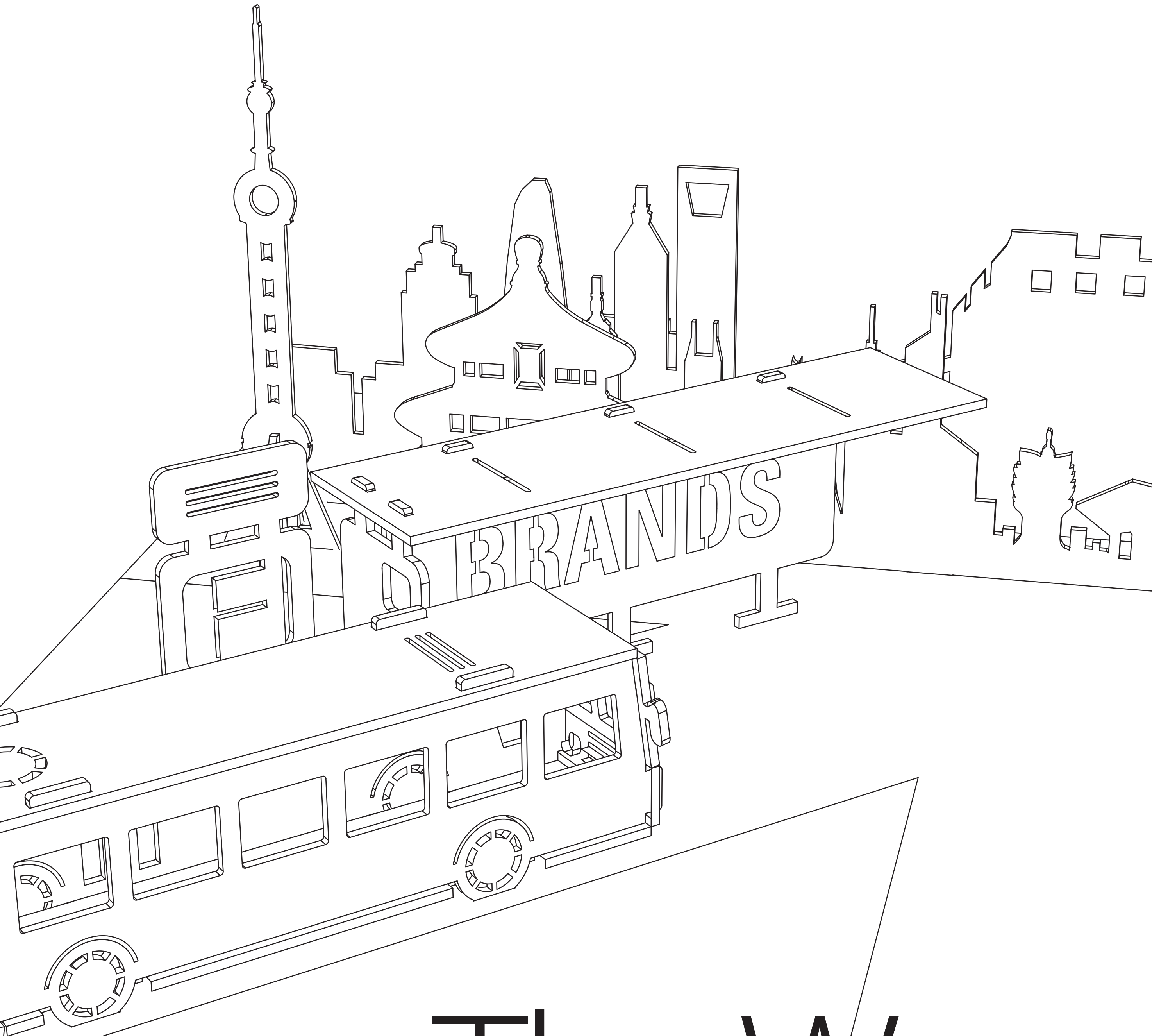
Clear Media Limited
白馬戶外媒體有限公司
Stock Code: 100

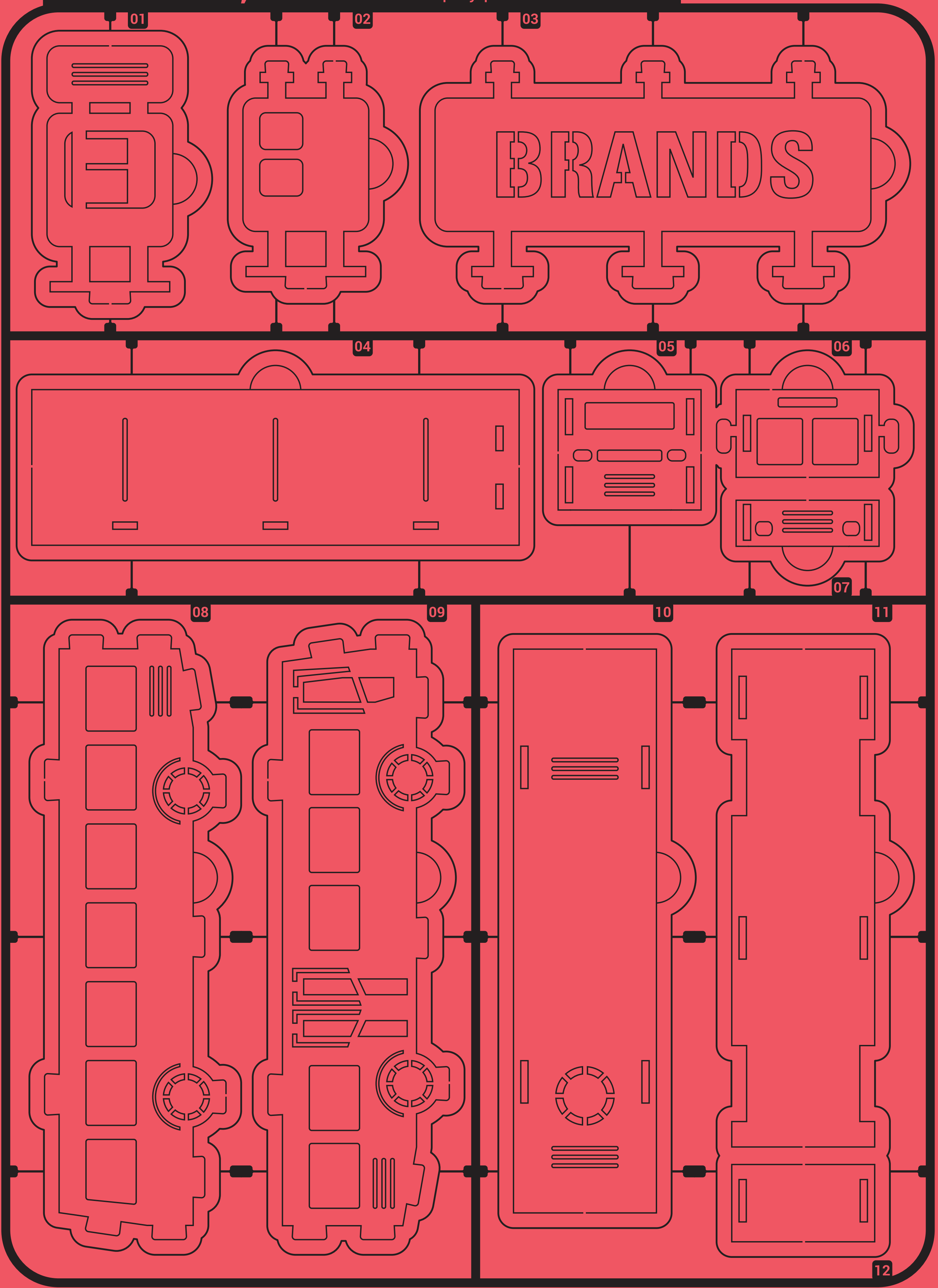
# Our Creation **For The Road Ahead**

Annual Report **2015**

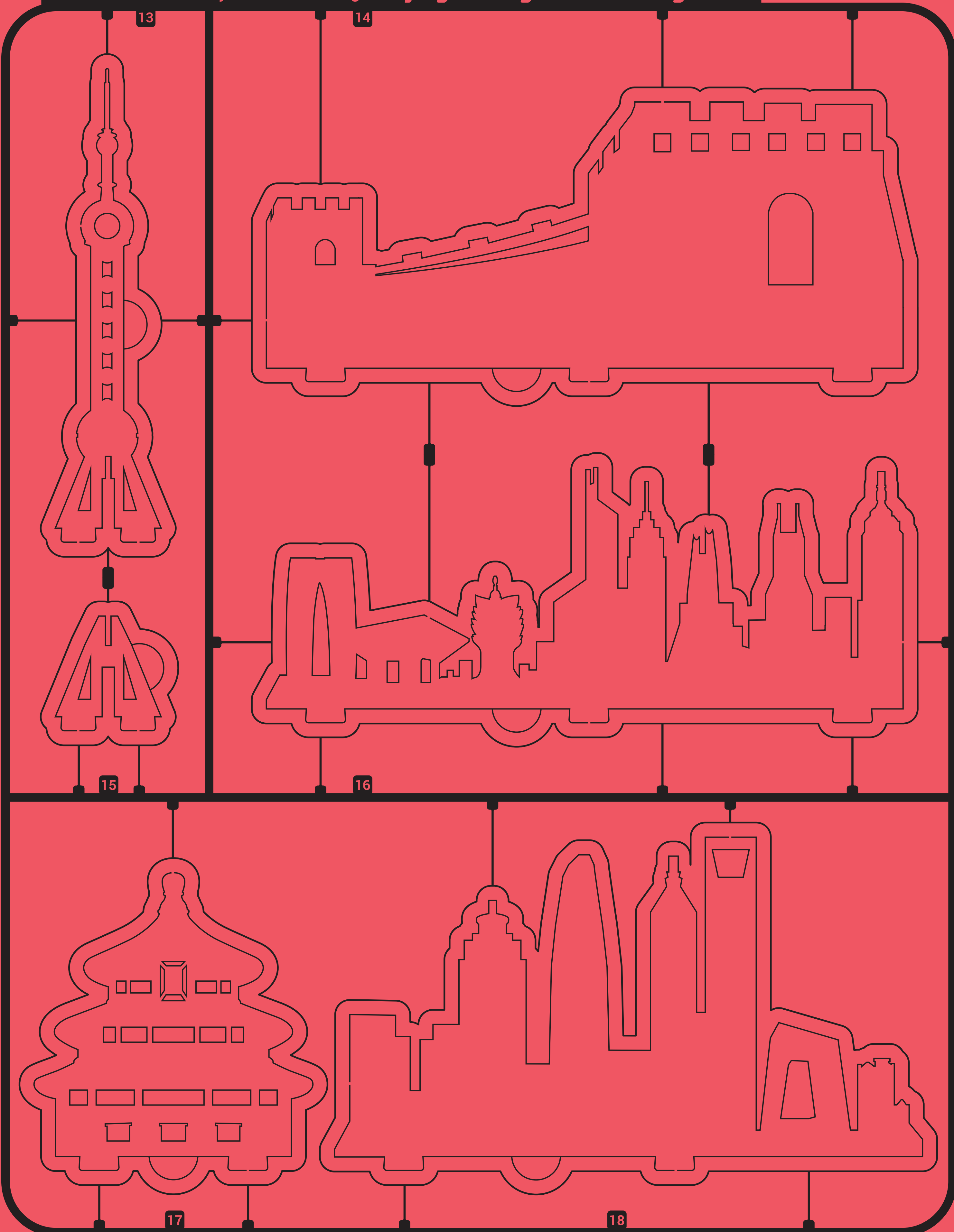



# The Way
# **We Extend**

With more than **45,000** bus shelter display panels in **26** cities.



Market leader in key cities including **Beijing**, **Shanghai** and **Guangzhou**.

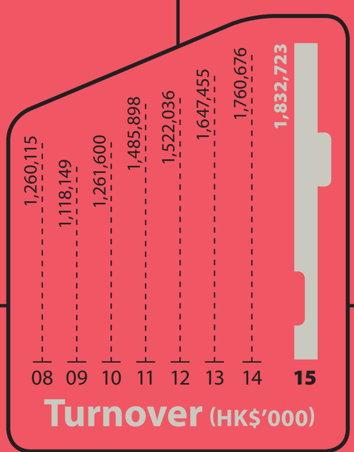


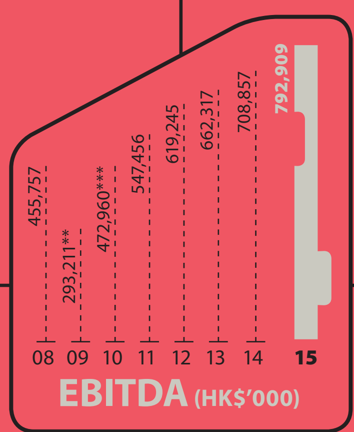
# Content

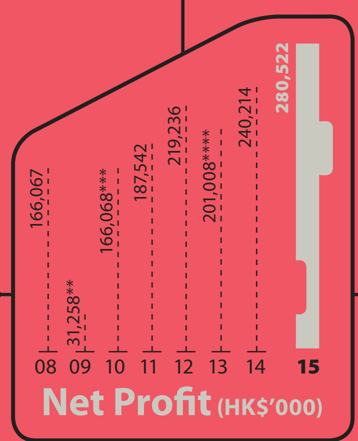


# Financial Highlights

| | 2015 | 2014 |
|---|---|---|
| **FULL YEAR RESULTS (HK$'000)** | | |
| Turnover | **1,832,723** | 1,760,676 |
| EBITDA | **792,909** | 708,857 |
| Operating profit | **435,969** | 370,891 |
| Net profit | **280,522** | 240,214 |
| Basic EPS (HK cents) | **51.92** | 44.75 |
| **BALANCE SHEET DATA (HK$'000)** | | |
| Cash and cash equivalents | **689,322** | 1,049,604 |
| Total assets | **3,634,781** | 3,875,511 |
| Total liabilities | **832,339** | 877,883 |
| Equity attributable to equity holders of the parent | **2,687,663** | 2,916,237 |
| **CASH FLOW DATA (HK$'000)** | | |
| Cash generated from operations | **646,022** | 680,452 |
| Net (decrease)/increase in cash and cash equivalents | **(329,902)** | 175,595 |
| Free cash flow | **176,423*** | 282,551* |
| **FINANCIAL RATIOS** | | |
| Current ratio | **2.24 times** | 2.44 times |
| EBITDA margin | **43.3%** | 40.3% |
| Net profit margin | **15.3%** | 13.6% |
| Debt-to-equity ratio | **0.0%** | 0.0% |



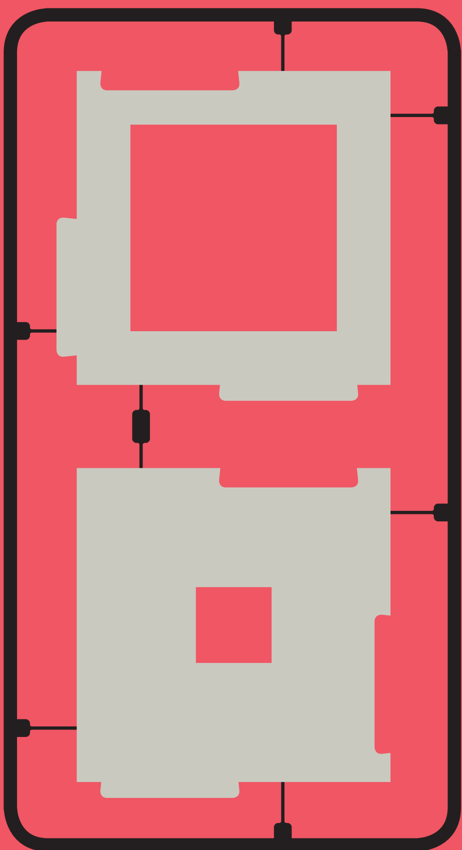

* Free cash flow is defined as EBITDA (before gain and losses on disposal, impairment and write-down of concession rights and other assets and equity-settled share option expenses) less cash outflow on capital expenditure, less income tax and net interest expense.

** 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.

*** Amounts include the effect of the Share Option Expenses Adjustment of HK$20 million recorded in the year ended 31 December 2010.

**** Amounts include the effect of the withholding tax provision of HK$27 million for future distribution of profits from the Company's PRC subsidiary.

**Shareholder Information as at 31 December 2015**



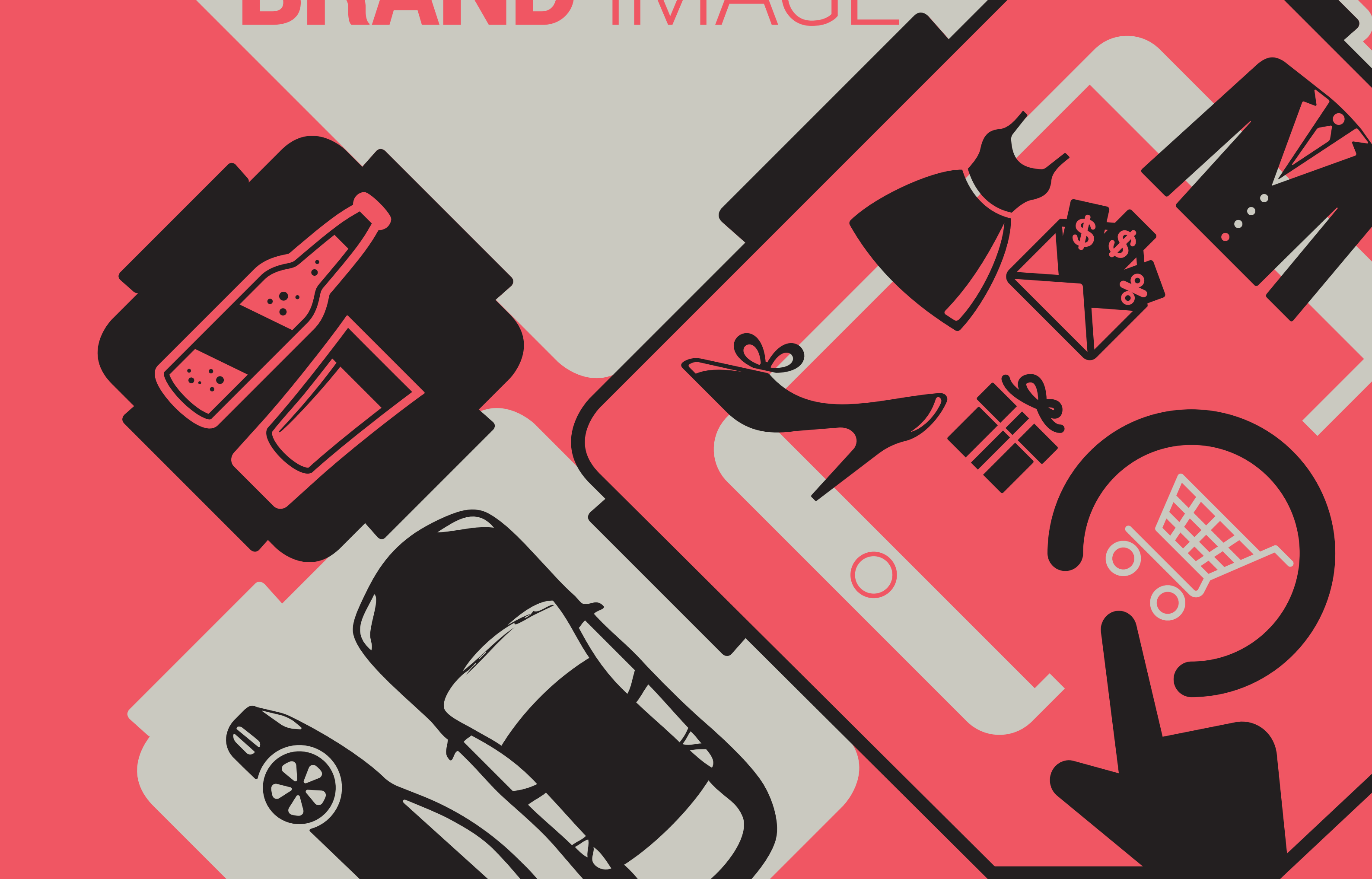
**Clear Channel KNR**
Neth Antilles NV
50.42%

**International Value**
Advisers, LLC
19.51%

| | |
|---|---|
| **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 2015 | **541,700,500 shares** |
| **Market Capitalization** | |
| • as at HK$8.00 per share (based on closing price on 31 December 2015) | **HK$4,334 million (approximately US$557 million)** |
| **Stock Code** | |
| • Hong Kong Stock Exchange | **100** |
| • Reuters | **0100.HK** |
| • Bloomberg | **100 HK** |
| **Financial Year End** | **31 December** |

# Chairman's **Statement**

# BUILD
## BRAND IMAGE



# Chairman's Statement

**Dear Shareholders,**

I am pleased to report to you another year of encouraging revenue growth to a new record high of HK$1,833 million in 2015, up 4.1% year on year. We faced a challenging operating environment throughout the year as the economic growth in China continued to moderate. Our customers chose to wait until the last possible moment to commit their advertising budgets, continuing the practice they had in the last two years.

We achieved another year of solid growth driven by the following initiatives:

We capitalized on lower asset prices and completed several panel acquisitions in mid-tier cities which increased the number of panels by 7% year-on-year to 45,000.

We envisaged well in advance that 2015 would be a difficult year and implemented keys measures to contain operating costs and overhead expenses.

In response to changing customer needs, aside from supporting traditional industries, our sales force focused efforts to recruit new clients targeting growing industries such as e-commerce and IT digital resulting in occupancy rate increase in a number of key cities.

These initiatives resulted in an EBITDA growth of 11.9% to HK$793 million in 2015.

Our Board recommended payment of a 2015 final dividend of HK16 cents per share, as compared to the level of HK15 cents per share in 2014, representing a payout ratio of 30.8%. As of 31 December 2015, we had net cash balance of HK$689 million.

In terms of our digital panel development, we are continuing our digital network test in Nanjing and now have over 250 panels in the city. We are exploring to introduce digital products to other cities.

Looking ahead to 2016, we remain cautious about the overall trading environment. Management expects the revenue performance from various industries, that our advertising clients operate in, to be mixed in 2016. Our sales team will work towards leveraging on our display network to drive revenue forward.

I would like to take this opportunity to express my sincere gratitude to our Board, our management and our staff for their continued hard work and dedication to our Company. We are committed to enhancing our advertising networks for advertisers to promote their products and services, underpinned by our professional and world-class service standards. We also look forward to optimize the return for our shareholders.

Yours sincerely,
**Joseph Tcheng**
*Chairman*

During 2015, economic growth in Mainland China continued to moderate and the operating environment remained challenging, with numerous last minute changes and cancellation of order.

Given the challenging environment, we have focused on recruiting new customers while controlling the operating costs to mitigate any risk to our profit targets for the year.

The Group's bus shelter advertising revenue net of value added tax, increased by 4.1% to HK$1,832.7 million. The depreciation of RMB impacted revenue growth by approximately 2.0%. Its earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 11.9% to HK$792.9 million (2014: HK$708.9 million) mainly due to higher turnover of the core bus shelter advertising business, lower direct rental costs due mainly to the reversal of certain rent provision which has resulted in HK$25.8 million of provision being released during the year, lower electricity and cleaning and maintenance costs, partially offset by the increase in the selling, general and administrative expenses during the year. EBITDA margin increased to 43.3% (2014: 40.3%). The Group's earnings before interest and tax ("EBIT") increased by 17.5% to HK$436.0 million for the year from HK$370.9 million in 2014, following the higher EBITDA and lower level of amortization expenses increment as certain concession rights have been fully amortized during the year. Net profit increased by 16.8% to HK$280.5 million (2014: HK$240.2 million) for the year ended 31 December 2015 and net profit margin increased to 15.3% (2014: 13.6%). Basic earnings per share increased by 16.0% to HK51.92 cents. The Directors proposed a final dividend of HK16 cents per share (2014: HK15 cents).

As of 31 December 2015, Clear Media operated the most extensive standardized bus shelter advertising network in Mainland China, with a total of more than 45,000 panels (2014:42,000 panels) covering 26 cities. The average selling price before value added tax ("ASP") decreased modestly by 1.9% during the year, primarily due to the depreciation of RMB against the Hong Kong Dollar. The average number of bus shelter panels increased by 6.9%. The overall occupancy rate decreased slightly to 61.6% (2014: 62.4%). The revenue growth was primarily driven by the increase in its average number of panels in operation during the year.

For the year ended 31 December 2015, the revenue from Guangzhou, Shanghai and Beijing increased by 2.8% to HK$1,064.7 million (2014: HK$1,035.2 million). Among the three key cities, the revenue performance was led by Beijing, followed by Shanghai, and then Guangzhou.

The revenue from Beijing increased by 7.1% to HK$507.1 million (2014: HK$473.5 million) due to a 2.9% increase in the average number of bus shelter panels and a higher occupancy rate at 75.3% (2014: 72.2%). The ASP decreased marginally by 0.2%.

The revenue from Shanghai increased by 1.3% to HK$231.3 million (2014: HK$228.4 million) due to a 3.6% increase in the average number of bus shelter panels. The ASP decreased by 1.0% and the occupancy rate decreased to 49.5% (2014: 50.1%).

The revenue from Guangzhou decreased by 2.1% to HK$326.2 million (2014: HK$333.3 million), as ASP decreased by 7.7% due to tough price competition. The average number of bus shelter panels increased by 3.8% and the occupancy rate increased to 67.5% (2014: 66.0%).

The revenue from all mid-tier cities increased by 4.5% to HK$862.1 million during the year (2014: HK$825.1 million). The ASP decreased by 0.9% and the occupancy rate decreased to 58.8% (2014: 61.1%). The average number of bus shelter panels increased by 9.5%.

Among the mid-tier cities where the Company operates, Hangzhou, Nanjing, Shenyang, Jinan, Wuhan, Foshan, Wuxi, Nanchang and Zhengzhou performed better with double digit growth in revenue.

During the year the Group continued to take advantage of lower asset prices in the outdoor media market and were to maintain our capital expenditure at a level not significantly less than that in 2014. This allowed Clear media to position its business to maintain long-term profitable growth.

In December 2015, the Group added more than 40 new digital panels in Nanjing. Total sales generated from the new digital operation amounted to HK$15.0 million in 2015 (2014: HK$5.5 million).

The operating environment will remain challenging. Management expects the revenue performance from various industries that our advertising clients operate in, to be mixed in 2016. Our sales team will work towards leveraging on our display network to drive revenue forward.

We expect to maintain our capital expenditure budget for 2016 at a similar scale to 2015 as we continue to identify acquisition opportunities both in major cities and new cities to extend the breath and depth of the reach of our network, taking advantage of the favorable asset price levels.

In addition, we continue to test new digital opportunities in new cities.

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.

**Han Zi Jing**
*Chief Executive Officer*
**Clear Media Limited**

# Management Discussion and Analysis


BUILD
CUSTOMER
SATISFACTION


BUILD
SHAREHOLDER
RETURN

## DESCRIPTION OF THE BUSINESS AND COMPETITIVE POSITION

Clear Media is the largest bus shelter advertising panel operator in China. We have a portfolio of concession rights contracts signed with the local transportation authority of the cities that we operate in. In a typical multiyear concession rights contract, we are obligated to install new bus shelters, pay rental for and maintain the bus shelters under our management; and power up the bus shelter lighting facilities at night in exchange for the right and autonomy to sell the advertising panel on these bus shelters. The actual terms of the concession rights contracts can vary from contract to contract. As of 31 December 2015, the weighted average remaining term of the concession rights held by us was approximately seven years.

We operate 45,000 bus shelter advertising panels in 26 cities across China. We have market share of more than 60% in key cities, including Beijing, Shanghai and Guangzhou. During the year, the total revenue from these key cities accounted for more than half of the total bus shelter revenue. Our bus shelter panel advertising space is mostly sold to both local and international advertisers through their advertising agents with our sales people working with both the agents and the advertisers. A typical market campaign is two-week long but it can be longer than two weeks depending on advertisers' decisions.

## INDUSTRY OVERVIEW

During 2015, economic growth in Mainland China continued to moderate and the operating environment remained challenging, with numerous last minute changes and cancellation of order.

Given the challenging environment, we have focused on recruiting new customers while controlling the operating costs to mitigate any risk to our profit targets for the year.

During the year, the revenue contributions from customers in the e-commerce, entertainment, fashion, food and IT digital product industries increased. In particular, the revenue contribution from the e-commerce sector increased to 15% of revenue in 2015 from 9% in 2014. We continued to take advantage of lower asset prices in the outdoor media market and were to maintain our capital expenditure at a level not significantly less than that in 2014. This allowed us to position our business to maintain long-term profitable growth.

## STRATEGY

### *Strategic Expansion*

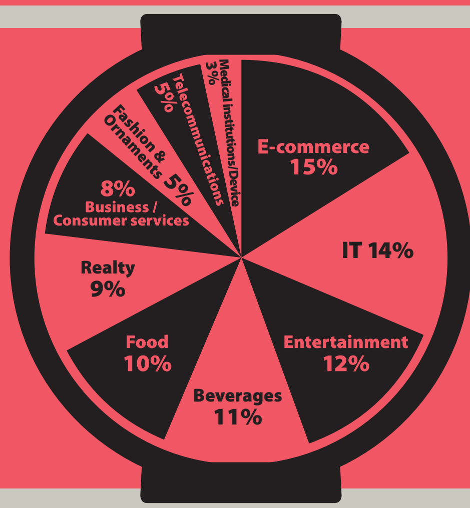
Our key strategy is to continue to expand our bus shelter advertising panel network in China in selected cities that will mean long-term strategic value to our business. The strategic value includes profitability, growth prospects, competitive position and customer needs…etc.

### *Customer Focus and Customer Relations Management*

Our key focus is on providing professional services to all customers, including those represented by the 4As. More than 400 sales personnel service both our customers and their advertising agencies directly. To us only result matters. We will maintain close tie with the customer to constantly obtain feedback on the quality of advertising campaign and services render, provide market research conducted either by independent research companies or jointly by the customers and us to assess the effective of the campaign, and also implementing internal control procedures to monitor quality of sales services provided.

# Turnover by Geographical Location in 2015


# Client Mix
(by industry)



# Management Discussion and Analysis

***Product Quality and Innovation***

We work towards maintaining high quality of bus shelters with format as standardized nationwide as practicable. We implement bus shelter refurbishment plans, when needed, to upgrade the quality of our bus shelters. Our management monitors new technology in the outdoor industry in local and international street furniture markets. Our first digital advertising panel was launched in the second half of 2014 and we now operate more than 250 digital panels in Nanjing.

***Financial Discipline and Efficiency***

We have strict discipline in managing our financial resources and capital investment. Our Capital Expenditure Committee regularly reviews and recommends our capital expenditure projects typically including our concession rights renewal and acquisitions, major bus shelter refurbishment and digital panel expansion plans. Our Cash Committee from time to time reviews our expected cash needs and evaluate the adequacy and the options for utilization of the Group's cash with a view to enhance shareholders' interests, and make related recommendations to the Board.

## PRINCIPAL RISKS

***Risks Relating to Economic Development***

In addition to the availability of our bus shelter advertising space from time to time, our revenue performance depends on the appetite of our advertising clients to use our platform to implement their marketing campaign. There is common belief that there is general correlation between advertisers' appetite to do marketing and the macro-economic development, more specifically the social consumption. Any significant change in the pace of macro-economic development will likely affect our overall revenue performance.

***Change in Laws, Regulations, Policies or Directives from Central or Local Government Departments***

Our bus shelter operations in 26 cities in China are subject to various laws, regulations, policies and directives from the central and local government departments in China. During the year ended 31 December 2015, we are not aware of any material non-compliance with any laws or regulations in China. Any unfavorable change in the related laws, regulations, policies or directives from the central or local government departments may adversely affect our bus shelter operations and our financial performance.

***Concession Rights***

In executing our strategy, we will need to renew existing concession rights before expiry and acquisition of new concession rights. The renewal or acquisition of concession rights typically requires additional investment. Internally, we evaluate the concession rights renewal or acquisition opportunity with financial discipline.

***Currency***

The Group's exposure to foreign exchange risk is set out in the exposure to foreign exchange risk section on page 21.

***Cash Deposits***

We are a net cash company with total cash and cash equivalents at HK$689.3 million as of 31 December 2015. We have a policy for prudent management of our cash and cash equivalents the bulk of which were placed as bank deposits with various commercial banks in Hong Kong and China. We have a policy of maintaining our cash deposits placed with any one particular bank to be less than 20% of our total cash and cash equivalents. Our

Audit Committee reviewed the list of our bank deposits and the credit ratings of the underlying banks during the year.

### *Contingent Liabilities*

Details of the Group's contingent liabilities are set out in the "Management Discussion and Analysis" section on pages 22 to 23.

## CHANGE IN BOARD MEMBERS SUBSEQUENT TO 31 DECEMBER 2015

Effective from 1 January 2016, Mr. Mark Thewlis relinquished his positions as an Executive Director, the Chairman of the Board, the Chairman of the Capital Expenditure Committee and the Director's Securities Dealing Committee and a member of the Cash Committee; and Mr. Joseph Tcheng was appointed as an Executive Director, the Chairman of the Board, the Chairman of the Nomination Committee, the Capital Expenditure Committee and the Director's Securities Committee; and a member of the Cash Committee.

## NEW FRAMEWORK AGREEMENT FOR THE CONTINUING CONNECTED TRANSACTIONS ON ADVERTISING COMMISSION ARRANGEMENTS

On 22 December 2015, Hainan White Horse Advertising Media Investment Company Limited, the principal operating subsidiary of the Company entered into a three-year framework agreement, on procuring advertising sales in return for an advertising commission, with connected parties including Guangdong White Horse Advertising Company Limited ("GWH"), Hainan White Horse Media Advertising Company Limited ("WHM") and White Horse (Shanghai) Investment Company Limited with annual transaction caps for the gross value of sales of HK$414.0 million, HK$424.5 million and HK$435.0 million and the annual caps for the related advertising commission of HK$33.0 million, HK$34.0 million and HK$35.0 million for the years 2016, 2017 and 2018, respectively. Such framework agreement was approved by the shareholders in the special general meeting held on 28 January 2016.

## OPERATION OVERVIEW

### *Bus Shelter Advertising Business*

As of 31 December 2015, Clear Media operated the most extensive standardized bus shelter advertising network in Mainland China, with a total of more than 45,000 panels (2014: 42,000 panels) covering 26 cities. Our bus shelter advertising revenue net of value added tax, increased by 4.1% to HK$1,832.7 million. The depreciation of RMB impacted revenue growth by approximately 2.0%.

The average selling price before value added tax ("ASP") decreased modestly by 1.9% during the year, primarily due to the depreciation of RMB against the Hong Kong Dollar. The average number of bus shelter panels increased by 6.9%. The overall occupancy rate decreased slightly to 61.6% (2014: 62.4%). The revenue growth was primarily driven by the increase in our average number of panels in operation during the year.

Due to the change in tax regulation, the business tax for our bus shelter advertising business was replaced by value added tax in Shanghai, Beijing, Guangzhou and Shenzhen effective from 1 January 2012, 1 September 2012 and 1 November 2012, respectively. Business tax of all other China cities was replaced by value added tax effective from 1 August 2013. These tax charges had the effect of reducing our turnover by HK$109.5 million in 2015 (2014: HK$105.6 million).

### *Key Cities*

For the year ended 31 December 2015, the revenue from Guangzhou, Shanghai and Beijing increased by 2.8% to HK$1,064.7 million (2014: HK$1,035.2 million). Among the three key cities, the revenue performance was led by Beijing, followed by Shanghai, and then Guangzhou.

### *Beijing*

The revenue from Beijing increased by 7.1% to HK$507.1 million (2014: HK$473.5 million) due to a 2.9% increase in the average number of bus shelter panels and a higher occupancy rate at 75.3% (2014: 72.2%). The ASP decreased marginally by 0.2%.

### *Shanghai*

The revenue from Shanghai increased by 1.3% to HK$231.3 million (2014: HK$228.4 million) due to a 3.6% increase in the average number of bus shelter panels. The ASP decreased by 1.0% and the occupancy rate decreased to 49.5% (2014: 50.1%).

### *Guangzhou*

The revenue from Guangzhou decreased by 2.1% to HK$326.2 million (2014: HK$333.3 million), as ASP decreased by 7.7% due to tough price competition. The average number of bus shelter panels increased by 3.8% and the occupancy rate increased to 67.5% (2014: 66.0%).

### *Mid-tier Cities*

The revenue from all mid-tier cities increased by 4.5% to HK$862.1 million during the year (2014: HK$825.1 million). The ASP decreased by 0.9% and the occupancy rate decreased to 58.8% (2014: 61.1%). The average number of bus shelter panels increased by 9.5%.

Among the mid-tier cities where the Company operates, Hangzhou, Nanjing, Shenyang, Jinan, Wuhan, Foshan, Wuxi, Nanchang and Zhengzhou performed better with double digit growth in revenue.

### *Digital*

In December 2015, more than 40 new digital panels were added in Nanjing. Total sales generated from the new digital operation amounted to HK$15.0 million in 2015 (2014: HK$5.5 million).

## FINANCIAL REVIEW

### *Turnover*

The Group's total turnover increased by 4.1% to HK$1,832.7 million during the year ended 31 December 2015.

### *Other Income*

Other income decreased from HK$20.3 million in 2014 to HK$9.9 million mainly due to lower bank fixed deposits interest income.

### *Expenses*

During the year ended 31 December 2015, the Group's total direct operating costs, including rental, electricity and maintenance costs, and sales, cultural and other levies, decreased by 3.3% to HK$683.3 million (2014: HK$706.8 million).

Despite the 7% increase in average inventory size, direct rental costs decreased by 1.5% during the year. This was due mainly to the reversal of certain rent provision made in the normal course of business which was subject to negotiations on an ongoing basis with the relevant authority. The reversal has resulted in HK$25.8 million of provision being released during the year.

Electricity costs decreased by 2.9% mainly due to the installation of LED lighting on new shelters and also conversation of part of the existing plant from the traditional fluorescent light tube to LED which help to save electricity.

Cleaning and maintenance costs decreased by 11.5% mainly due to cost control and adjustment of the cleaning and maintenance expenses subsidized by the Hainan White Horse Advertising Co., Ltd., (the "Hainan White Horse") the non-controlling shareholder of Hainan White Horse Advertising Media Investment Company Limited (the "WHA Joint Venture").This cleaning and maintenance subsidy arrangement was made and has been in effect since 2001 as part of the pre-listing re-organisation exercise and is based on a certain percentage of the cleaning and maintenance cost. The ratio is negotiated on a yearly basis, with an aim to match the subsidy payable by Hainan White Horse to the cleaning and maintenance entity against the dividend attributable to this non-controlling shareholder. The cleaning and maintenance subsidy increased by 166.4% to HK$38.9 million (2014: HK$14.6 million).

During the year ended 31 December 2015, sales, cultural and other levies increased by 6.8%, mainly due to the increase of total revenue.

Total selling, general and administrative expenses, excluding depreciation and amortization, increased by 4.9% to HK$349.9 million in 2015 mainly due to higher impairment losses of trade receivables and office rental expenses, partially offset by lower wages and salaries, cost control measure and the reversal of the cash-settled share-based payment expenses amounting to HK$9.0 million.

### *EBITDA*

The Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 11.9% to HK$792.9 million (2014: HK$708.9 million) mainly due to higher turnover of the core bus shelter advertising business, lower direct rental costs due mainly to the reversal of certain rent provision which has resulted in HK$25.8 million of provision being released during the year, lower electricity and cleaning and maintenance costs, partially offset by the increase in the selling, general and administrative expenses during the year. EBITDA margin increased to 43.3% (2014: 40.3%).

A reconciliation of the Group's profit before tax to EBITDA is as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit before tax | **443,628** | 387,478 |
| Add: | | |
| — Finance costs | **2,247** | 3,732 |
| — Depreciation of property, plant and equipment | **11,950** | 10,251 |
| — Amortisation of concession rights | **344,990** | 327,716 |
| Subtotal | **359,187** | 341,699 |
| Less: | | |
| — Interest income | **(9,906)** | (20,319) |
| EBITDA | **792,909** | 708,858 |

### *EBIT*

The Group's earnings before interest and tax ("EBIT") increased by 17.5% to HK$436.0 million for the year from HK$370.9 million in 2014, following the higher EBITDA and lower level of amortization expenses increment as certain concession rights have been fully amortized during the year.

### *Finance Costs*

During the year, the Group carried no debt, hence the finance costs incurred were minimal at HK$2.2 million (2014: HK$3.7 million).

### *Taxation*

According to the PRC Enterprise Income Tax Law effective from 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 of 25% (2014: 25%) on its assessable profits arising in the PRC for the year 2015.

Further, 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.

Income tax expense of the Group increased to HK$120.1 million for the year ended 31 December 2015 from HK$108.1 million in 2014. This was mainly due to the increase in assessable profits of the core bus shelter advertising business during the year.

As at 31 December 2015, the Group recognized a deferred tax liability of HK$20.7 million (31 December 2014: HK$23.1 million) in respect of the withholding tax on future dividend distribution by WHA Joint Venture.

### *Net Profit*

Net profit increased by 16.8% to HK$280.5 million (2014: HK$240.2 million) for the year ended 31 December 2015 and net profit margin increased to 15.3% (2014: 13.6%).

### *Cash Flow*

Net cash flows from operating activities decreased by 1.4% to HK$557.0 million for the year ended 31 December 2015 from HK$564.7 million in the previous year. The decrease was due mainly to the increase in prepayments, deposits and other receivables following adjustment of the cleaning and maintenance expenses subsidized by the Hainan White Horse, increase in account receivables balances following slower payment from some of the major customers, including balances due from the related parties, and the effect of working capital changes, partially offset by the higher operating profit for the year.

Net cash flows used in investing activities increased to HK$508.6 million for the year ended 31 December 2015 from HK$294.4 million in the previous year mainly due to higher investment in certain bus shelter acquisitions in 2015, higher fixed assets addition and the payment for 2014 capital expenditure projects during the year.

Net cash flows used in financing activities amounted to HK$378.3 million for the year ended 31 December 2015. This was mainly due to the 2014 final and special dividends paid to the shareholders of the Group during the year.

Free cash flow, defined as EBITDA (before gain and losses on disposal, impairment and write down 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, decreased to HK$176.4 million for the year ended 31 December 2015 compared to HK$282.6 million in the previous year. The decrease was mainly due to a higher level of capital expenditure, partially offset by a higher EBITDA generated during the year.

### *Trade Receivables*

The Group's accounts receivable balance due from third parties increased by 8.7% to HK$687.2 million as at 31 December 2015 from HK$631.9 million as at 31 December 2014. The outstanding balances in the current to 90 days category increased by HK$51.7 million, following the higher sales in 2015. Outstanding balances in the over 180 days category increased by HK$39.6 million, mainly due to slower repayment from certain major customers. 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 GWH and WHM 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 relate to a large number of different customers.

The average accounts receivable outstanding days, on a time weighted basis, remained stable at 117 days for the current year (2014: 117 days). As at 31 December 2015, the provision for impairment of accounts receivable increased to HK$31.4 million from HK$21.2 million as at 31 December 2014 mainly due to the slower collection from customers and increase in balance in the more than 12 months category during the year. Based on the customers' credential and past payment history, management is of the view that the provision level is adequate as of 31 December 2015. We will continue to closely monitor the accounts receivable balance and ensure the level of provision is appropriate and prudent.

### *Due from Related Parties*

As at 31 December 2015, the amounts due from GWH and WHM increased to HK$106.8 million from HK$88.6 million as at 31 December 2014 mainly due to slower payment from customers represented by GWH and WHM during the year. The main bulk of the increase was in the 90 to 180 days category and average balance due from related parties outstanding days, on a time-weighted basis, increased to 81 days for the current year from 75 days in the previous year. We will continue to work closely with GWH and WHM to expedite collection.

### *Prepayments, Deposits and Other Receivables*

The Group's total prepayments, deposits and other receivables as at 31 December 2015 increased to HK$143.0 million from HK$115.5 million as at 31 December 2014.

The balance as at 31 December 2015 included a receivable from Hainan White Horse, the non-controlling shareholder of the WHA Joint Venture, amounting to HK$95.4 million (31 December 2014: HK$66.5 million), which is unsecured, interest-free and has no fixed terms of repayment.

# Management Discussion and Analysis

The increase in prepayments, deposits and other receivables was mainly due to the increase of the receivable from Hainan White Horse during the year for the cleaning and maintenance expense subsidized as disclosed in the "Expenses" section on pages 16 and 17, partially offset by impact of the depreciation of RMB against HK Dollars during the year.

### *Long-term Prepayments, Deposits and Other Receivables*

The Group's total long-term prepayments, deposits and other receivables as at 31 December 2015 decreased to HK$88.8 million from HK$94.2 million as at 31 December 2014.

The decrease in long-term prepayments, deposits and other receivables was mainly due to the settlement of certain long term deposit and the depreciation of RMB against HK Dollars during the year.

### *Other Payables and Accruals*

The Group's total payables and accruals as at 31 December 2015 were HK$645.7 million, compared to HK$731.1 million as at 31 December 2014. The lower payables and accruals balances was mainly due to decrease in bus shelter rental and capital expenditure related payables and the depreciation of RMB against HK Dollars during the year. We consider it 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 2015, the Group's total assets amounted to HK$3,634.8 million, a 6.2% decrease from HK$3,875.5 million, as at 31 December 2014. The Group's total liabilities decreased to HK$832.3 million as at 31 December 2015, from HK$877.9 million as at 31 December 2014. Net assets as at 31 December 2015 decreased by 6.5% to HK$2,802.4 million from HK$2,997.6 million as at 31 December 2014. This was mainly due to the 2014 final and special dividends paid to the shareholders of the Group and the foreign exchange losses from translation of the Group's RMB operation in mainland China, partially offset by the retention of the net profit earned in the year ended 31 December 2015. Net current assets decreased from HK$1,114.5 million as at 31 December 2014, to HK$900.4 million as at 31 December 2015.

As at 31 December 2015, the Group's total cash and bank balances amounted to HK$689.3 million (31 December 2014: HK$1,049.6 million).

### *Share Capital and Shareholders' Equity*

Total issued and fully paid share capital increased to HK$54.2 million as at 31 December 2015, from HK$53.7 million as at 31 December 2014. Total shareholders' equity for the Group as at 31 December 2015 decreased by 6.5%, to HK$2,802.4 million, from HK$2,997.6 million as at 31 December 2014. The Group's reserves as at 31 December 2015 amounted to HK$2,633.5

million, a 8.0% decrease over the corresponding balance of HK$2,862.5 million as at 31 December 2014. This was mainly due to the 2014 final and special dividends paid to the shareholders of the Group and the foreign exchange losses from translation of the Group's RMB operation in mainland China, partially offset by the retention of the net profit earned in the year ended 31 December 2015. The Group undertook no share repurchases during the year.

### *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. WHA Joint Venture's operations, the bulk of its turnover, capital investment and expenses are 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 depreciated by 2.0% against the Hong Kong Dollar during the year as compared with last 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 depreciation of RMB will have a negative impact on the Group's net profit.

The majority of our operating assets are located in the PRC and are denominated in RMB. The operating assets are translated to Hong Kong Dollars at the 31 December 2015 spot rate. The spot rate of RMB as of 31 December 2015 has depreciated against the Hong Kong Dollars by 4.7% as compared with the spot rate as at 31 December 2014. This has resulted in a decrease in the exchange fluctuation reserve of approximately HK$138.5 million (2014: HK$73.4 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 2015, the Group's total cash and cash equivalents amounted to HK$689.3 million (HK$1,049.6 million as at 31 December 2014). The Group had no short term or long-term debt outstanding as at 31 December 2015 (31 December 2014: Nil).

The Group's current policy is to maintain a low level of gearing. This policy is reviewed on an annual basis. We plan to invest and expand our bus shelter network, and explore investment opportunities in complementary out-of-home platform with the aim to increase return to shareholders.

### *Capital Expenditure*

For the year ended 31 December 2015, the Group invested HK$428.1 million in the construction of bus shelters and acquisition of concession rights, and HK$47.9 million on fixed assets, compared to HK$454.7 million and HK$10.8 million, respectively, in 2014.

### *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 2015, the Group had a total of 585 employees, an increase of 3.2% compared to 31 December 2014. Total wages and salaries decreased by 2.3% year-on-year mainly due to salary freeze and lower staff bonus expenses.

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 their 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*

As at 31 December 2015, a bank balance of RMB1.3 million (equivalent to approximately HK$1.5 million) was frozen in respect of a legal claim discussed in the "Contingent Liabilities" paragraph below.

### *Capital Commitments*

As at 31 December 2015, the Group had capital commitments contracted but not provided for in relation to the construction of bus shelters amounting to HK$1.5 million (31 December 2014: HK$0.6 million).

### *Contingent Liabilities*

During 2014, a supplier of the Group in China (the "Supplier") factored its accounts receivable allegedly due from the Group (the "Accounts Receivable") under certain supply contracts (the "Purported Supply Contracts") to certain financial institutions in China. Whilst the Purported Supply Contracts were allegedly entered into with a subsidiary of the Company, the Group has confirmed that none of them is an authentic supply contract to which it is a party. When the Accounts Receivable remained unpaid, the financial institutions commenced legal proceedings against, among others, the Company's subsidiary to recover an aggregate amount of approximately RMB115 million. As of the date of this report, the trial dates for these legal proceedings had yet to be fixed. As the Group confirmed that it had not entered into any of the Purported Supply Contracts, the Group treated the Purported Supply Contracts as being contractual fraud and reported the cases to the competent police authority. The directors, taking into account the advices from the Group's legal counsel, believe that the Group has a valid defence in law to the allegations against it and, accordingly, have not provided for any potential claim arising from the litigation, other than the related legal and other costs.

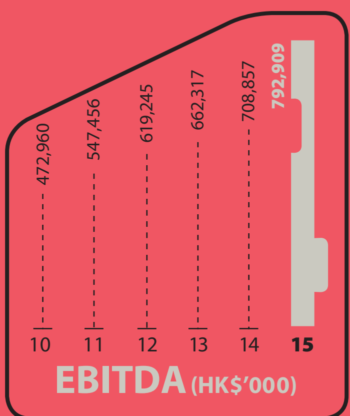
On 8 January 2016, the Group received a notice from a certain District Court in the PRC (the "Court") stating that a plaintiff has initiated legal action against the Supplier and that the Court has ruled in such plaintiff's favour and has frozen the Supplier's right to receive payment from the

Group for the settlement of any outstanding liability between the Supplier and the Group. The Court has issued a compulsory order requiring the Group to remit an outstanding sum of about RMB17.6 million owing by the Group to the Supplier into the bank account of the Court. The directors, taking into consideration the advice of the Group's legal counsel, believe that this development will not result in the Group being liable for additional liability exceeding the outstanding liability already taken up in the account under other payables and accruals, between the Supplier and the Group.

## FINANCIAL KEY PERFORMANCE INDICATOR

### *EBITDA as the financial key performance indicator*

EBITDA is the Group's earnings before interest, tax, depreciation and amortization. The Company uses the Group's EBITDA as the financial key performance indicator. The Company's aim is to increase the Group's EBITDA. We monitor the Group's EBITDA in the current year or period and make comparison with that in the same period of the previous year as a measure of the performance. Details of the Group's EBITDA are set out in the "EBITDA" section on page 17.




### *Environmental Policies and Compliance*

We are committed to minimizing the impact of our activities on the environment. To this end, various impact assessments have been undertaken and policies created which are in line with international best practices and long term sustainability.

The core values of our environmental policy are to meet all the environmental legislations that relates to our operations.

In addition to full compliance with all laws relevant to sustaining and improving the environment, we are committed to deploying ecologically friendly construction techniques, materials and operational procedures.

The energy consumed by bus shelter panel accounts for almost 95% of the Group's energy consumption. In order to reduce electrical consumption of bus shelter panel while preserving illumination for public safety, we have gradually reduced the number of fluorescent tubes usage and increased in the use of LED lighting structures. The LED lighting structures offer energy savings of more than 50% compared to the use of fluorescent tube. In addition to using LED lighting structures on all new shelters built in 2015, we have also converted about 8% of our existing bus shelter panels to LED lighting structures during the year. As of 31 December 2015, about 43% of our total bus shelter panels are with LED lighting structures and we plan to gradually increasing the ratio in the next few years.

In addition, we have installed light controllers and auto timers into many of the lightbox structures which help to reduce electrical consumption.

## KEY RELATIONSHIPS

### *Relationships with Vendors*

We have established relationships with over 12 major suppliers for the construction and supply of bus shelters and other outdoor media. Except for one vendor who has allegedly engaged in certain fraudulent activities as set out in the "Contingent Liabilities" section on pages 22 and 23 and was replaced with other third party suppliers operating in similar industry, we have no major event affecting our relationships with our suppliers. An annual internal evaluation, lead by our Engineering Department, is performed to measure the financial, technical, quality and logistics performance of these suppliers.

### *Relationships with Employees*

During the year, we are not aware of any major event affecting our relationships with our employees.

### *Relationships with Customers*

Our sales team interact closely with the advertising clients' marketing personnel and their advertising agents during our daily operation. In addition, our sales team also put in efforts every year to identify new advertising clients. During the year, our sales team has increased the total number of advertising clients from 784 in 2014 to 839 in 2015.

## OUTLOOK

The operating environment will remain challenging. Management expects the revenue performance from various industries, that our advertising clients operate in, to be mixed in 2016. Our sales team will work towards leveraging on our display network to drive revenue forward.

We expect to maintain our capital expenditure budget for 2016 at a similar scale to 2015 as we continue to identify acquisition opportunities both in major cities and new cities to extend the breath and depth of the reach of our network, taking advantage of the favorable asset price levels.

In addition, we continue to test new digital opportunities in new cities.

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.

Chairman
Chairman of the Nomination Committee
Chairman of the Capital Expenditure Committee
Chairman of the Directors' Securities Dealing Committee
Executive Director

## JOSEPH TCHENG

Mr. Tcheng, aged 61, is currently the Chairman of Sichuan Swellfun Co. Ltd. (四川水井坊股份有限公司), a premium baijiu company listed on the Shanghai Stock Exchange. Diageo has a controlling stake in this company. Mr. Tcheng was the Managing Director of Diageo Greater China from April 2009 to June 2013 where he was responsible for Diageo's international spirits brands such as Johnnie Walker, Smirnoff, Baileys and Guinness. During this time he established the first Johnnie Walker House, an experience centre for Scotch in Shanghai and Beijing.

Mr. Tcheng was the Managing Director of Diageo S.E. Asia from June 2007 to March 2009. Prior to that, he has worked for 25 years in a variety of roles in general management and marketing with Philip Morris International in New York and Asia.

Mr. Tcheng holds an MA in Economics from Downing College, Cambridge University. He obtained the Financial Times Non-Executive Director Diploma in 2014.

Effective from 1 January 2016, Mr. Tcheng was appointed as an Executive Director, the Chairman of the Board, the Chairman of the Nomination Committee, the Capital Expenditure Committee, the Directors' Securities Dealing Committee and a member of the Cash Committee.

Executive Chairman
Chairman of the Nomination Committee
Chairman of the Capital Expenditure Committee
Chairman of the Directors' Securities Dealing Committee
Executive Director

## MARK THEWLIS*

Mr. Thewlis, aged 49, is currently the Executive Chairman of the Company. He was the Regional President Asia Pacific for Clear Channel International Limited ("CCI"), a London-based subsidiary of Clear Channel Outdoor Holdings, Inc. which is the controlling shareholder of the Company and whose shares are listed on the New York Stock Exchange ("CCO"). Mr. Thewlis managed the radio and outdoor advertising operations throughout the Asia Pacific region for CCO. He is a consultant to CCI. Mr. Thewlis was a Senior Vice President — Operations of CCI, based in London, with responsibility for a number of business units throughout Europe. During the period between October 2002 and June 2005, Mr. Thewlis held the position of Director of Finance for CCI.

Prior to joining CCO in 2002, Mr. Thewlis was the Chief Financial Officer for Adshel Street Furniture Pty Ltd in Australia, a joint venture between CCO and APN News & Media Limited. Mr. Thewlis was involved with the early development of the business, including business development, capital expenditure management 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.

With effect from 1 January 2016, Mr. Mark Thewlis relinquished his positions as an executive director, the Chairman of the Board, the Chairman of the Capital Expenditure Committee and the Directors' Securities Dealing Committee and a member of the Cash Committee; and Mr. Joseph Tcheng was appointed as an executive director, the Chairman of the Board, the Chairman of the Nomination Committee, the Capital Expenditure Committee, the Directors' Securities Dealing Committee and a member of the Cash Committee.

# Biographies of Directors

Deputy Chairman
Non-Executive Director

## WILLIAM ECCLESHARE

Mr. Eccleshare, aged 60, 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 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 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 a Board member and trustee of the Donmar Warehouse Theatre in London.

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 62, has been a Director of the Company since 2001 and has over 25 years' experience in the outdoor, publishing and broadcasting industries. He is currently Chairman of APN News & Media Limited, a diversified media operator in Australia and New Zealand which is listed on both the Australian Securities Exchange and the New Zealand Exchange and Chairman of Buspak Advertising (Hong Kong) Limited.

Mr. Cosgrove has been a Director of APN News & Media Limited since December 2003 and he was appointed as the Chairman of the Board in February 2013.

Chief Executive Officer
Executive Director

## HAN ZI JING

Mr. Han, aged 60, 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.

# Biographies of Directors

Chief Financial Officer
Executive Director

## TEO HONG KIONG

Mr. Teo, aged 51, 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 Chartered Accountant of Singapore.

Chief Operating Officer
Executive Director

## ZHANG HUAI JUN

Zhang Huai Jun (Harrison), aged 45, 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.

Non-Executive Director

## JONATHAN ZHU

Mr. Zhu, aged 53, is a Managing Director of Bain Capital, based in Hong Kong. Since joining Bain Capital in 2006, Mr. Zhu has led Bain Capital's investments in China. Mr Zhu is currently a non-executive director of Greatview Aseptic Packaging Company Limited and Sunac China Holdings Limited, the shares of which are listed on the Stock Exchange of Hong Kong. Mr Zhu is also an independent director of Youku Tudou Inc., the shares of which are listed on the New York Stock Exchange. Before joining Bain Capital in 2006, he was the China Chief Executive Officer of Morgan Stanley. Mr. Zhu holds a juris doctor degree from Cornell Law School, an MA degree from Nanjing University, and a BA degree from Zhengzhou University. Mr Zhu is also a trustee of The Nanjing University.

Mr. Zhu has been a non-executive director since August 2011.

# Biographies of Directors

Non-Executive Director

## CORMAC O'SHEA

Mr. O'Shea, aged 43, graduated from University College Cork with a bachelor's degree in Commerce (majoring in finance). Mr. O'Shea is currently the chief financial officer of the international division of Clear Channel Outdoor Holdings, Inc. ("Clear Channel Outdoor"). He was the chief financial officer of each of Australian Radio Network Pty Ltd from October 2010 to April 2013 and APN Outdoor Pty Ltd from April 2006 to October 2010 before he joined Clear Channel Outdoor in April 2013. Prior to the abovementioned positions, Mr. O'Shea held the positions of group corporate finance manager and group accountant of APN News & Media Ltd.. Mr. O'Shea also spent four years with KPMG in Ireland where he qualified as a chartered accountant. Mr. O'Shea is also a fellow of the Institute of Chartered Accountants in Ireland.

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

## DESMOND MURRAY

Mr. Murray, aged 60, 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 Retain 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.

On 3 February 2016, Mr. Desmond Murray tendered his resignations, as an independent non-executive director, the Chairman of the Audit Committee and the Remuneration Committee; and a member of the Nomination Committee, to be effective on a date as mutually agreed between the Company and Mr. Murray, but in any event on a date no later than 31 August 2016, to pursue his personal interests.

Independent Non-Executive Director

## WANG SHOU ZHI

Mr. Wang, aged 69, 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.

Independent Non-Executive Director

## LEONIE KI SBS, JP

Ms. Ki, aged 68, has over 30 years of experience in integrated communication and marketing services. She was the founder, partner, chairman and chief executive officer of Grey Hong Kong Advertising Limited and Grey China Advertising Limited. Ms. Ki is currently an executive director of New World Development Company Limited and an independent non-executive director of Sa Sa International Holdings Limited, both of which are listed on the Hong Kong Stock Exchange. Ms. Ki is committed to community and public services. She is currently the director of Chow Tai Fook Charity Foundation and New World Group Charity Foundation Limited, a life member of the Children's Cancer Foundation, vice chairman of UNICEF Hong Kong Committee, trustee member of the Ocean Park Conservation Foundation and the honorary secretary of the Wu Zhi Qiao Charitable Foundation.

Ms. Ki also serves as a member on a number of institutes, including the Hong Kong Housing Society, the Asian Advisory Board of Cheng Yu Tung Management Institute, Richard Ivey School of Business (University of Western Ontario, Canada), the Chinese University of Hong Kong and the University of Hong Kong. In addition, Ms. Ki is also a member of The Twelfth Chinese People's Political Consultative Conference of The People's Republic of China and a member of The Chinese People's Political Consultative Conference of Yunnan Province. Ms. Ki received the Silver Bauhinia Star from the HKSAR Government in 2007.

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

Independent Non-Executive Director

## THOMAS MANNING

Mr. Manning, aged 60, is currently a Lecturer in Law at the University of Chicago Law School and a corporate board director, and until 2012, he was the Chief Executive Officer of several companies in Asia. He has been an independent non-executive director of CommScope Holding Company, Inc., a telecommunication technology manufacturer and Nasdaq-listed company, since November 2014, and an independent non-executive director of Dun & Bradstreet, a business information company whose shares are also listed on the NYSE, since June 2013. Mr. Manning is also an advisor to The Demand Institute, a joint venture between the Conference Board and the Nielsen Company, an affiliated partner of Waterstone Management Group, and Co-Chairman of the Chicago Philharmonic. He was formerly an independent nonexecutive director of iSoftStone Information Technology (Group) Co. Ltd., Gome Electrical Appliances Holding Limited, Bank of Communications Co., Ltd., and Asia-Info Linkage Holdings, Inc.

In his past executive roles, Mr. Manning was the Chief Executive Officer of Cerberus Asia Operations & Advisory Limited, Indachin Limited, Capgemini Asia Pacific, and Ernst & Young Consulting Asia Pacific. He was the Chairman of China Board Directors Limited; a senior partner of Bain & Company, where he was a member of Bain's China Board and head of Bain's information technology strategy practice in Silicon Valley and Asia; and also served as a Global Managing Director of the Strategy & Technology Business of Capgemini.

Earlier in his career, Mr. Manning was with McKinsey & Company, where he developed a corporate strategy practice for medical industry clients. He also founded a telemedicine company, Buddy Systems. Mr. Manning, who speaks Mandarin, received a bachelor's degree in East Asian Studies from Harvard University and an M.B.A. from Graduate School of Business of Stanford University.

Mr. Manning has been a Director of the Company since October 2012.


CLEAR MEDIA LIMITED

Clear Media is committed to ensuring high standards of corporate governance at all times and in all areas of its operations. The board of directors of the Company (the "Board" or the "Board of Directors") 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.

## CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance which we believe are crucial to the development of the Group and to the safeguarding of the interests of our shareholders.

The Audit Committee comprises four non-executive Directors, three of whom are independent. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed the year end closing and internal audit process, internal control and financial reporting matters for the year ended 31 December 2015 with management, the internal auditor and the external auditor. The Audit Committee has also reviewed the annual results for the year ended 31 December 2015.

The Company has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

During the period from 1 January 2015 to 31 December 2015, the Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

In the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules during the year ended 31 December 2015. Upon specific enquiry with all Directors, the Board is not aware of any non-compliance with the Model Code throughout the fiscal year ended 31 December 2015.

## THE BOARD

Member attendance of Board, Committee and Annual General Meetings during 2015:

| | Number of meetings attended and held | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Board Meetings | Audit Committee | Remuneration Committee | Nomination Committee | Capital Expenditure Committee | Independent Board Committee | Cash Committee | Annual General Meeting |
| **EXECUTIVE DIRECTORS** | | | | | | | | |
| Mr. Mark Thewlis (Executive Chairman)* | 5/5 | | | 1/1 | 4/4 | | 2/2 | 1/1 |
| Mr. Han Zi Jing (Chief Executive Officer) | 4/5 | | | | | | | |
| Mr. Teo Hong Kiong (Chief Financial Officer) | 5/5 | | | | 4/4 | | | 1/1 |
| Mr. Zhang Huai Jun (Chief Operating Officer) | 3/5 | | | | 3/4 | | 2/2 | |
| **NON-EXECUTIVE DIRECTORS** | | | | | | | | |
| Mr. William Eccleshare | 5/5 | | 4/4 | 2/2 | | | | |
| Mr. Peter Cosgrove | 4/5 | 3/4 | 3/4 | 2/3 | | | 2/2 | 1/1 |
| Mr. Zhu Jia | 3/5 | | | 2/3 | | | | |
| Mr. Cormac O'Shea | 5/5 | | | | 4/4 | | | |
| **ALTERNATE DIRECTOR** | | | | | | | | |
| Mr. Zou Nan Feng | 0/5 | | | | | | | |
| **INDEPENDENT NON-EXECUTIVE DIRECTORS** | | | | | | | | |
| Mr. Desmond Murray** | 5/5 | 4/4 | 4/4 | 3/3 | | 1/1 | | 1/1 |
| Mr. Wang Shou Zhi | 4/5 | 3/4 | 3/4 | 2/3 | | 1/1 | | |
| Ms. Leonie Ki Man Fung | 5/5 | 3/4 | 4/4 | 3/3 | | 1/1 | | |
| Mr. Thomas Manning | 5/5 | | | 2/3 | | 1/1 | | |

* With effect from 1 January 2016, Mr. Mark Thewlis relinquished his positions as an executive director, the Chairman of the Board, the Chairman of the Capital Expenditure Committee and the Directors' Securities Dealing Committee and a member of the Cash Committee; and Mr. Joseph Tcheng was appointed as an executive director, the Chairman of the Board, the Chairman of the Nomination Committee, the Capital Expenditure Committee, the Directors' Securities Dealing Committee and a member of the Cash Committee.

** On 3 February 2016, Mr. Desmond Murray tendered his resignations, as an independent non-executive director, the Chairman of the Audit Committee and the Remuneration Committee; and a member of the Nomination Committee, to be effective on a date as mutually agreed between the Company and Mr. Murray, but in any event on a date no later than 31 August 2016, to pursue his personal interests.

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, regular committee meetings are not considered necessary for its principal function. There were no Directors' Securities Dealing Committee meeting during the year.

As of the date of this report, the Board comprises 12 members. There are four executive directors, including the Chairman, the Chief Executive Officer (the "CEO"), the Chief Financial Officer and the Chief Operating Officer; four non-executive directors and four independent non-executive directors. Throughout the year ended 31 December 2015, one-third of the Board was represented by 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 25 to 29.

## 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. The Board is responsible for the overall direction and strategy of the Company while the CEO and the senior management are responsible for the day-to-day management of the Group's businesses.

The Group believes that the Board of Directors comprises 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.

During the year ended 31 December 2015, the Board maintained the 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 Chairman also at least annually holds meetings with the non-executive directors (including the independent non-executive directors) without other executive directors present. The Board also ensures that its members are supplied with monthly update on the 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. However, the Board acknowledges that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting. Minutes of the Board meetings are maintained by the company secretary and available for inspection by all directors at the Company's registered office.

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Shareholders of the Company in general meeting, or the Board upon recommendation of the Nomination Committee of the Company, can appoint any person as a director of the Company at any time. Directors who are appointed by the Board must retire at the first annual general meeting after their appointments, but they are eligible for re-election at that general meeting, and such election is separate from the normal retirement of directors by rotation. In accordance with the Group's Bye-laws and related Board resolutions, one-third of the Board members who have served the longest on the Board, including the Chairman and the 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. The Company has maintained on its website and on the Hong Kong Stock Exchange website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.

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 on 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 control procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations.

## DIRECTORS' TRAINING

The Company provides monthly updates to the directors relating to the Group's business.

During the year, the company secretary provided directors with updates on latest development and changes in the Listing Rules and the regulatory environment. All directors have confirmed that such updates were reviewed by them.

All directors have provided written records of the training they received during 2015 to the Company.

## BOARD COMMITTEES

The Board has established six Committees to oversee particular aspects of the Group's affairs. The main roles and responsibilities of the Audit, Remuneration and Nomination 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.

**BOARD OF DIRECTORS**

| Audit Committee | Remuneration Committee | Nomination Committee | Capital Expenditure Committee | Cash Committee | Directors' Securities Dealing Committee |
|---|---|---|---|---|---|

## AUDIT COMMITTEE

The responsibilities and authorities of the Audit Committee are set out in the terms of reference a copy of which is published on the Hong Kong Stock Exchange's and the Group's websites. 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 & 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.

## 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*

* On 3 February 2016, Mr. Desmond Murray tendered his resignations, as an independent non-executive director, the Chairman of the Audit Committee and the Remuneration Committee; and a member of the Nomination Committee, to be effective on a date as mutually agreed between the Company and Mr. Murray, but in any event on a date no later than 31 August 2016, to pursue his personal interests.

The Audit Committee met four times in 2015 to review the internal auditor's review work on bus shelter inspections, digital panels, sales department function and internal control on cash management. It also discussed the interim review plan, audit work plan, interim review report and the audit consolidated financial statements with the external auditors of the Company. The key findings and the related recommendations arising from this work were reported to the Board. The meetings of the Audit Committee are attended by members of the Committee, the company secretary and, when necessary, the external auditors and internal auditors. At the discretion of the Committee, other people may also be invited to the meetings.

## MEMBERS OF THE AUDIT COMMITTEE (continued)

Apart from considering the issues arising from the audit process, the Audit Committee also discusses matters raised by the external auditors. In 2015, 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 any findings and recommendations to the Board for 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 rotation 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:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Audit fees | **2,902** | 2,704 |
| Non-audit fees | **380** | 341 |

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 2016.

## REMUNERATION COMMITTEE

The responsibilities and authorities of the Remuneration Committee are set out in the terms of reference a copy of which are published on the Hong Kong Stock Exchange's and the Group's websites. The Committee has adopted the model where it performs an advisory role to the Board, with the Board retaining the final authority to approve executive directors' and senior management's remuneration. The Remuneration Committee currently has five non-executive directors, with a majority of them being independent non-executive directors.

The Remuneration Committee met four times in 2015 to review the remuneration structure and policy, and the bonus for the executive directors and made the related recommendation to the Board.

## MEMBERS OF THE REMUNERATION COMMITTEE

Desmond Murray, *Independent Non-Executive Director (Chairman)**
William Eccleshare, *Non-Executive Director*
Peter Cosgrove, *Non-Executive Director*
Wang Shou Zhi, *Independent Non-Executive Director*
Leonie Ki Man Fung, *Independent Non-Executive Director*

* On 3 February 2016, Mr. Desmond Murray tendered his resignations, as an independent non-executive director, the Chairman of the Audit Committee and the Remuneration Committee; and a member of the Nomination Committee, to be effective on a date as mutually agreed between the Company and Mr. Murray, but in any event on a date no later than 31 August 2016, to pursue his personal interests.

## 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 the basic salary of all executive directors of the Group. When considered necessary, the Remuneration Committee also reviews the bonus amounts and bonus schemes for the executive directors. Details of each executive director's salary and bonus are in "Notes to Financial Statements" on pages 91 to 92.

## SHARE OPTIONS

The Remuneration Committee may from time to time recommend 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 57 to 60 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 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 2015 can be found on pages 91 to 93 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 responsibilities and authorities of the Nomination Committee are set out in the terms of reference a copy of which are published on the Hong Kong Stock Exchange's and the Group's websites. The Nomination Committee reports to the Board and makes recommendations regarding the appointment of directors, its evaluation of the Board's composition (in which board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services), and the management of Board succession with references endorsed by the Board itself. The Nomination Committee currently has one executive director and six non-executive directors, with the majority of them being independent non-executive directors.

## MEMBERS OF THE NOMINATION COMMITTEE

Desmond Murray, *Independent Non-Executive Director (Chairman)**,**
William Eccleshare, *Non-Executive Director*
Peter Cosgrove, *Non-Executive Director*
Zhu Jia, *Non-Executive Director**
Leonie Ki Man Fung, *Independent Non-Executive Director*
Wang Shou Zhi, *Independent Non-Executive Director*
Thomas Manning, *Independent Non-Executive Director*

* With effect from 1 January 2016, Mr. Desmond Murray relinquished his position as the Chairman but remained as a member, Mr. Zhu Jia relinquished his position as a member; and Mr. Joseph Tcheng was appointed as the new Chairman of the Nomination Committee.

** On 3 February 2016, Mr. Desmond Murray tendered his resignations, as an independent non-executive director, the Chairman of the Audit Committee and the Remuneration Committee; and a member of the Nomination Committee, to be effective on a date as mutually agreed between the Company and Mr. Murray, but in any event on a date no later than 31 August 2016, to pursue his personal interests.

The Board also approved the adoption of the board diversity policy. Such policy aims to achieve diversity on the Board in the broadest sense in order to have a balance of skills, experience and diversity of perspectives appropriate to the business nature of the Company. Under such policy, selection of candidates on the Board is based on a range of diversity perspectives, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

Hence, the Nomination Committee adopts certain criteria and procedures in the nomination of new directors with due regard for the benefits of diversity on the Board that would complement the existing Board. 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 2015 to review the structure, size and composition of the Board, directors' service contracts, the appointment of a new executive director and the election/re-election of directors; and made the related recommendation to the Board.

## 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 Chairman, the Chief Financial Officer, the Chief Operating Officer and one non-executive director with relevant international operational experience.

## MEMBERS OF THE CAPITAL EXPENDITURE COMMITTEE

Mark Thewlis, *Executive Chairman, Executive Director (Chairman)**
Teo Hong Kiong, *Chief Financial Officer, Executive Director*
Zhang Huai Jun, *Chief Operating Officer, Executive Director*
Cormac O'Shea, *Non-Executive Director*

* With effect from 1 January 2016, Mr. Mark Thewlis relinquished his position as the Chairman and Mr. Joseph Tcheng was appointed as the new Chairman of the Capital Expenditure Committee.

The Capital Expenditure Committee met four times in 2015 to review the Group's strategic development, the capital expenditure budget, the refurbishment needs, the renewal of certain bus shelter concession rights, the acquisitions and construction of bus shelters and the addition of digital displays; and made the related recommendation to the Board.

## CASH COMMITTEE

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 a non-executive director, the Group's Chairman and the Chief Operating Officer.

## MEMBERS OF THE CASH COMMITTEE

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

* With effect from 1 January 2016, Mr. Mark Thewlis relinquished his position as a member and Mr. Joseph Tcheng was appointed as a new member.

The Cash Committee met two times in 2015 to review the adequacy of and various options for utilization of the Group's cash on hand and made the related recommendation to the Board.

## DIRECTORS' SECURITIES DEALING COMMITTEE

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 the Model Code for Securities Transactions by Directors of Listed Issuers as set out under 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

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

* With effect from 1 January 2016, Mr. Mark Thewlis relinquished his position as the Chairman and Mr. Joseph Tcheng was appointed as the new Chairman of the Directors' Securities Dealing Committee.

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 16 notification letters from three executive directors and one alternate director; and the corresponding clearance letters were issued 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. This policy has been refreshed every 3 years and the 3-year internal audit plan is renewed and reviewed on an annual basis. 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, 2012, 2013, 2014 and 2015 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 pages 63 to 64 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. During 2012, all directors were provided with the latest version of the "Guidance on the Disclosure of Price Sensitive Information" published by Hong Kong Exchanges and Clearing Limited, the "Guidelines for Directors" published by the Hong Kong Institute of Directors and the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission. During 2013, the Company arranged and funded a formal training session on the new inside information disclosure regime and the related changes to the Listing Rules. During 2014, the Company updated the directors on the effect of the amendments to the Listing Rules and arranged and funded a formal training session on connected transactions, fair and equal treatment to shareholders and directors' fiduciary duties. During 2015, the Company updated the directors on the effect of the amendments to the Listing Rules.

The Group is committed to ethical business conduct and compliance with underlying Bribery and Corruption Laws. The Group has adopted a Code of Business Conduct and Ethics and the Anti-Corruption Compliance Policy and Procedures which apply to all of the Group's employees. With the help from a law firm, the Group typically arranges professional training for its employees on the Code of Business Conduct and Ethics and the Anti-Corruption Compliance Policy and Procedures at least annually. The written material of such professional training can readily be accessed by any employee at the Company's corporate website. During the year ended 31 December 2015, the Board reviewed the Group's compliance with the Code of Business Conducts and Ethics and the Anti-Corruption Compliance Policy and Procedures on a quarterly basis and did not find any material non-compliance.

## 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 to the Listing Rules. In 2015, all directors confirmed their compliance with the Model Code. Specified employees who are likely to be in possession of inside 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 2015.

## DIRECTORS' INTERESTS

Full details of individual director's interests in the shares and share options of the Company are set out on pages 54 to 60 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.

## 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.

The shareholders' communication policy is published on the Group's website at www.clear-media.net.

## SHAREHOLDERS' RIGHTS

### *Right to convene a special general meeting*

The procedures for shareholders to convene a special general meeting in accordance with the Company's Bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation are set out as follows:

1 Members of the Company ("Members") holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company carrying the right to vote at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton, HM11 Bermuda and its principal office in Hong Kong at Suite 1202, 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of the company secretary of the Company ("Company Secretary"), to require a special general meeting ("SGM") to be called by the board of directors of the Company ("Board") for the transaction of any business specified in such requisition.

2 The written requisition must state the purposes of the general meeting, signed by the Member(s) concerned and may consist of several documents in like form, each signed by one or more of those Members.

3 If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid, the Members concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

4 The notice period to be given to all the registered Members for consideration of the proposal raised by the Member(s) concerned at a SGM varies according to the nature of the proposal, as follows:

— at least twenty-one (21) clear days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

— at least fourteen (14) clear days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

Members who have enquiries about the above procedures or have enquiries to put to the Board may write to the Company Secretary at Suite 1202, 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

## SHAREHOLDERS' RIGHTS (continued)

***Right to propose resolutions at general meetings***

The procedures for shareholders to make proposals at general meeting other than a proposal of a person for election as a director according to the Company's Bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation are set out as follows:

1 The Company holds an annual general meeting ("AGM") every year, and may hold a general meeting known as a SGM whenever necessary.

2 Member(s) holding (i) not less than 5% of the total voting rights of all Members having the right to vote at the general meeting of the Company; or (ii) not less than 100 Members, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

3 The written request/statements must be signed by the Member(s) concerned and deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton, HM11 Bermuda and its principal office in Hong Kong at Suite 1202, 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong, for the attention of the Company Secretary, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

4 If the written request is in order, the Company Secretary will ask the board of directors of the Company ("Board") (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Member(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Member(s) concerned in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid or the Member(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Member(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

Members who have enquiries about the above procedures or have enquiries to put to the Board may write to the Company Secretary at Suite 1202, 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

***Right to nominate directors for election at general meetings***

The procedures for shareholders to propose a person for election as a director of the Company are published on the Group's website at www.clear-media.net.

## 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 541,700,500. All shareholders whose shares are registered in the Company's register of shareholders on 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 published on the Hong Kong Stock Exchange's and 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.

## CONSTITUTIONAL DOCUMENTS

There is no change in the Company's Bye-laws during the year ended 31 December 2015.

## INVESTOR RELATIONS

The Group regards open communication with both existing and potential investors as being vital to its continued 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.

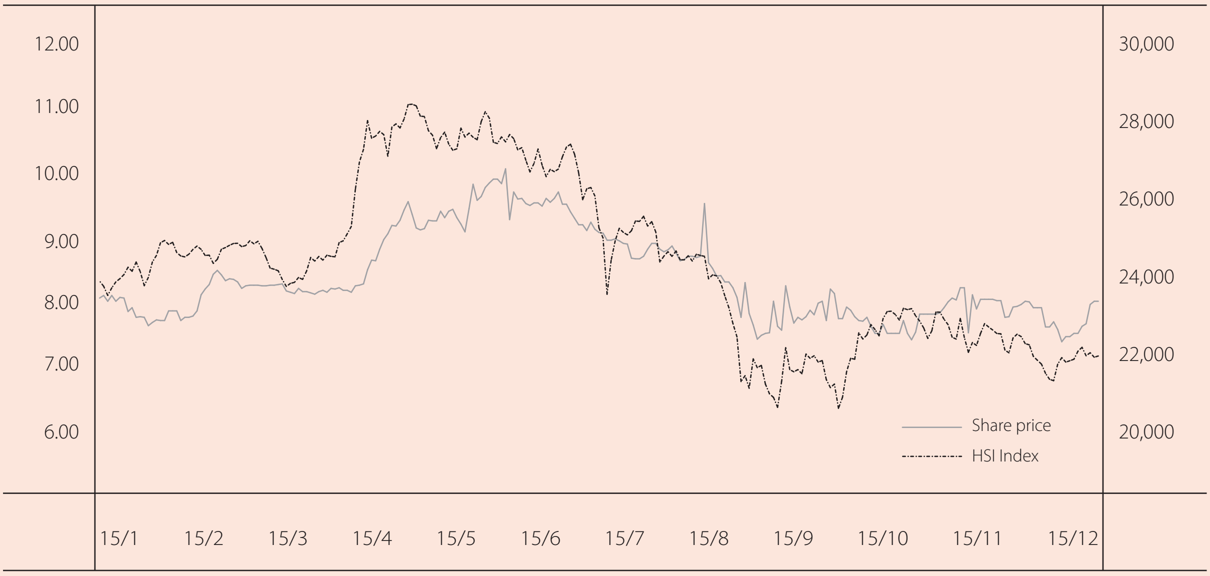
Investors with queries are encouraged to direct their enquiries to the following:

Jeffrey Yip
Director of Investor Relations and Company Secretary
Suite 1202 The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong
Telephone: (852) 2235 3977
Fax: (852) 2235 3911
Email: jeffrey.yip@clear-media.net

## FINANCIAL CALENDAR 2016

| | |
|---|---|
| Results Announcement 2015 | 3 February |
| Annual General Meeting | 27 May |
| Interim Results Announcement | Early-to-mid August |
| Financial Year End | 31 December |

## SHARE PRICE PERFORMANCE




Sources: (Bloomberg)

46.2 million shares were traded on the Main Board of the Hong Kong Stock Exchange in 2015. The highest trading price for the share was HK$10.06 on 2 June 2015 and the lowest was HK$7.10 on 25 August and 17 December 2015.

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 2015.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## BUSINESS REVIEW

The business review for the year ended 31 December 2015 is set out in the management discussion and analysis section from pages 12 to 24.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 65 to 70.

At the Board meeting held on 3 February 2016, the directors proposed a final dividend of HK16 cents per share (2014: HK15 cents per share) for the year ended 31 December 2015. This final dividend is equivalent to HK$86,672,080 (2014: HK$81,255,075) based on the 541,700,500 (2014: 541,700,500) outstanding shares. The proposed final dividend has been classified as a separate component in equity and it has not been recognised as a liability in the financial statements. Subject to the approval by the shareholders at the forthcoming annual general meeting, the proposed dividends will be payable on Wednesday, 13 July 2016 to the shareholders registered on the Register of Members on Wednesday, 8 June 2016.

## 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 123. This summary does not form part of the audited financial statements.

The following is a summary of the published consolidated 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 | | | | |
|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Results** | | | | | |
| Profit attributable to: | | | | | |
| — Owners of the parent | **280,522** | 240,214 | 201,008 | 219,236 | 187,542 |
| — Non-controlling interests | **43,053** | 39,176 | 34,243 | 24,544 | 20,865 |
| **Assets and liabilities** | | | | | |
| Total assets | **3,634,781** | 3,875,511 | 3,617,047 | 4,017,026 | 3,733,576 |
| Total liabilities | **(832,339)** | (877,883) | (732,323) | (639,598) | (576,698) |
| Total equity | **2,802,442** | 2,997,628 | 2,884,724 | 3,377,428 | 3,156,878 |

## 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 2015 are set out in notes 14 and 15 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 22 and 23 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 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's retained earnings and other components of equity available for cash distribution and/or distribution in specie amounted to HK$974,543,000 (2014: HK$1,258,100,000) of which HK$86,672,080 (2014: HK$80,609,775) 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, SALE OR REDEMPTION OF SHARES

The Group has not redeemed any of its listed shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year.

## CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2014: HK$2,519,000).

## 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 close 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 customers and/or suppliers.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 27 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 persons (as defined in the Listing Rules) and the Group 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 during the year ended 31 December 2015:

### 1. CONTINUING CONNECTED TRANSACTIONS

(a) On 11 March 2013, WHA Joint Venture entered into a new three-year framework agreement (the "Framework Agreement") with Guangdong White Horse Advertising Company Limited ("GWH") for the years 2013, 2014 and 2015 on substantially the same terms as the previous framework agreement signed on 8 February 2010 by WHA Joint Venture and GWH. The Framework Agreement provides that GWH may, with the consent of 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 12 April 2013, the independent shareholders approved the Framework Agreement and the annual cap amounts of the transactions under the Framework Agreement for the years 2013, 2014 and 2015.

WHA Joint Venture is an indirect 80% owned subsidiary of the Company. Mr. Han Zi Dian, a non-executive director from April 2001 to October 2012 and the brother of Mr. Han Zi Jing, an executive director of the Company, 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 14.2% interest in GWH. As such, GWH is an associate of Mr. Han Zi Jing (a director) and Mr. Han Zi Dian (an individual who was then a director of the Company within the last 12 months), and hence a connected person of the Company under Chapter 14A of the Listing Rules.

Customers of 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 WHA Joint Venture in procuring advertising sales. In return, WHA Joint Venture pays an advertising commission to GWH for successful sales.

## 1. CONTINUING CONNECTED TRANSACTIONS (continued)

(a) (continued)

All sales contracts entered into by 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 no more than the applicable standard advertising commission rate payable to the advertising agencies from time to time. The current applicable rate is 8%.

As with the arrangement with other advertising agencies, the value of sales (net of commission) is settled in cash as and when the end-customers settle the gross sales amounts with GWH, who in turn settles with WHA Joint Venture.

The initially approved annual caps for the gross value of sales from GWH for the financial years ending on 31 December 2013, 2014 and 2015 were HK$260.0 million, HK$285.0 million and HK$315.0 million, respectively. At the Special General Meeting held on 16 July 2014, the independent shareholders approved a supplemental framework agreement dated 30 May 2014 and the annual caps for the gross value of sales from GWH for the financial years ending on 31 December 2014 and 2015 were revised to HK$374.0 million and HK$404.0 million, respectively. The total gross value of sales from GWH for 2015 was approximately HK$347.6 million. The initially approved annual caps for the advertising commission payable to GWH for each of these financial years shall not exceed HK$21.0 million, HK$23.0 million and HK$25.0 million, respectively. At the same Special General Meeting held on 16 July 2014, the independent shareholders approved the revised annual caps of HK$30.0 million and HK$32.5 million, respectively, for the advertising commission payable to GWH for each of 2014 and 2015. The total advertising commission payable to GWH for 2015 was approximately HK$20.4 million.

On 22 December 2015, WHA Joint Venture entered into a new three-year framework agreement ("2015 Framework Agreement") with GWH, Hainan White Horse Media Advertising Co., Ltd ("Hainan White Horse Media Advertising") and White Horse (Shanghai) Investment Company Limited ("WHM", and GWH, Hainan White Horse Media Advertising and White Horse Shanghai Investment, together the "Service Providers") for the years 2016, 2017 and 2018 on substantially the same terms as the Framework Agreement, save for the addition of Hainan White Horse Media Advertising and White Horse Shanghai Investment as signing parties to the Framework Agreement. The Framework Agreement provides that the Service Providers 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(s) will assume the obligations and rights of the relevant Service Provider(s) 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 28 January 2016, the independent shareholders approved the Framework Agreement and the annual cap amounts of the transactions under the Framework Agreement for the years 2016, 2017 and 2018.

The approved annual caps for the gross value of sales from the Service Providers for the financial years ending on 31 December 2016, 2017 and 2018 are HK$414.0 million, HK$424.5 million and HK$435.0 million, respectively. The approved annual caps for the advertising commission payable to the Service Providers for each of these financial years are HK$33.0 million, HK$34.0 million and HK$35.0 million, respectively.

## 1. CONTINUING CONNECTED TRANSACTIONS (continued)

(b) On 3 March 2011, WHA Joint Venture and GWH entered into a creative services agreement pursuant to which GWH agreed to provide to WHA Joint Venture creative design services for posters, sales and marketing materials and company profiles, for a term from 1 January 2011 to 31 December 2013. 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.

On 28 January 2014, the Board resolved that WHA Joint Venture shall enter into a new creative services agreement with GWH to renew the terms under the previous creative services agreement entered into on 3 March 2011. The terms of such new creative services agreement are substantially the same as the terms under the previous creative services agreement entered into on 3 March 2011, and it has a fixed term of three years which took effect on 1 January 2014 and will expire on 31 December 2016. These transactions were entered into on terms no less favourable than those available to or from independent third parties. The annual cap for the consideration for each of the financial years ending on 31 December 2014, 2015 and 2016 will be no more than RMB3,000,000. The total consideration for 2015 was approximately RMB2,830,000 (equivalent to approximately HK$3,489,000).

(c) On 20 April 2007, WHA Joint Venture entered into maintenance services agreements with various branches of White Horse Holding Company Limited ("White Horse Holding") for a fixed term until 31 December 2008 and such agreements were subsequently renewed until 31 December 2012.

Following a capital injection exercise into White Horse Holding in November 2009, Mr. Han Zi Dian became interested in more than 50% of the voting power of White Horse Holding. Mr. Han Zi Dian was a non-executive director of the Company from April 2001 to October 2012 and is the brother of Mr. Han Zi Jing, an executive director of the Company. As such, White Horse Holding has been an associate of a director since November 2009, and hence a connected person of the Company under Chapter 14A of the Listing Rules. It follows that all the transactions between the Group and White Horse Holding thereafter constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The Board resolved to enter into a framework maintenance services agreement (the "Framework Maintenance Services Agreement") on 24 January 2013 with White Horse Holding in place of the maintenance service arrangements between WHA Joint Venture and White Horse Holding. Pursuant to the Framework Maintenance Services Agreement, White Horse Holding will provide cleaning, maintenance and related services to the bus shelters of WHA Joint Venture through its branches. Under the Framework Maintenance Services Agreement, the maintenance fees would be settled by WHA Joint Venture on a monthly basis before the tenth day of every month.

On 28 January 2014, the Board resolved that WHA Joint Venture shall enter into a new maintenance services agreement with White Horse Holding to renew the terms under the Framework Maintenance Services Agreement. The terms of such maintenance services agreement are substantially the same as the terms under the Framework Maintenance Services Agreement, and it has a fixed term of three years which took effect on 1 January 2014 and will expire on 31 December 2016. The annual caps for the consideration for each of the financial years ending on 31 December 2014, 2015 and 2016 will not exceed HK$55,000,000, HK$60,000,000 and HK$65,000,000, respectively. For the year ended 31 December 2015, the maintenance fee paid or payable by WHA Joint Venture for the services provided by White Horse Holding was HK$38,885,000.

## 2. CONNECTED TRANSACTIONS

During the year, WHA Joint Venture entered into certain arrangements with Beijing YiHong Media Company Limited ("BYH") and a third party company whereby BYH agreed to act as agent and represent WHA Joint Venture to rent certain shelters from the third party company for the display of WHA Joint Venture advertising campaign and provide advertising display and other services to WHA Joint Venture. BYH is a subsidiary of WHM and also a related party of the Company because Mr. Han Zi Dian is the brother of MR. Han Zi Jing, an executive director of the Company, and Mr. Han Zi Dian is able to influence over the management and day-to-day operations of WHM. In the opinion of the directors, these transaction were entered into on terms similar to those available from independent third parties. The total consideration for 2015 was HK$723,000 (2014: Nil).

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.

Ernst & Young, the Company's auditor, was 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 has 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.56 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, in all material respects, in accordance with the pricing policies of the Company;

(c) the transactions were entered into, in all material respects, in accordance with the relevant agreements governing those transactions; 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:***

| | |
|---|---|
| Joseph Tcheng | (appointed with effect from 1 January 2016) |
| Mark Thewlis | (relinquished his position with effect from 1 January 2016) |
| Han Zi Jing | |
| Teo Hong Kiong | |
| Zhang Huai Jun | |

***Non-Executive Directors:***

William Eccleshare
Peter Cosgrove
Zhu Jia
Cormac O'Shea

***Independent Non-Executive Directors:***

Desmond Murray
Leonie Ki Man Fung
Wang Shou Zhi
Thomas Manning

***Alternate Directors:***

| | |
|---|---|
| Zou Nan Feng | (alternate director to Zhang Huai Jun) |

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, the Chairman and the Chief Executive Officer 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 25 to 29 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for a term of three years and terminable 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 27 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.

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

As at 31 December 2015, 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 Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

### A. *Long Positions in Ordinary Shares of the Company as at 31 December 2015:*

| | Number of shares held, capacity and nature of interest | | | | | Percentage of the Company's issued share capital |
|---|---|---|---|---|---|---|
| Name of director | Directly beneficially owned | Through spouse or minor children | Through controlled corporation | Beneficiary of a trust | Total | |
| Peter Cosgrove | – | – | – | 250,000 | 250,000 | 0.05% |
| Han Zi Jing | – | – | 6,600,000 | – | 6,600,000 | 1.22% |

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

The 6,600,000 shares are held by Outdoor Media China, Inc. ("OMC"), a company incorporated in Western Samoa of Offshore Chambers. As at 31 December 2015, Mr. Han Zi Jing held approximately 94.5% 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 94.5%.

The interests of the directors in the share options of the Company are separately disclosed on pages 57 to 60.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

**B. *Long Positions in the Shares of Clear Channel Outdoor Holdings, Inc. as at 31 December 2015: Clear Channel Outdoor Holdings, Inc. (Note 1)***

| | Number of shares held, capacity and nature of interest shares | | | | | |
|---|---|---|---|---|---|---|
| Name of director | Directly beneficially owned | Through spouse or minor children | Through controlled corporation | Beneficiary of a trust | Total | % of issued share capital |
| Mark Thewlis* | 14,815 | – | – | – | 14,815 | 0.03% |
| William Eccleshare | 316,456 | – | – | – | 316,456 | 0.70% |
| Cormac O'Shea | 17,184 | – | – | – | 17,184 | 0.04% |

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 at 31 December 2015:***

| Name of director | Date of grant | Number of Outstanding Options as at 31 December 2015 | Option Period | Subscription Price per share of Clear Channel Outdoor Holdings, inc. |
|---|---|---|---|---|
| Mark Thewlis* | 23/05/2007 | 6,625 | 23/05/2008–23/05/2017 | US$22.94 |
| | 23/05/2007 | 6,625 | 23/05/2009–23/05/2017 | US$22.94 |
| | 23/05/2007 | 6,625 | 23/05/2010–23/05/2017 | US$22.94 |
| | 23/05/2007 | 6,625 | 23/05/2011–23/05/2017 | US$22.94 |
| | 16/05/2008 | 13,250 | 16/05/2009–16/05/2018 | US$14.55 |
| | 16/05/2008 | 13,250 | 16/05/2010–16/05/2018 | US$14.55 |
| | 16/05/2008 | 13,250 | 16/05/2011–16/05/2018 | US$14.55 |
| | 16/05/2008 | 13,250 | 16/05/2012–16/05/2018 | US$14.55 |
| | 26/03/2012 | 13,750 | 26/03/2016–26/03/2022 | US$7.90 |

* With effect from 1 January 2016, Mr. Mark Thewlis relinquished his position as an executive director.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

### C. *Right to Acquire Shares in Clear Channel Outdoor Holdings, Inc. as at 31 December 2015: (continued)*

| Name of director | Date of grant | Number of Outstanding Options as at 31 December 2015 | Option Period | Subscription Price per share of Clear Channel Outdoor Holdings, inc. |
|---|---|---|---|---|
| William Eccleshare | 10/09/2009 | 28,062 | 10/09/2010–10/09/2019 | US$4.05 |
| | 10/09/2009 | 56,830 | 10/09/2011–10/09/2019 | US$4.05 |
| | 10/09/2009 | 40,006 | 10/09/2012–10/09/2019 | US$4.05 |
| | 10/09/2009 | 40,009 | 10/09/2013–10/09/2019 | US$4.05 |
| | 24/02/2010 | 6,976 | 24/02/2013–24/02/2020 | US$3.48 |
| | 24/02/2010 | 15,524 | 24/02/2014–24/02/2020 | US$3.48 |
| | 10/09/2010 | 15,895 | 10/09/2011–10/09/2020 | US$4.31 |
| | 10/09/2010 | 15,896 | 10/09/2012–10/09/2020 | US$4.31 |
| | 10/09/2010 | 15,895 | 10/09/2013–10/09/2020 | US$4.31 |
| | 10/09/2010 | 15,897 | 10/09/2014–10/09/2020 | US$4.31 |
| | 13/12/2010 | 5,120 | 10/09/2011–13/12/2020 | US$7.66 |
| | 13/12/2010 | 5,120 | 10/09/2012–13/12/2020 | US$7.66 |
| | 13/12/2010 | 5,120 | 10/09/2013–13/12/2020 | US$7.66 |
| | 21/02/2011 | 22,500 | 21/02/2012–21/02/2021 | US$8.97 |
| | 21/02/2011 | 22,500 | 21/02/2013–21/02/2021 | US$8.97 |
| | 21/02/2011 | 22,500 | 21/02/2014–21/02/2021 | US$8.97 |
| | 21/02/2011 | 22,500 | 21/02/2015–21/02/2021 | US$8.97 |
| | 26/03/2012 | 22,500 | 26/03/2013–26/03/2022 | US$7.90 |
| | 26/03/2012 | 22,500 | 26/03/2014–26/03/2022 | US$7.90 |
| | 26/03/2012 | 22,500 | 26/03/2015–26/03/2022 | US$7.90 |
| | 26/03/2012 | 22,500 | 26/03/2016–26/03/2022 | US$7.90 |
| Cormac O'Shea | 04/04/2014 | 926 | 04/04/2015–04/04/2024 | US$8.73 |
| | 04/04/2014 | 926 | 04/04/2016–04/04/2024 | US$8.73 |
| | 04/04/2014 | 926 | 04/04/2017–04/04/2024 | US$8.73 |
| | 04/04/2014 | 926 | 04/04/2018–04/04/2024 | US$8.73 |
| | 15/06/2015 | 2,360 | 15/06/2016–15/06/2025 | US$10.59 |
| | 15/06/2015 | 2,360 | 15/06/2017–15/06/2025 | US$10.59 |
| | 15/06/2015 | 2,360 | 15/06/2018–15/06/2025 | US$10.59 |
| | 15/06/2015 | 2,361 | 15/06/2019–15/06/2025 | US$10.59 |

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 Hong Kong 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 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 and the last remaining batch of such options expired on 29 June 2014. Accordingly, there are no outstanding options under the Old Scheme.

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.

## SHARE OPTION SCHEMES (continued)

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 Hong Kong 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 Hong Kong 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.

On 10 June 2015, 5,000,000 share options were granted to certain eligible participants under the New Scheme. Such eligible participants included three Executive Directors and one alternate Director. The terms of such grant are set out from pages 59 to 60.

As at 31 December 2015, the aggregate number of shares issuable under share options granted under the New Scheme was 5,000,000, which represented approximately 0.92% 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 5,000,000 additional ordinary shares of HK$0.10 each in the Company and proceeds, before relevant share issue expenses, of approximately HK$47,700,000.

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.

## SHARE OPTION SCHEMES (continued)

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 New Scheme | 332 | – | (332) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | 866,668 | – | (866,668) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | – | 333,333 | – | – | – | 333,333 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 333,333 | – | – | – | 333,333 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 333,334 | – | – | – | 333,334 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 867,000 | 1,000,000 | (867,000) | – | – | 1,000,000 | | | | | | |
| Teo Hong Kiong | The New Scheme | 250,000 | – | (250,000) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 8.25 | 8.24 |
| | The New Scheme | 500,000 | – | (500,000) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 8.25 | 8.24 |
| | The New Scheme | – | 166,666 | – | – | – | 166,666 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 166,666 | – | – | – | 166,666 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 166,668 | – | – | – | 166,668 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 750,000 | 500,000 | (750,000) | – | – | 500,000 | | | | | | |
| Zhang Huai Jun | The New Scheme | 666 | – | (666) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | 533,334 | – | (533,334) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | – | 166,666 | – | – | – | 166,666 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 166,666 | – | – | – | 166,666 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 166,668 | – | – | – | 166,668 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 534,000 | 500,000 | (534,000) | – | – | 500,000 | | | | | | |
| Zou Nan Feng | The New Scheme | 400,000 | – | (400,000) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | – | 100,000 | – | – | – | 100,000 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 100,000 | – | – | – | 100,000 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 100,000 | – | – | – | 100,000 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 400,000 | 300,000 | (400,000) | – | – | 300,000 | | | | | | |

## SHARE OPTION SCHEMES (continued)

| 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$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Others** | | | | | | | | | | | | | |
| Member of senior management and other employees of the Group | The New Scheme | 1,000 | – | (1,000) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 9.19 | 9.21 |
| | The New Scheme | 1,750,000 | – | (1,750,000) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 9.19 | 9.21 |
| | The New Scheme | – | 899,994 | – | – | – | 899,994 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 899,994 | – | – | – | 899,994 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 900,012 | – | – | – | 900,012 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 1,751,000 | 2,700,000 | (1,751,000) | – | – | 2,700,000 | | | | | | |
| In aggregate | The New Scheme | 251,998 | – | (251,998) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 9.27 | 9.30 |
| | The New Scheme | 4,050,002 | – | (4,050,002) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 9.27 | 9.30 |
| | The New Scheme | – | 1,666,659 | – | – | – | 1,666,659 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 1,666,659 | – | – | – | 1,666,659 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 1,666,682 | – | – | – | 1,666,682 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 4,302,000 | 5,000,000 | (4,302,000) | – | – | 5,000,000 | | | | | | |

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** 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 Hong Kong 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 Hong Kong Stock Exchange closing prices over all of the exercises of options within the disclosure line.

On 10 June 2015, 5,000,000 share options were granted to certain eligible participants under the New Scheme. Such eligible participants included three Executive Directors and one alternate Director.

Apart from the foregoing, at no time during the year ended 31 December 2015 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 2015, 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 | 273,140,500 | 50.42% |
| International Value Advisers, LLC | 2 | 105,683,770 | 19.51% |

Notes:

1. As at 31 December 2015, Clear Channel KNR Neth Antilles NV was an indirect wholly owned subsidiary of Clear Channel Outdoor Holdings, Inc. iHeartMedia, Inc. owns approximately 90% of the outstanding equity of Clear Channel Outdoor Holdings, Inc. Approximately 67% of the outstanding voting equity of iHeartMedia Inc., was indirectly held jointly by Bain Capital Investors, LLC and Thomas H Lee Advisors LLC.

2. International Value Advisers, LLC notified the Hong Kong Stock Exchange that as at 13 December 2012, 105,683,770 shares of the Company were held by it. Subsequent to 31 December 2015, International Value Advisers, LLC notified the Hong Kong Stock Exchange that as at 29 January 2016, 102, 298, 770 shares of the Company were held by it.

Save as disclosed above, as at 31 December 2015, 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 corporate governance practices adopted by the Group during the period from 1 January 2015 to 31 December 2015 were in line with the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out under Appendix 10 to the Listing Rules 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

Save as disclosed in note 26 to the financial statements, as at 31 December 2015, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group as far as the board of directors was aware of.

## AUDITORS

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

ON BEHALF OF THE BOARD
**Joseph Tcheng**
*Chairman*

Hong Kong
3 February 2016

EY 安永

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**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 set out on pages 65 to 120, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, 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.

# Independent Auditors' Report

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
3 February 2016

# Consolidated Statement of Profit or Loss



Year ended 31 December 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| Revenue | 6 | **1,832,723** | 1,760,676 |
| Cost of sales | | **(1,028,327)** | (1,034,539) |
| **Gross profit** | | **804,396** | 726,137 |
| Other income | 6 | **9,906** | 20,319 |
| Selling and distribution expenses | | **(187,615)** | (176,685) |
| Administrative expenses | | **(174,250)** | (166,994) |
| Other expenses | | **(6,562)** | (11,567) |
| Finance costs | 10 | **(2,247)** | (3,732) |
| **PROFIT BEFORE TAX** | 7 | **443,628** | 387,478 |
| Income tax expense | 11 | **(120,053)** | (108,088) |
| **PROFIT FOR THE YEAR** | | **323,575** | 279,390 |
| **ATTRIBUTABLE TO:** | | | |
| Owners of the parent | | **280,522** | 240,214 |
| Non-controlling interests | | **43,053** | 39,176 |
| | | **323,575** | 279,390 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic | 13 | **HK51.92 cents** | HK44.75cents |
| Diluted | 13 | **HK51.83 cents** | HK44.49cents |

Details of the dividend proposed for the year are disclosed in note 12 to the financial statements.

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| **Profit for the year** | **323,575** | 279,390 |
| **Other comprehensive loss to be reclassified to profit or loss in subsequent periods:** | | |
| Exchange differences on translation of foreign operations | **(136,492)** | (72,257) |
| **Other comprehensive loss for the year, net of tax** | **(136,492)** | (72,257) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **187,083** | 207,133 |
| **ATTRIBUTABLE TO:** | | |
| Owners of the parent | **142,070** | 166,817 |
| Non-controlling interests | **45,013** | 40,316 |
| | **187,083** | 207,133 |

# Consolidated Statement of Financial Position



31 December 2015

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | **60,767** | 26,488 |
| Concession rights | 15 | **1,857,462** | 1,867,726 |
| Long-term prepayments, deposits and other receivables | 16 | **88,760** | 94,176 |
| **Total non-current assets** | | **2,006,989** | 1,988,390 |
| **CURRENT ASSETS** | | | |
| Trade receivables | 17 | **687,157** | 631,882 |
| Prepayments, deposits and other receivables | 18 | **143,029** | 115,463 |
| Due from related parties | 19 | **106,754** | 88,575 |
| Pledged deposits and restricted cash | 20 | **1,530** | 1,597 |
| Cash and cash equivalents | 20 | **689,322** | 1,049,604 |
| **Total current assets** | | **1,627,792** | 1,887,121 |
| **CURRENT LIABILITIES** | | | |
| Other payables and accruals | | **645,741** | 731,143 |
| Deferred income | | **3,581** | 5,087 |
| Tax payable | | **78,108** | 36,412 |
| **Total current liabilities** | | **727,430** | 772,642 |
| NET CURRENT ASSETS | | **900,362** | 1,114,479 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **2,907,351** | 3,102,869 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | 21 | **104,909** | 105,241 |
| **Total non-current liabilities** | | **104,909** | 105,241 |
| **Net assets** | | **2,802,442** | 2,997,628 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 22 | **54,170** | 53,740 |
| Other reserves | 24 | **2,633,493** | 2,862,497 |
| | | **2,687,663** | 2,916,237 |
| **Non-controlling interests** | | **114,779** | 81,391 |
| **Total equity** | | **2,802,442** | 2,997,628 |

**Han Zi Jing**
*Director*

**Teo Hong Kiong**
*Director*

# Consolidated Statement of Changes in Equity

Year ended 31 December 2015

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium account HK$'000 | Share option reserve HK$'000 | Contributed surplus HK$'000 | Exchange fluctuation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| As at 1 January 2014 | 53,646 | 825,752 | 8,608 | 271,657 | 733,901 | 933,318 | 2,826,882 | 57,842 | 2,884,724 |
| Profit for the year | – | – | – | – | – | 240,214 | 240,214 | 39,176 | 279,390 |
| Other comprehensive income/(loss) | – | – | – | – | (73,397) | – | (73,397) | 1,140 | (72,257) |
| Total comprehensive income/(loss) for the year | – | – | – | – | (73,397) | 240,214 | 166,817 | 40,316 | 207,133 |
| Share options exercised | 94 | 3,865 | (1,393) | – | – | – | 2,566 | – | 2,566 |
| Equity-settled share option arrangements | – | – | 470 | – | – | – | 470 | – | 470 |
| Dividends paid to a non-controlling shareholder | – | – | – | – | – | – | – | (16,767) | (16,767) |
| Final 2013 dividend paid | – | – | – | (80,498) | – | – | (80,498) | – | (80,498) |
| At 31 December 2014 | 53,740 | 829,617 | 7,685 | 191,159 | 660,504 | 1,173,532 | 2,916,237 | 81,391 | 2,997,628 |
| As at 1 January 2015 | **53,740** | **829,617** | **7,685** | **191,159** | **660,504** | **1,173,532** | **2,916,237** | **81,391** | **2,997,628** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **280,522** | **280,522** | **43,053** | **323,575** |
| Other comprehensive income/(loss) | **–** | **–** | **–** | **–** | **(138,452)** | **–** | **(138,452)** | **1,960** | **(136,492)** |
| Total comprehensive income/(loss) for the year | **–** | **–** | **–** | **–** | **(138,452)** | **280,522** | **142,070** | **45,013** | **187,083** |
| Share options exercised | **430** | **17,689** | **(6,375)** | **–** | **–** | **–** | **11,744** | **–** | **11,744** |
| Equity-settled share option arrangements | **–** | **–** | **2,219** | **–** | **–** | **–** | **2,219** | **–** | **2,219** |
| Dividends paid/payable to a non-controlling shareholder | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(11,625)** | **(11,625)** |
| Final 2014 dividend paid | **–** | **–** | **–** | **–** | **–** | **(81,255)** | **(81,255)** | **–** | **(81,255)** |
| 2014 special dividend paid | **–** | **–** | **–** | **(258,312)** | **–** | **(45,040)** | **(303,352)** | **–** | **(303,352)** |
| At 31 December 2015 | **54,170** | **847,306** | **3,529** | **(67,153)** | **522,052** | **1,327,759** | **2,687,663** | **114,779** | **2,802,442** |

# Consolidated Statement of Cash Flows



Year ended 31 December 2015

| | Notes | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **443,628** | 387,478 |
| Adjustments for: | | | |
| Impairment and write-down of concession rights | 7 | **2,470** | 10,474 |
| Loss on disposal of concession rights | 7 | **3,467** | 2,335 |
| Impairment losses of trade receivables recognised | 7 | **16,426** | 3,992 |
| Loss on disposal of items of property, plant and equipment | 7 | **625** | 18 |
| Depreciation of items of property, plant and equipment | 7 | **11,950** | 10,251 |
| Recognition of prepaid lease payments | | **4,949** | 2,667 |
| Amortisation of concession rights | 7 | **344,990** | 327,716 |
| Foreign exchange losses, net | 7 | **1,999** | 2,419 |
| Other finance costs | | **248** | 1,309 |
| Cash-settled share-based payments | 7 | **(6,829)** | 8,090 |
| Equity-settled share option expense | 7 | **2,219** | 470 |
| Interest income | 6 | **(9,906)** | (20,319) |
| | | **816,236** | 736,900 |
| Increase in long-term prepayments, deposits and other receivables | | **(3,760)** | (28,843) |
| Increase in trade receivables | | **(100,060)** | (160,062) |
| (Increase)/decrease in prepayments, deposits and other receivables | | **(33,678)** | 27,421 |
| (Increase)/decrease in amounts due from related parties | | **(22,154)** | 57,142 |
| (Decrease)/increase in other payables and accruals | | **(9,284)** | 46,515 |
| (Decrease)/increase in deferred income | | **(1,278)** | 1,379 |
| Cash generated from operations | | **646,022** | 680,452 |
| Income taxes paid | | **(89,009)** | (115,747) |
| Net cash flows from operating activities | | **557,013** | 564,705 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of items of property, plant and equipment, excluding construction in progress | | **(46,668)** | (10,815) |
| Proceeds from disposal of items of property, plant and equipment | | **77** | 211 |
| Proceeds from disposal of concession rights | | **1,006** | 105 |
| Purchase of concession rights | | **(466,205)** | (333,509) |
| Interest received | | **3,159** | 20,330 |
| Decrease in pledged deposits and restricted cash | | **–** | 29,267 |
| Net cash flows used in investing activities | | **(508,631)** | (294,411) |

# Consolidated Statement of Cash Flows

Year ended 31 December 2015

| | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|
| Net cash flows used in investing activities | **(508,631)** | (294,411) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from exercise of share options | **11,744** | 2,566 |
| Dividends paid to shareholders | **(384,607)** | (80,498) |
| Dividends paid to a non-controlling shareholder | **(5,421)** | (16,767) |
| Net cash flows used in financing activities | **(378,284)** | (94,699) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | **(329,902)** | 175,595 |
| Cash and cash equivalents at beginning of year | **1,049,604** | 892,822 |
| Effect of foreign exchange rate changes, net | **(30,380)** | (18,813) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **689,322** | 1,049,604 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances | **689,322** | 1,049,604 |

## 1. CORPORATE AND GROUP 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 below. 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 iHeart Media, Inc. which is incorporated in the United States of America.

***Information about subsidiaries***

Particulars of the Company's principal subsidiaries are as follows:

| Name | Place of incorporation/ registration and business | 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 |
| Hainan White Horse Advertising Media Investment Company Limited (the "WHA Joint Venture")* | PRC# | US$60,000,000/ US$60,000,000 | – | 80 | Operation of outdoor advertising business |

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

\# The People's Republic of China excluding, for the purpose of these financial statements, Hong Kong, Macau and Taiwan.

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. On 4 April 2001, WHA Joint Venture changed its legal structure from a Sino-foreign equity joint venture to a Sinoforeign co-operative joint venture. At the same time, the registered capital of WHA Joint Venture increased from HK$100,000,000 to US$60,000,000 with Hainan White Horse Advertising Co., Ltd ("Hainan White Horse") and China Outdoor Media (HK) sharing 20% and 80% of interests, respectively.

## 1. CORPORATE AND GROUP INFORMATION (continued)

According to the agreement entered into by China Outdoor Media (HK) and Hainan White Horse on 3 September 2001, 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 WHA Joint Venture. According to the subsequent agreements entered into by China Outdoor Media (HK) and Hainan White Horse, the term of China Outdoor Media (HK)'s entitlement of 90% of the after- tax profits of WHA Joint Venture has been extended to 31 December 2016 at a consideration of HK$250,000 payable to Hainan White Horse each year for the fiscal years 2006 to 2016 (both years inclusive). The agreement is renewable every two years. The Group expects the agreement will be renewed for the next two years following the expiry of the existing agreement on 31 December 2016.

## 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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for cash-settled share-based payments which have been measured at fair value. 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 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 2.1 BASIS OF PREPARATION (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
*Annual Improvements to HKFRSs 2010–2012 Cycle*
*Annual Improvements to HKFRSs 2011–2013 Cycle*

Other than as explained below regarding the impact of (state the applicable standards), the adoption of the above revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendment that is effective for the current year are as follows:

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

| | |
|---|---|
| HKFRS 9 | *Financial Instruments*[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | *Investment Entities: Applying the Consolidation Exception*[1] |
| Amendments to HKFRS 11 | *Accounting for Acquisitions of Interests in Joint Operations*[1] |
| HKFRS 14 | *Regulatory Deferral Accounts*[3] |
| HKFRS 15 | *Revenue from Contracts with Customers*[2] |
| Amendments to HKAS 1 | *Disclosure Initiative*[1] |
| Amendments to HKAS 16 and HKAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation*[1] |
| Amendments to HKAS 16 and HKAS 41 | *Agriculture: Bearer Plants*[1] |
| Amendments to HKAS 27 (2011) | *Equity Method in Separate Financial Statements*[1] |
| *Annual Improvements 2012–2014 Cycle* | Amendments to a number of HKFRSs[1] |

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

***(a) Classification and measurement***

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

***(b) Impairment***

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Fair Value Measurement***

The Group measures its cash-settled share-based payments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

***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 of disposal, 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 statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Impairment of Non-Financial Assets (continued)***

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 statement of profit or loss in the period in which it arises.

***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);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***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 statement of profit or loss 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.

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 statement of profit or loss 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 amortisation and amortised using the straight-line and individual basis over the period of the rights, which ranges from 5 to 15 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***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 statement of profit or loss on the straight-line basis over the lease terms.

***Investments and Other Financial Assets***

**Initial Recognition and Measurement**

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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.

**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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Derecognition of Financial Assets (continued)***

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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

***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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial Liabilities***

**Initial Recognition and Measurement**

Financial liabilities are classified, at initial recognition, 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.

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 statement of profit or loss 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 statement of profit or loss.

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if there are acquired for the purpose of repurchasing in the near term. Gains and losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

***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 statement of profit or loss.

***Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Cash and Cash Equivalents*

For the purpose of the consolidated statements of cash flow, 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 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.

### *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 statement of profit or loss.

### *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 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Income Tax (continued)***

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 recognised 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.

The carrying amount of deferred tax assets is reviewed at the 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;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Deferred Income***

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

***Share-based Payments***

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 payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees 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 23 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, 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 statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service condition have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transaction 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.

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 payments, or is otherwise beneficial to the employee as measured at the date of modification.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Share-based Payments (continued)***

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.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted (note 23). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is measured at the end of each reporting period up to and including the settlement date, with changes in fair value recognised in the statement of profit or loss.

***Other Employee Benefits***

The Group operates a defined contribution Mandatory Provident Fund retirement benefit 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 statement of profit or loss 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 a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss 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 capitalisation 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Dividends***

Final and special dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final and special dividends proposed by the directors were classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final and special dividends are disclosed in the notes to these financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

***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 prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value 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 the 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 Hong Kong dollars at the exchange rate prevailing at the end of the reporting period and its statement of profit or loss is 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 statement of profit or loss.

For the purpose of the consolidated statement of cash flows, 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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 uncertainty 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 described below.

***Impairment of Concession Rights***

The Group assesses 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 calculations 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 2015 was HK$1,857,462,000 (2014: HK$1,867,726,000).

***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, the difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the impairment allowances at the end of each year. At 31 December 2015, the provision for impairment of trade and other receivables was HK$31,418,000 (2014: HK$21,218,000).

***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. Withholding tax is provided for the profits of the subsidiary in the PRC which the Group considers it probable to be distributed in the foreseeable future. Further details are included in note 21 to the financial statements.

## 5. SEGMENT INFORMATION

The outdoor advertising business is the only major reportable operating segment of the Group which comprises the display of advertisements on street furniture. 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 locations of the customers, and assets are attributed to the segments based on the locations of the assets. As the Group's major operations and markets are all located in the PRC, no further geographical segment information is provided.

## 6. REVENUE AND OTHER INCOME

Revenue represents the contract value of the display of advertisements on bus shelters, net of commissions and discounts, in the PRC.

An analysis of revenue and other income is as follows:

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| **Revenue** | | |
| Rental from outdoor advertising spaces | **1,832,723** | 1,760,676 |
| **Other income** | | |
| Interest income | **9,906** | 20,319 |

## 7. PROFIT BEFORE TAX

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

| | Notes | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| Cost of services provided | | **288,460** | 305,960 |
| Operating lease rentals on bus shelters | | **389,459** | 398,124 |
| Cost of services in a bus shelter joint-operation arrangement* | | **5,418** | 2,739 |
| Amortisation of concession rights | 15 | **344,990** | 327,716 |
| Cost of sales | | **1,028,327** | 1,034,539 |
| Impairment losses of trade receivables recognised | 17 | **16,426** | 3,992 |
| Auditors' remuneration | | **2,902** | 2,704 |
| Depreciation of items of property, plant and equipment | 14 | **11,950** | 10,251 |
| Impairment and write-down of concession rights | | **2,470** | 10,474 |
| Loss on disposal of concession rights | | **3,467** | 2,335 |
| Loss on disposal of items of property, plant and equipment | | **625** | 18 |
| Operating lease rentals on buildings | | **37,217** | 25,999 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | | |
| Wages and salaries | | **183,609** | 188,019 |
| Cash-settled share-based payments | | | |
| — Reversal of previous years** | | **(8,960)** | – |
| — Current year | | **2,131** | 8,090 |
| Equity-settled share option expense | | **2,219** | 470 |
| Pension scheme contributions | | **20,069** | 17,452 |
| | | **199,068** | 214,031 |
| Foreign exchange losses, net | | **1,999** | 2,419 |
| Interest income | | **(9,906)** | (20,319) |

* The Group operated certain bus shelters jointly with an independent third party under a profit sharing arrangement. The Group has the primary responsibility for providing services to the customers and acts as a principal in the arrangement. The Group recognised revenue on a gross basis. The cost of services represented the costs paid by the Group under this arrangement.

** As certain performance target was not met, the cash-settled share-based payment expenses recognised in previous years amounting to HK$8,960,000 were reversed during the current year.

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'000** | HK$'000 |
| Fees | **4,478** | 4,479 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **21,746** | 22,979 |
| Performance-related bonuses | **1,908** | 1,789 |
| Equity-settled share option expense | **1,021** | 258 |
| Cash-settled share-based payments | **(6,829)** | 8,090 |
| Pension scheme contributions | **161** | 144 |
| | **18,007** | 33,260 |
| | **22,485** | 37,739 |

During the year, 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 23 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss 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' and chief executive's remuneration disclosures.

### *(a) Independent Non-executive Directors*

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

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Mr. Desmond Murray | **280** | 280 |
| Ms. Leonie Ki Man Fung | **140** | 140 |
| Mr. Wang Shou Zhi | **140** | 140 |
| Mr. Thomas Manning | **140** | 140 |
| | **700** | 700 |

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 (2014: Nil).

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S 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$'000 | Equity-settled share option expense HK$'000 | Cash-settled share-based payments HK$'000 | Pension scheme contributions HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| Executive directors: | | | | | | | |
| Mr. Mark Thewlis (relinquished his position with effect from 1 January 2016) | 740 | 6,218 | 342 | – | (109) | 18 | 7,209 |
| Mr. Han Zi Jing | 714 | 5,374 | 487 | 444 | (2,240) | 18 | 4,797 |
| Mr. Zhang Huai Jun | 910 | 3,227 | 666 | 222 | (2,240) | 97 | 2,882 |
| Mr. Teo Hong Kiong | 714 | 4,148 | 282 | 222 | (2,240) | 18 | 3,144 |
| | 3,078 | 18,967 | 1,777 | 888 | (6,829) | 151 | 18,032 |
| Non-executive directors: | | | | | | | |
| Mr. William Eccleshare | 140 | – | – | – | – | – | 140 |
| Mr. Peter Cosgrove | 280 | 500 | – | – | – | – | 780 |
| Mr. Cormac O'Shea | 140 | – | – | – | – | – | 140 |
| Mr. Zhu Jia | 140 | – | – | – | – | – | 140 |
| | 700 | 500 | – | – | – | – | 1,200 |
| Alternate director: | | | | | | | |
| Mr. Zou Nan Feng | – | 2,279 | 131 | 133 | – | 10 | 2,553 |
| | 3,778 | 21,746 | 1,908 | 1,021 | (6,829) | 161 | 21,785 |

Note:

Salaries, allowances and benefits in kind paid to Mr. Mark Thewlis in 2015 included amounts borne by Clear Channel International Limited of HK$1,854,905 (2014: HK$1,854,905).

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

### *(b) Executive Directors, Non-executive Directors and Alternate Director (continued)*

| | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Performance-related bonuses HK$'000 | Equity-settled share option expense HK$'000 | Cash-settled share-based payments HK$'000 | Pension scheme contributions HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| Executive directors: | | | | | | | |
| Mr. Mark Thewlis | 740 | 6,513 | 342 | – | 4,190 | 13 | 11,798 |
| Mr. Han Zi Jing | 714 | 5,940 | 493 | 97 | 1,300 | 17 | 8,561 |
| Mr. Zhang Huai Jun | 910 | 3,546 | 670 | 60 | 1,300 | 87 | 6,573 |
| Mr. Teo Hong Kiong | 714 | 4,161 | 284 | 56 | 1,300 | 17 | 6,532 |
| | 3,078 | 20,160 | 1,789 | 213 | 8,090 | 134 | 33,464 |
| Non-executive directors: | | | | | | | |
| Mr. William Eccleshare | 140 | – | – | – | – | – | 140 |
| Mr. Peter Cosgrove | 280 | 500 | – | – | – | – | 780 |
| Mr. Cormac O'Shea (appointed as an alternate director for Mr. Jonathan Bevan with effect from 3 June 2014 and re-designated as a non-executive director with effect from 15 July 2014) | 65 | – | – | – | – | – | 65 |
| Mr. Zhu Jia | 140 | – | – | – | – | – | 140 |
| Mr. Jonathan Bevan (resigned with effect from 15 July 2014) | 76 | – | – | – | – | – | 76 |
| | 701 | 500 | – | – | – | – | 1,201 |
| Alternate director: | – | | | | | | |
| Mr. Zou Nan Feng | – | 2,319 | – | 45 | – | 10 | 2,374 |
| | 3,779 | 22,979 | 1,789 | 258 | 8,090 | 144 | 37,039 |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, performance-related bonuses of HK$1,908,000 were paid to directors (2014: HK$1,789,000). There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2014: 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 (2014: Nil).

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2014: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2014: one) non-director, highest paid employee for the year are as follows:

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries, allowances and benefits in kind | **2,662** | 2,467 |
| Performance-related bonuses | **–** | – |
| Equity-settled share option expense | **–** | 35 |
| Pension scheme contributions | **116** | 71 |
| | **2,778** | 2,573 |

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

| | **Number of employees** | |
|---|---|---|
| | **2015** | 2014 |
| Nil to HK$1,000,000 | **–** | – |
| HK$1,000,001 to HK$1,500,000 | **–** | – |
| HK$1,500,001 to HK$2,000,000 | **–** | – |
| HK$2,000,001 to HK$2,500,000 | **–** | – |
| HK$2,500,001 to HK$3,000,000 | **1** | 1 |
| | **1** | 1 |

## 10. FINANCE COSTS

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Other finance costs | **2,247** | 3,732 |

## 11. INCOME TAX

Hong Kong profits tax has not been provided as the Group had 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.

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Current — Hong Kong profits tax | **–** | – |
| Current — PRC corporate income tax | **110,465** | 88,036 |
| Deferred tax | **9,588** | 20,052 |
| Total tax charge for the year | **120,053** | 108,088 |

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:

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Profit before tax | **443,628** | 387,478 |
| Tax at the applicable statutory tax rate | **112,626** | 98,542 |
| Income not subject to tax | **(598)** | (1,880) |
| Realised exchange loss from an intra-group loan | **(133)** | (606) |
| Expenses not deductible for tax | **2,062** | 2,963 |
| Tax losses not recognised | **3,289** | 4,922 |
| Effect of withholding tax on the distributable profits of the Group's PRC subsidiary | **2,807** | 4,147 |
| Tax charge at the Group's effective rate of 27.1 % (2014: 27.9%) | **120,053** | 108,088 |

According to the Enterprise Income Tax Law of the PRC effective on 1 January 2008, WHA Joint Venture, a subsidiary of the Company established in the Hainan Special Economic Zone of the PRC, was subject to a corporate income tax rate of 25% (2014: 25%) for the head office and its branches on its assessable profits arising in the PRC for the year 2015.

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 WHA Joint Venture, a subsidiary of the Company established in the Hainan Special Economic Zone of the PRC, in respect of earnings generated from 1 January 2008. As at 31 December 2015, the Group recognised a deferred tax liability of HK$20,703,000 (31 December 2014: HK$23,128,000) in respect of the withholding taxes on future dividend distribution by WHA Joint Venture.

## 12. DIVIDEND

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Special dividend — Nil (2014: HK56 cents) per ordinary share | – | 300,943 |
| Proposed final — HK16 cents (2014: HK15 cents) per ordinary share | **86,672** | 80,610 |
| | **86,672** | 381,553 |

At the Board meeting held on 3 February 2016, the directors proposed a final dividend of HK16 cents per share (2014: HK15 cents per share) for the year ended 31 December 2015. This final dividend is equivalent to HK$86,672,080 (2014: HK$81,255,075) based on the 541,700,500 (2014: 541,700,500) outstanding shares. Subject to the approval by the shareholders at the forthcoming annual general meeting, the proposed dividend will be payable on Wednesday, 13 July 2016 to the shareholders registered on the Register of Members on Wednesday, 8 June 2016.

## 13. 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:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **280,522** | 240,214 |

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

| | Number of shares | |
|---|---|---|
| | **2015** | 2014 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation | **540,326,000** | 536,795,000 |
| Effect of dilution — weighted average number of ordinary shares: Share options | **926,000** | 3,146,500 |
| | **541,252,000** | 539,941,500 |

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furniture and equipment HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **31 December 2015** | | | | | |
| At 31 December 2014 and at 1 January 2015: | | | | | |
| Cost | 27,281 | 19,447 | 43,850 | – | 90,578 |
| Accumulated depreciation | (23,178) | (10,598) | (30,314) | – | (64,090) |
| Net carrying amount | 4,103 | 8,849 | 13,536 | – | 26,488 |
| At 1 January 2015, net of accumulated depreciation | 4,103 | 8,849 | 13,536 | – | 26,488 |
| Additions | 7,918 | 8,658 | 4,867 | 48,572 | 70,015 |
| Transfer from construction in progress | 26,460 | – | – | (26,460) | – |
| Disposals | – | (641) | (4) | – | (645) |
| Depreciation provided during the year | (3,321) | (3,386) | (5,243) | – | (11,950) |
| Transfers (note 15) | – | – | – | (20,368) | (20,368) |
| Exchange realignment | (705) | (483) | (558) | (1,027) | (2,773) |
| At 31 December 2015, net of accumulated depreciation | 34,455 | 12,997 | 12,598 | 717 | 60,767 |
| At 31 December 2015: | | | | | |
| Cost | 59,880 | 21,231 | 42,846 | 717 | 124,674 |
| Accumulated depreciation | (25,425) | (8,234) | (30,248) | – | (63,907) |
| Net carrying amount | 34,455 | 12,997 | 12,598 | 717 | 60,767 |

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Leasehold improvements HK$'000 | Furniture and equipment HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **31 December 2014** | | | | | |
| At 1 January 2014: | | | | | |
| Cost | 27,318 | 22,327 | 41,259 | 856 | 91,760 |
| Accumulated depreciation | (22,784) | (13,642) | (27,695) | – | (64,121) |
| Net carrying amount | 4,534 | 8,685 | 13,564 | 856 | 27,639 |
| At 1 January 2014, net of accumulated depreciation | 4,534 | 8,685 | 13,564 | 856 | 27,639 |
| Additions | 1,304 | 3,577 | 5,934 | 42,263 | 53,078 |
| Disposals | – | (187) | (42) | – | (229) |
| Depreciation provided during the year | (1,637) | (3,035) | (5,579) | – | (10,251) |
| Transfers (note 15) | – | – | – | (42,758) | (42,758) |
| Exchange realignment | (98) | (191) | (341) | (361) | (991) |
| At 31 December 2014, net of accumulated depreciation | 4,103 | 8,849 | 13,536 | – | 26,488 |
| At 31 December 2014: | | | | | |
| Cost | 27,281 | 19,447 | 43,850 | – | 90,578 |
| Accumulated depreciation | (23,178) | (10,598) | (30,314) | – | (64,090) |
| Net carrying amount | 4,103 | 8,849 | 13,536 | – | 26,488 |

## 15. CONCESSION RIGHTS

| | HK$'000 |
|---|---|
| **31 December 2015** | |
| Cost at 1 January 2015, net of accumulated amortisation | **1,867,726** |
| Additions | **406,788** |
| Transfer from construction in progress (note 14) | **20,368** |
| Disposals, impairment, write-off and write-down | **(6,143)** |
| Amortisation during the year | **(344,990)** |
| Exchange realignment | **(86,287)** |
| At 31 December 2015 | **1,857,462** |
| At 31 December 2015: | |
| Cost | **4,591,414** |
| Accumulated amortisation | **(2,733,952)** |
| Net carrying amount | **1,857,462** |
| **31 December 2014** | |
| At 1 January 2014: | |
| Cost | 4,276,125 |
| Accumulated amortisation | (2,480,924) |
| Net carrying amount | 1,795,201 |
| Cost at 1 January 2014, net of accumulated amortisation | 1,795,201 |
| Additions | 412,411 |
| Transfer from construction in progress (note 14) | 42,758 |
| Disposals, impairment, write-off and write-down | (12,847) |
| Amortisation during the year | (327,716) |
| Exchange realignment | (42,081) |
| At 31 December 2014 | 1,867,726 |
| At 31 December 2014: | |
| Cost | 4,553,751 |
| Accumulated amortisation | (2,686,025) |
| Net carrying amount | 1,867,726 |

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 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.

## 15. CONCESSION RIGHTS (continued)

The Group's bus shelter concession contracts have initial terms of five to twenty years. As at 31 December 2015, the weighted average remaining term of the concession rights currently held by the Group was approximately seven years. In terms of renewal rights, approximately 54% of the concession rights held by the Group, based on the total number of bus shelters granted to the Group, grant the Group the priority purchase 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 expiry.

## 16. LONG-TERM PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Long-term prepayments amounting to RMB45,809,000 (equivalent to HK$54,678,000) (31 December 2014: RMB45,809,000 (equivalent to HK$57,247,000)) have been placed with certain independent third parties in connection with the extension and renewal of certain of the Group's bus shelter concession rights in the PRC.

Long-term prepayment as at 31 December 2015 also included a deposit amounting to RMB3,150,000 (equivalent to HK$3,760,000) (31 December 2014: RMB Nil) made to an independent third party for the purchase of bus shelters.

The balance as at 31 December 2015 also included a non-current portion of a prepaid bus shelter lease payment amounting to HK$7,824,000 (31 December 2014: HK$10,712,000) and a long-term rental deposit of HK$22,498,000 (31 December 2014: HK$23,555,000).

## 17. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where advanced payments are 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 diverse number of customers and are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the revenue recognition date, is as follows:

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Current to 90 days | **345,473** | 293,759 |
| 91 days to 180 days | **237,718** | 263,559 |
| 181 days to 360 days | **112,647** | 82,472 |
| Over 360 days | **22,737** | 13,310 |
| | **718,575** | 653,100 |
| Less: Provision for impairment of trade receivables | **(31,418)** | (21,218) |
| Total trade receivables, net | **687,157** | 631,882 |

## 17. TRADE RECEIVABLES (continued)

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| At 1 January | **21,218** | 23,783 |
| Impairment losses recognised (note 7) | **16,426** | 3,992 |
| Amount written off as uncollectible | **(6,226)** | (6,557) |
| At 31 December | **31,418** | 21,218 |

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

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

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Neither past due nor impaired | **583,191** | 554,873 |
| Less than 3 months past due | **83,892** | 68,368 |
| Over 3 months past due | **20,074** | 8,641 |
| | **687,157** | 631,882 |

Receivables that were neither past due nor impaired relate to a diverse number of 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.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balance of prepayments, deposits and other receivables for the year ended 31 December 2015 included a receivable from Hainan White Horse Advertising Co., Ltd. ("Hainan White Horse"), the non-controlling shareholder of WHA Joint Venture, amounting to HK$95,414,000 (31 December 2014: HK$66,487,000), which are unsecured, interest-free and has no fixed terms of repayment.

## 19. DUE FROM RELATED PARTIES

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Guangdong White Horse Advertising Company Limited ("GWH") | **2,064** | 88,575 |
| Hainan White Horse Media Advertising Company Limited ("WHM") | **104,690** | – |
| | **106,754** | 88,575 |

The balances with the related parties are unsecured, interest-free and repayable on demand.

An ageing analysis of the amounts due from GWH and WHM as at the end of the reporting period, based on the revenue recognition date, is as follows:

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| Current to 90 days | **83,642** | 76,793 |
| 91 days to 180 days | **21,511** | 10,980 |
| Over 180 days | **1,601** | 802 |
| | **106,754** | 88,575 |

## 20. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED CASH

At the end of the reporting period, the Group's cash and bank balances, pledged deposits and restricted cash denominated in Renminbi ("RMB") and in Hong Kong dollars ("HK$") amounted to HK$484,163,000 (2014: HK$796,233,000) and HK$206,689,000 (2014: HK$254,968,000), respectively. 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 and pledged deposits are placed with registered banking institutions in the PRC and Hong Kong. The Group's policy is to spread bank balances (including pledged deposits) among various creditworthy banks with no recent history of default. As at 31 December 2015, the Group maintained less than 20% of the Group's total bank balances in any one bank.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are placed for varying periods 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 2015, a bank balance of RMB1,282,000 (equivalent to approximately HK$1,530,000) was frozen by one of the financial institutions which has commenced legal proceedings against the Company's subsidiary as disclosed in note 28 to the financial statements. The directors of the Company are of the view that the dispute will not have any material impact on the consolidated financial statements of the Group.

## 21. DEFERRED TAX

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

***Deferred tax liabilities***

| | **2015** | | |
|---|---|---|---|
| | **Depreciation and amortisation allowance in excess of related depreciation and amortisation and other temporary differences HK$'000** | **Withholding tax HK$'000** | **Total HK$'000** |
| At 1 January | **82,113** | **23,128** | **105,241** |
| Deferred tax charged to the statement of profit and loss during the year (note 11) | **6,781** | **2,807** | **9,588** |
| Reclassified to tax payable | **(4,688)** | **(5,232)** | **(9,920)** |
| At 31 December | **84,206** | **20,703** | **104,909** |

| | 2014 | | |
|---|---|---|---|
| | Depreciation and amortisation allowance in excess of related depreciation and amortisation and other temporary differences HK$'000 | Withholding tax HK$'000 | Total HK$'000 |
| At 1 January | 53,853 | 26,537 | 80,390 |
| Deferred tax charged to the statement of profit and loss during the year (note 11) | 15,823 | 4,147 | 19,970 |
| Reclassified from/(to) tax payable | 12,437 | (7,556) | 4,881 |
| At 31 December | 82,113 | 23,128 | 105,241 |

## 21. DEFERRED TAX (continued)

***Deferred tax assets***

| | **Deductible temporary differences 2015 HK$'000** | Deductible temporary differences 2014 HK$'000 |
|---|---|---|
| At 1 January | **–** | 82 |
| Deferred tax (charged)/credited to the statement of profit and loss during the year (note 11) | **–** | (82) |
| At 31 December | **–** | – |

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.

## 22. SHARE CAPITAL

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| **Shares** | | |
| Issued and fully paid: | | |
| 541,700,500 ordinary shares (2014: 537,398,500) of HK$0.10 each (2014: HK$0.10) | **54,170** | 53,740 |

During the year, the increase in share capital represented the subscription rights attaching to 4,302,000 share options exercised at the subscription price of HK$2.73 per share, resulting in the issue of 4,302,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$11,744,000. An amount of HK$6,375,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

## 23. SHARE OPTION SCHEMES AND CASH-SETTLED SHARE-BASED PAYMENTS

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 and the last remaining batch of these options expired on 29 June 2014. Accordingly, there are no outstanding options under the Old Scheme.

## 23. SHARE OPTION SCHEMES AND CASH-SETTLED SHARE-BASED PAYMENTS (continued)

At the annual general meeting of the Company on 13 May 2009, an ordinary resolution was passed to approve 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 this 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 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 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 Hong Kong 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 Hong Kong 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.

## 23. SHARE OPTION SCHEMES AND CASH-SETTLED SHARE-BASED PAYMENTS (continued)

As at 31 December 2015, the aggregate number of shares issuable under share options granted under the New Scheme was 5,000,000, which represented approximately 0.92% 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 5,000,000 additional ordinary shares of HK$0.10 each in the Company and proceeds, before relevant share issue expenses, of approximately HK$47,700,000.

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

| | | 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 New Scheme | 332 | – | (332) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | 866,668 | – | (866,668) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | – | 333,333 | – | – | – | 333,333 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 333,333 | – | – | – | 333,333 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 333,334 | – | – | – | 333,334 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 867,000 | 1,000,000 | (867,000) | – | – | 1,000,000 | | | | | | |
| Teo Hong Kiong | The New Scheme | 250,000 | – | (250,000) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 8.25 | 8.24 |
| | The New Scheme | 500,000 | – | (500,000) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 8.25 | 8.24 |
| | The New Scheme | – | 166,666 | – | – | – | 166,666 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 166,666 | – | – | – | 166,666 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 166,668 | – | – | – | 166,668 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 750,000 | 500,000 | (750,000) | – | – | 500,000 | | | | | | |

## 23. SHARE OPTION SCHEMES AND CASH-SETTLED SHARE-BASED PAYMENTS (continued)

| 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 | Price of the Company's shares ***: Exercise price per share ** HK$ | At grant date of options HK$ | Immediately before the exercise date HK$ | At exercise date of options HK$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Director (continued)** | | | | | | | | | | | | | |
| Zhang Huai Jun | The New Scheme | 666 | – | (666) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | 533,334 | – | (533,334) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | – | 166,666 | – | – | – | 166,666 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 166,666 | – | – | – | 166,666 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 166,668 | – | – | – | 166,668 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 534,000 | 500,000 | (534,000) | – | – | 500,000 | | | | | | |
| Zou Nan Feng | The New Scheme | 400,000 | – | (400,000) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 9.77 | 9.84 |
| | The New Scheme | – | 100,000 | – | – | – | 100,000 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 100,000 | – | – | – | 100,000 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 100,000 | – | – | – | 100,000 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 400,000 | 300,000 | (400,000) | – | – | 300,000 | | | | | | |

## 23. SHARE OPTION SCHEMES AND CASH-SETTLED SHARE-BASED PAYMENTS (continued)

| | | 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$ |
| **Others** | | | | | | | | | | | | | |
| Members of senior management and other employees of the Group | The New Scheme | 1,000 | – | (1,000) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 9.19 | 9.21 |
| | The New Scheme | 1,750,000 | – | (1,750,000) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 9.19 | 9.21 |
| | The New Scheme | – | 899,994 | – | – | – | 899,994 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 899,994 | – | – | – | 899,994 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 900,012 | – | – | – | 900,012 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 1,751,000 | 2,700,000 | (1,751,000) | – | – | 2,700,000 | | | | | | |
| In aggregate | The New Scheme | 251,998 | – | (251,998) | – | – | – | 20/05/2009 | 21/05/2013 to 20/05/2016 | 2.73 | 2.73 | 9.27 | 9.30 |
| | The New Scheme | 4,050,002 | – | (4,050,002) | – | – | – | 20/05/2009 | 21/05/2014 to 20/05/2016 | 2.73 | 2.73 | 9.27 | 9.30 |
| | The New Scheme | – | 1,666,659 | – | – | – | 1,666,659 | 10/06/2015 | 11/06/2018 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 1,666,659 | – | – | – | 1,666,659 | 10/06/2015 | 11/06/2019 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | The New Scheme | – | 1,666,682 | – | – | – | 1,666,682 | 10/06/2015 | 11/06/2020 to 10/06/2022 | 9.54 | 9.52 | – | – |
| | | 4,302,000 | 5,000,000 | (4,302,000) | – | – | 5,000,000 | | | | | | |

## 23. SHARE OPTION SCHEMES AND CASH-SETTLED SHARE-BASED PAYMENTS (continued)

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** 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 Hong Kong 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 Hong Kong Stock Exchange closing prices over all of the exercises of options within the disclosure line.

On 10 June 2015, the Company granted an aggregate of 5,000,000 share options to certain eligible participants under the New Scheme. Among these 5,000,000 share options, 2,300,000 options were granted to three Executive Directors and an Alternate Director. The details of such grant are set out on pages 104 to 108.

The fair value of the share options granted on 10 June 2015 year was HK$15,320,459 (HK$3.06 each), of which the Group recognised a share option expense of HK$2,219,000 during the year ended 31 December 2015.

The fair value of equity-settled share options granted during the year, was estimated as at the date of grant using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the models used:

| | |
|---|---|
| Dividend yield | 1.58% |
| Expected volatility | 36.00% |
| Risk-free interest rate | 1.41% |
| Expected life | 7 years |
| Exercise price per share | HK$9.54 |
| Share price at grant date | HK$9.49 |

The expected volatility reflect the assumption that the historic volatility over a period similar to the life of the equity-settled share-based payments is indicative of future trends, which may not necessarily be the actual outcome.

Apart from the foregoing, at no time during the year ended 31 December 2015 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.

## 23. SHARE OPTION SCHEMES AND CASH-SETTLED SHARE-BASED PAYMENTS (continued)

***Cash-settled share-based payments***

Certain executive directors of the Company were granted cash-settled share-based payments which took effect on 1 January 2013 and were calculated based on the Company's closing share price on the last trading day of 2015. The carrying amount of the liability relating to the cash-settled share-based payments as at 31 December 2015 was HK$6,451,000 (31 December 2014: HK$13,202,000), which was recorded in other payables and accruals in the consolidated statement of financial position.

Some of the cash-settled share-based payments have a performance target which must be met before the cash-settled share-based payments can be vested. Fair value of the cash-settled share-based payments is measured at each reporting date using the Black-Scholes Model taking into account the terms and conditions upon which the instruments were granted and the current likelihood of achieving the specified target.

As certain performance target was not met, the cash-settled share-based payment expenses recognized in previous years amounting to HK$8,960,000 were reversed during the current year.

## 24. RESERVES

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 68 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 and the nominal value of the shares in the Company issued in exchange therefor.

## 25. COMMITMENTS

***(a) Capital Commitments***

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Construction of shelters for which concession rights are held | **1,545** | 637 |

## 25. COMMITMENTS (continued)

### *(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 10 years, and those for concession rights are negotiated for terms ranging from 5 to 15 years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| Within one year | **433,885** | 430,304 |
| In the second to fifth years, inclusive | **1,311,053** | 1,305,068 |
| After five years | **1,134,280** | 1,407,969 |
| | **2,879,218** | 3,143,341 |

## 26. CONTINGENT LIABILITIES

During 2014, a supplier of the Group in China (the "Supplier") has factored its accounts receivable allegedly due from the Group (the "Accounts Receivable") under certain supply contracts (the "Purported Supply Contracts") to certain financial institutions in China. Whilst the Purported Supply Contracts were allegedly entered into with a subsidiary of the Company, the Group has confirmed that none of them is an authentic supply contract to which it is a party. When the Accounts Receivable remained unpaid, the financial institutions commenced legal proceedings against, among others, the Company's subsidiary to recover an aggregate amount of approximately RMB115 million. As of the date of this report, the trial dates for these legal proceedings had yet to be fixed. As the Group confirmed that it had not entered into any of the Purported Supply Contracts, the Group treated the Purported Supply Contracts as being contractual fraud and reported the cases to the competent police authority. The directors, taking into account the advice from the Group's legal counsel, believe that the Group has a valid defence in law to the allegations against it and, accordingly, have not provided for any potential claim arising from the litigations, other than the related legal and other costs.

On 8 January 2016, the Group received a notice from a District Court in the PRC (the "Court") stating that a plaintiff has initiated legal action against the Supplier and that the Court has ruled in such plaintiff's favour and has frozen the Supplier's right to receive payment from the Group for the settlement of any outstanding liability between the Supplier and the Group. The Court has issued a compulsory order requiring the Group to remit an outstanding sum of about RMB17.6 million owing by the Group to the Supplier into the bank account of the Court. The directors, taking into consideration the advice of the Group's legal counsel, believe that this development will not result in the Group being liable for additional liability exceeding the outstanding liability already taken up in the account under other payables and accruals, between the Supplier and the Group.

## 27. 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 | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|---|
| Agency commission paid to GWH and WHM, companies in which a director of the Company has the ability to exercise direct or indirect influence over management | (i) | **20,440** | 18,670 |
| Sales to GWH and WHM | (ii) | **327,201** | 302,530 |
| Bus shelter cleaning and maintenance fees payable to a company which has been an associate of a director of the Company | (iii) | **38,885** | 42,280 |
| Creative services fees payable to GWH | (iv) | **3,489** | 3,558 |
| Agency fee for securing of media and advertising display to BYH | (v) | **723** | – |

Notes:

(i) The agency commission paid to GWH and WHM 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 11 March 2013, WHA Joint Venture entered into a three-year framework agreement with GWH for the years 2013, 2014 and 2015 on substantially the same terms as the framework agreements previously entered into between WHA Joint Venture and GWH, pursuant to which 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. On 30 May 2014, WHA Joint Venture entered into a Supplemental Framework Agreement with GWH pursuant to which (i) the maximum amounts of gross advertising sales from GWH under the Framework Agreement for the two years ending 31 December 2014 and 31 December 2015 will be increased from HK$285,000,000 and HK$315,000,000 to HK$374,000,000 and HK$404,000,000, respectively; and (ii) the maximum amounts of the advertising commission payable to GWH under the Framework Agreement for the two years ending 31 December 2014 and 31 December 2015 will be increased from HK$23,000,000 and HK$25,000,000, to HK$30,000,000 and HK$32,500,000, respectively.

GWH is a related party of the Company because Mr. Han Zi Dian is the brother of Mr. Han Zi Jing, an executive director of the Company, and 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.

WHM is an affiliated company of GWH and also a related party of the Company because Mr. Han Zi Dian is the brother of Mr. Han Zi Jing, an executive director of the Company, and Mr. Han Zi Dian is able to exercise influence over the management and day-to-day operations.

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

## 27. RELATED PARTY TRANSACTIONS (continued)

### (a) *(continued)*

Notes: (continued)

(iii) On 28 January 2014, WHA Joint Venture entered into a Framework Maintenance Services Agreement with Hainan White Horse Holding Company Limited ("White Horse Holding") in place of the maintenance services arrangements between WHA Joint Venture and White Horse Holding. The Framework Maintenance Services Agreement was entered into for a fixed term and will expire on 31 December 2016.

White Horse Holding is a related party of the Company because Mr. Han Zi Dian became interested in more than 50% of the voting power of White Horse Holding following a capital injection into White Horse Holding in November 2009. Mr. Han Zi Dian was a non-executive director of the Company from April 2001 to November 2012 and is the brother of Mr. Han Zi Jing, an executive director of the Company.

Under the Framework Maintenance Services Agreement, WHA Joint Venture would pay a maintenance fee consisting of a predetermined cost element and an incentive payment to White Horse Holding for the services provided by its branches. The same basis for calculating payment of the maintenance fee is applicable to all service providers of the Group including third party service providers.

Under the Framework Maintenance Services Agreement, the maintenance fees payable by WHA Joint Venture to White Horse Holding for the financial years ending 31 December 2014, 2015 and 2016 shall not exceed HK$55,000,000, HK$60,000,000 and HK$65,000,000, respectively. Maintenance fees shall be settled by WHA Joint Venture on a monthly basis before the tenth day of every month.

(iv) On 28 January 2014 WHA Joint Venture entered into a creative services agreement with GWH effective from 1 January 2014 to 31 December 2016, whereby GWH agreed to provide creative design services for poster, sales and marketing materials and company profiles to the Group. In the opinion of the directors, these transactions were entered into on terms similar to those available from independent third parties.

(v) During the year, WHA Joint Venture entered into certain arrangements with Beijing YiHong Media Company Limited ("BYH") and a third party company whereby BYH agreed to act as agent and represent WHA Joint Venture to rent certain shelters from the third party company for the display of WHA Joint Venture advertising campaign and provide advertising display and other services to WHA Joint Venture. BYH is a subsidiary of WHM and also a related party of the Company because Mr. Han Zi Dian is the brother of MR. Han Zi Jing, an executive director of the Company, and Mr. Han Zi Dian is able to influence over the management and day-to-day operations of WHM. In the opinion of the directors, these transaction were entered into on terms similar to those available from independent third parties.

### (b) *Outstanding Balances with Related Parties*

The Group had outstanding receivables from GWH and WHM of HK$2,064,000 (31 December 2014: HK$88,575,000) and HK$104,690,000 (31 December 2014: Nil), respectively, as at the end of the reporting period. The balances are unsecured, interest-free and have no fixed terms of repayment (note 19).

### (c) *Compensation of key management personnel of the Group:*

| | **2015 HK$'000** | 2014 HK$'000 |
|---|---|---|
| Short-term employee benefits | **21,746** | 22,979 |
| Performance-related bonuses | **1,908** | 1,789 |
| Equity-settled share option expense | **1,021** | 258 |
| Cash-settled share-based payments | **(6,829)** | 8,090 |
| Pension scheme contributions | **161** | 144 |
| Total compensation paid to key management personnel | **18,007** | 33,260 |

## 28. 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:

***Financial Assets***

| | **Loans and receivables** | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'000** | HK$'000 |
| Other receivables | **105,331** | 77,999 |
| Trade receivables | **687,157** | 631,882 |
| Due from related parties | **106,754** | 88,575 |
| Pledged deposits and restricted cash | **1,530** | 1,597 |
| Cash and cash equivalents | **689,322** | 1,049,604 |
| | **1,590,094** | 1,849,657 |

***Financial Liabilities***

| | **Financial liabilities at fair value through profit or loss** | | **Financial liabilities at amortised cost** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Other payables | **6,451** | 13,202 | **578,624** | 665,819 | **585,075** | 679,021 |
| | **6,451** | 13,202 | **578,624** | 665,819 | **585,075** | 679,021 |

## 29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair Values | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Financial liabilities** | | | | |
| Cash-settled share-based payments | **6,451** | 13,202 | **6,451** | 13,202 |
| | **6,451** | 13,202 | **6,451** | 13,202 |

Management has assessed that the fair values of cash and cash equivalents, pledged deposits and restricted cash, trade receivables, amounts due from related parties, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair value of cash-settled share-based payments is measured using valuation techniques which incorporate various market observable inputs including the spot share prices. The carrying amount of cash-settled share-based payments is the same as their fair value.

As at 31 December 2015, cash-settled share-based payments were measured at fair value using significant observable inputs (Level 2)[2]. There were no transfers of fair value measurements between Level 1[1] and Level 2 and no transfers into or out of Level 3[3] for both financial assets and financial liabilities (2014: Nil).

1. Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
2. Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
3. Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

## 30. 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 Currency 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 investments and expenses are denominated in RMB. As at the date of these financial statements, the Group had not experienced any difficulties in obtaining government approval for its necessary foreign-exchange purchases. During the year ended 31 December 2015, the Group did not issue any financial instruments for hedging purposes.

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 |
|---|---|---|
| 2015 | | |
| If Hong Kong dollar weakens against RMB | **5%** | **15,064** |
| If Hong Kong dollar strengthens against RMB | **(5%)** | **(15,064)** |
| 2014 | | |
| If Hong Kong dollar weakens against RMB | 5% | 14,299 |
| If Hong Kong dollar strengthens against RMB | (5%) | (14,299) |

***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. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a diversity of numerous 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 17 to the financial statements.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

***Liquidity Risk***

The Group continued to be in a strong financial position at the end of 2015, with cash and cash equivalents amounting to HK$689,322,000 as at 31 December 2015.

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

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:

| | **2015** | | | | |
|---|---|---|---|---|---|
| | **On demand HK$'000** | **Less than 3 months HK$'000** | **3 to less than 12 months HK$'000** | **1 to 2 years HK$'000** | **Total HK$'000** |
| Other payables | **–** | **413,574** | **171,501** | **–** | **585,075** |
| | **–** | **413,574** | **171,501** | **–** | **585,075** |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | On demand HK$'000 | Less than 3 months HK$'000 | 3 to less than 12 months HK$'000 | 1 to 2 years HK$'000 | Total HK$'000 |
| Other payables | – | 390,374 | 275,445 | 13,202 | 679,021 |
| | – | 390,374 | 275,445 | 13,202 | 679,021 |

## 30. 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 2015 and 31 December 2014.

The Group's policy currently is to maintain a low 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:

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| Other payables and accruals | **645,741** | 731,143 |
| Less: | | |
| Pledged deposits and restricted cash | **(1,530)** | (1,597) |
| Cash and cash equivalents | **(689,322)** | (1,049,604) |
| Net surplus | **(45,111)** | (320,058) |
| Equity attributable to owners of the parent | **2,687,663** | 2,916,237 |
| Total capital | **2,687,663** | 2,916,237 |
| Capital and net debt | **2,642,552** | 2,596,179 |
| Gearing ratio | **–** | – |

## 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | **2015** **HK$'000** | 2014 HK$'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | **374** | 503 |
| Investments in subsidiaries | **836,242** | 1,081,536 |
| Total non-current assets | **836,616** | 1,082,039 |
| CURRENT ASSETS | | |
| Other receivables | **1,616** | 1,539 |
| Cash and cash equivalents | **206,563** | 254,839 |
| Total current assets | **208,179** | 256,378 |
| CURRENT LIABILITIES | | |
| Other payables | **12,553** | 18,892 |
| Total current liabilities | **12,553** | 18,892 |
| NET CURRENT ASSETS | **195,626** | 237,486 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **1,032,242** | 1,319,525 |
| Net assets | **1,032,242** | 1,319,525 |
| EQUITY | | |
| Share capital | **54,170** | 53,740 |
| Other reserves | **978,072** | 1,265,785 |
| Total equity | **1,032,242** | 1,319,525 |

Han Zi Jing
*Director*

Teo Hong Kiong
*Director*

## 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

| | Share option reserve HK$'000 | Share premium account HK$'000 | Contributed surplus HK$'000 | Exchange fluctuation reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2014 | 8,608 | 825,752 | 370,423 | 16,628 | (1,454) | 1,219,957 |
| Profit for the year | – | – | – | – | 124,695 | 124,695 |
| Other comprehensive loss | – | – | – | (1,311) | – | (1,311) |
| Total comprehensive income/(loss) for the year | – | – | – | (1,311) | 124,695 | 123,384 |
| Share options exercised | (1,393) | 3,865 | – | – | – | 2,472 |
| Equity-settled share option arrangements | 470 | – | – | – | – | 470 |
| Final 2013 dividend paid | – | – | (80,498) | – | – | (80,498) |
| At 31 December 2014 | 7,685 | 829,617 | 289,925 | 15,317 | 123,241 | 1,265,785 |
| Profit for the year | **–** | **–** | **–** | **–** | **83,361** | **83,361** |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **83,361** | **83,361** |
| Share options exercised | **(6,375)** | **17,689** | **–** | **–** | **–** | **11,314** |
| Equity-settled share option arrangements | **2,219** | **–** | **–** | **–** | **–** | **2,219** |
| Final 2014 dividend paid | **–** | **–** | **–** | **–** | **(81,255)** | **(81,255)** |
| 2014 special dividend paid | **–** | **–** | **(258,312)** | **–** | **(45,040)** | **(303,352)** |
| At 31 December 2015 | **3,529** | **847,306** | **31,613** | **15,317** | **80,307** | **978,072** |

The contributed surplus of the Company represents the difference between the then combined net asset value of the subsidiaries acquired pursuant to the reorganisation and the nominal value 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 payments in note 3 to the financial statements.

## 32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 3 February 2016.

# 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. |
| free cash flow | EBITDA (before gain and losses on disposal, impairment and write-down 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. |
| 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. |

# Glossary

| | |
|---|---|
| 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. |
| 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, freestanding 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. |

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **RESULTS (HK$'000)** | | | | | |
| Revenue | **1,832,723** | 1,760,676 | 1,647,455 | 1,522,036 | 1,485,898 |
| EBITDA | **792,909** | 708,857 | 662,317 | 619,245 | 547,456 |
| EBIT | **435,969** | 370,891 | 347,542 | 312,284 | 275,129 |
| Profit attributable to owners of the parent | **280,522** | 240,214 | 201,008 | 219,236 | 187,542 |
| **CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA (HK$'000)** | | | | | |
| Current assets | **1,627,792** | 1,887,121 | 1,710,537 | 2,148,673 | 1,853,036 |
| Current liabilities | **727,430** | 772,642 | 652,015 | 591,993 | 532,233 |
| Equity attributable to owners of the parent | **2,687,663** | 2,916,237 | 2,826,882 | 3,274,602 | 3,078,602 |
| **CASH FLOW DATA (HK$'000)** | | | | | |
| Cash generated from operations | **646,022** | 680,452 | 715,330 | 681,653 | 674,173 |
| **FINANCIAL RATIOS** | | | | | |
| Current ratio (times) | **2.24** | 2.44 | 2.62 | 3.63 | 3.48 |
| EBITDA margin (%) | **43.3** | 40.3 | 40.2 | 40.7 | 36.8 |
| Net profit margin (%) | **15.3** | 13.6 | 12.2 | 14.4 | 12.6 |

# Corporate Information

## DIRECTORS:

***Executive Directors:***

Joseph Tcheng
*(Chairman)*
Han Zi Jing
*(Chief Executive Officer)*
Teo Hong Kiong
*(Chief Financial Officer)*
Zhang Huai Jun
*(Chief Operating Officer)*

***Non-Executive Directors:***

William Eccleshare
Peter Cosgrove
Zhu Jia
Cormac O'Shea

***Independent Non-Executive Directors:***

Desmond Murray
Leonie Ki Man Fung
Wang Shou Zhi
Thomas Manning

***Alternate Director:***

Zou Nan Feng (alternate to Zhang Huai Jun)

## COMPANY SECRETARY

Jeffrey Yip

## HEAD OFFICE

Room 1202
12th Floor
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## LEGAL ADVISORS

***Hong Kong and United States Law***

Sullivan & Cromwell

***PRC Law***

King & Wood PRC Lawyers

***Bermuda Law***

Conyers Dill & Pearman

## AUDITORS

Ernst & Young

## PRINCIPAL BANKERS

HSBC
Shanghai Pudong Development Bank

## PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

## HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

## AUTHORISED REPRESENTATIVES

Teo Hong Kiong
Jeffrey Yip

## INVESTOR RELATIONS CONTACT

Jeffrey Yip

## PR CONSULTANT

iPR Ogilvy & Mather

## CORPORATE WEBSITES

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