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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of Asiaray Media Group Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period of 2015 as follows:

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	**2016** *HKD'000* **(Unaudited)**	2015 *HKD'000* (Unaudited)
Revenue	*3*	**666,015**	637,327
Cost of revenue	*4*	**(573,141)**	(513,113)
Gross profit		**92,874**	124,214
Selling and marketing expenses	*5*	**(51,671)**	(42,204)
Administrative expenses	*6*	**(71,608)**	(65,736)
Other incomes	*7*	**5,431**	7,104
Other gains — net	*7*	**26,928**	3,320
Operating profit		**1,954**	26,698
Finance income	*8*	**1,018**	1,888
Finance costs	*8*	**(679)**	(2,670)
Finance income/(costs) — net	*8*	**339**	(782)
Share of results of investments in associates	*12*	**1,182**	1,063
Profit before income tax		**3,475**	26,979
Income tax expense	*9*	**(70)**	(3,416)
Profit for the period		**3,405**	23,563

	Note	Six months ended 30 June 2016 HKD'000 (Unaudited)	2015 HKD'000 (Unaudited)
Other comprehensive income			
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		**1,084**	(139)
— Currency translation differences		**(8,613)**	(1,168)
		(7,529)	(1,307)
Total comprehensive (loss)/income for the period		**(4,124)**	22,256
(Loss)/profit attributable to:			
Owners of the Company		**(8,169)**	835
Non-controlling interests		**11,574**	22,728
Profit for the period		**3,405**	23,563
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(14,792)**	(399)
Non-controlling interests		**10,668**	22,655
Total comprehensive (loss)/income for the period		**(4,124)**	22,256
(Loss)/earnings per share attributable to owners of the Company for the period (expressed in HK cents per share)			
— Basic and diluted	*10*	**(1.86)**	0.19
Dividends	*11*	**57,200**	24,200

INTERIM CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2016** *HKD'000* **(Unaudited)**	As at 31 December 2015 *HKD'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**94,629**	63,984
Construction-in-progress		**–**	16,776
Land use rights		**15,078**	15,583
Investment properties		**595**	652
Intangible assets		**1,741**	1,187
Investments in associates	*12*	**38,271**	37,938
Financial assets at fair value through profit or loss		**4,177**	3,877
Available-for-sale financial assets		**58,224**	56,926
Deferred income tax assets		**86,188**	80,054
Non-current portion of other receivables	*13*	**18,499**	18,248
		317,402	295,225
Current assets			
Inventories		**4,364**	1,343
Trade and other receivables	*13*	**449,442**	525,616
Short-term deposits		**86,685**	114,757
Restricted cash		**83,039**	81,807
Cash and cash equivalents		**207,958**	241,946
		831,488	965,469
Total assets		**1,148,890**	1,260,694
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**44,000**	44,000
Share premium		**518,213**	557,813
Reserves		**(10,561)**	(9,516)
Retained earnings		**47,558**	55,727
		599,210	648,024
Non-controlling interests		**39,514**	52,645
Total equity		**638,724**	700,669

	Note	As at 30 June 2016 HKD'000 (Unaudited)	As at 31 December 2015 HKD'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings		**6,143**	6,863
Deferred income tax liabilities		**300**	160
		6,443	7,023
Current liabilities			
Trade and other payables	*14*	**444,378**	477,327
Current income tax liabilities		**5,310**	10,669
Borrowings		**54,035**	16,694
Provision for compensation loss		**–**	48,312
		503,723	553,002
Total liabilities		**510,166**	560,025
Total equity and liabilities		**1,148,890**	1,260,694

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 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the applicable disclosure requirements of Appendix to the Rules Governing the Listing of securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015 (the "2015 Financial Statements").

2. ACCOUNTING POLICIES

Excepted as described below, the accounting policies applied are consistent with those used in the 2015 Financial Statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA 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 beginning on or after 1 January 2016 do not have any material impact on the Group.

(b) The following new standards and amendments to existing standards that are relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Statement of cash flows	1 January 2017
Amendments to HKFRS 12	Income taxes	1 January 2017
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

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

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

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:

— 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 the Mainland China 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 incomes, other gains — net, finance income/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)	**Airports 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 2016					
Revenue	**305,182**	**201,122**	**77,612**	**82,099**	**666,015**
Cost of revenue	**(256,716)**	**(176,519)**	**(68,174)**	**(71,732)**	**(573,141)**
Gross profit	**48,466**	**24,603**	**9,438**	**10,367**	**92,874**
Selling and marketing expenses					**(51,671)**
Administrative expenses					**(71,608)**
Other incomes					**5,431**
Other gains — net					**26,928**
Operating profit					**1,954**
Finance income					**1,018**
Finance costs					**(679)**
Finance income — net					**339**
Share of results of investments in associates	**1,182**	**–**	**–**	**–**	**1,182**
Profit before income tax					**3,475**
Income tax expense					**(70)**
Profit for the period					**3,405**

(Unaudited)	Airports 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 incomes					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

Revenue consisted of the following:

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Advertising display revenue	**603,992**	585,463
Advertising production, installation and dismantling revenue	**62,023**	51,864
	666,015	637,327

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

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Mainland China	**514,326**	499,581
Hong Kong	**151,689**	137,746
	666,015	637,327

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 2016 and 2015.

The Group's non-current assets other than financial instruments and deferred income tax assets were located in the Mainland China and Hong Kong at 30 June 2016 and 31 December 2015 as follows:

	As at 30 June 2016	As at 31 December 2015
	HKD'000	*HKD'000*
	(Unaudited)	(Audited)
Mainland China	**165,453**	151,633
Hong Kong	**3,360**	2,735
	168,813	154,368

4. COST OF REVENUE

Expenses included in cost of revenue are analysed as follows:

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Concession fee charges for advertising spaces	**507,177**	455,248
Project installation and dismantling costs	**24,333**	25,405
Depreciation of property, plant and equipment	**13,322**	13,138
Business tax and the related surcharges	**7,520**	7,005
Utilities	**4,996**	7,540
Others	**15,793**	4,777
	573,141	513,113

5. SELLING AND MARKETING EXPENSES

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

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**39,500**	34,356
Travelling and entertainment expenses	**9,692**	4,568
Marketing research expense	**921**	1,280
Office expenses	**668**	677
Office rental expense	**246**	549
Sales commissions	**79**	272
Depreciation of property, plant and equipment	**19**	15
Others	**546**	487
	51,671	42,204

6. ADMINISTRATIVE EXPENSES

Expenses included in administrative expenses are analysed as follows:

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**36,804**	29,490
Office expenses	**5,919**	4,532
Travelling and entertainment expense	**5,837**	6,619
Other professional service fees	**5,810**	4,728
Office rental expense	**5,570**	7,073
Depreciation of property, plant and equipment	**3,337**	3,799
Auditors' remunerations	**2,932**	1,886
Bank charges	**2,283**	1,976
Taxes and surcharges	**1,372**	732
Impairment provision for trade and other receivables	**350**	2,036
Amortisation of intangible assets	**209**	150
Amortisation of land use rights	**201**	214
Depreciation of investment properties	**44**	47
Listing-related expenses	**–**	1,890
Others	**940**	564
	71,608	65,736

7. OTHER INCOMES AND OTHER GAINS — NET

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Other incomes		
Government subsidy income	**1,559**	2,638
Advertising consulting service income	**1,406**	2,380
Dividend income on available-for-sale financial assets	**1,310**	356
Interest income on loans to an associate	**577**	577
Reimbursement of installation and maintenance costs	**414**	–
Rental income on investment properties	**165**	86
Interest income on available-for-sale financial assets	**–**	994
Others	**–**	73
	5,431	7,104
Other gains — net		
Written back of provision of compensation losses (a)	**28,383**	–
Compensation gains/(losses)	**412**	(296)
Fair value gains/(losses) on financial assets at fair value through profit or loss	**39**	(475)
Gains on disposal of property, plant and equipment	**11**	1
Net exchange (losses)/gains	**(1,539)**	3,659
Others	**(378)**	431
	26,928	3,320

(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. The amount was fully provided for the year ended 31 December 2015.

As at 24 May 2016, the management of the Company received the final arbitration result which determined the final compensation to be at HKD19,929,000. The difference of HKD28,383,000 between the initially estimate and the final outcome of the arbitration was written back and recognized in "other gains — net" during the six months ended 30 June 2016.

8. FINANCE (INCOME)/COSTS — NET

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	**(1,018)**	(1,888)
Finance costs		
Interest expense on bank borrowings	**679**	2,670
Finance (income)/costs — net	**(339)**	782

9. INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended 30 June 2016 and 2015 is analysed as follows:

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	**7,263**	13,752
— Hong Kong profits tax	**1,104**	997
	8,367	14,749
Deferred tax	**(8,297)**	(11,333)
	70	3,416

(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 the six months ended 30 June 2016 and 2015.

(c) PRC Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of operations in the Mainland China has been calculated at the tax rate of 25% on the estimated assessable profits for each of the reporting periods, 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 Mainland China, and was entitled to a preferential income tax rate of 15%. All other Mainland China entities of the Group are subject to CIT at a rate of 25% (six months ended 30 June 2015: same) in accordance with the CIT Law.

10. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2016	2015
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company *(HKD'000)*	**(8,169)**	835
Weighted average number of ordinary shares in issue *(thousands)*	**440,000**	431,492
(Loss)/earnings per share *(HK cents per share)*	**(1.86)**	0.19

(b) Diluted

Diluted (loss)/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 (loss)/earnings per share). No adjustment is made to (loss)/earnings (numerator).

The Group's share option plan (Note 15) could potentially dilute basic (loss)/earnings per share in the future, but were not included in the calculation of diluted (loss)/earnings per share because they are anti-dilutive for the period presented.

11. DIVIDENDS

At the meeting held on 31 August 2016, the Board recommended the payment of an interim dividend of HKD0.13 (six months ended 30 June 2015: HKD0.055) per share, amounting to a total of HKD57,200,000 (six months ended 30 June 2015: HKD24,200,000) out of share premium. This condensed consolidated interim financial information does not reflect this as dividend payable.

The dividend paid in the six months ended 30 June 2016 included the 2015 final cash dividend of HKD0.09 per ordinary share out of share premium, totalling HKD39,600,000.

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

12. INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**37,736**	36,442
Share of results	**1,182**	1,063
Currency translation differences	**(647)**	25
At end of the period	**38,271**	37,530

(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	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Assets	**114,003**	178,773
Liabilities	**97,505**	138,277
Revenue	**44,648**	84,915
Share of loss	**(4,937)**	(2,947)
Percentage held	**30%**	30%

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

	Six months ended 30 June	
	2016	2015
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Assets	**256,960**	221,832
Liabilities	**189,177**	174,374
Revenue	**241,149**	186,842
Share of profit	**6,119**	4,010
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 2016 and 31 December 2015 as the Group's share of loss had exceeded its interest in Guangxi Top Source. Share of loss HKD3,881,000 was not recognised for the six months ended 30 June 2016 (six months ended 30 June 2015: HKD3,971,000).

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 *HKD'000* **(Unaudited)**	As at 31 December 2015 *HKD'000* (Audited)
Included in current assets		
Trade receivables (a)	**347,462**	376,429
Less: allowance for impairment of trade receivables	**(23,472)**	(23,911)
Trade receivables, net	**323,990**	352,518
Other receivables	**49,964**	106,623
Less: allowance for impairment of other receivables	**(1,319)**	(1,028)
Other receivables, net	**48,645**	105,595
Interest receivable	**757**	1,541
Prepaid taxes	**10,448**	10,831
Other prepayments	**65,602**	55,131
	449,442	525,616
Included in non-current assets		
Loans to an associate	**18,499**	18,248
	467,941	543,864

(a) Ageing analysis of the gross trade receivables based on revenue recognition date at 30 June 2016 and 31 December 2015 is as follows:

	As at 30 June 2016 *HKD'000* **(Unaudited)**	As at 31 December 2015 *HKD'000* (Audited)
Up to 6 months	**234,257**	287,297
6 months to 12 months	**66,916**	56,380
1 year to 2 years	**30,841**	19,527
2 years to 3 years	**5,718**	4,984
Over 3 years	**9,730**	8,241
	347,462	376,429

14. TRADE AND OTHER PAYABLES

(a) The ageing analysis of the trade payables based on invoice date at 30 June 2016 and 31 December 2015 is as follows:

	As at 30 June 2016 *HKD'000* **(Unaudited)**	As at 31 December 2015 *HKD'000* (Audited)
Up to 6 months	**41,860**	63,335
6 months to 12 months	**11,639**	3,201
1 year to 2 years	**2,024**	1,421
2 years to 3 years	**608**	521
Over 3 years	**697**	599
	56,828	69,077

(b) Analysis of accruals and other payables

	As at 30 June 2016 *HKD'000* **(Unaudited)**	As at 31December 2015 *HKD'000* (Audited)
Accrued concession fee charges for advertising spaces (i)	**243,307**	238,684
Advances received from customers	**110,118**	104,757
Salary and staff welfare payables	**11,890**	18,053
Other taxes payable	**2,140**	6,063
Accrued interest expense	**568**	–
Other payables	**19,527**	40,693
	387,550	408,250

(i) 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.

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.

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. Lam Tak Hing, Vincent ("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 are as follows:

	Employee and Contributor Share Option Plan		**Executive Share Option Plan**		
	Average exercise price *(HKD per share option)*	**Number of share options** *(thousands)*	**Average exercise price** *(HKD per share option)*	**Number of share options** *(thousands)*	**Total number of share options** *(thousands)*
(Unaudited)					
At 1 January 2016	**6.95**	**11,356**	**6.95**	**4,400**	**15,756**
Lapsed	**6.95**	**(309)**	**–**	**–**	**(309)**
At 30 June 2016	**6.95**	**11,047**	**6.95**	**4,400**	**15,447**
(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

The total expenses recognised for employee services received in respect of the period for the six months ended 30 June 2016 was HKD5,578,000 (six months ended 30 June 2015: HKD2,410,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Amid the challenging macro environment, the Group managed to achieve a total reported revenue of HKD666.0 million, representing a year-on-year increase of 4.5% for the six months ended 30 June 2016 (the "Period"). Total revenue would have recorded a year-on-year growth of 9.7% in the Period, excluding the adverse impact of currency movements where RMB depreciated 6.5% against the Hong Kong dollar as compared to the corresponding period in 2015. Including the consolidated revenue of the Group and the total revenue of all associated companies engaged in media advertising business, the Group's combined revenue amounted to HKD974.5 million during the Period.

As our overall strategies, the Group has always been dedicated in offering value-added campaigns for our advertisers utilizing our "Space Management" capability and mobile technology, attaining new media resources with growth potential in both revenue and profitability, as well as exploring new business models such as the collaboration with travel retailer partners and Offline & Online ("O&O") advertising solutions.

During the Period, 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. As at 30 June 2016, our media portfolio covering 37 cities in the Greater China region (1H2015: 33 cities). Among which we successfully secured the exclusive concession rights of the mainstream media resources of 27 airports[Δ] and 12 metro lines as of 30 June 2016 (1H2015: 25 airports and 12 metro lines) as well as over 360 billboards in the Greater China region. The annual aggregate passenger throughput of all the airports covered by the Group amounted to 225.6 million as at 31 December 2015, capturing approximately one-fourth of the aggregate passenger throughput of all airports across Mainland China.

In the first half of 2016, macro economy remained weak as the GDP growth of Mainland China slowed down to 6.7% while Hong Kong recorded a low 1.2% GDP growth. The advertising demand in Mainland China and Hong Kong was hampered by the slow recovery of consumer spending, posing challenges to our operating environment. Statistics showed that the overall advertising spending ("adspend") in Mainland China grew merely 0.1% on a year-on-year basis, during the Period, of which the adspend of out-of-home ("OOH") media decreased by approximately 3.6% year-on-year, according to CTR Market Research. Local adspend has also been affected by the weakened consumer sentiment. The overall adspend in Hong Kong decreased further by approximately 13.0%, among which the adspend of OOH media decreased by approximately 7% year-on-year during the Period, according to admanGo.

Δ *In addition, the Group obtained the concession rights for the advertising space at Sanya Phoenix International Airport Terminal 2, Hainan Island in May 2016.*

Despite the strong economic headwinds, we outperformed in the OOH industries in both Mainland China and Hong Kong. We managed to record an overall 9.6% year-on-year revenue growth (excluding adverse impact of currency movements) for our OOH business in Mainland China and an overall 10.1% year-on-year revenue growth (excluding adverse impact of currency movements) 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 a double-digit 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 11%, as compared with the corresponding period of the preceding year, according to admanGo. The Group's billboard and building solutions business in Hong Kong also achieved a double-digit growth in revenue while Hong Kong's overall adspend on billboard and video wall advertising decreased by approximately 6%, as compared with the corresponding period of the preceding year, according to admanGo.

While we continued to strengthen our salesforce, 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 industries in terms of adspend in the first six months of 2016. The decrease in adspend from these industries were more than offset by the significant growth in adspend from the top three advertiser categories by adspend growth, including mobile applications and Internet, telecommunication and 3C (Computer, Communication and Consumer Electronic), as well as fast moving consumer goods. In particular, adspend from the mobile applications and internet industry quadrupled on a year-on-year basis while the telecommunication and 3C industries recorded a high double-digit year-on-year increase. We believe that the change in advertiser mix reflects how the economic dynamics are changing and therefore we will continue to place a strategic focus on gaining advertisers from these emerging industries so as to expand the Group's advertiser base.

As we dedicated efforts in strengthening our organic growth during the reporting period, the concession fee increased at a faster rate primarily due to higher concession fee of some renewal projects like Hangzhou Airport and the stepped up concession fee of the brand new terminal of Zhengzhou Airport, which has inevitably narrowed down the Group's profit margin. We believe the increase in concession rate is mainly a cyclical phenomenon and are positive about the growth potential of those primely located projects. We will continue to strategically attain new projects to balance between near-term profitability and long-term sustainable growth for the benefit of the shareholders.

We are pleased that our well-developed "Space Management" model and the new digital-out-of-home solutions have differentiated us from other market players and kept us moving forward with unparalleled edges. Furthermore, we have gone beyond from merely providing standard in-house media resources at airports and metro lines through joint-ventures or direct business models, to working closely with brand owners in negotiating desirable third party media resources. For instance, we have collaborated with LVMH Group, one of our cornerstone investors since listing, in obtaining the exclusive concession rights to operate Wheelock House Billboard in Central, the central business district in Hong Kong, further strengthening our relationship with this key investor cum advertiser. We see these as important development directions of the Group in providing innovative advertising solutions to media resource owners and advertisers to secure market share and competitiveness, hence maintaining and even increasing business profitability.

OUTLOOK

The Board anticipates that the market will continue to be challenging in the second half of 2016, as the economic outlook of Mainland China and Hong Kong remains uncertain. Nevertheless, we envisage business opportunities brought by our efforts in further enhancing our organic growth and the roll-out of new airports and metro lines projects.

We remain optimistic on the outlook of our OOH advertising business thanks to (i) the increased urbanization of population in Mainland China, which will lead to an increase in time out of home, an increase in the number of commuters at metro lines and airports, and increased visibility of outdoor billboards; (ii) the trend that OOH will increasingly become integral in integrated advertising campaigns targeting on-the-go consumers; and (iii) increasing convergence of OOH and mobile advertising.

Looking forward, we will continue to strategically develop our O&O advertising business in selected locations. In fact, some of our O&O showcases have received industry accolades, demonstrating our capability in offering innovative and effective O&O advertising campaigns for our clients. These include the McDonald's campaign which was Hong Kong's largest outdoor billboard mobile game campaign at the time it was launched, and the "Shake for Luck" campaign by Chow Tai Fook Jewellery, the first advertising campaign using iBeacon technology inside the metro trains in Hong Kong.

We are also pleased to have achieved some early success in our initiative with Lagardère, in which we collaborated with this global leader in the travel retail industry by introducing 20 internationally renowned luxury brands and domestic brands at the Kunming Changshui International Airport. This initiative has contributed revenue to the Company under the new model that offers value-added advertising solutions to retail business operators at airports. As planned, we are offering innovative O&O advertising solutions, connecting the online consumers with offline world such as experience shops at our airports, enabling advertisers to better engage with the targeted consumers through experiential marketing campaigns.

In the meanwhile, we continue to strive to further strengthen the organic growth of the Group through the strategic expansion of our media portfolio. One of the new contracts won by the Group is the exclusive concession rights contract for running the mainstream media resources of Beijing Metro Line 16 currently under construction for a term of three years until the end of 2019. 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.

Leveraging our "Space Management" capability, the Group has also been appointed as the exclusive advertising agency of 2016 FIA Formula E HKT Hong Kong ePrix to be held in October 2016 in Central Harbourfront, following a competitive tender. The winning of the tender acknowledges that the Group's outdoor advertising capability is matched with international standards, which will not only give a first opportunity to us to be involved in such a mega event, but also pave our way for opportunities of this kind in future.

Furthermore, the Group has obtained the concession rights for the advertising space at Sanya Phoenix International Airport Terminal 2, Hainan Island, China, for a period of five years starting from May 2016. As the Group has already obtained the exclusive concession rights of the advertising space at Haikou Meilan International Airport, the new contract will enable us to create greater synergies by covering the two airports in Hainan Island and providing premium advertising opportunities to advertisers, especially those which aim to capture the benefits of the offshore duty-free shopping policy.

We believe both challenges and opportunities exist in the relatively fragmented Mainland China's OOH industry. With the concerted efforts of our experienced management team, our well-developed "Space Management" model and innovative media solutions, we are well-poised to capture the new business opportunities and also the consolidation opportunities of premium media resources arising from the current cyclical downturn of the Mainland China's OOH industry. We will also embrace changes and light up the power of innovation to gear up our key competences, from people to technology, and from products to business models that would transform ourselves into an even stronger leader in the industry.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2016 increased from approximately HKD637.3 million to approximately HKD666.0 million, representing a year-on-year increase of 4.5%. The increase was mainly attributable to the increase in revenue in the metro media and others business segments and partially offset by the decrease in revenue in airports media segment. 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, reached HKD974.5 million, representing a year-on-year increase of 4.3%.

The airports media segment dropped by 3.9% from approximately HKD317.6 million for the six months ended 30 June 2015 to approximately HKD305.2 million in the corresponding period of 2016, mainly due to the negative impact of the exchange variations of Renminbi against Hong Kong dollars. During the Period, the Haikou airport was facing a sluggish advertising demand and the Zhengzhou airport was in the transition of airport operations from Terminal 1 to Terminal 2 in April 2016 which resulted a temporary drop in revenue. On the other hand, the new Xiamen airport Terminal 4, which incepted in January 2016, brought additional revenue to the Group. Together with the satisfactory results delivered by Shenzhen airport, the combined revenue in airports media segment dropped by a far lesser extent of 0.2%.

Our revenue from metro media segment for the Period increased by approximately HKD38.4 million or 23.6%, from approximately HKD162.7 million in the corresponding period of 2015 to approximately HKD201.1 million. 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 Hong Kong and Shenzhen continued to deliver a satisfactory performance with a double-digit growth during the Period, but such increase was partially offset by the decrease in revenue from Ningbo Metro Line No. 1 whose concession rights contract was early terminated since the fourth quarter of 2015.

Our revenue in billboards and building solutions segment remained stable at approximately HKD77.6 million during the Period when compared with 2015. Our revenue in Hong Kong increased by 10.3% driven by a strong market demand in building solution projects leveraging our leadership position and proven track record in this market. The increase in Hong Kong revenue 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 increased by HKD2.7 million or 3.3%, from approximately HKD79.4 million for the six months ended 30 June 2015 to approximately HKD82.1 million in the corresponding period of 2016 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.

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 Period:

	Same project growth rate# (Excluding currency impact)	**Same project growth rate# (Including currency impact)**	**Growth rate (Excluding currency impact)**	**Reported growth rate**
Airports media	–0.5%	–6.6%	2.3%	–3.9%
Metro media	9.5%	6.7%	27.8%	23.6%

	Growth rate (Excluding currency impact)	**Reported growth rate**
Consolidated group revenue	9.7%	4.5%

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

Cost of Revenue

Our cost of revenue increased by approximately HKD60.0 million, or 11.7%, from HKD513.1 million for the six months ended 30 June 2015 to HKD573.1 million in the corresponding period of 2016. The increase was primarily due to (a) the Xiamen airport which was newly incepted in January 2016 and the Beijing metro lines whose concession rights contract just started in June 2015 (both of which has begun contributing additional concession cost to the Group); and (b) the stepped-up concession fee payable under the concession rights contract of Zhengzhou airport renewed during the Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Period decreased 25.2% from approximately HKD124.2 million to approximately HKD92.9 million and the Group's gross profit margin dropped from 19.5% for 2015 to 13.9% for 2016 due to: (1) a decrease in gross profit from the airports media segment primary due to the stepped-up concession fee payable under the concession rights contract of Zhengzhou airport and other three airports, being Xiamen, Sanya and Hangzhou airports were still in their ramp-up stage; and (2) the adverse impact of currency movements; partially offset by (3) an increase in gross profit contributed by metro media segment primarily due to the termination of the loss-making Ningbo Metro Line No. 1 concession rights contract and the outperformance of Hong Kong and Shenzhen metro lines.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately HKD9.5 million, or 22.4%, from HKD42.2 million for the six months ended 30 June 2015 to HKD51.7 million for the corresponding period in 2016. This increase was primarily attributable to increased employee benefit expenses as a result of the growth of our business operations.

Administrative Expenses

Our administrative expenses increased by approximately HKD5.9 million, or 8.9%, from HKD65.7 million for the six months ended 30 June 2015 to HKD71.6 million for the corresponding period of 2016. The increase was primarily attributable to increase in employee benefit and office expenses due to the growth of our business operations, partially offset by decrease in listing-related expense and bad debt provision.

Finance Income/Costs — net

Net finance income was HKD0.3 million for the Period, compared with net finance costs of HKD0.8 million in 2015. This was primarily attributable to the decrease in average bank borrowings during the Period.

Share of Result of Investments in Associates

Our share of results of investments in associates for the Period increased 11.2% from approximately HKD1.1 million to approximately HKD1.2 million due to a better performance in one associate, Shenzhen Airport Asiaray Media Company Limited (the joint venture company which is responsible for operating our outdoor advertising business for the Shenzhen airport), during the Period.

Income Tax Expenses

Our income tax expense decreased by approximately HKD3.3 million, or 98.0%, from HKD3.4 million for the six months ended 30 June 2015 to HKD0.1 million in the corresponding period of 2016. This decrease was primarily attributable to the decrease in the profit before income tax by 87.1%.

(Loss)/Profit Attributable to Owners of the Company

Loss attributable to owners of the Company was approximately HKD8.2 million for the Period, compared to a profit of approximately HKD0.8 million for 2015. The decline was a composite effect of aforesaid decrease in revenue contributed from airports media segment and an increase of approximately 11.7% in the cost of revenue of the Group as fully explained in the above, offset by the partial write-back of the one-off provision due to the early termination of the concession rights contract of Ningbo Metro Line No. 1.

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.

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. The directors of the Company consider the Group's exposure to foreign exchange risk is insignificant. The Group will closely monitors 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 HKD377.7 million as at 30 June 2016, an decrease of approximately HKD60.8 million compared with that as at 31 December 2015. As at 30 June 2016, the financial ratios of the Group were as follows:

	As at 30 June 2016	As at 31 December 2015
Current ratio (1)	**1.65**	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 total debt by total equity.

Borrowings

The Group's bank borrowings as at 31 December 2015 in the sum of approximately HKD5.0 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 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 30 June 2016, the Group pledged its buildings, land use rights, investment properties and available-for-sale financial assets with carrying amount of HKD32.8 million (31 December 2015: HKD33.7 million), respectively to secure borrowings of the Group. The total secured borrowings as at 30 June 2016 amounted to HKD19.1 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 30 June 2016, HKD389.6 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 six months ended 30 June 2016 and 2015 were HKD28.0 million and HKD10.5 million, respectively.

Commitments

(1) As at 30 June 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 30 June 2016 *HKD'000* (Unaudited)	As at 31 December 2015 *HKD'000* (Audited)
Not later than 1 year	**810,114**	805,066
Later than 1 year and not later than 5 years	**1,564,857**	1,727,255
Later than 5 years	**694,427**	817,451
	3,069,398	3,349,772

Contingent liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2016 and 31 December 2015.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group offers competitive remuneration packages, including trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and Mainland China. As at 30 June 2016, the Group has 799 permanent and temporary employees. The total salaries and related costs for the six months ended 30 June 2016 and 2015 amounted to approximately HKD76.3 million and HKD63.8 million, respectively.

INTERIM DIVIDEND

The Board has declared an interim dividend of HKD0.13 per share, totalling HKD57,200,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: HKD0.055 per share) payable on 6 October 2016 to the shareholders whose names appear on the register of members of the Company on 26 September 2016.

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 2016 to 26 September 2016, 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 2016.

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 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.

DEED OF NON-COMPETITION

Mr. Lam, Media Cornerstone Limited, Space Management Limited and Shalom Family Holding Limited (collectively, the "Controlling Shareholders") entered into a deed of non-competition dated 22 December 2014 with the Company (the "Deed of Non-competition"). Pursuant to the Deed of Non-competition, each of the Controlling Shareholders has undertaken that, among other things, he/it shall not and shall procure his/its associates not to, either alone or jointly with any other person or entity, or for any other person, firm or company, or as principal, partner, director, employee, consultant or agent through any body corporate, partnership, joint venture or other contractual arrangement, be engaged, invested, or otherwise involved, whether as a shareholder, director, employee, partner, agent or otherwise, directly or indirectly, in the carrying on of any business in any form or manner in Hong Kong or the PRC in competition or likely to be in competition, directly or indirectly, with the business operated by the Group in Hong Kong or the PRC. Mr. Lam has further undertaken that he shall procure Main Element Profits Limited to exercise all its voting power in Taiwan Asiaray Advertising Holdings Company Limited* (台灣雅仕維廣告股份有限公司) ("Taiwan Asiaray") to ensure that the business of Taiwan Asiaray will not expand outside Taiwan. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders — Non-Competition Undertakings" of the prospectus of the Company dated 31 December 2014.

* *For identification purpose only.*

The Company has received confirmations from the Controlling Shareholders of their compliance with the Deed of Non-competition for the year ended 31 December 2015 (the "Confirmations"). The independent non-executive directors of the Company have been provided with all necessary information and have reviewed the Confirmations and are satisfied that the Deed of Non-competition was complied with and was effectively enforced during the year ended 31 December 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 2016.

AUDIT COMMITTEE

The Company's audit committee has reviewed the unaudited consolidated financial results and the interim report of the Company for the six months ended 30 June 2016 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 2016 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 HKICPA.

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

Hong Kong, 31 August 2016

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.