# ASIARAY MEDIA GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1993)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board (the "Board") of directors of Asiaray Media Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2015, together with the audited comparative figures for the corresponding period of 2014 as follows:

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2015** | 2014 |
| | *Note* | ***HKD'000*** | *HKD'000* |
| | | **(Unaudited)** | (Audited) |
| Revenue | *3* | **637,327** | 612,093 |
| Cost of revenue | *4* | **(513,113)** | (390,930) |
| Gross profit | | **124,214** | 221,163 |
| Selling and marketing expenses | *5* | **(42,204)** | (33,919) |
| Administrative expenses | *6* | **(65,736)** | (66,823) |
| Other income | *7* | **7,104** | 2,442 |
| Other gains — net | *7* | **3,320** | 898 |
| Operating profit | | **26,698** | 123,761 |
| Finance income | *8* | **1,888** | 2,771 |
| Finance costs | *8* | **(2,670)** | (4,272) |
| Finance costs — net | *8* | **(782)** | (1,501) |
| Share of results of investments in associates | *12* | **1,063** | (7,949) |
| Profit before income tax | | **26,979** | 114,311 |
| Income tax expense | *9* | **(3,416)** | (22,760) |
| Profit for the period | | **23,563** | 91,551 |

| | Note | Six months ended 30 June 2015 HKD'000 (Unaudited) | 2014 HKD'000 (Audited) |
|---|---|---|---|
| **Other comprehensive income** | | | |
| **Items that may be reclassified to profit or loss** | | | |
| — Net (losses)/gains from changes in fair value of available-for-sale financial assets, net of tax | | **(139)** | 218 |
| — Currency translation differences | | **(1,168)** | (1,580) |
| | | **(1,307)** | (1,362) |
| **Total comprehensive income for the period** | | **22,256** | 90,189 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **835** | 61,423 |
| Non-controlling interests | | **22,728** | 30,128 |
| **Profit for the period** | | **23,563** | 91,551 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of the Company | | **(399)** | 60,563 |
| Non-controlling interests | | **22,655** | 29,626 |
| **Total comprehensive income for the period** | | **22,256** | 90,189 |
| **Earnings per share attributable to owners of the Company for the period** (expressed in HKD cents per share) | | | |
| **— Basic and diluted** | *10* | **0.19** | 18.61 |
| **Dividends** | *11* | **24,200** | – |

## INTERIM CONSOLIDATED BALANCE SHEET

| | Note | As at 30 June 2015 HKD'000 (Unaudited) | As at 31 December 2014 HKD'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **76,954** | 83,518 |
| Land use rights | | **16,769** | 16,935 |
| Investment properties | | **739** | 786 |
| Intangible assets | | **980** | 1,061 |
| Investments in associates | *12* | **37,530** | 36,442 |
| Financial assets at fair value through profit or loss | | **3,521** | 3,735 |
| Available-for-sale financial assets | | **8,568** | 8,734 |
| Deferred income tax assets | | **69,523** | 58,232 |
| Non-current portion of other receivables | *13* | **18,790** | 18,206 |
| | | **233,374** | 227,649 |
| **Current assets** | | | |
| Inventories | | **422** | 268 |
| Trade and other receivables | *13* | **432,085** | 353,735 |
| Short-term deposits | | **255,044** | 194,136 |
| Restricted cash | | **78,005** | 80,968 |
| Cash and cash equivalents | | **282,793** | 135,630 |
| | | **1,048,349** | 764,737 |
| **Total assets** | | **1,281,723** | 992,386 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **44,000** | 33,000 |
| Share premium | | **582,013** | – |
| Reserves | | **(3,093)** | (4,269) |
| Retained earnings | | **96,178** | 95,343 |
| | | **719,098** | 124,074 |
| **Non-controlling interests** | | **43,862** | 84,697 |
| **Total equity** | | **762,960** | 208,771 |

| | Note | As at 30 June 2015 HKD'000 (Unaudited) | As at 31 December 2014 HKD'000 (Audited) |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **7,925** | 8,557 |
| Non-current portion of other payables | *14* | **2,845** | 14,228 |
| Deferred income tax liabilities | | **–** | 75 |
| | | **10,770** | 22,860 |
| **Current liabilities** | | | |
| Trade and other payables | *14* | **475,910** | 631,142 |
| Current income tax liabilities | | **11,615** | 17,987 |
| Borrowings | | **20,468** | 111,626 |
| | | **507,993** | 760,755 |
| **Total liabilities** | | **518,763** | 783,615 |
| **Total equity and liabilities** | | **1,281,723** | 992,386 |
| **Net current assets** | | **540,356** | 3,982 |
| **Total assets less current liabilities** | | **773,730** | 231,631 |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014 (the "2014 Financial Statements").

### 2. ACCOUNTING POLICIES

Excepted as described below, the accounting policies applied are consistent with those used in the 2014 Financial Statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

(b) Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

(c) The following new standards, amendments to existing standards and interpretations that are relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKAS 1(Amendments) | Disclosure initiative | 1 January 2016 |
| HKAS 16 and HKAS 38 (Amendments) | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| HKAS 27 (Amendments) | Equity method in separate financial statements | 1 January 2016 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| HKFRS 11 (Amendments) | Accounting for acquisitions of interests in joint operation | 1 January 2016 |
| Annual improvements 2014 | Changes from the 2012–2014 cycle of the annual improvements project | 1 January 2016 |
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS15 | Revenue from Contracts with Customers | 1 January 2018 |

The Group is currently assessing the impact of the above new standards and amendments to the Group's financial statements.

(d) Share-based payments

*(i) Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

*(ii) Share-based payment transactions among group entities*

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

## 3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company. 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:

— Airport 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. Substantially all of the businesses of the Group were carried out in the PRC and Hong Kong during the period. 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 — net, finance costs — net and income tax expense 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:

| (Unaudited) | **Airport business** *HKD'000* | **Metro lines business** *HKD'000* | **Billboards and building solutions** *HKD'000* | **Others** *HKD'000* | **Total** *HKD'000* |
|---|---|---|---|---|---|
| **Six months ended 30 June 2015** | | | | | |
| Revenue | **317,628** | **162,701** | **77,554** | **79,444** | **637,327** |
| Cost of revenue | **(209,688)** | **(161,828)** | **(76,319)** | **(65,278)** | **(513,113)** |
| **Gross profit** | **107,940** | **873** | **1,235** | **14,166** | **124,214** |
| Selling and marketing expenses | | | | | **(42,204)** |
| Administrative expenses | | | | | **(65,736)** |
| Other income | | | | | **7,104** |
| Other gains — net | | | | | **3,320** |
| **Operating profit** | | | | | **26,698** |
| Finance income | | | | | **1,888** |
| Finance costs | | | | | **(2,670)** |
| Finance costs — net | | | | | **(782)** |
| Share of results of investments in associates | **1,063** | **–** | **–** | **–** | **1,063** |
| **Profit before income tax** | | | | | **26,979** |
| Income tax expense | | | | | **(3,416)** |
| **Profit for the period** | | | | | **23,563** |

| (Audited) | Airport business HKD'000 | Metro lines business HKD'000 | Billboards and building solutions HKD'000 | Others HKD'000 | Total HKD'000 |
|---|---|---|---|---|---|
| **Six months ended 30 June 2014** | | | | | |
| Revenue | 338,347 | 141,530 | 78,757 | 53,459 | 612,093 |
| Cost of revenue | (186,115) | (99,937) | (54,811) | (50,067) | (390,930) |
| **Gross profit** | 152,232 | 41,593 | 23,946 | 3,392 | 221,163 |
| Selling and marketing expenses | | | | | (33,919) |
| Administrative expenses | | | | | (66,823) |
| Other income | | | | | 2,442 |
| Other gains — net | | | | | 898 |
| **Operating profit** | | | | | 123,761 |
| Finance income | | | | | 2,771 |
| Finance costs | | | | | (4,272) |
| Finance costs — net | | | | | (1,501) |
| Share of result of investments in associates | (7,949) | – | – | – | (7,949) |
| **Profit before income tax** | | | | | 114,311 |
| Income tax expense | | | | | (22,760) |
| **Profit for the period** | | | | | 91,551 |

Revenue consisted of the following:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| **Analysis of revenue by category:** | | |
| Advertisement display revenue | **585,463** | 568,036 |
| Advertisement production, installation and dismantling revenue | **51,864** | 44,057 |
| | **637,327** | 612,093 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| **Revenue from external customers:** | | |
| Mainland China | **499,581** | 476,999 |
| Hong Kong | **137,746** | 135,094 |
| | **637,327** | 612,093 |

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during six months ended 30 June 2015 and 2014.

The Group's non-current assets other than financial instruments and deferred income tax assets were located in the PRC and Hong Kong at 30 June 2015 and 31 December 2014 as follows:

| | **As at 30 June 2015** | As at 31 December 2014 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| Mainland China | **148,655** | 153,274 |
| Hong Kong | **3,107** | 3,674 |
| | **151,762** | 156,948 |

## 4. COST OF REVENUE

Expenses included in cost of revenue are analysed as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| Concession fee charges for advertising spaces | **455,248** | 341,115 |
| Project installation and dismantling costs | **25,405** | 20,383 |
| Depreciation of property, plant and equipment | **13,138** | 11,977 |
| Utilities | **7,540** | 3,988 |
| Business tax and the related surcharges | **7,005** | 10,668 |
| Others | **4,777** | 2,799 |
| | **513,113** | 390,930 |

## 5. SELLING AND MARKETING EXPENSES

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

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| Employee benefit expenses | **34,356** | 27,849 |
| Travelling and entertainment expenses | **4,568** | 3,149 |
| Marketing research expense | **1,280** | 1,294 |
| Office expenses | **677** | 907 |
| Office rental expense | **549** | 326 |
| Sales commissions | **272** | 99 |
| Others | **502** | 295 |
| | **42,204** | 33,919 |

## 6. ADMINISTRATIVE EXPENSES

Expenses included in administrative expenses are analysed as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| Employee benefit expenses | **29,490** | 22,818 |
| Office rental expense | **7,073** | 5,673 |
| Travelling and entertainment expenses | **6,619** | 5,683 |
| Other professional service fees | **4,728** | 1,980 |
| Office expenses | **4,532** | 3,641 |
| Depreciation of property, plant and equipment | **3,799** | 1,763 |
| Impairment provision for receivables | **2,036** | 1,163 |
| Bank charges | **1,976** | 4,199 |
| Listing-related expenses | **1,890** | 18,009 |
| Auditors' remuneration | **1,886** | 511 |
| Taxes and surcharges | **732** | 804 |
| Amortisation of land use rights | **214** | – |
| Amortisation of intangible assets | **150** | 130 |
| Depreciation of investment properties | **47** | 47 |
| Others | **564** | 402 |
| | **65,736** | 66,823 |

## 7. OTHER INCOME AND OTHER GAINS — NET

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| **Other income** | | |
| Government subsidy income | **2,638** | 286 |
| Advertising consulting service income | **2,380** | 272 |
| Interest income on short-term deposits and investments | **994** | – |
| Interest income on loans to an associate | **577** | – |
| Dividend income on available-for-sale financial assets | **356** | 164 |
| Rental income on investment properties | **86** | 86 |
| Compensation from counter parties for breach of contracts | **73** | 1,634 |
| | **7,104** | 2,442 |
| **Other gains — net** | | |
| Net exchange gains | **3,659** | 486 |
| Fair value (losses)/gains on financial assets at fair value through profit or loss | **(475)** | 90 |
| Gains on disposal of equity interest of a subsidiary | **–** | 179 |
| Compensation loss | **(296)** | (33) |
| Gains on disposal of property, plant and equipment | **1** | 18 |
| Others | **431** | 158 |
| | **3,320** | 898 |

## 8. FINANCE COSTS — NET

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| **Finance income** | | |
| Interest income on bank deposits | **(1,888)** | (2,771) |
| **Finance costs** | | |
| Interest expense on bank borrowings | **2,670** | 4,272 |
| **Finance costs — net** | **782** | 1,501 |

## 9. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| Current income tax | | |
| — PRC corporate income tax | **13,752** | 18,843 |
| — Hong Kong profits tax | **997** | 3,484 |
| | **14,749** | 22,327 |
| Deferred tax | **(11,333)** | 433 |
| | **3,416** | 22,760 |

### (a) Cayman Island 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 the six months ended 30 June 2015 and 2014.

### (c) PRC Corporate Income Tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the period, 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 the PRC, and was entitled to a preferential income tax rate of 15%.

## 10. EARNINGS PER SHARE

### (a) Basic

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

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | **(Unaudited)** | (Audited) |
| Profit attributable to owners of the Company *(HKD'000)* | **835** | 61,423 |
| Weighted average number of ordinary shares in issue *(thousands)* | **431,492** | 330,000 |
| Earnings per share *(HKD cents per share)*(*) | **0.19** | 18.61 |

(*) The Company was incorporated in the Cayman Islands on 20 May 2014 with authorised and issued share capital of HKD50,000 divided into 500,000 shares of HKD0.10 each. On 25 August 2014, the Company allotted and issued a total of 329,500,000 shares and accordingly, the issued share capital of the Company as at 25 August 2014 was increased from HKD50,000 divided into 500,000 shares to HKD33,000,000 divided into 330,000,000 shares. The 330,000,000 shares were treated as outstanding shares and included in the weighted average number of ordinary shares for the six months ended 30 June 2014 for purpose of computing the basic earnings per share.

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (forming the denominator for computing diluted earnings per share). No adjustment is made to earnings (numerator).

The Group's share option plan could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the period presented.

## 11. DIVIDENDS

At the meeting held on 31 August 2015, the Board recommended the payment of an interim dividend of HKD0.055 per share, amounting to a total of HKD24,200,000 out of share premium. This condensed consolidated interim financial information does not reflect this as dividend payable (six months ended 30 June 2014: nil).

The dividend paid in the six months ended 30 June 2015 included the 2014 final cash dividend of HKD0.065 (six months ended 30 June 2014: nil) per ordinary share out of share premium, totalling HKD28,600,000 (six months ended 30 June 2014: nil) and dividend HKD148,180,000 distributed to Media Cornerstone Limited and Space Management Limited.

## 12. INVESTMENTS IN ASSOCIATES

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| At beginning of the period | **36,442** | 66,444 |
| Capital injections | **–** | 514 |
| Share of results | **1,063** | (7,949) |
| Transfer to assets held for sale | **–** | (19,389) |
| Currency translation differences | **25** | (83) |
| At end of the period | **37,530** | 39,537 |

(a) The Group's share of the results in Fujian Zhaoxiang Advertising Company Limited and its aggregated assets and liabilities are shown below:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| Assets | **178,773** | 170,175 |
| Liabilities | **138,277** | 83,110 |
| Revenue | **84,915** | 102,964 |
| Share of loss | **(2,947)** | (398) |
| Percentage held | **30%** | 49% |

(b) The Group's share of the results in Shenzhen Airport Asiaray Media Company Limited ("Shenzhen Airport Asiaray") and its aggregated assets and liabilities are shown below:

| | Six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| Assets | **221,832** | 166,930 |
| Liabilities | **174,374** | 148,721 |
| Revenue | **186,842** | 169,122 |
| Share of profit/(loss) | **4,010** | (7,551) |
| Percentage held | **49%** | 49% |

(c) The carrying amount of the investment in Guangxi Top Source Media Company Limited ("Guangxi Top Source") was reduced to nil as at 30 June 2015 and 31 December 2014 as the Group's share of loss had exceeded its interest in Guangxi Top Source. Share of loss HKD3,971,000 was not recognised for the six months ended 30 June 2015 (six months ended 30 June 2014: HKD2,462,000).

## 13. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2015 *HKD'000* (Unaudited) | As at 31 December 2014 *HKD'000* (Audited) |
|---|---|---|
| **Included in current assets** | | |
| Trade receivables (a) | **310,265** | 229,626 |
| Less: allowance for impairment of trade receivables | **(9,784)** | (8,027) |
| Trade receivables, net | **300,481** | 221,599 |
| Other receivables | **66,790** | 81,251 |
| Less: allowance for impairment of other receivables | **(1,571)** | (1,285) |
| Other receivables, net | **65,219** | 79,966 |
| Interest receivable | **1,541** | 3,692 |
| Prepaid taxes | **6,309** | 3,507 |
| Other prepayments | **58,535** | 44,971 |
| | **432,085** | 353,735 |
| **Included in non-current assets** | | |
| Loan to an associate | **18,790** | 18,206 |
| **Total** | **450,875** | 371,941 |

(a) Ageing analysis of the gross trade receivables based on revenue recognition date at 30 June 2015 and 31 December 2014 is as follows:

| | As at 30 June 2015 *HKD'000* (Unaudited) | As at 31 December 2014 *HKD'000* (Audited) |
|---|---|---|
| Up to 6 months | **243,955** | 184,483 |
| 6 months to 12 months | **40,321** | 28,143 |
| 1 year to 2 years | **14,558** | 8,025 |
| 2 years to 3 years | **6,027** | 4,990 |
| Over 3 years | **5,404** | 3,985 |
| | **310,265** | 229,626 |

## 14. TRADE AND OTHER PAYABLES

**(a)** The ageing analysis of the trade payables based on invoice date was as follows:

| | **As at 30 June 2015** ***HKD'000*** **(Unaudited)** | As at 31 December 2014 *HKD'000* (Audited) |
|---|---|---|
| Up to 6 months | **29,879** | 40,815 |
| 6 months to 12 months | **3,343** | 2,575 |
| 1 year to 2 years | **1,162** | 2,060 |
| 2 years to 3 years | **445** | 529 |
| Over 3 years | **405** | 257 |
| | **35,234** | 46,236 |

**(b) Analysis of accruals and other payables**

| | **As at 30 June 2015** ***HKD'000*** **(Unaudited)** | As at 31 December 2014 *HKD'000* (Audited) |
|---|---|---|
| Accrued concession fee charges for advertising spaces (*) | **316,561** | 254,489 |
| Advances received from customers | **106,400** | 144,896 |
| Other taxes payable | **2,223** | 5,681 |
| Salary and staff welfare payables | **11,425** | 24,291 |
| Dividends payable to related parties | **1,394** | 149,562 |
| Other payables | **5,518** | 20,215 |
| | **443,521** | 599,134 |
| Less: non-current portion of accrued concession fee charges for advertising spaces | **(2,845)** | (14,228) |
| | **440,676** | 584,906 |

(*) 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 paid payable according to the concession rights agreements.

## 15. SHARE-BASED COMPENSATION COSTS

### (a) Share Option Plan

The Company's share option scheme was adopted pursuant to a resolution passed on 6 December 2014 (the "Scheme") for the primary purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. The total number of shares available for issue under the Scheme is 44,000,000 shares, representing 10% and 10% of the Company's issued share capital as at the date of the Company's 2014 annual report and as at 30 June 2015, respectively.

On 21 May 2015, the Board approved to grant 11,534,875 share options under the Scheme to its employees and directors that excluding Mr. Vincent Lam ("Mr. Lam"), the chairman and the chief executive officer of the Company ("Employee and Contributor Share Option Plan") and 4,400,000 share options under the Scheme to Mr. Lam ("Executive Share Option Plan") that was approved and confirmed by the Independent Shareholders at the Extraordinary General Meeting held on 10 June 2015.

The vesting schedule of above share options is 30% after 0.6 years from the grant date and 70% after 1.6 years from the grant date. The first 30% of the above share options granted shall be exercisable by the grantees during the period from 1 January 2016 to 9 June 2020 (both days inclusive); and the remaining 70% of the share options granted shall be exercisable by the grantee during the period from 1 January 2017 to 9 June 2020 (both days inclusive).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

### (b) Movements in share options

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

| | **Employee and Contributor Share Option Plan** | | **Executive Share Option Plan** | | |
|---|---|---|---|---|---|
| | **Average exercise price** *(HKD per share option)* | **Number of options** *(thousands)* | **Average exercise price** *(HKD per share option)* | **Number of options** *(thousands)* | **Total number of options** *(thousands)* |
| (Unaudited) | | | | | |
| At 1 January 2015 | – | – | – | – | – |
| Granted | 6.95 | 11,535 | 6.95 | 4,400 | 15,935 |
| At 30 June 2015 | 6.95 | 11,535 | 6.95 | 4,400 | 15,935 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Board is pleased to present to shareholders the results of the Group for the six months ended 30 June 2015. The Group's revenue amounted to approximately HKD637.3 million, an increase of 4.1% as compared with the corresponding period last year. To give a better view of the total business scale of the Group, we would also like to report on the Group's combined revenues, which included the consolidated revenue of the Group as per interim financial information as well as the total revenue of all associated companies of the Group engaged in media advertising business. For the six months ended 30 June 2015, the combined revenues of the Group achieved a similar extent of growth of 4.2%, increased from HKD897.3 million to HKD934.7 million.

To elaborate further, the increase in revenue was the net effect of (i) the increase in revenue from the metro media segment by an estimate of approximately 15.0%, primarily contributed by improved sales performance of businesses in Hong Kong and Shenzhen as well as additional revenue from new businesses in Wuxi and Ningbo incepted in the middle of 2014; and (ii) the decrease in revenue contributed from the airport media segment by an estimate of approximately 6.1%, mainly due to the worsened economic performance particularly in retail and properties markets in China and contracted advertising spending from top-tier brands and state-owned enterprises sectors in both Hong Kong and China. As the Company anticipated in its annual report for the year ended 31 December 2014, that due to the stepped-up implementation of the "New Normal" policy by the Central Government of China, the general economic growth of China will inevitably be slowing down in the foreseeable future, a phenomenon which could be seen in 2015.

Gross profit margin was 19.5% which declined from 36.1% as compared with the corresponding period last year. The Group's unaudited profit attributable to owners of the Company for the six months ended 30 June 2015 was HKD0.8 million, a decrease of 98.6% as compared with the corresponding period last year. The decrease in profit attributable to the owners of the Company was a composite effect of aforesaid decrease in revenue contributed from airport media segment, and an estimated increase of approximately 31.3% in the cost of revenue of the Group. Such increase was mainly due to (1) the new media projects of five metro lines incepted since the middle of 2014 that were still in their ramp-up stage; and (2) one airport media resource for which the concession contract was renewed in the first half of 2015, as a result of the expansion of media resources in this airport whilst the corresponding revenue had not been accelerated to a similar extent due to the aforesaid market factor.

Notwithstanding the aforesaid cyclical downturn, we have on the other hand achieved many positive progresses in terms of market share and performance in key projects during the period. On the market share side, the Group renewed two airports' concession right contracts in Hangzhou for a period of 3 years and Zhengzhou for a period of 7 years with optional extension of concession period of 3 years, respectively. Besides, we won the tender of the four Hong Kong metro lines for a period of 3 years with optional extension of concession period of 3 years and further joined force with MTR Corporation Limited through obtaining the concession rights to mainstream media resources in Beijing Line No.4 and Daxing Line for a period of 5 years with optional extension of concession period of 3 years. On the performance side, Shenzhen Airport Asiaray, one of our key and very sizable associated companies has been showing encouraging performance with faster ramp up than expected and profit was recorded right from its second year of operation. Further, despite the relatively high market maturity, the performance of the four Hong Kong metro lines were better than that of the corresponding period of last year. As at 30 June 2015, the Group has 25 airports and 12 metro lines where we had exclusive concession rights to mainstream media resources in Greater China.

As an innovative out-of-home media company with a strategic focus on airport and metro lines, we view ourselves as the managers of the space. Our state-of-the-art space management approach has differentiated us from other market players, and that has been keeping us moving forward with unparalleled edges. During the period under review, we have secured numerous landmark advertisements in Hong Kong regardless the less favourable market environment, which include the marketing campaign of UBS along the Victoria Harbour.

Benefit from the synergy arising from the support of one of our cornerstone investors, L Capital Asia, the private equity arm of the French luxury goods group, LVMH, a custom made building wrap advertising solution has been provided to CÉ LA VI Bar, a bar situated on the top floor of California Tower in Central. This is a media solution that tailored made for the client's target audiences in Central and Mid-Levels. We expect that CÉ LA VI Bar will come under the spotlight in town with the launch of the advertisement. We also introduced a range of advertisements from the luxury brands under LVMH to our airports, which is the first time to the second-tier airports. Apart from LVMH, we also established business cooperation with Lagardère Services China (Shanghai) Co., Ltd, a travel retail and distribution arm of Lagardère S.C.A., a global media group listed on Euronext Paris and successfully brought a variety of famous brands retail shops into our Kunming Changshui airport.

The Group will continue to provide innovative space management approach to media resource owners and advertisers, so as to capture the business opportunities arising from the out-of-home advertising market where expertise of this field is scarce.

**Outlook**

Our outlook for second half of 2015 will continue to be challenging amidst the noticeable economic slowdown in China with added uncertainty in business environment brought from the turmoil in China's stock market since mid June. Under the difficult business environment, some of the inefficient players were collapsed and many overpriced media resources will be made available to the market again in the soon future. With a shortage of sizable efficient players in the market, our Group would be in a better position in the out-of-home advertising market.

In the longer term, the implementation of the "New Normal" policy by the Central Government of China, the general economic growth of Greater China will inevitably be slowing down in the foreseeable future. However, the new policy is also meant to constantly improve and upgrade the economic structure of China and that will open new opportunities for a faster growth in domestic consumption and domestic transportation sectors in China. This will supply a range of new media resources in the market and will be favourable to the sizable efficient operators like us.

In the near term, in order to stand up to the imminent business challenge, the Group has been conducting in-depth review of existing as well as potential media projects against more stringent performance requirement and we shall take appropriate adjustment action to strike the best balance between market share, portfolio quality and long-term profitability. Besides, we have been expanding our business in non-exclusive billboard media in Hong Kong characterized by smaller individual advertising budget but higher surety in profit margin due to sales contract-backed trade, in order to capture increased market demand in this aspect amidst the declining local retail market. Last but not the least, we continue our improvement in operations management and investment in information technology that meant to enhance project ramp-up capabilities and cost efficiency from time to time.

Further, on top of the addition of new media projects that help building up our market share on the quantity side, we have been devoting decent resources in enhancing our "Online-Offline ("O2O")" business capabilities on the quality side. As we have been seeing the trend of business merger between some online giants and outdoor advertising companies in the US, we believe the O2O business model which owns the merits of "online connectivity" and "offline touch" would greatly enhance the advertising value of outdoor media in the long run. We expect our first O2O advertising project shall be launched in Q4 2015 or Q1 2016 as planned.

By the on-going efforts of our experienced management team, together with our well-developed space management capabilities and creative media solutions, we are confident that we will improve our profitability and be able to secure more new contracts of media resources.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group for the six months ended 30 June 2015 increased from approximately HKD612.1 million to approximately HKD637.3 million, representing an increase of 4.1%. The increase was mainly attributable to the increase in revenue from metro line media resources, in particular the improved performance of the metro line media businesses in Shenzhen and in Hong Kong. Besides, we have additional revenue generated from the new metro line media resources in Ningbo and Wuxi which commenced operations in middle of 2014. The increase was on the other hand offset by the decrease in revenue contributed from the airport media segment by approximately HKD20.7 million or 6.1% from approximately HKD338.3 million in 2014 to approximately HKD317.6 million in 2015, this was mainly due to the worsened economic performance particularly in retail and properties markets in mainland China and contracted advertising spending from top-tier brands and state-owned enterprises sectors in mainland China.

Our revenue from metro line media resources for the six months ended 30 June 2015 increased by approximately HKD21.2 million or 15.0%, from approximately HKD141.5 million in 2014 to approximately HKD162.7 million in 2015, which was primarily attributable to increases in revenue from our new metro line media businesses in Ningbo and Wuxi which incepted since the middle of 2014. In the meantime, the existing metro line media businesses in Hong Kong and Shenzhen have also shown a steady growth for the six months ended 30 June 2015.

Our revenue from billboards and building solutions decreased by approximately HKD1.2 million or 1.5%, from approximately HKD78.8 million in 2014 to approximately HKD77.6 million in 2015, which was primarily attributable to decreased advertising income from high-end building solutions we completed in Hong Kong.

Other revenue increased by HKD26.0 million or 48.6%, from approximately HKD53.5 million in 2014 to approximately HKD79.4 million in 2015 which was primarily attributable to the increase in our agency business in respect of sales of advertising spaces in media resources operated by certain associated companies and other companies.

**Cost of Revenue**

Our cost of revenue increased by approximately HKD122.2 million, or 31.3%, from HKD390.9 million for six months ended 30 June 2014 to HKD513.1 million for the six months ended 30 June 2015. The increase was primarily due to an increase of our concession fee charges for advertising space by HKD114.1 million as a result of the additional concessions fee of approximately HKD51.0 million from our new metro line media businesses in Ningbo, Wuxi and Beijing and increased concessions fee of approximately HKD28.1 million from the renewed media contract of Hangzhou airport.

**Gross Profit and Gross Profit Margin**

The gross profit of the Group for the six months ended 30 June 2015 decreased 43.8% from approximately HKD221.2 million to approximately HKD124.2 million due to: (1) the new media projects of five metro lines incepted since the middle of 2014 that were still in their ramp-up stage; and (2) one airport media resource for which the concession contract was renewed in the first half of 2015. Gross profit margin dropped accordingly from 36.1% for 2014 to 19.5% for 2015. To elaborate further, the gross profit margin for existing media businesses declined from 36.3% for 2014 to 26.2% due to a decline in sale in airport segment and increase concession fee from the renewed media contract of Hangzhou airport. On the other hand, we have incurred gross loss for metro lines businesses due to the first year ramp-up in Ningbo, Wuxi and newly commenced Beijing metro lines amidst a worse economic slowdown.

**Selling and Marketing Expenses**

Our selling and marketing expenses increased by approximately HKD8.3 million, or 24.4%, from HKD33.9 million for the six months ended 30 June 2014 to HKD42.2 million for the six months ended 30 June 2015. This increase was primarily attributable to increased employee benefit expenses as a result of the growth of our business operations and employee headcount.

**Administrative Expenses**

Our administrative expenses decreased by approximately HKD1.1 million, or 1.6%, from HKD66.8 million for the six months ended 30 June 2014 to HKD65.7 million for the six months ended 30 June 2015. The decrease was primarily attributable to decrease in listing related expense, net-off by an increase in employee benefit expenses due to the growth of our business operations and employee headcount.

**Finance Costs — net**

Our net finance costs decreased by approximately HKD0.7 million, or 47.9%, from HKD1.5 million for the six months ended 30 June 2014 to HKD0.8 million for the six months ended 30 June 2015. This decrease was primarily attributable to the decrease in average bank borrowings as a result of the decrease in corresponding finance costs during the period.

**Share of Result of Investments in Associates**

Our share of results of investments in associates increased by approximately HKD9.0 million, from loss of HKD7.9 million for the six months ended 30 June 2014 to profit of HKD1.1 million for the six months ended 30 June 2015. This increase was primarily attributable to profits contributed by Shenzhen Airport Asiaray which has accelerated the completion of their ramp-up period during the period.

**Income Tax Expense**

Our income tax expense decreased by approximately HKD19.3 million, or 85.0%, from HKD22.8 million for the six months ended 30 June 2014 to HKD3.4 million for the six months ended 30 June 2015. This decrease was primarily attributable to the decrease in the profit before income tax by 76.4%.

**Profit Attributable to Owners of the Company**

Profit attributable to owners of the Company was approximately HKD0.8 million for the six months ended 30 June 2015, decreased by 98.6% from approximately HKD61.4 million for 2014. This steep decline was a composite effect of aforesaid decrease in revenue contributed from airport media segment, and an increase of approximately 31.3% in the cost of revenue of the Group as fully explained in the above.

## FINANCIAL MANAGEMENT AND TREASURY POLICY

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

As the Group has offices and operations located in the PRC and Hong Kong, most of our receipts and payments were denominated in Renminbi and Hong Kong dollars. The directors of the Company consider the Group's exposure to foreign exchange risk is insignificant. The Group will closely monitor foreign exchange exposure and consider hedging significant exposure should the need arise.

**Liquidity and Financial Resources**

The Group's cash and cash equivalents, short-term deposits and restricted cash was approximately HKD615.8 million as at 30 June 2015, an increase of approximately HKD205.1 million compared with that as at 31 December 2014. As at 30 June 2015, the financial ratios of the Group were as follows:

| | **As at 30 June 2015** | As at 31 December 2014 |
|---|---|---|
| Current ratio (1) | **2.06** | 1.01 |
| 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 total debt by total equity.

**Net Current Assets**

We had net current assets of HKD540.4 million as at 30 June 2015, which represented an increase of HKD536.4 million from net current assets of HKD4.0 million as at 31 December 2014. This was primarily due to an increase of HKD205.1 million in cash and cash equivalents, short-term deposits and restricted cash, decrease in bank borrowings of HKD91.8 million and decrease in dividend payable to then shareholder of HKD148.2 million, which have been fully settled on the date of listing.

**Borrowings**

The Group's bank borrowings as at 31 December 2014 in the sum of approximately HKD91.8 million were repaid during the period under review. 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.

**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 there is any significant impact to 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 30 June 2015, the Group pledged its buildings, land use rights, investment properties and available-for-sale financial assets with carrying amount of HKD39.9 million (31 December 2014: HKD32.0 million), respectively to secure borrowings of the Group. The total secured borrowings as at 30 June 2015 amounted to HKD28.4 million (31 December 2014: HKD120.2 million).

**Use of Proceeds**

The Company was listed on the Stock Exchange on 15 January 2015 and raised net proceeds from the Listing of approximately HKD586.7 million. During the period between the listing date and 30 June 2015, HKD201.3 million of the net proceed 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 six months ended 30 June 2015 and 2014 were HKD10.5 million and HKD6.1 million, respectively.

**Commitments**

(1) As at 30 June 2015 and 31 December 2014, the Group did not have any material capital commitments.

(2) Operating lease 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 30 June 2015** | As at 31 December 2014 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| | **(Unaudited)** | (Audited) |
| Not later than 1 year | **632,359** | 513,823 |
| Later than 1 year and not later than 5 years | **1,143,753** | 1,072,788 |
| Later than 5 years | **252,338** | 416,881 |
| | **2,028,450** | 2,003,492 |

**Contingent liabilities**

The Group had no material contingent liabilities outstanding as at 30 June 2015 and 31 December 2014.

**HUMAN RESOURCES AND REMUNERATION POLICIES**

We offer competitive remuneration package, including trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in the PRC. As at 30 June 2015, the Group has 761 permanent and temporary employees. The total salaries and related costs for the six months ended 30 June 2015 and 2014 amounted to approximately HKD63.8 million and HKD50.7 million, respectively.

The Group adopted a Pre-IPO Share Option Scheme on 6 December 2014 for the purpose of recognition of employees' contribution before the Listing. On 21 May 2015, the Board approved to grant 11,534,875 share options to its employees and directors that excluding Mr. Lam, the chairman and the chief executive officer of the Company and 4,400,000 share options to Mr. Lam that was approved and confirmed by the Independent Shareholders at the Extraordinary General Meeting held on 10 June 2015.

**INTERIM DIVIDEND**

The Board, after considering the liquidity position and operation of the Group, resolved to declare an interim dividend of HK5.5 cents per share, totaling HK$24,200,000 for the six months ended 30 June 2015 (2014: nil) payable on 6 October 2015 to the shareholders whose names appear on the Register of Members of the Company on 24 September 2015.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders to the interim dividend, the Register of Members of the Company will be closed from 22 September 2015 to 24 September 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanies by the relevant share certificates must be lodged 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 21 September 2015.

## CORPORATE GOVERNANCE

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. The division of responsibilities between the chairman and chief executive should be clearly established. 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 as the code for directors' securities transactions (the "Model Code"). All the directors have confirmed their compliance with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

## MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group had no major litigation or arbitration during the six months ended 30 June 2015.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2015.

## AUDIT COMMITTEE

The Company has an Audit Committee, which was established in accordance with Rule 3.21 of the Listing Rules with primary duties of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Ma Andrew Chiu Cheung (Chairman), Mr. Ma Ho Fai *SBS JP* and Dr. Chan Chi Fai Andrew *SBS JP*.

The Audit Committee has reviewed the unaudited consolidated financial results and the interim report of the Company for the six months ended 30 June 2015 and agreed to the accounting principles and practices adopted by the Company.

In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited consolidated financial results for the six months ended 30 June 2015 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certificated Public Accountants.

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

Hong Kong, 31 August 2015

*This announcement can also be accessed through our internet site at www.asiaray.com and the designated issuer website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The 2015 interim report of the Company containing financial statements and notes to the financial statements will be dispatched to the shareholders of the Company and will be published on the above websites in due course.*

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