White Horse Advertising Company Limited ("GWH") for the years 2010, 2011 and 2012 on substantially the same terms as in the previous framework agreement. The Framework Agreement sets out the terms of the advertising commission arrangement between the WHA Joint Venture and GWH (described below) and provides that GWH may, with the consent of the WHA Joint Venture, assign part or all of the said agreement to an affiliated company or to such other company over which Mr. Han Zi Dian may exercise influence over the management and day-to-day operations. The assignee will assume the obligations and rights of GWH under the Framework Agreement and the applicable annual caps for the transactions under the Framework Agreement will remain unchanged. The underlying transactions pursuant to the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. At the Special General Meeting held on 3 March 2010, the independent shareholders approved the Framework Agreement and the annual cap amounts of the transactions under the Framework Agreement for the years 2010, 2011 and 2012.

The WHA Joint Venture is an indirect 80%-owned subsidiary of the Company. GWH is a connected person of the Company because Mr. Han Zi Dian, one of the Company's directors, is able to exercise influence over the management and day-to-day operations as director and general manager of GWH and controls the composition of a majority of the board of directors of GWH from his indirect interest of 14.2% in GWH (through his direct 29% interest in White Horse Advertising Limited, which in turn is a shareholder of GWH, having a 49% interest).

Customers of the WHA Joint Venture can be classified into two categories, namely (i) advertisers or end customers and (ii) advertising agencies. Under the advertising commission arrangement, GWH, as an advertising agency engaged by end customers for planning and implementing advertising campaigns, assists the WHA Joint Venture in procuring advertising sales. In return, the WHA Joint Venture pays an advertising commission to GWH for successful sales.

All sales contracts entered into by the WHA Joint Venture, including those contracts booked through GWH, are based on its standard terms and conditions and its standard price list, which are also applicable to sales contracts with other third party advertising agencies. The amount of advertising commission payable to GWH for procuring the sales contracts is based on the overall industry practice of roughly 8–15% of the value of the gross sales as a general reference point.

The approved annual caps for the gross value of sales from GWH for the financial years ending on 31 December 2010, 2011 and 2012 were HK$200 million, HK$230 million and HK$264.5 million, respectively. The approved annual caps for the advertising commission payable to GWH for each of these financial years were HK$30 million, HK$34.5 million and HK$39.7 million, respectively.

(b) On 3 March 2011, the WHA Joint Venture and GWH entered into a creative services agreement pursuant to which GWH agreed to provide to the WHA Joint Venture creative design services for posters, sales and marketing materials and company profiles. The total consideration for 2011 was approximately RMB3,000,000 (equivalent to approximately HK$3,627,000). Under the agreement, WHA Joint Venture shall pay to GWH the fees for such services on or before the 25th day of each calendar month. The term of the creative services agreement is from 1 January 2011 to 31 December 2013. These transactions were entered into on terms no less favourable than those available to or from independent third parties. The Group expects the total creative service fees payable to GWH to be approximately RMB3,000,000 for 2012 and 2013, respectively.

2. CONNECTED TRANSACTIONS

On 10 January 2010, China Outdoor Media Investment (Hong Kong) Company Limited ("China Outdoor Media (HK)"), an indirect wholly owned subsidiary of the company, and Hainan White Horse Advertising Company Limited ("Hainan White Horse"), signed an agreement to amend the Joint Venture Agreement, extending the term of the China Outdoor Media (HK)'s entitlement of 90% of the after tax profits of the WHA Joint Venture for a further year to the end of the fiscal year 2010. In consideration of extension of such profit sharing arrangement, China Outdoor Media (HK) made a one-off payment of HK$250,000 to Hainan White Horse.

China Outdoor Media (HK) has an option to further extend such profit sharing agreement for a further year thereafter to the end of the fiscal year 2011, subject to a further one-off payment of HK$250,000. In 2011, China Outdoor Media (HK) exercised its option and extended such profit sharing arrangement for a further year to end of the fiscal year 2011. These payments constitute de minimis connected transactions exempt from announcement and independent shareholders' approval under the Listing Rules because Hainan White Horse is a connected person of the Company by virtue of it being a substantial shareholder of the WHA Joint Venture.

The independent non-executive directors confirmed that all the connected transactions:

(a) had been entered into, and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business;

(b) had been conducted either (i) on normal commercial terms (which expression shall be applied by reference to transactions of a similar nature and to be made by similar entities); or (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than terms available to or from independent third parties, as appropriate; and

(c) had been entered into either (i) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Group's shareholders as a whole; or (ii) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties, as appropriate.

The independent non-executive directors further confirmed that the gross value of sales from GWH and the advertising commission payable by the Group to GWH in relation to the advertising commission arrangement did not exceed HK$230 million and HK$34.5 million during the year, respectively.

Report of the Directors

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules.

The auditors of the Group confirmed to the directors that:

(a) the transactions have received the approval of the board of directors;

(b) the transactions were entered into in accordance with the pricing policies as stated in the Company's financial statements;

(c) the transactions were entered into in accordance with the relevant agreements governing those transactions or if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and

(d) the transactions have not exceeded the caps set out in the respective paragraphs above.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Han Zi Jing
Teo Hong Kiong
Zhang Huai Jun

NON-EXECUTIVE DIRECTORS:

Zhu Jia	(appointed as non-executive director and Chairman of the Board on 23 August 2011)
Jingsheng Huang	(resigned as non-executive director and Chairman of the Board on 22 August 2011)
William Eccleshare	
Peter Cosgrove	
Jonathan Bevan	
Mark Thewlis	
Han Zi Dian	

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Desmond Murray
Leonie Ki Man Fung
Wang Shou Zhi

ALTERNATE DIRECTORS:

Zou Nan Feng (alternate director to Zhang Huai Jun and Han Zi Dian)

In accordance with clause 87 of the Company's bye-laws and board resolution, one-third of the directors will retire by rotation and, if eligible, will offer themselves for re-election at the forthcoming annual general meeting. The directors of the Company, including the independent non-executive directors, Chairman and Chief Executive are subject to retirement by rotation and re-election in accordance with the provisions of the Company's bye-laws at each annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 28 to 31 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years, which will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party to the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 29 to the financial statements, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, was a party during or at the end of the year.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, the interests and short positions of the directors, the Chief Executive or their associates in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

A. LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY AS AT 31 DECEMBER 2011:

Name of director	Number of shares held, capacity and nature of interest: Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	Percentage of the Company's issued share capital
Peter Cosgrove	—	—	—	250,000	250,000	0.05%
Han Zi Jing	—	—	7,700,000	—	7,700,000	1.46%
Zhang Huai Jun	349,000	—	—	—	349,000	0.07%

Note: The 250,000 shares are held by Media General Superannuation Fund of which Mr. Cosgrove is the sole beneficiary.

The 7,700,000 shares are held by Outdoor Media China, Inc. ("OMC"), a company incorporated in Western Samoa of Offshore Chambers. As at 31 December 2011, Mr. Han Zi Jing held approximately 98% of the issued share capital of Golden Profits Consultants Limited, which is the beneficial holder of 100% of the shares in OMC. The effective interest of Mr. Han in OMC is therefore 98%.

The interests of the directors in the share options of the Company are separately disclosed on pages 52 to 54.

B. LONG POSITIONS IN THE SHARES OF CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AS 31 DECEMBER 2011:

Clear Channel Outdoor Holdings, Inc. (Note 1)

Name of director	Number of shares held, capacity and nature of interest: shares — Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	Total	% of issued share capital
William Eccleshare	7,507	—	—	—	7,507	0.002
Jonathan Bevan	14,358	—	—	—	14,358	0.004
Mark Thewlis	10,708	—	—	—	10,708	0.003

1. Clear Channel Outdoor Holdings, Inc. is an indirect holding company of the Company.

C. RIGHT TO ACQUIRE SHARES IN CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AS AT 31 DECEMBER 2011:

Name of director	Date of Grant	Number of Outstanding Options as at 31 December 2011	Option Period	Subscription Price per share of Clear Channel Outdoor Holdings, Inc.
William Eccleshare	10/09/2009	20,000	10/09/2010 – 10/09/2019	US$7.02
	10/09/2009	20,000	10/09/2011 – 10/09/2019	US$7.02
	10/09/2009	7,680	10/09/2010 – 10/09/2019	US$7.02
	10/09/2009	7,680	10/09/2011 – 10/09/2019	US$7.02
	10/09/2009	15,361	10/09/2011 – 10/09/2019	US$7.02
	10/09/2009	7,680	10/09/2012 – 10/09/2019	US$7.02
	10/09/2009	15,360	10/09/2012 – 10/09/2019	US$7.02
	10/09/2009	7,681	10/09/2013 – 10/09/2019	US$7.02
	10/09/2009	15,361	10/09/2013 – 10/09/2019	US$7.02
	24/02/2010	15,523	24/02/2011 – 24/02/2020	US$9.57
	24/02/2010	15,524	24/02/2012 – 24/02/2020	US$9.57
	24/02/2010	15,523	24/02/2013 – 24/02/2020	US$9.57
	24/02/2010	15,524	24/02/2014 – 24/02/2020	US$9.57
	10/09/2010	15,895	10/09/2011 – 10/09/2020	US$10.40
	10/09/2010	15,896	10/09/2012 – 10/09/2020	US$10.40
	10/09/2010	15,895	10/09/2013 – 10/09/2020	US$10.40
	10/09/2010	15,897	10/09/2014 – 10/09/2020	US$10.40
	13/12/2010	5,120	10/09/2011 – 13/12/2020	US$13.75
	13/12/2010	5,120	10/09/2012 – 13/12/2020	US$13.75
	13/12/2010	5,120	10/09/2013 – 13/12/2020	US$13.75
	21/02/2011	22,500	21/02/2012 – 21/02/2021	US$15.06
	21/02/2011	22,500	21/02/2013 – 21/02/2021	US$15.06
	21/02/2011	22,500	21/02/2014 – 21/02/2021	US$15.06
	21/02/2011	22,500	21/02/2015 – 21/02/2021	US$15.06
Jonathan Bevan	11/11/2005	3,293	12/01/2008 – 12/01/2012	US$17.89
	11/11/2005	3,294	12/01/2009 – 12/01/2012	US$17.89
	11/11/2005	6,588	12/01/2010 – 12/01/2012	US$17.89
	13/02/2006	3,125	13/02/2009 – 13/02/2013	US$19.85
	13/02/2006	3,125	13/02/2010 – 13/02/2013	US$19.85
	13/02/2006	6,250	13/02/2011 – 13/02/2013	US$19.85
	23/05/2007	6,625	23/05/2008 – 23/05/2017	US$29.03
	23/05/2007	6,625	23/05/2009 – 23/05/2017	US$29.03
	23/05/2007	6,625	23/05/2010 – 23/05/2017	US$29.03
	23/05/2007	6,625	23/05/2011 – 23/05/2017	US$29.03
	16/05/2008	13,750	16/05/2009 – 16/05/2018	US$20.64
	16/05/2008	13,750	16/05/2010 – 16/05/2018	US$20.64
	16/05/2008	13,750	16/05/2011 – 16/05/2018	US$20.64
	16/05/2008	13,750	16/05/2012 – 16/05/2018	US$20.64
	06/02/2009	15,480	06/02/2010 – 06/02/2019	US$5.28
	06/02/2009	15,480	06/02/2011 – 06/02/2019	US$5.28
	06/02/2009	15,480	06/02/2012 – 06/02/2019	US$5.28
	06/02/2009	15,481	06/02/2013 – 06/02/2019	US$5.28

Report of the Directors

Name of director	Date of Grant	Number of Outstanding Options as at 31 December 2011	Option Period	Subscription Price per share of Clear Channel Outdoor Holdings, Inc.
	24/02/2010	15,863	24/02/2011 – 24/02/2020	US$9.57
	24/02/2010	15,863	24/02/2012 – 24/02/2020	US$9.57
	24/02/2010	15,863	24/02/2013 – 24/02/2020	US$9.57
	24/02/2010	15,862	24/02/2014 – 24/02/2020	US$9.57
	21/02/2011	16,000	21/02/2012 – 21/02/2021	US$15.06
	21/02/2011	16,000	21/02/2013 – 21/02/2021	US$15.06
	21/02/2011	16,000	21/02/2014 – 21/02/2021	US$15.06
	21/02/2011	16,000	21/02/2015 – 21/02/2021	US$15.06
Mark Thewlis	13/02/2006	6,250	13/02/2009 – 13/02/2013	US$19.85
	13/02/2006	6,250	13/02/2010 – 13/02/2013	US$19.85
	13/02/2006	12,500	13/02/2011 – 13/02/2013	US$19.85
	23/05/2007	6,625	23/05/2008 – 23/05/2017	US$29.03
	23/05/2007	6,625	23/05/2009 – 23/05/2017	US$29.03
	23/05/2007	6,625	23/05/2010 – 23/05/2017	US$29.03
	23/05/2007	6,625	23/05/2011 – 23/05/2017	US$29.03
	16/05/2008	13,250	16/05/2009 – 16/05/2018	US$20.64
	16/05/2008	13,250	16/05/2010 – 16/05/2018	US$20.64
	16/05/2008	13,250	16/05/2011 – 16/05/2018	US$20.64
	16/05/2008	13,250	16/05/2012 – 16/05/2018	US$20.64
	06/02/2009	11,610	06/02/2010 – 06/02/2019	US$5.28
	06/02/2009	11,610	06/02/2011 – 06/02/2019	US$5.28
	06/02/2009	11,610	06/02/2012 – 06/02/2019	US$5.28
	06/02/2009	11,611	06/02/2013 – 06/02/2019	US$5.28
	24/02/2010	11,897	24/02/2011 – 24/02/2020	US$9.57
	24/02/2010	11,897	24/02/2012 – 24/02/2020	US$9.57
	24/02/2010	11,897	24/02/2013 – 24/02/2020	US$9.57
	24/02/2010	11,897	24/02/2014 – 24/02/2020	US$9.57
	21/02/2011	13,750	21/02/2012 – 21/02/2021	US$15.06
	21/02/2011	13,750	21/02/2013 – 21/02/2021	US$15.06
	21/02/2011	13,750	21/02/2014 – 21/02/2021	US$15.06
	21/02/2011	13,750	21/02/2015 – 21/02/2021	US$15.06
Teo Hong Kiong	11/11/2005	2,500	11/11/2010 – 11/11/2015	US$18.00

1. Clear Channel Outdoor Holdings, Inc. is an indirect holding company of the Company.

Save as disclosed above, none of the directors nor the chief executive had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above and in the "Share Option Schemes" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director, or his or her respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries, a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Prior to 28 November 2008, the Company operated, among others, a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the Group's operations. The Old Scheme became effective on 28 November 2001 and expired on 28 November 2008, after then no further options had been granted under the Old Scheme. Options which were granted during the life of the Old Scheme shall continue to be exercisable in accordance with their terms of issue.

At the annual general meeting of the Company on 13 May 2009, an ordinary resolution was passed to approve and adopt a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to enable the Company to grant options to eligible participants of the Company or any subsidiaries of the Company, as determined by the board of directors in recognition of their contributions to the Group. Under the New Scheme, the directors may, at their discretion, offer to grant options to any employees, directors or consultants of any company in the Group. The New Scheme became effective on 19 May 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme shall be subject to a maximum limit of 10% of the shares in issue as at 13 May 2009 (excluding shares which may be issued upon exercise of options granted under the Old Scheme, whether such options are exercised, outstanding, cancelled or lapsed), unless the Company obtains an approval from shareholders in a general meeting to refresh such 10% limit in accordance with the Listing Rules. Options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating such 10% limit. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company and/or any of its subsidiaries must not exceed 30% of the shares of the Company in issue from time to time, and no options may be granted under the New Scheme or any other share option schemes of the Company and/or any of its subsidiaries if that will result in such 30% limit being exceeded.

No option may be granted to any person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time.

An option may be exercised in accordance with the respective terms of the New Scheme or Old Scheme at any time during the option period. The option period was determined by the board of directors and communicated to each grantee. The board of directors may provide restrictions on the period during which the options may be exercised. There are no performance targets which must be achieved before any of the options can be exercised except for the share options granted on 29 June 2007. Share options granted on 29 June 2007 (the "2007 Options") would not become vested unless the Company achieved an average annual earnings per share growth of 5% each year in the first three full financial years after the grant date. As the vesting condition was not met, the share option expenses of the 2007 Options recognised amounting to HK$20 million were reversed in 2010.

The subscription price for the Company's shares under the New Scheme and the Old Scheme was a price determined by the board of directors and notified to each grantee. The subscription price was the highest of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (iii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant. An option shall be deemed to have been granted and accepted by an eligible participant (as defined in the respective schemes) and to have taken effect when the acceptance form as described in the respective schemes is completed, signed and returned by the grantee with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant.

As at 31 December 2011, the aggregate number of shares issuable under share options granted under both the New Scheme and the Old Scheme was 13,450,000, which represented approximately 2.54% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,450,000 additional ordinary shares of HK$0.10 each in the Company and proceeds, before relevant share issue expenses, of approximately HK$36,718,500.

Report of the Directors

The maximum number of shares issuable under share options which may be granted to each eligible participant under the New Scheme within any 12-month period up to the date of the latest grant is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The share options granted under the New Scheme and Old Scheme for a consideration of HK$1.00 per grant are set out below:

		Number of share options									Price of the Company's shares ***		
Name or category of participant	Type of share option scheme	At the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At the end of the year	Date of grant of share options*	Exercise period	Exercise price per share ** HK$	At grant date of options HK$	Immediately before the exercise date HK$	At exercise date of options HK$
Director													
Han Zi Jing	The Old Scheme	1,500,000	–	–	–	–	1,500,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	–	–
	The New Scheme	866,666	–	–	–	–	866,666	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	866,666	–	–	–	–	866,666	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	866,668	–	–	–	–	866,668	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	–	–
		4,100,000	–	–	–	–	4,100,000						
Teo Hong Kiong	The Old Scheme	800,000	–	–	–	–	800,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	–	–
	The New Scheme	500,000	–	–	–	–	500,000	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	500,000	–	–	–	–	500,000	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	500,000	–	–	–	–	500,000	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	–	–
		2,300,000	–	–	–	–	2,300,000						
Zhang Huai Jun	The Old Scheme	800,000	–	–	–	–	800,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	–	–
	The New Scheme	533,333	–	–	–	–	533,333	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	533,333	–	–	–	–	533,333	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	533,334	–	–	–	–	533,334	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	–	–
		2,400,000	–	–	–	–	2,400,000						

Name or category of participant	Type of share option scheme	Number of share options: At the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At the end of the year	Date of grant of share options*	Exercise period	Exercise price per share ** HK$	Price of the Company's shares ***: At grant date of options HK$	Immediately before the exercise date HK$	At exercise date of options HK$
Zou Nan Feng	The Old Scheme	400,000	—	—	—	—	400,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	—	—
	The New Scheme	400,000	—	—	—	—	400,000	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	—	—
	The New Scheme	400,000	—	—	—	—	400,000	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	—	—
	The New Scheme	400,000	—	—	—	—	400,000	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	—	—
		1,600,000	—	—	—	—	1,600,000						
Others													
Members of senior management and other employees of the Group	The Old Scheme	3,000,000	—	—	—	(200,000)	2,800,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	—	—
	The New Scheme	2,366,666	—	—	—	(183,333)	2,183,333	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	—	—
	The New Scheme	2,366,666	—	—	—	(183,333)	2,183,333	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	—	—
	The New Scheme	2,366,668	—	—	—	(183,334)	2,183,334	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	—	—
		10,100,000	—	—	—	(750,000)	9,350,000						
In aggregate	The Old Scheme	6,500,000	—	—	—	(200,000)	6,300,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	—	—
	The New Scheme	4,666,665	—	—	—	(183,333)	4,483,332	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	—	—
	The New Scheme	4,666,665	—	—	—	(183,333)	4,483,332	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	—	—
	The New Scheme	4,666,670	—	—	—	(183,334)	4,483,336	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	—	—
		20,500,000	—	—	—	(750,000)	19,750,000						

* The vesting period of the share options is from the date of grant until the commencement of the exercise period except for the 2007 Options which would not become vested until the end of the third year after the grant date unless the Company achieved an average annual earnings per share growth of 5% each year for the first three full financial years after the grant date. As the vesting condition was not met the share option expenses of the 2007 Options recognised amounting to HK$20 million were reversed in 2010.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

During the year ended 31 December 2011, no share options were granted by the Company.

Apart from the foregoing, at no time during the year ended 31 December 2011 was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors or any of their respective spouses or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, the following interests and short positions of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

LONG POSITIONS:

Name	Note	Number of shares held	Percentage of the Company's issued share capital
Clear Channel KNR Neth Antilles NV	1	271,579,500	51.34%
International Value Advisers, LLC	2	105,851,770	20.01%
Asia Landmark Master Fund Ltd	3	26,769,000	5.06%

Notes:

1. As at 31 December 2011, Clear Channel KNR Neth Antilles NV was an indirect non-wholly owned subsidiary of CC Media, in which one-third or more of the voting was indirectly held by each of Bain Capital Investors, LLC and Thomas H Lee Advisors LLC. Each of the intermediate holding companies of Clear Channel KNR Neth Antilles NV notified the Stock Exchange that as at 31 July 2008, 271,579,500 shares of the Company were held by them in the capacity as corporation controlled by the substantial shareholder.

2. International Value Advisers, LLC notified the Stock Exchange that as at 19 July 2011, 105,851,770 shares of the Company were held by it.

3. Asia Landmark Master Fund Ltd notified the Stock Exchange that as at 27 October 2011, 26,769,000 shares of the Company were held by it.

Save as disclosed above, as at 31 December 2011, no person or corporation, other than the directors and Chief Executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in the Shares and Underlying Shares" above, had registered an interest of short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the Code of Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the Company confirmed that the directors complied with the required standard set out in the Model Code throughout the accounting period covered by the annual report.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2011, the Company was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Company as far as the board of directors was aware of.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Zhu Jia
Chairman

Hong Kong
9 February 2012

Independent Auditors' Report

ERNST & YOUNG
安 永

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

To the shareholders of Clear Media Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Clear Media Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 104, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
9 February 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	6	**1,485,898**	1,261,600
Cost of sales		**(933,427)**	(798,612)
Gross profit		**552,471**	462,988
Other income	6	**7,558**	2,626
Selling and distribution costs		**(141,374)**	(129,049)
Administrative expenses		**(116,430)**	(99,008)
Other expenses	7	**(19,538)**	(7,529)
Finance costs	10	**(2,970)**	(2,796)
PROFIT BEFORE TAX	7	**279,717**	227,232
Income tax expense	11	**(71,310)**	(50,841)
PROFIT FOR THE YEAR		**208,407**	176,391
ATTRIBUTABLE TO:			
Owners of the parent		**187,542**	166,068
Non-controlling interests		**20,865**	10,323
		208,407	176,391
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	14	**35.45 cents**	31.50 cents
Diluted	14	**35.16 cents**	31.14 cents

Details of the dividend proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**208,407**	176,391
Other comprehensive income:		
Exchange differences on translation of foreign operations	**137,404**	90,117
Income tax effect	**—**	—
Other comprehensive income for the year, net of tax	**137,404**	90,117
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**345,811**	266,508
ATTRIBUTABLE TO:		
Owners of the parent	**327,254**	257,748
Non-controlling interests	**18,557**	8,760
	345,811	266,508

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**29,515**	33,228
Concession rights	17	**1,837,588**	1,650,998
Long-term prepayments, deposits and other receivables	18	**13,437**	14,588
Total non-current assets		**1,880,540**	1,698,814
CURRENT ASSETS			
Trade receivables	19	**514,818**	445,312
Prepayments, deposits and other receivables	20	**185,803**	260,788
Due from a related party	21	**133,919**	141,531
Pledged deposits	22	**45,270**	35,489
Cash and cash equivalents	22	**973,226**	671,338
Total current assets		**1,853,036**	1,554,458
CURRENT LIABILITIES			
Other payables and accruals		**453,666**	376,624
Deferred income		**10,822**	7,717
Tax payable		**67,745**	22,131
Total current liabilities		**532,233**	406,472
NET CURRENT ASSETS		**1,320,803**	1,147,986
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,201,343**	2,846,800
NON-CURRENT LIABILITIES			
Net deferred tax liabilities	23	**44,465**	40,577
Total non-current liabilities		**44,465**	40,577
Net assets		**3,156,878**	2,806,223
EQUITY			
Equity attributable to owners of the parent			
Issued capital	24	**52,900**	52,900
Retained earnings	26(a)	**1,221,199**	1,060,107
Other components of equity	26(a)	**1,778,053**	1,633,497
Proposed final dividend	13	**26,450**	—
		3,078,602	2,746,504
Non-controlling interests		**78,276**	59,719
Total equity		**3,156,878**	2,806,223

Han Zi Jing
Director

Teo Hong Kiong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Notes	Attributable to owners of the parent									
		Issued capital	Share premium account	Share option reserve	Contributed surplus	Foreign currency translation reserve	Retained earnings	Proposed final dividend	Total	Non-controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 January 2010		52,437	767,043	35,712	351,007	386,864	894,039	—	2,487,102	50,959	2,538,061
Profit for the year		—	—	—	—	—	166,068	—	166,068	10,323	176,391
Other comprehensive income		—	—	—	—	91,680	—	—	91,680	(1,563)	90,117
Total comprehensive income for the year		—	—	—	—	91,680	166,068	—	257,748	8,760	266,508
Share options exercised		463	22,349	(6,554)	—	—	—	—	16,258	—	16,258
Share issue expenses		—	(4)	—	—	—	—	—	(4)	—	(4)
Transfer of share option reserve upon the expiry of share options		—	5,858	(5,858)	—	—	—	—	—	—	—
Equity-settled share option arrangements		—	—	(14,600)	—	—	—	—	(14,600)	—	(14,600)
At 31 December 2010		52,900	795,246	8,700	351,007	478,544	1,060,107	—	2,746,504	59,719	2,806,223
As at 1 January 2011		52,900	795,246	8,700	351,007	478,544	1,060,107	—	2,746,504	59,719	2,806,223
Profit for the year		—	—	—	—	—	187,542	—	187,542	20,865	208,407
Other comprehensive income		—	—	—	—	139,712	—	—	139,712	(2,308)	137,404
Total comprehensive income for the year		—	—	—	—	139,712	187,542	—	327,254	18,557	345,811
Equity-settled share option arrangements		—	—	4,844	—	—	—	—	4,844	—	4,844
Proposed 2011 final dividend	13	—	—	—	—	—	(26,450)	26,450	—	—	—
At 31 December 2011		52,900	795,246	13,544	351,007	618,256	1,221,199	26,450	3,078,602	78,276	3,156,878

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**279,717**	227,232
Adjustments for:			
Loss on disposal, write off and write down of concession rights	7	**19,493**	7,675
Impairment of trade receivables	7	**6,722**	12,863
Loss/(gain) on disposal of items of property, plant and equipment	7	**45**	(146)
Depreciation of property, plant and equipment	7	**8,150**	7,040
Recognition of a prepaid lease payment		**1,874**	1,747
Amortisation of concession rights	7	**264,177**	238,518
Foreign exchange (gains)/losses, net	7	**(1,969)**	30
Other finance costs	10	**2,970**	2,796
Equity-settled share option expense	7	**4,844**	(14,600)
Bank interest income	6	**(7,558)**	(2,626)
		578,465	480,529
Increase in trade receivables		**(54,146)**	(70,957)
Decrease in prepayments, deposits and other receivables		**120,925**	78,079
Decrease/(increase) in amounts due from a related party		**14,630**	(7,392)
Increase in other payables and accruals		**11,577**	12,054
Increase in deferred income		**2,722**	580
Cash generated from operations		**674,173**	492,893
Income taxes paid		**(25,526)**	(14,864)
Net cash flows from operating activities		**648,647**	478,029
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment, excluding construction in progress		**(12,034)**	(11,728)
Proceeds from disposal of property, plant and equipment		**221**	174
Proceeds from disposal of concession rights		**500**	1,378
Purchase of concession rights		**(334,180)**	(252,176)
Interest received		**6,803**	1,195
(Increase)/decrease in pledged deposits		**(8,021)**	17,523
Net cash flows used in investing activities		**(346,711)**	(243,634)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**—**	16,258
Share issue expenses		**—**	(4)
Net cash flows from financing activities		**—**	16,254
NET INCREASE IN CASH AND CASH EQUIVALENTS		**301,936**	250,649
Cash and cash equivalents at beginning of year		**671,338**	420,719
Effect of foreign exchange rate changes, net		**(48)**	(30)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**973,226**	671,338
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**973,226**	671,338

Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**252**	419
Investments in subsidiaries	16	**1,354,600**	1,371,113
Total non-current assets		**1,354,852**	1,371,532
CURRENT ASSETS			
Other receivables		**536**	1,739
Cash and cash equivalents		**48,089**	29,977
Total current assets		**48,625**	31,716
CURRENT LIABILITIES			
Other payables		**2,413**	10,220
Total current liabilities		**2,413**	10,220
NET CURRENT ASSETS		**46,212**	21,496
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,401,064**	1,393,028
Net assets		**1,401,064**	1,393,028
EQUITY			
Equity attributable to owners of the parent			
Issued capital	24	**52,900**	52,900
Retained earnings	26(b)	**46,523**	69,781
Other components of equity	26(b)	**1,275,191**	1,270,347
Proposed final dividend	13	**26,450**	—
Total equity		**1,401,064**	1,393,028

Notes to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

Clear Media Limited is an exempted company incorporated in Bermuda on 30 March 2001 under the Companies Act 1981 of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

In the opinion of the directors, the parent and the ultimate holding company of the Company is CC Media Holdings, Inc, which is incorporated in the United States of America.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributable to the non-controlling interest even if that results in a deficit balance.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendment	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (REVISED) *RELATED PARTY DISCLOSURES*

The revised standard clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. The related party transactions, including the related comparative information, have been included in note 29 to the consolidated financial statements.

(b) Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interest. Only the components of non-controlling interests that constitute a present ownership interest and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from of HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Further information about those changes is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operation and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax in investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

JOINT VENTURES

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required other than financial assets, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person’s family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post- employment benefit plan for the benefit of employees of either the Group or an entity related to the Group ;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Furniture and equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents bus shelters under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to concession rights when completed and ready for use.

CONCESSION RIGHTS

Concession rights represent the cost of acquiring operating rights for the placement of advertisements on bus shelters, unipoles and bus bodies in the People's Republic of China (the "PRC"). Concession rights are stated at cost less accumulated amortization and amortised using the straight-line and individual basis over the period of the rights, which ranges from 5 to 20 years.

In addition, expenditure incurred on the construction of bus shelters is capitalised only when the Group can demonstrate that it is probable the future economic benefits will flow to the Group and the cost can be measured reliably. Capitalised construction costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the estimated useful lives.

OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, pledged deposits, trade and other receivables and amounts due from a related party.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in administrative expenses.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to administrative expenses in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities mainly include other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within six months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the income statement.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) rental revenue from outdoor advertising spaces, on a time proportion basis over the terms of the agreements; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

DEFERRED INCOME

Cumulative billings in excess of revenue attributable to the current year are recorded as deferred income.

EMPLOYEE BENEFITS

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes model, further details of which are given in note 25 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS (continued)

Share-based payment transactions (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries, and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute at a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings spending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by entities in the Group are initially recorded using their respective functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of the overseas subsidiary of the Company is a currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of the entity are translated into the presentation currency of the Company (i.e., Hong Kong dollars) at the exchange rate ruling at the end of the reporting period and the income statements are translated into Hong Kong dollars at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign entity, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of the overseas subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rate for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgements and estimations. The key assumptions concerning the future and other key sources of judgements and estimation uncertainly at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

IMPAIRMENT OF CONCESSION RIGHTS

The Group assess whether there are any indicators of impairment for concession rights at the end of each reporting period. Concession rights are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When value in use calculation are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of concession rights at 31 December 2011 was HK$1,837,588,000 (2010: HK$1,650,998,000).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The Group estimates the provision for impairment of trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each year. At 31 December 2011, provision for impairment of trade and other receivables was HK$39,559,000 (2010: HK$38,701,000).

WITHHOLDING TAXES ARISING FROM THE DISTRIBUTIONS OF DIVIDENDS

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from a subsidiary in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends, where the Group considers that if it is probable that the profits of the subsidiary in the PRC are subject to withholding taxes will not be distributed in the foreseeable future, then no withholding taxes are provided.

5. SEGMENT INFORMATION

Outdoor media sales is the only major reportable operating segment of the Group which comprises the display of advertisements on bus shelters, unipoles and bus bodies. Accordingly, no further business segment information is provided.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are all located in the People's Republic of China ("PRC"), no further geographical segment information is provided.

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the contract value of the display of advertisements on bus shelters, unipoles and bus bodies, net of commissions and discounts, in the PRC.

An analysis of revenue and other income is as follows:

	2011 **HK$'000**	2010 HK$'000
Revenue		
Rental revenue from outdoor advertising spaces	**1,485,898**	1,261,600
Other income		
Bank interest income	**7,558**	2,626

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2011 HK$'000	2010 HK$'000
Cost of services provided		**309,602**	252,253
Operating lease rentals on bus shelters, unipoles and bus body operations		**359,648**	307,841
Amortisation of concession rights	17	**264,177**	238,518
Cost of sales		**933,427**	798,612
Impairment of trade receivables	19	**6,722**	12,863
Auditors' remuneration		**1,822**	1,580
Depreciation of property, plant and equipment	15	**8,150**	7,040
Other expenses:			
Loss/(gain) on disposal of items of property, plant and equipment		**45**	(146)
Loss on disposal, write off and write down of concession rights		**19,493**	7,675
		19,538	7,529
Operating lease rentals on buildings		**24,783**	21,978
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**136,361**	119,009
Equity-settled share option expense			
— Reversal of previous years*		**—**	(20,000)
— Current year		**4,844**	5,400
Pension scheme contributions**		**180**	186
		141,385	104,595
Foreign exchange (gains)/losses, net		**(1,969)**	30
Bank interest income		**(7,558)**	(2,626)

Notes:

* On 29 June 2007, the Company granted 6.5 million share options with an exercise price of HK$8.53 (the "2007 Options"). The 2007 Options would not become vested unless the Company had achieved an average annual earnings per share growth of 5% each year in the first three full financial years after the grant date.

As the vesting condition was not met, the share option expenses of the 2007 Options recognised amounting to HK$20 million were reversed in 2010.

** At 31 December 2011, the Group had no forfeited contributions available to reduce its contributions to the pension scheme(s) in future years (2010: Nil).

8. DIRECTORS' REMUNERATION

The remuneration of the directors of the Company for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), is analysed as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Fees	**3,273**	2,850
Other emoluments:		
Salaries, allowances and benefits in kind	**12,298**	9,395
Performance-related bonuses	**1,065**	546
Equity-settled share option expense		
— Reversal of previous years	**—**	(10,743)
— Current year	**2,631**	2,631
Pension scheme contributions	**34**	33
	16,028	1,862
	19,301	4,712

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 25 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors were as follows:

	2011	2010
	HK$'000	HK$'000
Mr. Desmond Murray	**280**	280
Ms. Leonie Ki Man Fung	**140**	140
Mr. Wang Shou Zhi	**140**	140
	560	560

Directors' fees paid to Mr. Desmond Murray were for his role as an independent non-executive director and the Chairman of the Audit Committee. There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' REMUNERATION (continued)

(B) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS AND ALTERNATE DIRECTORS

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Equity-settled share option expense — reversal of previous year HK$'000	Equity-settled share option expense — current year HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
2011							
Executive directors:							
Mr. Han Zi Jing	600	4,751	351	—	991	12	6,705
Mr. Zhang Huai Jun	600	2,145	308	—	610	—	3,663
Mr. Teo Hong Kiong	600	3,267	181	—	572	12	4,632
	1,800	10,163	840	—	2,173	24	15,000
Non-executive directors:							
Mr. Zhu Jia	102	—	—	—	—	—	102
Mr. William Eccleshare	140	—	—	—	—	—	140
Mr. Peter Cosgrove	280	500	—	—	—	—	780
Mr. Jonathan Bevan	140	—	—	—	—	—	140
Mr. Mark Thewlis	140	—	—	—	—	—	140
Mr. Han Zi Dian	—	88	—	—	—	—	88
Mr. Jingsheng Huang (resigned as a director on 22 August 2011)	111	—	—	—	—	—	111
	913	588	—	—	—	—	1,501
Alternate director:							
Mr. Zou Nan Feng	—	1,547	225	—	458	10	2,240
	2,713	12,298	1,065	—	2,631	34	18,741
2010							
Executive directors:							
Mr. Han Zi Jing	500	3,671	—	(4,603)	991	12	571
Mr. Zhang Huai Jun	450	1,550	344	(2,456)	610	—	498
Mr. Teo Hong Kiong	500	2,208	—	(2,456)	572	12	836
	1,450	7,429	344	(9,515)	2,173	24	1,905
Non-executive directors:							
Mr. Jingsheng Huang	140	—	—	—	—	—	140
Mr. William Eccleshare	140	—	—	—	—	—	140
Mr. Peter Cosgrove	280	500	—	—	—	—	780
Mr. Mark Mays (resigned as a director on 19 May 2010)	53	—	—	—	—	—	53
Mr. Jonathan Bevan	87	—	—	—	—	—	87
Mr. Mark Thewlis	140	—	—	—	—	—	140
Mr. Han Zi Dian	—	123	—	—	—	—	123
	840	623	—	—	—	—	1,463
Alternate director:							
Mr. Zou Nan Feng	—	1,343	202	(1,228)	458	9	784
	2,290	9,395	546	(10,743)	2,631	33	4,152

8. DIRECTORS' REMUNERATION (continued)

During the year, performance-related bonuses of HK$1,065,000 were paid to directors (2010: HK$546,000). No directors waived or agreed to waive any remuneration during the year (2010: Nil). In addition, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2010: Nil).

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included four (2010: four) directors, detail of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2010: one) non-director, highest paid employee for the year are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**1,660**	1,416
Performance-related bonuses	**333**	100
Equity-settled share option expense		
— Reversal of previous years	**—**	(614)
— Current year	**362**	210
Pension scheme contributions	**—**	12
	2,355	1,124

The number of non-director, highest paid employee whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**1**	—
	1	1

In prior years, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 25 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

10. FINANCE COSTS

	Group	
	2011 HK$'000	2010 HK$'000
Other finance costs	**2,970**	2,796

11. TAX

Hong Kong profits tax has not been provided as the Group has no assessable profits arising in Hong Kong during the year. Taxes on profits assessable in the PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2011	2010
	HK$'000	HK$'000
Group:		
Current — Hong Kong profits tax	**—**	—
Current — PRC corporate income tax	**67,422**	27,065
Deferred tax (note 23)	**3,888**	23,776
Total tax charge for the year	**71,310**	50,841

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Profit before tax	**279,717**	227,232
Tax at the applicable statutory tax rate	**68,928**	51,810
Income not subject to tax	**(3,187)**	(3,394)
Expenses not deductible for tax	**3,726**	1,871
Tax losses not recognised	**1,843**	554
Tax charge at the Group's effective rate of 25.5% (2010: 22.4%)	**71,310**	50,841

According to the new Enterprise Income Tax Law of the PRC effective on 1 January 2008, Hainan White Horse Advertising Media Investment Company Limited (the "WHA Joint Venture"), a subsidiary of the Company established in the Hainan Special Economic Zone of the PRC, was subject to corporate income tax at an average rate of 24.5% (2010: 23.5%) on its assessable profits arising in the PRC for the current year. The tax rate will increase to 25% in 2012. The deferred tax balances have been adjusted to reflect the tax rates that are expected to apply in the respective periods when the assets are realised or the liabilities are settled.

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent of the Company for the year ended 31 December 2011 includes a profit of HK$3,192,000 (2010: HK$29,699,000) which has been dealt with in the financial statements of the Company (note 26(b)).

13. DIVIDEND

	2011 HK$'000	2010 HK$'000
Proposed final — 5 cents (2010: Nil) per ordinary share	**26,450**	—

At the Board meeting held on 9 February 2012, the Directors proposed a final dividend of 5 cents per share (2010: Nil) which is equivalent to HK$26,450,025 (2010: Nil) based on the 529,000,500 outstanding shares. The final proposed dividend has been classified as a separate component in the equity and it has not been recognised as a liability in the financial statements. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed dividend will be payable on Friday, 20 July 2012 to the shareholders registered on the Register of Members on Monday, 11 June 2012.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2011 HK$'000	2010 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**187,542**	166,068

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**529,000,500**	527,249,793
Effect of dilution — weighted average number of ordinary shares:		
Share options	**4,464,102**	6,121,194
	533,464,602	533,370,987

The diluted earnings per share amount for the year is based on the profit for the year of HK$187,542,000 (2010: HK$166,068,000) and the weighted average number of ordinary shares in issue during the year of 533,464,602 (2010: 533,370,987).

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2011					
At 31 December 2010 and at 1 January 2011					
Cost	**21,526**	**24,622**	**33,759**	**10,460**	**90,367**
Accumulated depreciation	**(16,245)**	**(18,079)**	**(22,815)**	**—**	**(57,139)**
Net carrying amount	**5,281**	**6,543**	**10,944**	**10,460**	**33,228**
At 1 January 2011, net of accumulated depreciation	**5,281**	**6,543**	**10,944**	**10,460**	**33,228**
Additions	**2,255**	**4,999**	**4,780**	**18,947**	**30,981**
Disposals	**(46)**	**(216)**	**(4)**	**—**	**(266)**
Depreciation provided during the year	**(1,717)**	**(2,364)**	**(4,069)**	**—**	**(8,150)**
Transfers	**—**	**—**	**—**	**(27,696)**	**(27,696)**
Exchange realignment	**221**	**294**	**526**	**377**	**1,418**
At 31 December 2011, net of accumulated depreciation	**5,994**	**9,256**	**12,177**	**2,088**	**29,515**
At 31 December 2011:					
Cost	**24,307**	**26,240**	**36,191**	**2,088**	**88,826**
Accumulated depreciation	**(18,313)**	**(16,984)**	**(24,014)**	**—**	**(59,311)**
Net carrying amount	**5,994**	**9,256**	**12,177**	**2,088**	**29,515**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010					
At 31 December 2009 and at 1 January 2010:					
Cost	17,846	22,808	29,371	19,505	89,530
Accumulated depreciation	(14,554)	(17,105)	(20,921)	—	(52,580)
Net carrying amount	3,292	5,703	8,450	19,505	36,950
At 1 January 2010, net of accumulated depreciation	3,292	5,703	8,450	19,505	36,950
Additions	3,062	2,767	5,899	48,277	60,005
Disposals	—	(27)	(1)	—	(28)
Depreciation provided during the year	(1,181)	(2,092)	(3,767)	—	(7,040)
Transfers	—	—	—	(57,895)	(57,895)
Exchange realignment	108	192	363	573	1,236
At 31 December 2010, net of accumulated depreciation	5,281	6,543	10,944	10,460	33,228
At 31 December 2010:					
Cost	21,526	24,622	33,759	10,460	90,367
Accumulated depreciation	(16,245)	(18,079)	(22,815)	—	(57,139)
Net carrying amount	5,281	6,543	10,944	10,460	33,228

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**487,273**	487,273
Due from subsidiaries	**867,327**	883,840
	1,354,600	1,371,113

The amounts due from subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment, except for loans to subsidiaries amounting to HK$537,000,000 (2010: HK$567,000,000) which bear interest at a rate of 5% per annum. The carrying amounts of balances with subsidiaries approximate to their fair values.

Notes to Financial Statements

31 December 2011

16. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Outdoor Media Investment Inc.	British Virgin Islands	Ordinary HK$34,465	100	—	Investment holding
China Outdoor Media Investment (Hong Kong) Company Limited ("China Outdoor Media (HK)")	Hong Kong	Ordinary HK$1,000	—	100	Investment holding
WHA Joint Venture	PRC	US$60,000,000/ US$60,000,000	—	80 (Note)	Operation of outdoor advertising business

Note:

WHA Joint Venture was established in the PRC on 24 March 1998 as a Sino-foreign equity joint venture with a tenure of 30 years. Under the terms of the original joint venture agreement, China Outdoor Media (HK), Ming Wai Holdings Limited ("Ming Wai"), a wholly-owned subsidiary of Clear Channel Outdoor, Inc. ("CCO"), which is a shareholder of the Company, and Hainan White Horse Advertising Co., Ltd. ("Hainan White Horse") were the joint venture partners of the WHA Joint Venture. China Outdoor Media (HK), Ming Wai and Hainan White Horse were entitled to 90%, 5% and 5%, respectively, of the profits of the WHA Joint Venture.

Pursuant to the Group reorganisation which took place before the listing of the Company on the Stock Exchange, Ming Wai transferred its 5% interest in the WHA Joint Venture to China Outdoor Media (HK). Accordingly, the non-controlling interest of the WHA Joint Venture represented the capital contributed by Hainan White Horse and its 5% share of the profits and losses of the WHA Joint Venture.

China Outdoor Media (HK) and Hainan White Horse entered into a revised joint venture agreement on 6 April 2001. According to the revised joint venture agreement, the WHA Joint Venture changed its legal structure from a Sino-foreign equity joint venture to a Sino-foreign co-operative joint venture. The registered capital of the WHA Joint Venture increased from HK$100,000,000 to US$60,000,000 with Hainan White Horse and China Outdoor Media (HK) sharing 20% and 80% interests in the WHA Joint Venture, respectively. The revised joint venture agreement was approved by the State Foreign Economic and Trade Commission of Hainan Province on 27 June 2001. According to the agreement entered into by China Outdoor Media (HK) and Hainan White Horse on 3 September 2001, their shares in the profits and losses of the WHA Joint Venture for the period from 1 January 2001 to 30 June 2001 were 95% and 5%, respectively. For the fiscal years 2001 to 2005 (both years inclusive), China Outdoor Media (HK) would be entitled to 90% of the after-tax profits of the WHA Joint Venture. For the fiscal year 2006 and onwards, China Outdoor Media (HK) would only be entitled to 80% of the after-tax profits of the WHA Joint Venture.

On 9 January 2006, the Company and Hainan White Horse signed an agreement to amend the relevant clause in the joint venture agreement, extending the term of the Company's entitlement of 90% of the after-tax profits of the WHA Joint Venture at a consideration of HK$500,000. The Company would be entitled to 90% of the after-tax profits of the WHA Joint Venture for the fiscal years 2006 and 2007, and for the fiscal year 2008 and onwards, the Company would be entitled to 80% of the after-tax profits of the WHA Joint Venture.

On 3 April 2008, China Outdoor Media (HK) and Hainan White Horse signed an agreement to further extend the term of China Outdoor Media (HK)'s entitlement of 90% of the after-tax profits of the WHA Joint Venture for a further one year to the end of the fiscal year 2008 at a consideration of HK$250,000 to Hainan White Horse. China Outdoor Media (HK) also has an option to further extend such profit sharing arrangement for a further year thereafter to the end of the fiscal year 2009, subject to a further one-off payment of HK$250,000 to Hainan White Horse. In 2009, China Outdoor Media (HK) exercised its option and extended such profit sharing arrangement for a further year thereafter to the end of the fiscal year 2009.

On 10 January 2010, China Outdoor Media (HK) and Hainan White Horse signed an agreement to amend the joint venture agreement, extending the term of China Outdoor Media (HK)'s entitlement of 90% of the after tax profits of the WHA Joint Venture for a further year to the end of the fiscal year 2010 at a consideration of a one-off payment of HK$250,000 to Hainan White Horse.

China Outdoor Media (HK) has an option to further extend such profit sharing agreement for a further year thereafter to the end of the fiscal year 2011, subject to a further one-off payment of HK$250,000. In 2011, China Outdoor Media (HK) exercised its option and extended such profit sharing arrangement for a further year to the end of the fiscal year 2011.

17. CONCESSION RIGHTS

	Group HK$'000
31 December 2011	
Cost at 1 January 2011, net of accumulated amortisation	1,650,998
Additions	363,821
Transfer from construction in progress	27,696
Disposals, write off and write down	(19,993)
Amortisation during the year	(264,177)
Exchange realignment	79,243
At 31 December 2011	1,837,588
At 31 December 2011:	
Cost	3,691,320
Accumulated amortisation	(1,853,732)
Net carrying amount	1,837,588
31 December 2010	
At 1 January 2010:	
Cost	2,899,169
Accumulated amortisation	(1,325,382)
Net carrying amount	1,573,787
Cost at 1 January 2010, net of accumulated amortisation	1,573,787
Additions	212,039
Transfer from construction in progress	57,895
Disposals, write off and write down	(9,053)
Amortisation during the year	(238,518)
Exchange realignment	54,848
At 31 December 2010	1,650,998
At 31 December 2010:	
Cost	3,246,802
Accumulated amortisation	(1,595,804)
Net carrying amount	1,650,998

Notes to Financial Statements

31 December 2011

17. CONCESSION RIGHTS (continued)

Note:

All of the Group's bus shelter concession rights are granted by entities authorised by local governmental agencies in the PRC which have control over the construction and management of bus shelters. Under these concessions, the Group assumes responsibility for the construction and on-going maintenance of the bus shelters and pays annual rental fixed fees to the entities authorised by local governmental agencies. In exchange, the Group has the exclusive rights to sell advertising spaces on these bus shelters during the term of the concessions.

The Group's bus shelter concession contracts have initial terms of five to twenty years. As at 31 December 2011, the weighted average remaining term of the concession rights currently held by the Group was approximately eight years. In terms of renewal rights, approximately 64% of the concession rights held by the Group, based on the total number of bus shelters granted to the Group, grant the Group the right of first refusal to renew the concession contracts provided that the terms offered by the Group are no less favourable than those offered by competing tenders. Some of the concession contracts also allow the Group to extend the terms of the contracts before expiration.

18. LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance as at 31 December 2011 represented a non-current portion of a prepaid bus shelter lease payment amounting to HK$13,437,000 (31 December 2010: HK$14,588,000).

19. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 days extending up to 180 days for major customers. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a large number of diversified customers and are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Current to 90 days	**281,021**	220,660
91 days to 180 days	**200,084**	135,561
Over 180 days	**73,272**	127,792
	554,377	484,013
Less: Provision for impairment of trade receivables	**(39,559)**	(38,701)
Total trade receivables, net	**514,818**	445,312

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
At 1 January	**38,701**	37,317
Impairment losses recognised (note 7)	**6,722**	12,863
Amount written off as uncollectible	**(5,864)**	(11,479)
At 31 December	**39,559**	38,701

19. TRADE RECEIVABLES (continued)

The above provision for impairment of trade receivables is a provision to cover balances for which the Group may not be able to recover the amounts from the customers in full. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2011 **HK$'000**	2010 HK$'000
Neither past due nor impaired	**414,465**	320,522
Less than 3 months past due	**21,008**	69,201
Over 3 months past due	**—**	1,923
	435,473	391,646

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance of prepayments, deposits and other receivables for the year ended 31 December 2011 included a deposit receivable amounting to HK$15,000,000 (31 December 2010: HK$25,000,000), which has been placed with an independent third party in connection with the acquisition of the rights to place advertisements on certain outdoor advertising media. The arrangement was terminated in November 2009. HK$10,000,000 was settled during the year. The remaining balance of HK$15,000,000 is expected to be repaid in 2012. The carrying amount of the outstanding deposit approximates to its fair value and is secured by the title to certain assets.

Notes to Financial Statements

31 December 2011

21. DUE FROM A RELATED PARTY

	Group	
	2011	2010
	HK$'000	HK$'000
Guangdong White Horse Advertising Company Limited ("GWH")	**133,919**	141,531

The balance with the related party is unsecured, interest-free and repayable on demand.

An aged analysis of the amounts due from the related party as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Current to 90 days	**45,231**	34,191
91 days to 180 days	**53,110**	45,005
Over 180 days	**35,578**	62,335
	133,919	141,531

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to HK$969,157,000 (2010: HK$675,563,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

All of the Group's bank balances are placed with registered banking institution in the PRC and Hong Kong. Cash and bank balances kept with each bank do not exceed 20% of the Group's total cash and bank balances.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

As at 31 December 2011, the Group had pledged deposits of RMB26,700,000 (equivalent to approximately HK$32,935,000) (2010: RMB30,197,000 (equivalent to approximately HK$35,489,000)) to banks as security for bills payable of RMB43,000,000 (equivalent to approximately HK$53,041,000) (2010: RMB60,395,000 (equivalent to approximately HK$70,978,000)).

As at 31 December 2011, the Group had pledged deposits of RMB10,000,000 (equivalent to approximately HK$12,335,000) (2010:Nil) for a guarantee issued by a bank of RMB20,000,000 (equivalent to approximately HK$24,670,000) (2010: Nil) for the Group's Shenzhen bus body advertising business.

23. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

DEFERRED TAX LIABILITIES

	Group	
	Depreciation and amortisation allowance in excess of related depreciation and amortisation and other temporary differences 2011 HK$'000	Depreciation and amortisation allowance in excess of related depreciation and amortisation and other temporary differences 2010 HK$'000
At 1 January	**(42,722)**	(32,723)
Deferred tax charged to the income statement during the year (note 11)	**(1,800)**	(9,999)
At 31 December	**(44,522)**	(42,722)

DEFERRED TAX ASSETS

	Group	
	Deductible temporary differences 2011 HK$'000	Deductible temporary differences 2010 HK$'000
At 1 January	**2,145**	15,922
Deferred tax charged to the income statement during the year (note 11)	**(2,088)**	(13,777)
At 31 December	**57**	2,145
Net deferred tax liabilities at 31 December	**(44,465)**	(40,577)

The Group has tax losses arising in Hong Kong. Deferred tax assets have not been recognised in respect of the tax losses since the possibility of utilising such amount is considered remote.

In accordance with the Enterprise Income Tax Law of the PRC effective on 1 January 2008, a 10% (or a lower rate if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors) withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by the WHA Joint Venture, a subsidiary of the Company established in the Hainan Special Economic Zone of the PRC.

23. DEFERRED TAX (continued)

As at 31 December 2011, no deferred tax has been recognised by the Group for withholding taxes that would be payable on the unremitted earnings of the WHA Joint Venture that are subject to withholding taxes as management considered it is not probable that the WHA Joint Venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in WHA Joint Venture for which deferred tax liabilities have not been recognised totalled approximately HK$20,722,000 at 31 December 2011 (2010: HK$12,871,000).

24. SHARE CAPITAL

	2011 HK$'000	2010 HK$'000
Shares		
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
529,000,500 ordinary shares (2010: 529,000,500) of HK$0.10 each (2010: HK$0.10)	**52,900**	52,900

25. SHARE OPTION SCHEMES

Prior to 28 November 2008, the Company operated, among others, a share option scheme (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed to the Group's operations. The Old Scheme became effective on 28 November 2001 and expired on 28 November 2008, after then no further options were granted under the Old Scheme. Options which were granted during the life of the Old Scheme shall continue to be exercisable in accordance with their terms of issue.

At the annual general meeting of the Company on 13 May 2009, an ordinary resolution was passed to approve and adopt a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to enable the Company to grant options to eligible participants of the Company or any subsidiaries of the Company, as determined by the board of directors in recognition of their contributions to the Group. Under the New Scheme, the directors may, at their discretion, offer to grant options to any employees, directors or consultants of any company in the Group. The New Scheme became effective on 19 May 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme shall be subject to a maximum limit of 10% of the shares in issue as at 13 May 2009 (excluding shares which may be issued upon exercise of options granted under the Old Scheme, whether such options are exercised, outstanding, cancelled or lapsed), unless the Company obtains an approval from shareholders in a general meeting to refresh such 10% limit in accordance with the Listing Rules. Options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating such 10% limit. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company and/or any of its subsidiaries must not exceed 30% of the shares of the Company in issue from time to time, and no options may be granted under the New Scheme or any other share option schemes of the Company and/or any of its subsidiaries if that will result in such 30% limit being exceeded.

No option may be granted to any person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital of the Company from time to time.

25. SHARE OPTION SCHEMES (continued)

An option may be exercised in accordance with the respective terms of the New Scheme or Old Scheme at any time during the option period. The option period was determined by the board of directors and communicated to each grantee. The board of directors may provide restrictions on the period during which the options may be exercised. There are no performance targets which must be achieved before any of the options can be exercised except for the share options granted on 29 June 2007. Share options granted on 29 June 2007 (the "2007 Options") would not become vested unless the Company has achieved an average annual earnings per share growth of 5% each year in the first three full financial years after the grant date. The vesting condition was not met and the share option expenses of the 2007 Options recognised amounting to HK$20 million were reversed in 2010.

The subscription price for the Company's shares under the New Scheme and the Old Scheme would be a price determined by the board of directors and notified to each grantee. The subscription price would be the highest of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; and (iii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant. An option shall be deemed to have been granted and accepted by an eligible participant (as defined in the respective schemes) and to have taken effect when the acceptance form as described in the respective schemes is completed, signed and returned by the grantee with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant.

As at 31 December 2011, the aggregate number of shares issuable under share options granted under both the New Scheme and the Old Scheme was 13,450,000, which represented approximately 2.54% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 13,450,000 additional ordinary shares of HK$0.10 each in the Company and proceeds, before relevant share issue expenses, of approximately HK$36,718,500.

The maximum number of shares issuable under share options which may be granted to each eligible participant under the New Scheme within any 12-month period up to the date of the latest grant is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

25. SHARE OPTION SCHEMES (continued)

The following share options were outstanding under the Old Scheme and the New Scheme during the year:

Name or category of participant	Type of share option scheme	Number of share options: At the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At the end of the year	Date of grant of share options*	Exercise period	Exercise price per share ** HK$	Price of the Company's shares ***: At grant date of options HK$	Immediately before the exercise date HK$	At exercise date of options HK$
Director													
Han Zi Jing	The Old Scheme	1,500,000	–	–	–	–	1,500,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	–	–
	The New Scheme	866,666	–	–	–	–	866,666	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	866,666	–	–	–	–	866,666	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	866,668	–	–	–	–	866,668	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	–	–
		4,100,000	–	–	–	–	4,100,000						
Teo Hong Kiong	The Old Scheme	800,000	–	–	–	–	800,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	–	–
	The New Scheme	500,000	–	–	–	–	500,000	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	500,000	–	–	–	–	500,000	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	500,000	–	–	–	–	500,000	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	–	–
		2,300,000	–	–	–	–	2,300,000						
Zhang Huai Jun	The Old Scheme	800,000	–	–	–	–	800,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	–	–
	The New Scheme	533,333	–	–	–	–	533,333	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	533,333	–	–	–	–	533,333	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	533,334	–	–	–	–	533,334	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	–	–
		2,400,000	–	–	–	–	2,400,000						
Zou Nan Feng	The Old Scheme	400,000	–	–	–	–	400,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	–	–
	The New Scheme	400,000	–	–	–	–	400,000	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	400,000	–	–	–	–	400,000	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	400,000	–	–	–	–	400,000	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	–	–
		1,600,000	–	–	–	–	1,600,000						

25. SHARE OPTION SCHEMES (continued)

Name or category of participant	Type of share option scheme	Number of share options						Date of grant of share options*	Exercise period	Exercise price per share ** HK$	Price of the Company's shares ***		
		At the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At the end of the year				At grant date of options HK$	Immediately before the exercise date HK$	At exercise date of options HK$
Others													
Members of senior management and other employees of the Group	The Old Scheme	3,000,000	–	–	–	(200,000)	2,800,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	–	–
	The New Scheme	2,366,666	–	–	–	(183,333)	2,183,333	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	2,366,666	–	–	–	(183,333)	2,183,333	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	2,366,668	–	–	–	(183,334)	2,183,334	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	–	–
		10,100,000	–	–	–	(750,000)	9,350,000						
In aggregate	The Old Scheme	6,500,000	–	–	–	(200,000)	6,300,000	29/06/2007	30/06/2010 to 29/06/2014	8.53	8.50	–	–
	The New Scheme	4,666,665	–	–	–	(183,333)	4,483,332	20/05/2009	21/05/2012 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	4,666,665	–	–	–	(183,333)	4,483,332	20/05/2009	21/05/2013 to 20/05/2016	2.73	2.73	–	–
	The New Scheme	4,666,670	–	–	–	(183,334)	4,483,336	20/05/2009	21/05/2014 to 20/05/2016	2.73	2.73	–	–
		20,500,000	–	–	–	(750,000)	19,750,000						

* The vesting period of the share options is from the date of grant until the commencement of the exercise period except for the 2007 Options which would not become vested until the end of the third year after the grant date unless the Company has achieved an average annual earnings per share growth of 5% each year for the first three full financial years after the grant date. The vesting condition was not met and the share option expenses of the 2007 Options recognised amounting to HK$20 million were reversed in 2010.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

During the year ended 31 December 2011, no share options were granted by the Company.

Apart from the foregoing, at no time during the year ended 31 December 2011 was the Company, or any of its subsidiaries, a party to any arrangement to enable the directors or any of their respective spouses or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

26. RESERVES

(A) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 60 of the financial statements.

The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the Group reorganisation on 28 November 2001, over the nominal value of the shares in the Company issued in exchange therefor.

(B) COMPANY

	Share option reserve HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Foreign currency translation reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2010	35,712	767,043	449,773	12,677	40,082	—	1,305,287
Profit for the year	—	—	—	—	29,699	—	29,699
Other comprehensive income	—	—	—	3,951	—	—	3,951
Total comprehensive income for the year	—	—	—	3,951	29,699	—	33,650
Issue of shares	(6,554)	22,349	—	—	—	—	15,795
Share issue expenses	—	(4)	—	—	—	—	(4)
Transfer of share option reserve upon the expiry of share options	(5,858)	5,858	—	—	—	—	—
Equity-settled share option arrangements	(14,600)	—	—	—	—	—	(14,600)
At 31 December 2010	8,700	795,246	449,773	16,628	69,781	—	1,340,128
Profit for the year	—	—	—	—	3,192	—	3,192
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	3,192	—	3,192
Equity-settled share option arrangements	4,844	—	—	—	—	—	4,844
Proposed 2011 final dividend	—	—	—	—	(26,450)	26,450	—
At 31 December 2011	13,544	795,246	449,773	16,628	46,523	26,450	1,348,164

The contributed surplus of the Company represents the difference between the then combined net asset value of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the shares of the Company's shares issued in exchange therefor.

Under the Bermuda Companies Act 1981, the Company may make distributions to its shareholders out of the contributed surplus under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the financial statements.

27. COMMITMENTS

(a) CAPITAL COMMITMENTS

	Group	
	2011 **HK$'000**	2010 HK$'000
Contracted, but not provided for:		
The construction of shelters for which concession rights are held	**24,563**	15,058

(b) COMMITMENTS UNDER OPERATING LEASES

The Group leases certain of its office buildings and concession rights under operating lease arrangements. Leases for office buildings are negotiated for terms ranging from 1 to 8 years, and those for concession rights are negotiated for terms ranging from 5 to 15 years.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011 **HK$'000**	2010 HK$'000
Within one year	**317,781**	265,980
In the second to fifth years, inclusive	**828,215**	759,311
After five years	**1,040,821**	1,057,564
	2,186,817	2,082,855

(c) The Group has entered into a media rental contract under which the Group has committed to pay to a media owner a minimum guaranteed payment calculated based on the arrangements as stipulated in the respective contract. The contract was terminated in December 2011. There were no minimum guaranteed payment as at 31 December 2011.

	Group	
	2011 **HK$'000**	2010 HK$'000
Within one year	**—**	69,551

28. CONTINGENT LIABILITIES

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the directors are aware, no litigation or arbitration of material importance is pending or threatened against the Company.

29. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year, which constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

	Notes	2011 HK$'000	2010 HK$'000
Agency commission paid to GWH, a company in which a director of the Company has the ability to exercise direct or indirect influence over management	(i)	**21,997**	28,588
Sales to GWH	(ii)	**191,840**	161,999
Creative services fees payable to GWH	(iii)	**3,627**	3,447

Notes:

(i) The agency commission paid to GWH was based on the standard percentage of gross sales rental revenue for outdoor advertising spaces payable to other major third party agencies used by the Group. On 8 February 2010, the WHA Joint Venture entered into a three-year framework agreement with GWH for the years 2010, 2011 and 2012 on substantially the same terms as the framework agreements previously entered into between the WHA Joint Venture and GWH. GWH is a related party of the Company because one of the directors of the Company, Mr. Han Zi Dian, is able to exercise influence over the management and day-to-day operations as director and general manager of GWH and controls the composition of a majority of the board of directors of GWH with his indirect interest of 14.2% in GWH.

(ii) The sales to GWH were made according to published prices and conditions similar to those offered to other major customers and advertising agencies of the Group.

(iii) On 3 March 2011, the WHA Joint Venture entered into a creative services agreement with GWH effective from 1 January 2011 to 31 December 2013, whereby GWH agreed to provide creative design services for poster, sales and marketing materials and company profiles to the Group. These transactions were entered into on terms no less favourable than those available to or from independent third parties. The Group expects the total creative service fees payable to GWH to be approximately RMB3,000,000 for 2012 and 2013, respectively.

Other than the above, the Group entered into an option agreement as follows:

On 10 January 2010, China Outdoor Media (HK), an indirect wholly owned subsidiary of the Company, and Hainan White Horse, signed an agreement to amend the Joint Venture Agreement, extending the term of the China Outdoor Media (HK)'s entitlement of 90% of the after-tax profits of the WHA Joint Venture for a further year to the end of the fiscal year 2010 at a consideration of a one-off payment of HK$250,000 to Hainan White Horse.

China Outdoor Media (HK) has an option to further extend such profit sharing agreement for a further year thereafter to the end of the fiscal year 2011, subject to a further one-off payment of HK$250,000.

In 2011, China Outdoor Media (HK) exercised its option and extended such profit sharing arrangement for a further year to end of the fiscal year 2011.

(b) OUTSTANDING BALANCE WITH RELATED PARTIES

The Group had outstanding receivables from GWH of HK$133,919,000 (31 December 2010: HK$141,531,000) as at the end of the reporting period. The balance is unsecured, interest-free and has no fixed terms of repayment.

29. RELATED PARTY TRANSACTIONS (continued)

(c) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	**13,363**	9,941
Equity-settled share option expense		
— Reversal of previous years	**—**	(10,743)
— Current year	**2,631**	2,631
Pension scheme contributions	**34**	33
Total compensation paid to key management personnel	**16,028**	1,862

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

GROUP

Financial assets

	Loans and receivables	
	2011 HK$'000	2010 HK$'000
Other receivables	**150,490**	234,171
Trade receivables	**514,818**	445,312
Due from a related party	**133,919**	141,531
Pledged deposits	**45,270**	35,489
Cash and cash equivalents	**973,226**	671,338
	1,817,723	1,527,841

Financial liabilities

	Financial liabilities at amortised cost	
	2011 HK$'000	2010 HK$'000
Other payables	**418,765**	352,839
	418,765	352,839

30. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

COMPANY

Financial assets

	Loans and receivables	
	2011 **HK$'000**	2010 HK$'000
Other receivables	**536**	1,739
Cash and cash equivalents	**48,089**	29,977
	48,625	31,716

Financial liabilities

	Financial liabilities at amortised cost	
	2011 **HK$'000**	2010 HK$'000
Other payables	**2,413**	10,220
	2,413	10,220

31. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group and the Company's financial instruments are as follow:

GROUP

	Carrying amounts		Fair values	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Financial assets				
Other receivables	**150,490**	234,171	**150,490**	234,171
Trade receivables	**514,818**	445,312	**514,818**	445,312
Due from a related party	**133,919**	141,531	**133,919**	141,531
Pledged deposits	**45,270**	35,489	**45,270**	35,489
Cash and cash equivalents	**973,226**	671,338	**973,226**	671,338
	1,817,723	1,527,841	**1,817,723**	1,527,841

	Carrying amounts		Fair values	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Financial liabilities				
Other payables	**418,765**	352,839	**418,765**	352,839
	418,765	352,839	**418,765**	352,839

31. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

COMPANY

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Other receivables	**536**	1,739	**536**	1,739
Cash and cash equivalents	**48,089**	29,977	**48,089**	29,977
	48,625	31,716	**48,625**	31,716

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Other payables	**2,413**	10,220	**2,413**	10,220
	2,413	10,220	**2,413**	10,220

The fair values of cash and cash equivalents, pledged deposits, due from a related party, trade receivables, other receivables and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise mainly cash and short-term deposits. The Group has various other financial assets and liabilities such as trade receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

FOREIGN EXCHANGE RISK

The Group's only investment in the PRC is its operating vehicle, WHA Joint Venture, which solely conducts business within the PRC. Leaving aside expenses incurred by the Group's Hong Kong office, the bulk of its turnover, capital investment and expenses is denominated in RMB. As at the date of this annual report, the Group had not experienced any difficulties in obtaining government approval for its necessary foreign-exchange purchases. During the year under review, the Group did not issue any financial instruments for hedging purposes.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FOREIGN EXCHANGE RISK (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's net profit (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	**Increase/ (decrease) in net profit** HK$'000
2011		
If Hong Kong dollar weakens against RMB	5%	10,385
If Hong Kong dollar strengthens against RMB	(5%)	(10,385)
2010		
If Hong Kong dollar weakens against RMB	5%	8,895
If Hong Kong dollar strengthens against RMB	(5%)	(8,895)

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 90 days extending up to 180 days for major customers. The Group seeks to maintain control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a large number of diversified customers and are non-interest-bearing.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

LIQUIDITY RISK

The Group continued to enjoy a strong financial position at the end of 2011, with cash and cash equivalents amounting to HK$973 million as at 31 December 2011, an increase from HK$671 million in 2010.

The Group financed its operations and investment activities with internally generated cash flows.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2011				
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Other payables	**—**	**—**	**418,765**	**—**	**418,765**
	—	**—**	**418,765**	**—**	**418,765**

	2010				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Other payables	—	—	352,839	—	352,839
	—	—	352,839	—	352,839

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2011				
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Other payables	**—**	**—**	**2,413**	**—**	**2,413**
	—	**—**	**2,413**	**—**	**2,413**

	2010				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Other payables	—	—	10,220	—	10,220
	—	—	10,220	—	10,220

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group's policy currently is to maintain a low level of gearing ratio. This policy will be reviewed on an annual basis. Net debt includes other payables and accruals, less pledged deposits and cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratio as at the end of the reporting period is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Other payables and accruals	**453,666**	376,624
Less:		
Pledged deposits	**(45,270)**	(35,489)
Cash and cash equivalents	**(973,226)**	(671,338)
Net surplus	**(564,830)**	(330,203)
Equity attributable to owners of the parent	**3,078,602**	2,746,504
Total capital	**3,078,602**	2,746,504
Capital and net debt	**2,513,772**	2,416,301
Gearing ratio	**—**	—

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 February 2012.

Glossary

accounts payable	Money owed to vendors.
accounts receivable	Money owed by customers.
accounts receivable turnover	The ratio of net credit sales to average accounts receivable, a measure of how quickly customers pay their bills.
average accounts receivable outstanding days	The weighted average number of days for which the balance owing by customer is outstanding.
bus shelter	Refers to a bus shelter, taxi stand or road sign. These three are grouped together because their operational requirements, and the marketing and sales efforts for them, are essentially the same.
concession rights	Bus shelter concessions are granted by entities authorised by local governmental agencies in China which have control over the construction and management of bus shelters. Companies granted concession rights pay an annual fixed rental fee to these entities.
debt to equity ratio	The ratio of a company's net debts to its equity attributable to equity holders of the parent. (net debts/equity attributable to equity holders of the parent) x 100%
display panel	An advertising display unit within a bus shelter upon which the same advertisement is posted on both sides.
EBITDA	Earnings before interest, tax, depreciation or amortisation.
EBITDA margin	Equal to EBITDA divided by turnover. EBITDA margin measures the extent to which cash operating expenses use up revenue.
frequency	An industry-accepted method of judging the potential effectiveness of a medium. Frequency reflects the average number of times an individual is exposed to an advertising message during a specific period of time.
Group	Clear Media Limited and its subsidiaries.
IRR	Internal Rate of Return (also called dollar-weighted rate of return). The present value of future cash flows plus the final market value of an investment or business opportunity equal the current market price of the investment or opportunity.
liquidity	current assets/current liabilities.
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
media	Advertising outlets for advertising — including radio, outdoor, television, Internet, magazines, newspapers and direct mail.
medium	The industry term used to describe one of the media advertising outlets, e.g. "television is usually the most expensive advertising medium" or, where the context requires, an individual product offered in respect of such media.
outdoor advertising	One of the advertising media that communicates to people when they are outside their homes, and includes advertising on billboards, advertising on and in public transportation vehicles and terminals, advertising panels in airports and malls, and advertising on street furniture.

Glossary

point-of-sale	A form of advertising at retail locations that is designed to reduce or eliminate the time between a consumer's awareness of advertising and his decision to make a purchase, e.g. putting the offer right next to the product so purchase decisions (and sales) can be made immediately. Advertisers distinguish point-of-sale advertising in their promotional budget.
Reach	An industry-accepted term which describes the potential effectiveness of a media advertising schedule by reflecting the number of different people who hear or see a commercial campaign.
return on asset	(profits attributable to owners of the parent/average total assets) x 100%
return on equity	(profits attributable to owners of the parent/average equity attributable to owners of the parent) x 100%
SAIC	State Administration for Industry and Commerce
street furniture/street furniture displays	Includes such forms of outdoor advertising as bus shelters, taxi stands, road signs, phone kiosks, information and newspaper stands, public toilets, free-standing information panels, benches and street lights.
transit	Advertising displays affixed to moving vehicles or positioned in the common areas of transit stations, terminals and airports.
unipoles	Large-format advertising displays intended for viewing at extended distances, generally more than 50 feet. Unipole displays include, but are not limited to, 30-sheet posters, 8-sheet posters, vinyl-wrapped posters, bulletins, wall murals, and stadia or arena signage.
12-sheet equivalent	One actual 12-sheet panel, or two 6-sheet panels, or three 4-sheet panels.

Financial Summary

	2011	2010	2009	2008	2007
RESULTS (HK$'000)					
Revenue	**1,485,898**	1,261,600	1,118,149	1,260,115	997,310
EBITDA	**547,456**	472,960	293,221	455,757	375,449
EBIT	**275,129**	227,402	57,064	242,342	189,925
Profit attributable to owners of the parent	**187,542**	166,068	31,258	166,067	141,584
CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA (HK$'000)					
Current assets	**1,853,036**	1,554,458	1,262,791	1,045,214	977,708
Current liabilities	**532,233**	406,472	359,490	461,856	472,457
Equity attributable to owners of the parent	**3,078,602**	2,746,504	2,487,102	2,428,163	2,120,927
CASH FLOW DATA (HK$'000)					
Cash generated from operations	**674,173**	492,893	402,677	439,024	330,194
FINANCIAL RATIOS					
Return on equity (%)	**6.4**	6.3	1.3	7.3	7.2
Current ratio (times)	**3.48**	3.82	3.51	2.26	2.07
EBITDA margin (%)	**36.8**	37.5	26.2	36.2	37.6
Net profit margin (%)	**12.6**	13.2	2.8	13.2	14.2

Corporate Information

BUSINESS AREA
Outdoor Media

DIRECTORS
Executive Directors:
Han Zi Jing *(Chief Executive Officer)*
Teo Hong Kiong *(Chief Financial Officer)*
Zhang Huai Jun *(Chief Operating Officer)*

Non-Executive Directors:
Zhu Jia *(Chairman of the Board)*
William Eccleshare
Peter Cosgrove
Jonathan Bevan
Mark Thewlis
Han Zi Dian

Independent Non-Executive Directors:
Desmond Murray
Leonie Ki Man Fung
Wang Shou Zhi

Alternate Director:
Zou Nan Feng (alternate to Zhang Huai Jun and Han Zi Dian)

COMPANY SECRETARY
Jeffrey Yip

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PRC Law
King & Wood PRC Lawyers

Bermuda Law
Conyers Dill & Pearman

AUDITORS
Ernst & Young

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Shanghai Pudong Development Bank

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Teo Hong Kiong
Jeffrey Yip

INVESTOR RELATIONS CONTACT
Jeffrey Yip

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