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Asiaray Media Group Limited
雅仕維傳媒集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1993)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board") of Asiaray Media Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016, together with the audited comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2016	2015
	Notes	***HKD'000***	*HKD'000*
Revenue	2	**1,470,795**	1,406,293
Cost of revenue	3	**(1,180,312)**	(1,115,897)
Gross profit		**290,483**	290,396
Selling and marketing expenses	4	**(126,638)**	(100,553)
Administrative expenses	5	**(149,995)**	(166,744)
Other income	6	**12,257**	12,758
Other gains/(losses), net	6	**22,992**	(52,393)
Operating profit/(loss)		**49,099**	(16,536)
Finance income	7	**2,869**	5,576
Finance costs	7	**(2,545)**	(3,222)
Finance income, net	7	**324**	2,354
Share of results of investments in associates	11	**5,255**	8,177
Profit/(loss) before income tax		**54,678**	(6,005)
Income tax (expense)/credit	8	**(14,573)**	3,809
Profit/(loss) for the year		**40,105**	(2,196)

	Notes	Year ended 31 December 2016 HKD'000	2015 HKD'000
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
— Net gains/(losses) from changes in fair value of available-for-sale financial assets, net of tax		**343**	(1,545)
— Disposal of available-for-sale financial assets, net of tax		**835**	–
— Currency translation differences		**(34,613)**	(25,330)
		(33,435)	(26,875)
Total comprehensive income/(loss) for the year		**6,670**	(29,071)
Profit/(loss) attributable to:			
Owners of the Company		**15,826**	(39,616)
Non-controlling interests		**24,279**	37,420
Profit/(loss) for the year		**40,105**	(2,196)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(14,888)**	(61,802)
Non-controlling interests		**21,558**	32,731
Total comprehensive income/(loss) for the year		**6,670**	(29,071)
Earnings/(loss) per share attributable to owners of the Company for the year *(expressed in HK cents per share)*			
— Basic and diluted	*9*	**3.60**	(9.09)

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2016	2015
	Notes	***HKD'000***	*HKD'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**100,118**	63,984
Construction-in-progress		**–**	16,776
Land use rights		**22,931**	15,583
Investment properties		**528**	652
Intangible assets		**1,842**	1,187
Investments in associates	*11*	**26,997**	37,938
Financial assets at fair value through profit or loss		**4,537**	3,877
Available-for-sale financial assets		**8,346**	56,926
Deferred income tax assets		**80,566**	80,054
Non-current portion of other receivables	*12*	**13,697**	18,248
		259,562	295,225
Current assets			
Inventories		**1,326**	1,343
Trade and other receivables	*12*	**543,621**	525,616
Short-term deposits	*13*	**46,737**	114,757
Restricted cash	*13*	**63,552**	81,807
Cash and cash equivalents		**217,336**	241,946
		872,572	965,469
Total assets		**1,132,134**	1,260,694
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**44,000**	44,000
Share premium		**461,013**	557,813
Reserves		**(25,800)**	(9,516)
Retained earnings		**71,553**	55,727
		550,766	648,024
Non-controlling interests		**31,739**	52,645
Total equity		**582,505**	700,669

	Notes	As at 31 December 2016 HKD'000	2015 HKD'000
Liabilities			
Non-current liabilities			
Borrowings		**5,310**	6,863
Deferred income tax liabilities		**770**	160
		6,080	7,023
Current liabilities			
Trade and other payables	*14*	**471,909**	477,327
Current income tax liabilities		**10,002**	10,669
Borrowings		**61,638**	16,694
Provision for compensation loss		**–**	48,312
		543,549	553,002
Total liabilities		**549,629**	560,025
Total equity and liabilities		**1,132,134**	1,260,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

		Effective for accounting periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities	1 January 2016
Amendments to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014		1 January 2016
— Amendment to HKFRS 5	Non-current assets held for sale and discontinued operations	
— Amendment to HKFRS 7	Financial instruments: Disclosures	
— Amendment to HKAS 19	Employee benefits	
— Amendment to HKAS 34	Interim financial reporting	
HKAS 1	Disclosure initiative	1 January 2016

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2016, and have not been early adopted by the Group.

- Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture were originally intended to be effective for annual periods beginning on or after 1 January 2016, but the effective date has now not been determined.

- Amendments to HKAS 12 on income taxes is effective for annual periods beginning on or after 1 January 2017. This change in accounting standards is expected to have no significant effect on the consolidated financial statements of the Group.

- Amendments to HKAS 7 on statement of cash flows is effective for annual periods beginning on or after 1 January 2017. This change in accounting standards is expected to have no significant effect on the consolidated financial statements of the Group.

- HKFRS 9 "Financial instruments" is effective for annual periods beginning on or after 1 January 2018. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

  While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, equity instruments currently classified as available-for-sale investment, for which a fair value through profit or loss election is available.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

  The new hedge accounting rules will align the accounting for hedging instruments more closely with risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

  The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

  At this stage, the new standard is not expected to apply until the financial year of 2018.

- HKFRS 15 "Revenue from contracts with customers" is effective for annual periods beginning on or after 1 January 2018. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements and has estimated the following area that is likely to be affected:

  - revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue; and

  - accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

  At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months. The new standard is not expected to apply until the financial year of 2018.

- HKFRS 16 “Leases” is effective for annual periods beginning on or after 1 January 2019.

  The new stanards will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

  The accounting for lessors will not significantly change.

  The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HKD3,217,390,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

  Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under the new standard.

  At this stage, the new standard is not expected to apply until the financial year of 2019.

2. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company (the “Executive Directors”). The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors considered the business from product perspective, and determined that the Group has the following operating segments:

— Airports business — operation of advertising services in airports;

— Metro lines business — operation of advertising services in metro lines; and

— Billboards and building solutions — operation of advertising services on billboards and building solutions.

The chief operating decision-maker assesses the performance of the operating segments mainly based on revenue and gross profit of each operating segment. All of the businesses of the Group were carried out in Mainland China and Hong Kong during the year. Selling and marketing expenses and administrative expenses are common costs incurred for the operating segments as a whole and therefore they are not included in the measure of the segments’ performance which is used by the chief operating decision-maker as a basis for the purpose of resource allocation and assessment of segment performance. Other income, other gains/(losses), net, finance income, net and income tax (expense)/credit are also not allocated to individual operating segment.

There were no segment assets and liabilities information provided to the chief operating decision maker.

The segment information for the operating segments is as follows:

	Airports business *HKD'000*	Metro lines business *HKD'000*	Billboards and building solutions *HKD'000*	Others *HKD'000*	Total *HKD'000*
Year ended 31 December 2016					
Revenue	**685,434**	**457,843**	**157,867**	**169,651**	**1,470,795**
Cost of revenue	**(541,974)**	**(353,131)**	**(138,312)**	**(146,895)**	**(1,180,312)**
Gross profit	**143,460**	**104,712**	**19,555**	**22,756**	**290,483**
Selling and marketing expenses					**(126,638)**
Administrative expenses					**(149,995)**
Other income					**12,257**
Other gains, net					**22,992**
Operating profit					**49,099**
Finance income					**2,869**
Finance costs					**(2,545)**
Finance income, net					**324**
Share of results of investments in associates	**5,255**	**–**	**–**	**–**	**5,255**
Profit before income tax					**54,678**
Income tax expense					**(14,573)**
Profit for the year					**40,105**

	Airports business	Metro lines business	Billboards and building solutions	Others	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Year ended 31 December 2015					
Revenue	628,957	424,829	160,888	191,619	1,406,293
Cost of revenue	(438,332)	(359,883)	(146,199)	(171,483)	(1,115,897)
Gross profit	190,625	64,946	14,689	20,136	290,396
Selling and marketing expenses					(100,553)
Administrative expenses					(166,744)
Other income					12,758
Other losses, net					(52,393)
Operating loss					(16,536)
Finance income					5,576
Finance costs					(3,222)
Finance income, net					2,354
Share of results of investments in associates	8,177	–	–	–	8,177
Loss before income tax					(6,005)
Income tax credit					3,809
Loss for the year					(2,196)

Revenue consisted of the following:

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Advertising display revenue	**1,333,390**	1,277,497
Advertising production, installation and dismantling revenue	**137,405**	128,796
	1,470,795	1,406,293

The geographical distribution of the Group's revenue was as follows:

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Mainland China	**1,150,118**	1,098,405
Hong Kong	**320,677**	307,888
	1,470,795	1,406,293

The Group has a large number of customers, none of whom contributed 10% or more of the Group's total revenue.

The Group's non-current assets other than financial instruments and deferred income tax assets were located in Mainland China and Hong Kong as follows:

	As at 31 December	
	2016	2015
	HKD'000	*HKD'000*
Mainland China	**158,434**	151,633
Hong Kong	**7,679**	2,735
	166,113	154,368

3. COST OF REVENUE

Expenses included in cost of revenue are analysed as follows:

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Concession fee charges for advertising spaces	**1,032,974**	967,533
Project installation and dismantling costs	**67,062**	73,295
Depreciation of property, plant and equipment	**25,976**	24,702
Tax and surcharges	**20,736**	17,576
Utilities	**13,045**	11,966
Others	**20,519**	20,825
	1,180,312	1,115,897

4. SELLING AND MARKETING EXPENSES

Expenses included in selling and marketing expenses are analysed as follows:

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Employee benefit expenses	**84,177**	78,682
Marketing research expenses	**19,045**	5,462
Travelling and entertainment expenses	**16,749**	12,235
Warrant expenses (a)	**3,075**	–
Office expenses	**1,418**	1,717
Office rental expenses	**611**	930
Sales commissions	**544**	507
Depreciation of property, plant and equipment	**22**	30
Others	**997**	990
	126,638	100,553

(a) On 10 October 2016, the Company entered into a strategic alliance agreement with Great World HK Media Pte. Ltd. ("Great World HK") to enhance the business collaboration between the Company and L Catterton Management Limited, a private equity firm formed by LVMH Moët Hennessy Louis Vuitton S.A., Catterton Holdings, L.L.C and Groupe Arnault SAS. On the same day, the Company and Great World HK entered into a subscription agreement (as amended and supplemented by a supplemental agreement dated 13 October 2016); pursuant to which the Company issued 10,000,000 warrants of the Company to Great World HK.

5. ADMINISTRATIVE EXPENSES

Expenses included in administrative expenses are analysed as follows:

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Employee benefit expenses	**78,560**	77,441
Office expenses	**13,155**	10,548
Office rental expenses	**12,560**	14,031
Other professional service fees	**12,467**	11,092
Travelling and entertainment expenses	**11,915**	15,762
Depreciation of property, plant and equipment	**7,583**	6,833
Auditors' remunerations	**4,142**	4,400
— Audit services	**2,800**	2,876
— Non-audit services	**1,342**	1,524
Bank charges	**3,590**	2,841
Taxes and surcharges	**2,529**	1,763
Impairment provision for trade and other receivables	**1,267**	16,830
Amortisation of land use rights	**414**	421
Amortisation of intangible assets	**462**	312
Depreciation of investment properties	**86**	92
Listing-related expenses	**–**	1,859
Others	**1,265**	2,519
	149,995	166,744

6. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Other income		
Advertising consulting service income	**2,700**	3,417
Advertising design service income	**981**	–
Dividend income on available-for-sale financial assets	**2,536**	1,202
Government subsidy income	**2,414**	4,164
Interest income on loans to an associate	**1,080**	1,151
Compensation from counter parties for breach of contracts	**906**	886
Reimbursement of installation and maintenance costs	**722**	793
Interest income on available-for-sale financial assets	**705**	976
Rental income on investment properties	**213**	169
	12,257	12,758

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Other gains/(losses), net		
Written back/(provision for) compensation loss(a)	**24,662**	(48,312)
Fair value gains/(losses) on financial assets at fair value through profit or loss	**72**	(445)
Net exchange losses	**(24)**	(2,918)
Losses on disposal of property, plant and equipment	**(186)**	(3)
Losses on disposal of available-for-sale financial assets	**(1,127)**	–
Others	**(405)**	(715)
	22,992	(52,393)

(a) In October 2015, the Group decided to early terminate the 10-year concession contract for operation of the media resources at Ningbo Metro Line No 1. The owner of the media resources has informed the Group to compensate for the loss occurred due to the early termination of the contract.

As at 31 December 2015, the management of the Company were still negotiating with the media resources owner in the arbitration procedure to agree the amount of the compensation of the early termination contract. Based on the legal advice from the Group's PRC legal advisor, the directors of the Company are of the view that the maximum amount of the compensation will be one year rental payment of HKD48,312,000 (RMB38,890,000). The amount was fully provided for the year ended 31 December 2015.

As on 24 May 2016, the management of the Company received the arbitration award which determined the final compensation to be at HKD20,441,000 (RMB15,173,000). The difference of HKD27,871,000 (RMB23,717,000) between the initially estimate and the final outcome of the arbitration was written back and recognised in "other gains, net" during the year ended 31 December 2016.

7. FINANCE INCOME, NET

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Finance income		
Interest income on bank deposits	**(2,869)**	(5,576)
Finance costs		
Interest expense on bank borrowings	**2,545**	3,222
Finance income, net	**(324)**	(2,354)

8. INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for the years ended 31 December 2016 and 2015 is analysed as follows:

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Current income tax		
— PRC corporate income tax	**16,387**	18,406
— Hong Kong profits tax	**3,172**	3,678
	19,559	22,084
Deferred income tax	**(4,986)**	(25,893)
	14,573	(3,809)

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax. It had been provided for at the rate of 16.5% on the estimated assessable profits for each of the years ended 31 December 2016 and 2015.

(c) PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the tax rate of 25% on the estimated assessable profits for each of the years ended, based on the existing legislation, interpretations and practices in respect thereof, unless preferential tax rates were applicable.

Yunnan Airport Asiaray Information Media Company Limited, a subsidiary of the Group, was established in Yunnan Province, PRC. It was eligible for preferential tax policies applicable for the development of western regions in Mainland China, and was entitled to a preferential income tax rate of 15%.

(d) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in Mainland China to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between Mainland China and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Profit/(loss) attributable to owners of the Company	**15,826**	(39,616)
Weighted average number of ordinary shares in issue (thousands)	**440,000**	435,781
Earnings/(loss) per share (HK cents per share)	**3.60**	(9.09)

The Group's share options and warrants could potentially dilute basic earnings/(loss) per share in the future, but were not included in the calculation of diluted earnings/(loss) per share because they are anti-dilutive for the years presented.

10. DIVIDENDS

	Year ended 31 December	
	2016	2015
	HKD'000	*HKD'000*
Proposed final dividend of HKD0.10 (2015: HKD0.09) per share (a)	**44,000**	39,600
Interim dividend of HKD0.13 (2015: HKD0.055) per share	**57,200**	24,200
	101,200	63,800

(a) At the meeting held on 24 March 2017, the Board recommended the payment of a final dividend of HKD0.10 (2015: HKD0.09) per share for the year ended 31 December 2016, amounting to a total of HKD44,000,000 (2015: HKD39,600,000). This proposed dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

11. INVESTMENTS IN ASSOCIATES

	Year ended/As at 31 December	
	2016	2015
	HKD'000	*HKD'000*
At beginning of the year	**37,938**	36,442
Share of results	**5,255**	8,177
Dividend	**(13,745)**	(4,068)
Currency translation differences	**(2,451)**	(2,613)
At end of the year	**26,997**	37,938

12. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	HKD'000	*HKD'000*
Included in current assets		
Trade receivables (a)	**354,610**	376,429
— Due from related parties	**10,428**	11,450
— Due from third parties	**344,182**	364,979
Less: allowance for impairment of trade receivables	**(23,494)**	(23,911)
Trade receivables, net	**331,116**	352,518
Other receivables (b)	**98,801**	106,623
— Due from related parties	**6,625**	572
— Due from third parties	**92,176**	106,051
Less: allowance for impairment of other receivables	**(1,090)**	(1,028)
Other receivables, net	**97,711**	105,595
Interest receivable	**857**	1,541
Prepaid taxes	**14,197**	10,831
Other prepayments (c)	**95,268**	55,131
— Paid to related parties	**3,088**	14,225
— Paid to third parties	**92,180**	40,906
Loans to an associate (d)	**4,472**	–
	543,621	525,616
Included in non-current assets		
Loans to an associate (d)	**13,697**	18,248
Total	**557,318**	543,864

(a) The Group has no specified credit terms for its customers. Ageing analysis of the gross trade receivables based on revenue recognition date at the respective balance sheet dates is as follows:

	As at 31 December	
	2016	2015
	HKD'000	*HKD'000*
Up to 6 months	**256,304**	287,297
6 months to 12 months	**49,791**	56,380
1 year to 2 years	**32,306**	19,527
2 years to 3 years	**5,499**	4,984
Over 3 years	**10,710**	8,241
	354,610	376,429

As at 31 December 2016 and 2015, trade receivables past due but not impaired were approximately HKD331,116,000 and HKD352,518,000, respectively. These mainly relate to a number of independent customers for whom there were no significant financial difficulties and based on the past experience, the overdue amount can be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2016	2015
	HKD'000	*HKD'000*
Up to 6 months	**254,829**	284,815
6 months to 12 months	**48,187**	55,240
1 year to 2 years	**26,859**	11,530
2 years to 3 years	**1,241**	933
	331,116	352,518

As at 31 December 2016 and 2015, trade receivables of HKD23,494,000 and HKD23,911,000 were impaired. The amount of the provision were HKD23,494,000 and HKD23,911,000 as of 31 December 2016 and 2015. The ageing of these receivables is as follows:

	As at 31 December	
	2016	2015
	HKD'000	*HKD'000*
Up to 6 months	**1,475**	2,482
6 months to 12 months	**1,604**	1,140
1 year to 2 years	**5,447**	7,997
2 years to 3 years	**4,258**	4,051
Over 3 years	**10,710**	8,241
	23,494	23,911

(b) Other receivables mainly represent guaranteed deposits paid to various media resources owners and amounts due from certain related parties.

(c) Analysis of other prepayments is as follows:

	As at 31 December	
	2016	2015
	HKD'000	*HKD'000*
Prepayments for concession fee charges for advertising spaces	**88,160**	52,690
Others	**7,108**	2,441
	95,268	55,131

(d) It represented two interest-free loans from Shanghai Asiaray Advertising Company Limited ("Shanghai Asiaray") to Fujian Zhaoxiang Advertising Company Limited ("Fujian Zhaoxiang Advertising"), including a loan of HKD17,050,000 (RMB15,251,000) which had a term of 6 years and a loan of HKD4,472,000 (RMB4,000,000) which had a term of 2 years. The initial fair values of the two loans were based on cash flows discounted using interest rates based on the prevailing borrowing rates of 6.55% and 6.15%, respectively, promulgated by the People's Bank of China.

13. SHORT-TERM DEPOSITS

The effective interest rate for the short-term deposits of the Group with initial terms ranging from 6 months to 1 year for the years ended 31 December 2016 and 2015 was 1.96% and 1.88%, respectively.

The Group's short-term deposits were denominated in HKD and RMB.

Short-term deposits were neither past due nor impaired. The directors of the Company considered that the carrying amount of the short-term deposits approximated their fair value as at 31 December 2016 and 2015.

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	HKD'000	*HKD'000*
Trade payables (a)	**83,536**	69,077
— Due to related parties	**24,250**	23,080
— Due to third parties	**59,286**	45,997
Accrued concession fee charges for advertising spaces (b)	**210,278**	238,684
— Due to related parties	**149,849**	150,771
— Due to third parties	**60,429**	87,913
Advances received from customers	**133,077**	104,757
Other taxes payable	**4,755**	6,063
Salary and staff welfare payables	**16,245**	18,053
Other payables (c)	**24,018**	40,693
— Due to related parties	**1,666**	145
— Due to third parties	**22,352**	40,548
	471,909	477,327

(a) As at 31 December 2016 and 2015, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2016	2015
	HKD'000	*HKD'000*
Up to 6 months	**42,633**	63,335
6 months to 12 months	**17,396**	3,201
1 year to 2 years	**22,225**	1,421
2 years to 3 years	**184**	521
Over 3 years	**1,098**	599
	83,536	69,077

(b) This mainly represented the differences between the minimum guaranteed concession fee charges recognised in profit or loss on a straight-line basis over the beneficial periods and the minimum guaranteed concession fee charges payable according to the concession rights agreements.

(c) Other payables mainly represented guarantee deposits received from customers and certain amounts due to related parties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the tough advertising market conditions, the Group achieved a total reported revenue of HKD1,470.8 million in 2016, representing an increase of 4.6% as compared with that in 2015. Total revenue would have recorded a year-on-year growth of 9.9% in 2016, excluding the adverse impact of currency movements where RMB depreciated 6.5% against the Hong Kong dollar as compared to that in 2015. To give a better view of the total business scale of the Group, we would also like to report our combined revenue, which included the consolidated revenue of the Group and the total revenue of all associated companies of the Group engaged in media advertising business. For the year ended 31 December 2016, the combined revenue of the Group increased by 5.1% to HKD2,137.7 million.

During the year, the Group maintained our leadership position in the airport and metro advertising markets and continued to rank first in airport advertising and second in metro advertising in Greater China region among the privately-owned media companies. New projects incepted during the year by the Group included the exclusive concession rights for the advertising space at Xiamen Gaoqi International Airport Terminal 4, Sanya Phoenix International Airport Terminal 2, Hainan Island, and Beijing Metro Line No.16 which has just opened for passenger service since December 2016. As at 31 December 2016, our media portfolio covered 37 cities in the Greater China region. We successfully secured the exclusive concession rights of the mainstream media resources of 27 airports and 12 metro lines as of 31 December 2016 in the Greater China region. The annual aggregate passenger traffic of all the airports exclusively covered by the Group amounted to 248.2 million as at 31 December 2016, capturing approximately one-fourth of the aggregate passenger traffic of all airports across Mainland China. Three of which were the top 10 airports in terms of the annual passenger traffic, namely Kunming Changshui International Airport, Shenzhen Baoan International Airport and Hangzhou Xiaoshan International Airport.

In 2016, global macro economy remained volatile. The GDP growth of Mainland China leveled at 6.7% under the normal economy mode while Hong Kong merely recorded a 1.9% GDP growth. The advertising demand in Mainland China and Hong Kong were inevitably weakened under the challenging retail sales environment. The emergence of advertising demand from new economy industries has mitigated the adverse impact of the dwindling demand from traditional industries. Statistics showed that the overall advertising spending ("adspend") in Mainland China went down slightly by 0.6% on a year-on-year basis, of which the adspend of out-of-home ("OOH") media decreased by approximately 3.1% year-on-year, according to CTR Market Research. Local adspend continued to be affected by the weakened consumer sentiment. The overall adspend in Hong Kong recorded an unprecedented decrease of approximately 12.0%, among which the adspend of OOH media decreased by approximately 1.4% year-on-year, according to admanGo.

This year, we continued to outperform in the OOH industries in both Mainland China and Hong Kong. We managed to record an overall 11.5% year-on-year revenue growth (excluding adverse impact of currency movements) for our OOH business in Mainland China and an overall 4.2% year-on-year revenue growth for our OOH business in Hong Kong. When we look at the revenue breakdown by business segment in Hong Kong, the Group's metro lines business managed to deliver approximately 5% growth amid a challenging business environment where the overall adspend of metro (including the adspend in all metro lines operated by MTR in Hong Kong and Newsline Express) advertising in Hong Kong decreased by approximately 8.5%, as compared with last year, according to admanGo. The Group's billboard and building solutions business in Hong Kong also outperformed the industry and achieved over 5% growth in revenue while Hong Kong's overall adspend on billboard and video wall advertising decreased by approximately 7.7%, as compared with that in last year, according to admanGo.

While we strengthened our salesforce effectiveness, we have tactfully secured advertising demand from the emerging industries with growing adspend, offsetting the reduction of adspend from traditional industries. By analysing the Group's advertiser mix, the property and real estate, beauty and fashion, and banking and insurance industries were the most hard hit in terms of adspend in 2016. We set up designated sales teams in strengthening advertising sales from new economy industries. The decrease in adspend from the traditional industries were more than offset by these rapidly growing advertiser categories, including telecommunication and 3C products (Computer, Communication and Consumer Electronics), Internet and apps. The change in advertiser mix reflects how the economic dynamics are evolving and therefore we will continue to place a strategic focus on gaining up-and-coming advertisers so as to expand the Group's advertiser base. Meanwhile, FMCG, the largest advertiser category of our metro lines business, remained resilient to the cyclical downturn and contributed to strong growth of the Group's revenue.

In 2016, our airport business segment achieved organic revenue growth. Hangzhou Xiaoshan International Airport recorded significant increase in advertising demand following the eleventh G20 Summit held in the city in last September. It was the first ever G20 Summit hosted in China. Terminal 2 of Zhengzhou Airport, which was approximately four times bigger than Terminal 1 in terms of floor area, started its full operation in April 2016. In spite of its initial ramp up period, the advertising performance exceeded expectation and recorded encouraging growth in advertising revenue. On top of these, the Group has obtained the concession rights for the advertising space at the Terminal 4 of Xiamen Gaoqi International Airport and Sanya Phoenix International Airport Terminal 2, Hainan Island, China, which commenced since January and May 2016 respectively. Both of which contributed incremental revenue to the Group.

The revenue growth of our metro lines business largely came from Beijing Metro Line No.4, Daxing Line, Hong Kong MTR and Shenzhen Metro Lines. Located at the IT hub of the capital city, Beijing Metro Line No.4 enabled us to capture the advertising demands which aim at targeting the young and thriving IT community. Hong Kong MTR and Shenzhen Metro Line 3 & 4 continued to be our key revenue contributors. As the Shenzhen city is gaining more prominence due to its economic and technological advancement, we continued to generate more advertising revenue from Shenzhen Metro Lines 3 & 4. Our associate for operating the exclusive concession rights of the media resources of the Shenzhen Airport was also benefitted from the strong advertising demand and contributed more share of profit of associates to the Group.

While we were committed to achieving organic growth and new growth drivers, we continued to control our operating costs including concession fees and utilities fee. During the year, we successfully managed to lower the minimum guaranteed concession fee for Wuxi Metro Line and lower the utility fees for our metro lines projects. The gross profit of the Group remained stable in 2016 as compared to that of 2015. It was attributable to the better margins of existing metro projects on same project basis, which partly offset the adverse impact of the concession fee of Zhengzhou Airport which increased at a faster rate than revenue during its ramp-up stage upon contract renewal. The renewed concession fee for the brand new Terminal 2 of Zhengzhou Airport increased due to the growth in air traffic and larger floor area. Moreover, due to the straight-line recognition basis of the total concession fee payable during the entire contract period as required under the Hong Kong accounting standards, the higher concession fee chargeable in initials years has inevitably impacted the Group's profit margin. Having said that, Zhengzhou Airport outperformed during this ramp-up period and recorded profit in its first year of renewed contract from cash accounting basis. We believe the increase in concession fee and narrow-down of profit margin is mainly a cyclical phenomenon and are positive about the growth potential of those primely located projects.

Our well-developed "Space Management" model and the new digital-out-of-home solutions have differentiated us from other market players and achieved outperformance in the industry. During the year, we have upgraded some of our OOH media in order to enhance the value of our portfolio. Citic Tower, the first digital wrap in Hong Kong, was equipped with realignment technique, where the resolution was enhanced by 20% and brightness was enhanced by 50%. Real-time information feeds can now be displayed at this iconic office building along the harbour front, enabling advertisers to create impactful advertising campaign at the Victoria Harbour. We have also installed a floor mounted giant panel, the largest of its kind in Hong Kong MTR stations, as well as two 95-inch digital panels at the arrival hall of Lo Wu Station, which enabled advertisers to effectively reach millions of passengers every week.

In addition to providing exclusive media resources at airports and metro lines through joint-ventures or direct contracts, we also extended our business models through working closely with brand owners in negotiating desirable third party media resources. During the year, we successfully renewed the exclusive concession rights to operate Wheelock House Billboard in Central, the central business district in Hong Kong, with LVMH Group, one of our cornerstone investors since listing. Besides that, we further strengthened our relationship with L Catterton, a private equity firm formed by LVMH, Catterton Holdings, L.L.C. and Groupe Arnault SAS, through a strategic alliance signed last October, which is expected to bring additional revenue streams for the company.

Our initiative with Lagardère, the global leader in the travel retail industry, started contributing profit to the Group in less than two years since its rollout. We introduced 20 internationally renowned and luxury brands and domestic brands at the Kunming Changshui International Airport, where we have operated the exclusive concession rights through our joint venture with the airport for nearly a decade. The introduction of these premium advertisers has enhanced the commercial value of the airport for the media owners and the airport ambience has also been upgraded. Meanwhile, we utilized our advertising inventory to support the retail sales of these anchor tenants. We believe this cooperation is an all-win situation, which creates added value for the airport owner, tenants, passengers and our Group as a whole.

Last year also marked our success of the appointment as the exclusive advertising agency of 2016 FIA Formula E HKT Hong Kong ePrix following a competitive tender. The winning of the exclusive concession rights for this first-ever international car racing tournament in Hong Kong has demonstrated our outdoor advertising capability which is matched with international standards. We will continue to strive for OOH advertising opportunities in such kind of mega events in future.

OUTLOOK

The Board anticipates that the challenging market conditions will continue in 2017, as the uncertainties in the global economy as well as those in Mainland China and Hong Kong remain. While the transitioning into the digital economy presents both challenges and opportunities. We are well-poised in embracing the challenges and capturing the opportunities with our digital transformation strategies in place.

First of all, we will accelerate our digital transformation strategies to better monetise our OOH media resources. We have developed data-driven OOH advertising solutions which can offer targeted content based on various parameters including audience demographics, weather and other events. Campaign effectiveness can be monitored during and after the launch. This digital out-of-home ("DOOH") advertising solutions will not only facilitate the purchase decision by advertising planners and buyers but also enable advertisers to have more targeted advertising with measurable results. This will ultimately increase the monetization of our OOH media portfolio. Initially, we will launch this DOOH advertising solutions at selected venue in Hong Kong and gradually roll it out in Mainland China. Meanwhile, we will offer more O&O advertising campaigns utilizing mobile and digital technologies. Examples include our latest partnership with Tencent Cloud for an online and offline advertising campaign at Shenzhen airport this January. Besides the traditional Chinese New Year display in the airport, we arranged a parade by Beijing opera artists, distribution of Tencent Cloud premiums and electronic red packets of Wechat via iBeacon technology. The campaign has successfully taken the spotlight of both the airport and the online world as airport passengers shared the campaign photos via social media.

To achieve sustainable long-term growth, we are committed to exploring development opportunities in airports and metro lines. In addition to the aforesaid Xiamen and Sanya Airports, the Group also won the exclusive concession rights contract for the mainstream advertising spaces of Beijing Metro Line 16. We are glad that the advertising performance has been encouraging immediately after its opening for passenger service in late December 2016. The Group has now obtained the exclusive concession rights of the media resources of three out of the four Beijing Metro Lines operated by Beijing MTR, with the other two being Beijing Metro Line 4 and Daxing Line. This has further cemented our cooperative relationship with Beijing MTR and consolidate the Group's leadership in the metro advertising market in the Greater China region.

We will continue to strategically attain new projects in prime locations with growth potential in OOH advertising with an aim of balancing between near-term profitability and long-term sustainable growth for the benefit of the shareholders.

Since 2008, we have been cooperating closely and continuously with Hong Kong MTR for the exclusive concession rights of 4 metro lines in Hong Kong. We are proud to have successfully renewed our advertising sales agency services contract with MTR for its shopping malls and commercial premises situated at central business districts and high-traffic areas along the metro lines in Hong Kong. This includes the iconic LED wall at the Worldwide House, Central, the high-traffic cross-junction which covers tens of millions of pedestrians each year, and the award-winning T-shaped billboards at Hung Hom Station Car Park, adjacent to the Cross Harbour Tunnel. With this renewed contract which commenced on 1 January 2017, our cooperation with MTR is going to last over 10 years.

We will focus our initiatives in the OOH media industry and utilize our core competencies including the well-developed 'Space Management' model, along with our commitment to invest in people, technology and innovation for our products and business models which will enable the Group to succeed in digital transformation in the long run. With these strategies and plans in place, we are confident that we can unleash the value of our OOH media resources, thus delivering sustainable growth and ultimately creating high value for our shareholders.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2016 increased from approximately HKD1,406.3 million to approximately HKD1,470.8 million, representing a year-on-year increase of 4.6%. The increase was mainly attributable to the increase in revenue in the airports media and metro media segments and partially offset by the decrease in revenue in others business segments. The combined revenue of the Group, which includes the consolidated revenue of the Group and the total revenue of the Group's associated companies engaged in the media business as an operating information, reached HKD2,137.7 million, representing a year-on-year increase of 5.1%.

The airports media segment increased by 9.0% from approximately HKD629.0 million for the year ended 31 December 2015 to approximately HKD685.4 million in 2016. Despite the sluggish advertising demand in the Haikou Airport, our Group has still benefited from the upswinging demand in Hangzhou Xiaoshan International Airport following the G20 Summit and additional revenue contributed from new projects including Xiamen Gaoqi International Airport Terminal 4 and Sanya Phoenix International Airport Terminal 2. The Zhengzhou Airport also posted a significant revenue growth after its complete transition to a new terminal building in April 2016. Together with the satisfactory results delivered by Shenzhen Airport, the combined revenue in airports media segment increased by 7.7%.

Our revenue from metro media segment for the year increased by approximately HKD33.0 million or 7.8%, from approximately HKD424.8 million in 2015 to approximately HKD457.8 million in 2016. This was primarily attributable to the additional revenue from two metro lines in Beijing which have commenced operation since June 2015. Our metro lines in Shenzhen delivered a high single-digit growth if excluding the exchange rate impact during the year, but such increase was partially offset by the decrease in revenue from Ningbo Metro Line No. 1 and Wuxi Metro Lines, where the former one was early terminated in 2015 and the latter one was facing a weak advertising demand.

Our revenue in billboards and building solutions segment slightly dropped by HKD3.0 million or 1.9%, from approximately HKD160.9 million for the year ended 31 December 2015 to approximately HKD157.9 million in 2016. Our Hong Kong billboard business in 2016 out-performed our peers with over 5% growth in revenue. Such increase was offset by a decrease in billboards revenue in Mainland China primarily from the site demolition in Shanghai due to regulation policy in reducing number of billboards in certain areas.

Other revenue decreased by HKD21.9 million or 11.5%, from approximately HKD191.6 million for the year ended 31 December 2015 to approximately HKD169.7 million in 2016 which was primarily attributable to the decrease in our agency business in respect of sales of advertising spaces in media resources operated by certain associated companies and other companies.

The following table sets forth a breakdown of the growth rate of our airports and metro media segment and our consolidated group revenue for the year:

	Same project growth rate# (Excluding currency impact)	Same project growth rate# (Including currency impact)	Growth rate (Excluding currency impact)	Reported growth rate
Airport media	11.3%	4.5%	16.0%	9.0%
Metro media	2.3%	-0.5%	11.6%	7.8%

	Growth rate (Excluding currency impact)	Reported growth rate
Consolidated group revenue	9.9%	4.6%

defined as revenue generated from the same projects which both contributed revenue for the year and the corresponding period in 2015 respectively

Cost of Revenue

Our cost of revenue increased by approximately HKD64.4 million, or 5.8%, from HKD1,115.9 million for the year ended 31 December 2015 to HKD1,180.3 million in 2016. The increase was primarily due to (a) the concession rights obtained to operate the advertising spaces at Xiamen Gaoqi International Airport Terminal 4 which was newly incepted in January 2016, and the Beijing Metro Lines No. 4 and Daxing Line, the concession rights contract of which just started in June 2015 (both of which have begun contributing additional concession cost to the Group); (b) the increase of concession fee payable under the concession rights contract of Zhengzhou Airport which was renewed in the first half of 2016; and (c) off-set by the cost savings from Ningbo Metro Line due to the early termination of the project in 2015 and reduction in concession fee in Wuxi Metro Lines in the second half of 2016.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 December 2016 slightly increased from approximately HKD290.4 million to approximately HKD290.5 million and the Group's gross profit margin dropped slightly from 20.6% in 2015 to 19.8% in 2016. The drop in gross profit margin was due to: (1) a decrease in gross profit from the airports media segment primarily due to the increase of concession fee payable under the concession rights contract of Zhengzhou Airport and other two airports, being Xiamen Gaoqi International Airport and Sanya Phoenix International Airport Terminal 2 which were still in their ramp-up stage; and (2) the adverse impact of currency movements; partially offset by (1) an increase in gross profit from Hangzhou Xiaoshan International Airport due to the upswinging advertising demand following the G20 summit and (2) an increase in gross profit contributed by metro media segment primarily due to the better sales performance of Shenzhen and Beijing Metro Lines and cost saving in Ningbo and Wuxi Metro Lines.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately HKD26.0 million, or 25.9%, from HKD100.6 million for the year ended 31 December 2015 to HKD126.6 million in 2016. This increase was primarily attributable to increased marketing research expenses and employee benefit expenses as a result of the growth of our business operations.

Administrative Expenses

Our administrative expenses decreased by approximately HKD16.7 million, or 10.0%, from HKD166.7 million for the year ended 31 December 2015 to HKD150.0 million in 2016. The decrease was primarily attributable to decrease in impairment provision of trade and other receivables as no material doubtful debt was identified in this year.

Finance Income/Costs — Net

Net finance income was HKD0.3 million for the year, compared with net finance income of HKD2.4 million in 2015. This was primarily attributable to the decrease in average bank deposits during the year.

Share of Result of Investments in Associates

Our share of results of investments in associates for the year ended 31 December 2016 decreased 35.7% from approximately HKD8.2 million for the year ended 31 December 2015 to approximately HKD5.3 million in 2016 due to the unsatisfactory performance in an associate, Fujian Zhaoxiang Advertising Company Limited (the associate company which is responsible for operating our outdoor advertising business for the Fujian Province airports), during the year.

Income Tax Expenses

Our income tax expense was HKD14.6 million for the year ended 31 December 2016, compared with income tax credit of HKD3.8 million in 2015. This increase in expense was primarily attributable to the increase in profit before income tax.

Profit/(Loss) Attributable to Owners of the Company

Profit attributable to owners of the Company was approximately HKD15.8 million for the year ended 31 December 2016, compared to a loss of approximately HKD39.6 million in 2015. The increase in profit was the net effect of (i) the increase in revenue; (ii) a write-back of the compensation provision for the early termination of the concession rights contract of Ningbo Metro Line No. 1; (iii) the increased cost in concession cost due to inception of new projects, such as Xiamen Airport and Sanya Airport, and increase of concession fee payable under the concession rights contract of Zhengzhou Airport commenced in the first half of 2016.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on funds. The net proceeds from the listing have mainly been placed on short-term deposits with reputable banks in Hong Kong and the PRC.

As the Group carries out business in the Mainland China and Hong Kong, most of our receipts and payments were denominated in Renminbi and Hong Kong dollars. As the conversion of Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the directors of the Company consider no significant exposure on the foreign exchange risk. The Group will closely monitor foreign exchange exposure and consider hedging significant exposure should the need arises.

Liquidity and Financial Resources

The Group's cash and cash equivalents, short-term deposits and restricted cash was approximately HKD327.6 million as at 31 December 2016, representing a decrease of approximately HKD110.9 million compared with that as at 31 December 2015. As at 31 December 2016, the financial ratios of the Group were as follows:

	As at 31 December 2016	As at 31 December 2015
Current ratio [(1)]	**1.61**	1.75
Gearing ratio [(2)]	**Net cash**	Net cash

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities.

(2) Gearing ratio is calculated by dividing net debt by total equity.

Borrowings

The Group had bank borrowings as at 31 December 2016 in the sum of approximately HKD66.9 million. Out of the total borrowings, HKD61.6 million was repayable within one year, while approximately HKD5.3 million was repayable after one year. The carrying amounts of bank borrowings are denominated in Hong Kong dollars and Renminbi. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments. The weighted average interest rate (per annum) was 5.88% for non-current borrowings and 4.22% for current borrowings as at 31 December 2016.

Exposure to Interest Rate Risk

The Group's interest rate risk arises from interest-bearing short-term deposits and bank borrowings. Short-term deposits and bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. Bank borrowings at fixed rates expose the Group to fair value interest rate risk.

Other than interest-bearing short-term deposits, the Group has no other significant interest bearing assets. The directors of the Company do not anticipate any significant impact on interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposit are not expected to change significantly.

Pledge of Assets

As at 31 December 2016, the Group pledged its buildings, land use rights, short-term deposits and available-for-sale financial assets with carrying amount of HKD34.1 million (31 December 2015: HKD33.7 million), respectively to secure borrowings of the Group. The total secured borrowings as at 31 December 2016 amounted to HKD14.5 million (31 December 2015: HKD23.6 million).

Use of Proceeds

The Company was listed on the Main Board of the Stock Exchange on 15 January 2015 and raised net proceeds from the listing of approximately HKD586.6 million. During the period between the listing date and 31 December 2016, HKD480.7 million of the net proceeds from the listing were utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 31 December 2014. The unused proceeds were deposited in reputable banks in Hong Kong.

Capital Expenditures

Our capital expenditures primarily comprise cash expenditures for property, plant and equipment, such as advertising facilities and furniture and office equipment. Our capital expenditures for the year ended 31 December 2016 and 2015 were HKD69.8 million and HKD24.7 million, respectively. Such expenditure was primarily attributable to the addition of advertising fixtures in Zhengzhou Xinzheng International Airport Terminal 2.

Commitments

(1) As at 31 December 2016 and 2015, the Group did not have any material capital commitments.

(2) Operating leases commitments

The Group leases certain office buildings and certain media resources under non-cancellable operating lease agreements. The lease terms for office buildings are negotiated for terms ranging from 1 to 10 years, and those for media resources are negotiated for terms ranging from 1 to 10 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2016 *HKD'000*	As at 31 December 2015 *HKD'000*
Not later than 1 year	**853,071**	805,066
Later than 1 year and not later than 5 years	**1,613,948**	1,727,255
Later than 5 years	**750,371**	817,451
	3,217,390	3,349,772

Contingent liabilities

The Group had no material contingent liabilities outstanding as at 31 December 2016.

Subsequent events

Subsequent to 31 December 2016, no material events have occurred.

HUMAN RESOURCES

The Group offers competitive remuneration packages, including trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in Mainland China. As at 31 December 2016, the Group has 814 employees (2015: 788 employees). The total salaries and related costs for the years ended 31 December 2016 and 2015 amounted to approximately HKD162.7 million and HKD156.1 million, respectively.

FINAL DIVIDEND

The Board has recommended a final dividend of HKD0.10 (2015: HKD0.09) per share for the year ended 31 December 2016 payable on or around Friday, 28 July 2017 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 14 July 2017 subject to the approval of the shareholders of the Company in the annual general meeting to be held on Monday, 26 June 2017.

CLOSURE OF REGISTER OF MEMBERS

(a) Annual General Meeting

The register of members of the Company will be closed from Wednesday, 21 June 2017 to Monday, 26 June 2017, both days inclusive, during which period no transfer of shares will be effected.

In order to determine who are eligible to attend and vote at the annual general meeting of the Company to be held on Monday, 26 June 2017, the shareholders of the Company should ensure that all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 20 June 2017.

(b) Payment of the proposed final dividend

The register of member of the Company will be closed from Wednesday, 12 July 2017 to Friday, 14 July 2017, both days inclusive, during which period no transfer of shares will be effected.

In order to be qualified for the proposed final dividend, all transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 11 July 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

During the year, the Company has complied with all the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules, except for code provisions A.2.1 as explained below.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lam Tak Hing, Vincent currently assumes the roles of both the chairman of the Board and the chief executive officer ("CEO") of the Company. The Board considers that this structure could enhance the efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing a suitable candidate to assume the role of the CEO when necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of the Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for directors' securities transactions. All the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the year ended 31 December 2016.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

By Order of the Board
Asiaray Media Group Limited
Lam Tak Hing, Vincent
Chairman

Hong Kong, 24 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Lam Tak Hing, Vincent, Mr. So Chi Man and Mr. Lam Ka Po; the non-executive director of the Company is Mr. Yung Chung Man; and the independent non-executive directors of the Company are Mr. Ma Andrew Chiu Cheung, Mr. Ma Ho Fai SBS JP and Dr. Chan Chi Fai Andrew SBS JP.