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 2017

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 2017, together with the unaudited comparative figures for the corresponding period of 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	Note	**2017**	2016
		HKD'000	*HKD'000*
		(Unaudited)	(Restated)
Revenue	*3*	**743,679**	666,015
Cost of revenue	*4*	**(614,527)**	(573,141)
Gross profit		**129,152**	92,874
Selling and marketing expenses	*5*	**(55,343)**	(51,671)
Administrative expenses	*6*	**(66,421)**	(71,564)
Other incomes	*7*	**5,496**	5,431
Other gains — net	*7*	**4**	27,503
Operating profit		**12,888**	2,573
Finance income	*8*	**1,804**	1,018
Finance costs	*8*	**(2,022)**	(679)
Finance (costs)/income — net	*8*	**(218)**	339
Share of results of investments in associates	*12*	**2,559**	1,182
Profit before income tax		**15,229**	4,094
Income tax expense	*9*	**(2,244)**	(225)
Profit for the period		**12,985**	3,869

	Note	Six months ended 30 June 2017 HKD'000 (Unaudited)	2016 HKD'000 (Restated)
Other comprehensive income			
Items that may be reclassified to profit or loss			
— Net gains from changes in fair value of available-for-sale financial assets, net of tax		**144**	1,084
— Currency translation differences		**17,677**	(8,708)
		17,821	(7,624)
Total comprehensive income/(loss) for the period		**30,806**	(3,755)
Profit/(loss) attributable to:			
Owners of the Company		**5,037**	(7,705)
Non-controlling interests		**7,948**	11,574
Profit for the period		**12,985**	3,869
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**21,697**	(14,423)
Non-controlling interests		**9,109**	10,668
Total comprehensive income/(loss) for the period		**30,806**	(3,755)
Earnings/(loss) per share attributable to owners of the Company for the period (expressed in HK cents per share)			
— Basic and diluted	*10*	**1.14**	(1.75)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2017 *HKD'000* (Unaudited)	As at 31 December 2016 *HKD'000* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**98,739**	100,118
Land use rights		**23,326**	22,931
Investment properties		**8,186**	7,409
Intangible assets		**1,757**	1,842
Investments in associates	*12*	**19,971**	26,997
Financial assets at fair value through profit or loss		**4,797**	4,537
Available-for-sale financial assets		**8,510**	8,346
Deferred income tax assets		**88,636**	80,566
Non-current portion of other receivables	*13*	**14,534**	13,697
		268,456	266,443
Current assets			
Inventories		**1,544**	1,326
Trade and other receivables	*13*	**624,710**	543,621
Short-term deposits		**17,688**	46,737
Restricted cash		**68,685**	63,552
Cash and cash equivalents		**271,944**	217,336
		984,571	872,572
Total assets		**1,253,027**	1,139,015
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**44,000**	44,000
Share premium		**417,013**	461,013
Reserves		**(13,609)**	(26,407)
Retained earnings		**86,220**	77,321
		533,624	555,927
Non-controlling interests		**44,883**	31,739
Total equity		**578,507**	587,666

	Note	As at 30 June 2017 HKD'000 (Unaudited)	As at 31 December 2016 HKD'000 (Restated)
Liabilities			
Non-current liabilities			
Borrowings		**4,897**	5,310
Deferred income tax liabilities		**2,137**	2,490
		7,034	7,800
Current liabilities			
Trade and other payables	*14*	**540,319**	471,909
Current income tax liabilities		**7,770**	10,002
Borrowings		**119,397**	61,638
		667,486	543,549
Total liabilities		**674,520**	551,349
Total equity and liabilities		**1,253,027**	1,139,015

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 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by 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 2016 (the "2016 Financial Statements").

2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information have been prepared on the historical cost basis except for investment property and financial instruments, which are measured at fair values.

Changes of the measurement of investment properties

During the period, the Group changed its accounting policy with respect to the measurement of investment properties. The Group now applies the fair value model, under which investment properties are stated at fair value and recognises the fair value changes to the statement of profit or loss in which they arise. Prior to this change in policy, the Group applied the cost model, under which investment properties were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The Group believes the new policy is preferable as it is more suitable to reflect the value of the investment properties and will aid comparability. The changes has been applied retrospectively and the comparative amounts have been restated accordingly.

Effect of application of change of the measurement of investment properties

The effect of change of measurement of investment properties on the Group's results for the six months ended 30 June 2017 and 2016 by line items presented in the unaudited condensed consolidated statement of comprehensive income (extracts) are as follows:

	At 30 June 2017 *HKD'000*	Effect of changes of measurement of investment properties *HKD'000*	At 30 June 2017 (as present) *HKD'000*
Administrative expenses	**(66,462)**	**41**	**(66,421)**
Other (losses)/gains — net	**(538)**	**542**	**4**
Income tax expense	**(2,098)**	**(146)**	**(2,244)**
Other comprehensive income			
— Currency translation differences	**17,512**	**165**	**17,677**
Earnings per share (HK cents)			
— Basic and diluted	**1.05**	**0.09**	**1.14**

	At 30 June 2016 (as previously presented) *HKD'000*	Effect of changes of measurement of investment properties *HKD'000*	At 30 June 2016 (as restated) *HKD'000*
Administrative expenses	(71,608)	44	(71,564)
Other gains — net	26,928	575	27,503
Income tax expense	(70)	(155)	(225)
Other comprehensive loss			
— Currency translation differences	(8,613)	(95)	(8,708)
Loss per share (HK cents)			
— Basic and diluted	(1.86)	0.11	(1.75)

The effect of changes of measurement of investment properties on the unaudited condensed consolidated balance sheet of the Group (extracts) as at 30 June 2017 and 31 December 2016 by line items are as follows:

	At 30 June 2017 ***HKD'000***	**Effect of changes of measurement of investment properties** ***HKD'000***	**At 30 June 2017 (as present)** ***HKD'000***
Non-current assets			
Investment properties	**502**	**7,684**	**8,186**
Total non-current assets	**260,772**	**7,684**	**268,456**
Non-current liabilities			
Deferred income tax liabilities	**216**	**1,921**	**2,137**
Total non-current liabilities	**5,113**	**1,921**	**7,034**
Equity attributable to owners of the Company			
Reserve	**(13,167)**	**(442)**	**(13,609)**
Retained earnings	**80,015**	**6,205**	**86,220**
Total equity	**572,744**	**5,763**	**578,507**

	At 31 December 2016 (as previously presented) *HKD'000*	Effect of changes of measurement of investment properties *HKD'000*	At 31 December 2016 (as restated) *HKD'000*
Non-current assets			
Investment properties	528	6,881	7,409
Total non-current assets	259,562	6,881	266,443
Non-current liabilities			
Deferred income tax liabilities	770	1,720	2,490
Total non-current liabilities	6,080	1,720	7,800
Equity attributable to owners of the Company			
Reserve	(25,800)	(607)	(26,407)
Retained earnings	71,553	5,768	77,321
Total equity	582,505	5,161	587,666

Except for the changes of measurement of investment properties, the accounting policies used in the condensed consolidated interim financial information are consistent with those used in the 2016 Financial Statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA. The revised standard and improvements to existing standards, which are mandatory for the financial year beginning on or after 1 January 2017, are either currently not relevant to the Group or had no material impact on the Group's condensed consolidated financial information.

(a) 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 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Share-based payment	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

(b) 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:

— 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. 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)	**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 2017					
Revenue	**380,318**	**206,745**	**68,963**	**87,653**	**743,679**
Cost of revenue	**(292,302)**	**(182,408)**	**(66,115)**	**(73,702)**	**(614,527)**
Gross profit	**88,016**	**24,337**	**2,848**	**13,951**	**129,152**
Selling and marketing expenses					**(55,343)**
Administrative expenses					**(66,421)**
Other incomes					**5,496**
Other gains — net					**4**
Operating profit					**12,888**
Finance income					**1,804**
Finance costs					**(2,022)**
Finance costs — net					**(218)**
Share of results of investments in associates	**2,559**	**–**	**–**	**–**	**2,559**
Profit before income tax					**15,229**
Income tax expense					**(2,244)**
Profit for the period					**12,985**

(Restated)	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 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					(71,564)
Other incomes					5,431
Other gains — net					27,503
Operating profit					2,573
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					4,094
Income tax expense					(225)
Profit for the period					3,869

Revenue consisted of the following:

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Advertising display revenue	**680,589**	603,992
Advertising production, installation and dismantling revenue	**63,090**	62,023
	743,679	666,015

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

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Mainland China	**599,086**	514,326
Hong Kong	**144,593**	151,689
	743,679	666,015

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 2017 and 2016.

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 2017 and 31 December 2016 as follows:

	As at 30 June 2017	As at 31 December 2016
	HKD'000	*HKD'000*
	(Unaudited)	(Restated)
Mainland China	**159,977**	165,315
Hong Kong	**6,536**	7,679
	166,513	172,994

4. COST OF REVENUE

Expenses included in cost of revenue are analysed as follows:

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Concession fee charges for advertising spaces	**544,252**	507,177
Project installation and dismantling costs	**22,345**	24,333
Business tax and the related surcharges	**14,027**	7,520
Depreciation of property, plant and equipment	**9,966**	13,322
Utilities	**4,480**	4,996
Others	**19,457**	15,793
	614,527	573,141

5. SELLING AND MARKETING EXPENSES

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

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**44,215**	39,500
Travelling and entertainment expenses	**7,644**	9,692
Marketing research expense	**1,897**	921
Office expenses	**790**	668
Office rental expense	**360**	246
Sales commissions	**175**	79
Depreciation of property, plant and equipment	**107**	19
Others	**155**	546
	55,343	51,671

6. ADMINISTRATIVE EXPENSES

Expenses included in administrative expenses are analysed as follows:

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Restated)
Employee benefit expenses	**35,869**	36,804
Travelling and entertainment expense	**6,606**	5,837
Office expenses	**6,287**	5,919
Office rental expense	**6,173**	5,570
Depreciation of property, plant and equipment	**4,530**	3,337
Other professional service fees	**3,787**	5,810
Bank charges	**2,625**	2,283
Auditors' remunerations	**2,085**	2,932
Amortisation of land use rights	**303**	201
Amortisation of intangible assets	**290**	209
Taxes and surcharges	**38**	1,372
(Reversal of)/impairment provision for trade and other receivables	**(2,854)**	350
Others	**682**	940
	66,421	71,564

7. OTHER INCOMES AND OTHER GAINS — NET

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Other income		
Advertising consulting service income	**2,801**	1,406
Rental income	**1,065**	165
Interest income on loans to an associate	**454**	577
Reimbursement of installation and maintenance costs	**394**	414
Advertising design service income	**315**	–
Dividend income on available-for-sale financial assets	**246**	1,310
Compensation from counter parties for breach of contracts	**125**	–
Government subsidy income	**89**	1,559
Others	**7**	–
	5,496	5,431

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Restated)
Other gains — net		
Fair value gain on investment properties	**542**	575
Net exchange gains/(losses)	**122**	(1,539)
Written back of provision of compensation losses (a)	**–**	28,383
Fair value gains on financial assets at fair value through profit or loss	**–**	39
(Losses)/gains on disposal of property, plant and equipment	**(8)**	11
Compensation (losses)/gains	**(205)**	412
Others	**(447)**	(378)
	4	27,503

(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 People's Republic of China (the "PRC") legal advisor, the directors of the Company are of the view that the maximum amount of the compensation will be one year rental payment of HKD48,312,000 (RMB38,890,000). The amount was fully provided for the year ended 31 December 2015.

As at 24 May 2016, the management of the Company received the arbitration award which determined the final compensation to be at HKD19,929,000 (RMB15,173,000). The difference of HKD28,383,000 (RMB23,717,000) between the initial 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 COSTS/(INCOME) — NET

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	**(1,804)**	(1,018)
Finance costs		
Interest expense on borrowings	**2,022**	679
Finance costs/(income) — net	**218**	(339)

9. INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended 30 June 2017 and 2016 is analysed as follows:

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Restated)
Current income tax		
— PRC corporate income tax	**7,390**	7,263
— Hong Kong profits tax	**972**	1,104
	8,362	8,367
Deferred tax	**(6,118)**	(8,142)
	2,244	225

(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 2017 and 2016.

(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 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, the 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 2016: same) in accordance with the CIT Law.

10. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Restated)
Profit/(loss) attributable to owners of the Company *(HKD'000)*	**5,037**	(7,705)
Weighted average number of ordinary shares in issue *(thousands)*	**440,000**	440,000
Earnings/(loss) per share *(HK cents per share)*	**1.14**	(1.75)

(b) Diluted

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

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

11. DIVIDENDS

At the meeting held on 22 August 2017, the Board recommended the payment of an interim dividend of HKD0.16 (six months ended 30 June 2016: HKD0.13) per share, amounting to a total of HKD70,400,000 (six months ended 30 June 2016: HKD57,200,000) out of share premium. This condensed consolidated interim financial information does not reflect this as dividend payable.

12. INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2017	2016
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**26,997**	37,736
Share of results	**2,559**	1,182
Dividend	**(10,508)**	–
Currency translation differences	**923**	(647)
At end of the period	**19,971**	38,271

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 *HKD'000* (Unaudited)	As at 31 December 2016 *HKD'000* (Audited)
Included in current assets		
Trade receivables (a)	**372,088**	354,610
Less: allowance for impairment of trade receivables	**(20,072)**	(23,494)
Trade receivables, net	**352,016**	331,116
Other receivables	**159,415**	98,801
Less: allowance for impairment of other receivables	**(2,057)**	(1,090)
Other receivables, net	**157,358**	97,711
Interest receivable	**802**	857
Prepaid taxes	**15,889**	14,197
Other prepayments	**87,966**	95,268
Dividend receivable from an associate	**10,679**	–
Loans to an associate	**–**	4,472
	624,710	543,621
Included in non-current assets		
Loans to an associate	**14,534**	13,697
	639,244	557,318

(a) Ageing analysis of the gross trade receivables based on revenue recognition date at 30 June 2017 and 31 December 2016 is as follows:

	As at 30 June 2017 *HKD'000* (Unaudited)	As at 31 December 2016 *HKD'000* (Audited)
Up to 6 months	**275,354**	256,304
6 months to 12 months	**53,720**	49,791
1 year to 2 years	**23,068**	32,306
2 years to 3 years	**7,583**	5,499
Over 3 years	**12,363**	10,710
	372,088	354,610

14. TRADE AND OTHER PAYABLES

(a) The ageing analysis of the trade payables based on invoice date at 30 June 2017 and 31 December 2016 was as follows:

	As at 30 June 2017 *HKD'000* **(Unaudited)**	As at 31 December 2016 *HKD'000* (Audited)
Up to 6 months	**51,457**	42,633
6 months to 12 months	**2,009**	17,396
1 year to 2 years	**11,470**	22,225
2 years to 3 years	**261**	184
Over 3 years	**1,159**	1,098
	66,356	83,536

(b) Analysis of accruals and other payables

	As at 30 June 2017 *HKD'000* **(Unaudited)**	As at 31 December 2016 *HKD'000* (Audited)
Accrued concession fee charges for advertising spaces (i)	**231,649**	210,278
Advances received from customers	**156,545**	133,077
Dividend payable (ii)	**44,514**	–
Salary and staff welfare payables	**13,067**	16,245
Other taxes payable	**5,778**	4,755
Accrued interest expense	**360**	–
Other payables	**22,050**	24,018
	473,963	388,373

(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.

(ii) This represented the 2016 final cash dividend of HKD0.10 per ordinary share totalling HKD44,000,000 payable to the owners of the Company and the dividend totalling HKD514,000 payable to the non-controlling interests.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The out-of-home ("OOH") advertising market has remained challenging for the six months ended 30 June 2017 (the "Period") as uncertainty continued to hover over the global economies, including Mainland China and Hong Kong. We have nonetheless sustained business growth by leveraging our leading position in the OOH media markets of Hong Kong and Mainland China, as reflected by a total reported revenue of HKD743.7 million (2016: HKD666.0 million), which represented a year-on-year increase of 11.7%. Total revenue would have achieved year-on-year growth of 16.0% during the Period were it not for the depreciation of the RMB against the Hong Kong Dollar, which was down 4.8% when compared with the corresponding period of 2016. The Group's combined revenue, which provides a more comprehensive picture of its business scale, and includes the consolidated revenue of the Group and the total revenue of all associated companies engaged in the media advertising business, also rose 12.8% year-on-year to HKD1,099.5 million (2016: HKD974.5 million) for the Period. Owing principally to the encouraging performance of the airport business segment, we were able to achieve a turnaround in respect of profit attributable to owners of the Company which amounted to HKD5.0 million against a restated loss of HKD7.7 million reported for the corresponding period of the preceding year.

During the Period, we maintained our leading positions in the airport and metro advertising markets by continuing to rank first in the former and second in the latter in the Greater China region among privately owned media companies. And even though a report published by CTR Market Research found advertising spending ("adspend") slightly increased by 0.4% and OOH media adspend decreased by 2.7% in Mainland China in the first half of 2017, we still managed to record double-digit revenue growth in the country for the review period. At the Period end, Asiaray provided exclusive advertising services for 16 metro lines and 27 airports across 38 cities in the Greater China region (2016: 37 cities). The exclusive concession rights that we secured during the Period include Tianjin Metro Lines 2 and 3, which we envisage will generate synergies with our operations in Beijing as greater cooperation and interaction arise between the city and the capital. We have also obtained exclusive concession rights for Hangzhou Metro Lines 2 and 4, in addition to our existing media resources at the Hangzhou Xiaoshan International Airport, to provide media services encompassing the airport and metro lines in the city. It is worth noting that the annual aggregate passenger throughput of all the airports the Group has exclusive advertising rights to totaled 248.2 million as at the end of 2016, which accounted for close to one-quarter of the aggregate passenger throughput of all airports across Mainland China.

The Group upheld its leading industry position principally by leveraging its "Space Management" model, which also serves to differentiate the Group from its peers. During the Period, this model helped underpin an advertising campaign with Youku featuring the famous television series Eternal Love ("三生三世十里桃花"). With the Beijing Metro Line No. 4 as backdrop, the holistic campaign included installing artificial peach blossom trees; hanging lucky peach charms; projecting images of flower petals on the floor; distributing bouquets of flowers; and encouraging interaction through Weibo to win various prizes. The campaign effectively attracted the attention of diverse audiences and netizens as evidenced by significant media coverage, and created a powerful ripple effect across Weibo and WeChat platforms. It subsequently went on to receive a Silver Award at the 5th TopDigital Innovation Award in July 2017.

The Group's "Space Management" model, which provides stimulation to the five senses as well as creates interactive experiences for audiences, has garnered widespread recognition. Aside from earning an award at the 5th TopDigital Innovation Award, the Group also garnered Bronze Awards for its Tencent Cloud "Chinese New Year Blessing" campaign and Budweiser campaign which were organized at the Shenzhen and Xiamen airports respectively. Still other airport advertising campaigns that have received plaudits include the Tmall International Carousel Wrap at Hangzhou airport and Aliyun Interactive Exhibition at Shenzhen airport, which earned the Bronze Award and Merit Award respectively at The 17th IAI International Awards in May 2017.

Besides directing our energies towards delivering exceptional OOH media solutions, we have also sought to diversify our advertising mix. With adspend by traditional industries such as those in property and real estate following a downward trend, our strengthened sales force has been able to address the decline by acquiring advertisers from emerging industries, which include 3C products (Computer, Communication and Consumer Electronics), telecommunication, and Internet and apps. In Mainland China, revenue from the telecommunication market has seen high double-digit growth due to the exceptional performance of certain local mobile phone brands. Adspend from the Internet and mobile app market has likewise risen, by over 50%, due to the development of various online application platforms including cloud computing, video streaming and travel booking. This is supported by the latest report published by CTR Market Research, which ranked telecommunications top among industries in terms of OOH media adspend in the first half of 2017 in Mainland China.

Revenue from our airport business segment continued to grow steadily during the Period. Among the major contributors to such growth included Terminal 4 of Xiamen Gaoqi International Airport and Sanya Phoenix International Airport Terminal 2, which commenced operation in January and May 2016 respectively. Since Terminal 2 of Zhengzhou Airport became fully operational in April 2016, which has approximately four times greater floor area than Terminal 1, the Group has also been able to benefit from notably high advertising performance. Yet another airport that has performed encouragingly is the Hangzhou Xiaoshan International Airport which continued to enjoy healthy advertising demand since the eleventh G20 Summit was held in Hangzhou back in September 2016.

Performance of the metro lines business remained stable owing to contributions from existing metro lines and new lines secured by the Group, the latter included Tianjin Metro Lines 2 and 3 and Hangzhou Metro Lines 2 and 4. With the ramp up period for Beijing metro lines nearing an end, we will be able to enjoy a strong and steady income source from these routes. Towards the end of the Period, the Group secured exclusive concession rights for Shenzhen Metro Line No. 4 for three more years. In view of Shenzhen's prosperity as driven by the city's economic and technological achievements, the extension of concession rights will stand the Group in good stead as the local OOH media market further advances.

While the Group is committed to developing its airport and metro advertising businesses, it also recognizes that corporate governance and corporate social responsibility are essential and complementary to its success. To uphold sound corporate governance practices, the management and Asiaray's dedicated investor relations team have sought to enhance transparency and promote timely and accurate communications with shareholders. The Group's efforts in upholding sound corporate governance practices, enhancing transparency and promoting timely and accurate communications with internal and external parties have earned it the Best IR Company title in the small-cap category of the Hong Kong Investor Relations Association 3rd Investor Relations Awards in 2017. And Mr. Lam Tak Hing, Vincent ("Mr. Lam"), Chairman and Executive Director of Asiaray, received the individual honor of Best IR by Chairman/CEO at the same awards. In acknowledgement of our commitment to sustainable development and dedication to environmental protection, Asiaray was awarded the Certificate of Merit at the 2016 Hong Kong Awards for Environmental Excellence and named Hong Kong Green Organization under the Hong Kong Green Organization Certification led by the Environmental Campaign Committee and the Environmental Protection Department.

OUTLOOK

The second half of 2017 is expected to remain challenging as the Group will continue to face headwinds. Nonetheless, there are grounds for cautious optimism, including the uptrend in adspend by emerging industries in recent years and the ongoing transportation infrastructure boom will directly benefit the OOH media market by providing significant advertising space. Greater disposable income will also spur development of high-value advertising environments such as shopping malls and metro stations as well as expansion of aviation capacity — all are highly favorable developments for the OOH media industry.

Mainland China is presently the fastest growing of the world's major OOH markets, and is on track to overtake the United States as the largest market in the coming decade based on the current growth trend. Helping drive such growth will be digital out-of-home ("DOOH") advertising, which is projected to achieve a CAGR of approximately 15.8% from 2015 to 2020, with revenue reaching USD3,970 million[1] by 2020. DOOH formats will have a significant influence on the purchasing decision of advertising planners and buyers, as it will enable them to better target advertising and have measurable results. As for the Group, DOOH advertising will provide us with another platform for further monetizing our OOH media portfolio.

[1] *Source: China Entertainment and Media Outlook 2016-2020 by PricewaterhouseCoopers*

At Asiaray, we do not believe that innovation merely involves turning traditional billboards and lightboxes into LED or LCD digital screens. The Group has correspondingly taken steps to further advance DOOH advertising, including the launch of such solutions at selected venues in Hong Kong, which will be introduced subsequently to major cities in Mainland China. To expedite development of DOOH advertising, a Central Innovation and Technology Unit was established in April 2017, which will seek to achieve progress in areas including programmatic buying and media technologies, covering development of data-driven OOH advertising solutions that can offer targeted content based on audience demographics, weather and other parameters. In addition, more mobile and digital elements are being integrated into our advertising solutions, such as virtual reality ("VR") and iBeacon technologies — just like the innovative VR elements that were added in an advertising campaign at the Wuxi metro line which drew overwhelmingly positive response from commuters.

While developing our OOH and DOOH advertising solutions, such efforts will be supported by endeavors to capture enormous opportunities afforded by our airport and metro line businesses. According to the 13th Five-Year Plan for China's Civil Aviation Development, the number of airports under continued and new constructions will reach 74 by 2020, hence the airport system will be greatly modernized. Meanwhile such phenomenal growth is also set to be mirrored by the country's metro system. According to the 13th Five-Year Plan for the Development of a Modern and Integrated Transportation System, in 2020, the metro mileage will double that of 2015. The Group will therefore continue to examine opportunities for capitalizing on the abovementioned developments, including establishing new cooperative ties and by optimizing existing media resources to generate greater synergies.

Besides the aforementioned developments, the staging of the 9th BRICS Summit in Xiamen in September 2017 will offer another golden opportunity to the Group. With our exclusive concession rights to operate and manage the media resources of Terminal 4 of Xiamen Gaoqi International Airport, we will be able to benefit from strong interest among advertisers seeking to attract the sharp rise in travelers in Xiamen.

Aside from developing our traditional businesses, we will continue to explore new opportunities to exploit and showcase our OOH advertising expertise that go beyond traditional venues. A case in point was our appointment as exclusive advertising agency of the inaugural 2016 FIA Formula E HKT Hong Kong ePrix. We are pleased to take up the responsibility again in 2017, and will be leveraging our "Space Management" model to deliver even more creative advertising solutions, as well as manage twice as many types of media as last year. Our appointment is testimony to the organizer's trust and appreciation in Asiaray for its ability to manage world-class standard projects and efficiently complete complicated preparations for a large venue within a tight timeline.

Regardless of where opportunities and market changes will lead us, we are confident in our ability to deliver exceptional OOH advertising solutions by employing our "Space Management" model, leveraging the ample experience of our management team and capitalizing on our capacity to innovate. Through our dedicated effort, we will further bolster our leading position in the industry, sustain growth and create value for our shareholders.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2017 increased from approximately HKD666.0 million to approximately HKD743.7 million, representing an increase of 11.7%. The increase was mainly attributable to the strong growth in revenue from airport media segment.

The revenue from airport media increased by 24.6% from approximately HKD305.2 million in the corresponding period of 2016 to approximately HKD380.3 million. Airports which were incepted or renewed in last year, including Xiamen, Sanya and Zhengzhou airports, continued to be the key growth engine and they all achieved a high double-digit growth in the Period. Performance in our existing airports such as Yunnan Airports and Hangzhou Airport remained stable during the Period.

Our revenue from metro media segment for the Period increased by approximately HKD5.6 million or 2.8%, from approximately HKD201.1 million in the corresponding period of 2016 to approximately HKD206.7 million. This was primarily attributable to the additional revenue from Tianjin Metro Lines 2 and 3 which incepted in the first quarter of this year. A satisfactory revenue growth in Beijing metro lines was reported during the Period, but such increase was partially offset by the decrease in revenue from the metro lines in Shenzhen and Hong Kong.

Our revenue from billboards and building solutions segment decreased by approximately HKD8.6 million or 11.1%, from approximately HKD77.6 million in the corresponding period of 2016 to approximately HKD69.0 million, which was primarily attributable to the drop in advertising revenue from Shanghai resulted by certain billboards demolition under the regulatory policy.

Other revenue increased by HKD5.6 million or 6.8%, from approximately HKD82.1 million in 2016 to approximately HKD87.7 million in 2017 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 the 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	28.0%	22.1%	30.6%	24.6%
Metro media	1.8%	-0.7%	5.5%	2.8%

	Growth rate (Excluding currency impact)	Reported growth rate
Consolidated group revenue	16.0%	11.7%

defined as revenue generated from the same projects which both contributed revenue for the Period and the corresponding period in 2016 respectively

Cost of Revenue

Our cost of revenue increased by approximately HKD41.4 million, or 7.2%, from HKD573.1 million in 2016 to HKD614.5 million in 2017. The increase was primarily due (a) the concession rights obtained to operate the advertising spaces at Tianjin Metro Lines 2 and 3 which was newly incepted in the first quarter of 2017; and (b) the increase of concession fee payable under the concession rights contract of Zhengzhou airport which was renewed in last year.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Period increased from approximately HKD92.9 million to approximately HKD129.2 million and the Group's gross profit margin increase from 13.9% for 2016 to 17.4% for 2017 due to: (1) an increase in gross profit from the airport business segment primarily due to the promising revenue growth in newly incepted airport projects in addition to a stable performance delivered by existing airports; (2) an increase in gross profit contributed by Wuxi and Beijing metro lines where we launched many successful advertising campaigns; partially offset by (3) the inception of Tianjin metro lines in this year which was still in the ramp-up stage.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately HKD3.6 million, or 7.1%, from HKD51.7 million for the corresponding period in 2016 to HKD55.3 million. This increase was primarily attributable to increased employee benefit expenses as a result of the growth of our business operations, partially offset by decrease in travelling and entertainment expenses.

Administrative Expenses

Our administrative expenses decreased by approximately HKD5.2 million, or 7.2%, from HKD71.6 million for the corresponding period in 2016 to HKD66.4 million. The decrease was primarily attributable to decrease in other professional service fees and recognition of a reversal of impairment provision for trade and other receivables.

Finance Costs/Income — net

Net finance costs was HKD0.2 million for the six months ended 30 June 2017, compared with net finance income of HKD0.3 million in 2016. This was primarily attributable to the increase in average borrowings during the Period.

Share of Results of Investments in Associates

Our share of results of investments in associates for the six months ended 30 June 2017 increased 116.5% from approximately HKD1.2 million to approximately HKD2.6 million due to a better performance in an associate company, Shenzhen Airport Asiaray Media Company Limited, during the Period.

Income Tax Expenses

Our income tax expense increased by approximately HKD2.0 million, from HKD0.2 million for the six months ended 30 June 2016 to HKD2.2 million for the Period. This increase was primarily attributable to the increase in the profit before income tax by HKD11.1 million.

Profit/(Loss) Attributable to Owners of the Company

Profit attributable to owners of the Company was approximately HKD5.0 million for the Period, compared to a restated loss of approximately HKD7.7 million for 2016. The increase in profit was the net effect of (i) increase in gross profit of the Group as fully explained in the above and partially offset by (ii) the absence of the HKD28.4 million other gain associated with the written back of provision of compensation loss in this Period.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

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

Liquidity and Financial Resources

The Group's cash and cash equivalents, short-term deposits and restricted cash was approximately HKD358.3 million as at 30 June 2017, an increase of approximately HKD30.7 million compared with that as at 31 December 2016. As at 30 June 2017, the financial ratios of the Group were as follows:

	As at 30 June 2017	As at 31 December 2016
Current ratio[(1)]	**1.48**	1.61
Gearing ratio[(2)]	**Net cash**	Net cash

Notes:

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

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

Borrowings

The Group's bank borrowings as at 31 December 2016 in the sum of approximately HKD57.1 million were repaid during the period under review. The Group's total borrowing as at 30 June 2017 was approximately HKD124.3 million.

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 2017, the Group pledged its buildings and land use rights with carrying amount of HKD25.9 million (31 December 2016: HKD34.1 million), respectively to secure borrowings of the Group. The total secured borrowings as at 30 June 2017 amounted to HKD6.0 million (31 December 2016: HKD14.5 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 2017, all 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.

Capital Expenditures

The Group's 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 2017 and 2016 were HKD10.8 million and HKD28.0 million, respectively.

Commitments

(1) As at 30 June 2017 and 31 December 2016, 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 2017 *HKD'000* **(Unaudited)**	As at 31 December 2016 *HKD'000* (Audited)
Not later than 1 year	**867,201**	853,071
Later than 1 year and not later than 5 years	**1,914,058**	1,613,948
Later than 5 years	**821,050**	750,371
	3,602,309	3,217,390

Contingent liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2017 and 31 December 2016.

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 2017, the Group has 868 permanent and temporary employees. The total salaries and related costs for the six months ended 30 June 2017 and 2016 amounted to approximately HKD80.1 million and HKD76.3 million, respectively.

INTERIM DIVIDEND

The Board has declared an interim dividend of HKD0.16 per share, totalling HKD70,400,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HKD0.13 per share) payable on 10 November 2017 to the shareholders whose names appear on the register of members of the Company on 31 October 2017.

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 27 October 2017 to 31 October 2017, 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 26 October 2017.

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.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B (1) of the Listing Rules, the change in information of Directors is as follows:

1. Ms. Mak Ka Ling was appointed as an independent non-executive director of the Company on 5 May 2017.

2. Ms. Mak Ka Ling was appointed as a member of the audit committee, nomination committee and remuneration committee of the Company on 5 May 2017.

3. Mr. So Chi Man retired as executive director of the Company and remained as a consultant to the Company with effect from 26 June 2017.

4. Mr. Yung Chung Man retired as non-executive director of the Company with effect from 26 June 2017.

5. Dr. Chan Chi Fai, Andrew retired as independent non-executive director of the Company with effect from 26 June 2017.

6. Mr. Ma Ho Fai *GBS JP* was awarded Gold Bauhinia Star in June 2017.

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 2016 (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 2016.

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 2017.

AUDIT COMMITTEE

The Company's interim results for the Period have not been audited but the Company's audit committee has reviewed the unaudited consolidated financial results and the interim report of the Company for the Period and agreed to the accounting principles and practices adopted by the Company.

The audit committee of the Company comprises three independent non-executive directors, namely Mr. Ma Andrew Chiu Cheung (Chairman), Mr. Ma Ho Fai *GBS JP* and Ms. Mak Ka Ling.

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

Hong Kong, 22 August 2017

As at the date of this announcement, the executive directors of the Company are Mr. Lam Tak Hing, Vincent and Mr. Lam Ka Po; the non-executive director of the Company is Mr. Wong Chi Kin; and the independent non-executive directors of the Company are Mr. Ma Andrew Chiu Cheung, Mr. Ma Ho Fai GBS JP and Ms. Mak Ka Ling.