Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Asiaray Media Group
雅仕维传媒集团

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1993)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "Board") of Asiaray Media Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017, together with the audited comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2017	2016
	Note	***HKD'000***	*HKD'000*
			(Restated)
Revenue	*2*	**1,759,244**	1,470,795
Cost of revenue	*3*	**(1,396,511)**	(1,180,312)
Gross profit		**362,733**	290,483
Selling and marketing expenses	*4*	**(135,372)**	(126,638)
Administrative expenses	*5*	**(153,278)**	(149,909)
Other income	*6*	**12,509**	12,257
Other (losses)/gains, net	*6*	**(1,063)**	24,315
Operating profit		**85,529**	50,508
Finance income	*7*	**3,620**	2,869
Finance costs	*7*	**(7,143)**	(2,545)
Finance (costs)/income, net	*7*	**(3,523)**	324
Share of results of investments in associates		**8,584**	5,255
Profit before income tax		**90,590**	56,087
Income tax expense	*8*	**(19,388)**	(14,925)
Profit for the year		**71,202**	41,162

	Note	Year ended 31 December 2017 HKD'000	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		**47**	343
— Disposal of available-for-sale financial assets, net of tax		**–**	835
— Currency translation differences		**31,236**	(34,940)
		31,283	(33,762)
Total comprehensive income for the year		**102,485**	7,400
Profit attributable to:			
Owners of the Company		**44,690**	16,883
Non-controlling interests		**26,512**	24,279
Profit for the year		**71,202**	41,162
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**78,458**	(14,158)
Non-controlling interests		**24,027**	21,558
Total comprehensive income for the year		**102,485**	7,400
Earnings per share attributable to owners of the Company for the year *(expressed in HK cents per share)*	*9*		
— Basic		**10.16**	3.84
— Diluted		**10.15**	3.84

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2017 HKD'000	2016 HKD'000 (Restated)	1 January 2016 HKD'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**89,006**	100,118	63,984
Construction-in-progress		**–**	–	16,776
Land use rights		**25,547**	22,931	15,583
Investment properties		**8,520**	7,408	6,557
Intangible assets		**1,614**	1,842	1,187
Investments in associates	*11*	**27,391**	26,997	37,938
Financial assets at fair value through profit or loss		**5,953**	4,537	3,877
Available-for-sale financial assets		**8,418**	8,346	56,926
Deferred income tax assets		**83,860**	78,075	78,418
Non-current portion of other receivables	*12*	**15,569**	13,697	18,248
		265,878	263,951	299,494
Current assets				
Inventories		**2,799**	1,326	1,343
Trade and other receivables	*12*	**636,183**	543,621	525,616
Short-term deposits	*13*	**31,628**	46,737	114,757
Restricted cash		**71,768**	63,552	81,807
Cash and cash equivalents		**299,188**	217,336	241,946
		1,041,566	872,572	965,469
Total assets		**1,307,444**	1,136,523	1,264,963
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		**44,000**	44,000	44,000
Share premium		**346,613**	461,013	557,813
Reserves		**(436)**	(21,698)	(5,087)
Perpetual subordinated convertible securities		**30,000**	–	–
Retained earnings		**117,300**	72,610	55,727
		537,477	555,925	652,453
Non-controlling interests		**41,701**	31,739	52,645
Total equity		**579,178**	587,664	705,098

	Note	As at 31 December 2017 HKD'000	2016 HKD'000 (Restated)	1 January 2016 HKD'000 (Restated)
Liabilities				
Non-current liabilities				
Borrowings		**14,146**	5,310	6,863
Deferred income tax liabilities		**–**	–	–
		14,146	5,310	6,863
Current liabilities				
Trade and other payables	*14*	**568,183**	471,909	477,327
Current income tax liabilities		**15,733**	10,002	10,669
Borrowings		**130,204**	61,638	16,694
Provision for compensation loss		**–**	–	48,312
		714,120	543,549	553,002
Total liabilities		**728,266**	548,859	559,865
Total equity and liabilities		**1,307,444**	1,136,523	1,264,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

(a) Changes of accounting policies with respect to the measurement of investment properties

During the year, 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 were stated at fair value and recognises the fair value changes to the consolidated statement of comprehensive income 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 have been applied retrospectively and the comparative amounts have been restated accordingly.

(b) Effect of change of measurement of investment properties

The effect of change of measurements of investment properties on the Group's results for the years ended 31 December 2017 and 2016 by line items presented in the consolidated income statement (extracts) are as follows:

	At 31 December 2017 *HKD'000*	**Effect of changes of measurement of investment properties** *HKD'000*	**At 31 December 2017 (as presented)** *HKD'000*
Administrative expenses	**(153,363)**	**85**	**(153,278)**
Other losses, net	**(1,636)**	**573**	**(1,063)**
Income tax expense	**(19,223)**	**(165)**	**(19,388)**
Profit attributable to:			
Owners of the Company	**44,197**	**493**	**44,690**
Non-controlling interests	**26,512**	**–**	**26,512**
Earnings per share attributable to owners of the Company for the year *(expressed in HK cents per share)*			
— Basic	**10.04**	**0.12**	**10.16**
— Diluted	**10.04**	**0.11**	**10.15**

	At 31 December 2016 *HKD'000*	Effect of changes of measurement of investment properties *HKD'000*	At 31 December 2016 (as presented) *HKD'000*
Administrative expenses	(149,995)	86	(149,909)
Other gains, net	22,992	1,323	24,315
Income tax expense	(14,573)	(352)	(14,925)
Profit attributable to:			
Owners of the Company	15,826	1,057	16,883
Non-controlling interests	24,279	–	24,279
Earnings per share attributable to owners of the Company for the year *(expressed in HK cents per share)*			
— Basic and diluted	3.60	0.24	3.84

2. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

— Airports business — operation of advertising services in airports;

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

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

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

There are no segment assets and liabilities information provided to Executive Directors.

The segment information for the operating segments is as follows:

	Airports business *HKD'000*	Metro lines business *HKD'000*	Billboards and building solutions *HKD'000*	Others *HKD'000*	Total *HKD'000*
Year ended 31 December 2017					
Revenue	**843,515**	**574,660**	**138,882**	**202,187**	**1,759,244**
Cost of revenue	**(616,570)**	**(477,508)**	**(125,094)**	**(177,339)**	**(1,396,511)**
Gross profit	**226,945**	**97,152**	**13,788**	**24,848**	**362,733**
Selling and marketing expenses					**(135,372)**
Administrative expenses					**(153,278)**
Other income					**12,509**
Other losses, net					**(1,063)**
Operating profit					**85,529**
Finance income					**3,620**
Finance costs					**(7,143)**
Finance costs, net					**(3,523)**
Share of results of investments in associates	**8,584**	**–**	**–**	**–**	**8,584**
Profit before income tax					**90,590**
Income tax expense					**(19,388)**
Profit for the year					**71,202**

	Airports business *HKD'000*	Metro lines business *HKD'000*	Billboards and building solutions *HKD'000*	Others *HKD'000*	Total *HKD'000* (Restated)
Year ended 31 December 2016					
Revenue	685,434	457,843	157,867	169,651	1,470,795
Cost of revenue	(541,974)	(353,131)	(138,312)	(146,895)	(1,180,312)
Gross profit	143,460	104,712	19,555	22,756	290,483
Selling and marketing expenses					(126,638)
Administrative expenses					(149,909)
Other income					12,257
Other gains, net					24,315
Operating profit					50,508
Finance income					2,869
Finance costs					(2,545)
Finance income, net					324
Share of results of investments in associates	5,255	–	–	–	5,255
Profit before income tax					56,087
Income tax expense					(14,925)
Profit for the year					41,162

Revenue consisted of the following:

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
Advertising display revenue	**1,589,651**	1,333,390
Advertising production, installation and dismantling revenue	**169,593**	137,405
	1,759,244	1,470,795

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

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
Mainland China	**1,450,654**	1,150,118
Hong Kong	**308,590**	320,677
	1,759,244	1,470,795

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

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

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
		(Restated)
Mainland China	**157,862**	165,314
Hong Kong	**9,785**	7,679
	167,647	172,993

3. COST OF REVENUE

Expenses included in cost of revenue are analysed as follows:

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
Concession fee charges for advertising spaces	**1,194,033**	1,032,974
Project installation and dismantling costs	**78,055**	67,062
Tax and surcharges	**32,285**	20,736
Depreciation of property, plant and equipment	**27,607**	25,976
Utilities	**23,832**	13,045
Others	**40,699**	20,519
	1,396,511	1,180,312

4. SELLING AND MARKETING EXPENSES

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

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
Employee benefit expenses	**102,139**	84,177
Travelling and entertainment expenses	**26,210**	16,749
Marketing research expenses	**3,514**	19,045
Office expenses	**1,589**	1,418
Office rental expenses	**609**	611
Sales commissions	**522**	544
Depreciation of property, plant and equipment	**216**	22
Warrant expenses	**–**	3,075
Others	**573**	997
	135,372	126,638

5. ADMINISTRATIVE EXPENSES

Expenses included in administrative expenses are analysed as follows:

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
		(Restated)
Employee benefit expenses	**76,309**	78,560
Travelling and entertainment expenses	**16,846**	11,915
Office rental expenses	**15,799**	12,560
Office expenses	**11,080**	13,155
Other professional service fees	**10,936**	12,467
Depreciation of property, plant and equipment	**10,317**	7,583
Bank charges	**4,354**	3,590
Auditors' remuneration	**3,868**	4,142
— Audit services	**3,468**	4,025
— Non-audit services	**400**	117
Taxes and surcharges	**2,468**	2,529
Amortisation of land use rights	**632**	414
Amortisation of intangible assets	**589**	462
(Reversal of)/impairment provision for trade and other receivables	**(1,023)**	1,267
Others	**1,103**	1,265
	153,278	149,909

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

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
Other income		
Advertising consulting service income	**6,987**	2,700
Government subsidy income	**1,359**	2,414
Interest income on loans to an associate	**925**	1,080
Compensation from counter parties for breach of contracts	**892**	906
Reimbursement of installation and maintenance costs	**788**	722
Advertising design service income	**757**	981
Dividend income on available-for-sale financial assets	**486**	2,536
Rental income on investment properties	**264**	213
Interest income on available-for-sale financial assets	**51**	705
	12,509	12,257

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
		(Restated)
Other (losses)/gains, net		
Net exchange gains/(losses)	**581**	(24)
Fair value gains on investment properties at fair value through profit or loss	**573**	1,323
Fair value gains on financial assets at fair value through profit or loss	**569**	72
Written back compensation loss (a)	**–**	24,662
Losses on disposal of available-for-sale financial assets	**–**	(1,127)
Losses on disposal of property, plant and equipment	**(3,795)**	(186)
Others	**1,009**	(405)
	(1,063)	24,315

(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 legal advisor on the laws of the People's Republic of China (the "PRC"), 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 during the year ended 31 December 2015.

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

7. FINANCE COSTS/(INCOME), NET

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
Finance income		
Interest income on bank deposits	**(3,620)**	(2,869)
Finance costs		
Interest expense on bank borrowings	**7,143**	2,545
Finance costs/(income), net	**3,523**	(324)

8. INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2017 and 2016 is analysed as follows:

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
		(Restated)
Current income tax		
— PRC corporate income tax	**20,524**	16,387
— Hong Kong profits tax	**(225)**	3,172
	20,299	19,559
Deferred income tax	**(911)**	(4,634)
	19,388	14,925

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for as there was business operation that is subject to Hong Kong profits tax. It had been provided for at the rate of 16.5% on the estimated assessable profits for each of the years ended 31 December 2017 and 2016.

(c) PRC corporate income tax

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

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

(d) PRC withholding tax

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

9. EARNINGS PER SHARE

(a) Basics

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

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
		(Restated)
Profit attributable to owners of the Company	**44,690**	16,883
Weighted average number of ordinary shares in issue *(thousands)*	**440,000**	440,000
Earnings per share *(HK cents per share)*	**10.16**	3.84

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company, warrants and PSCS (forming the denominator for computing diluted earnings per share).

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

The weighted average number of shares on issue has been adjusted as if PSCS were converted. The weighted average number of shares that could have been issued upon the exercise of the conversion of the PSCS is added to the denominator.

	2017	2016
	HKD'000	*HKD'000*
		(restated)
Profit attributable to equity holders of the Company	**44,690**	16,883
Weighted average number of ordinary shares used to calculate basic earnings per share (thousands)	**440,000**	440,000
Adjustments for:		
— conversion of PSCS between 28 December 2017 to 2017 year-end (thousands)	**93**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**440,093**	440,000
Diluted earnings per share (expressed in HK cents per share)	**10.15**	3.84

10. DIVIDENDS

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
Proposed final dividend of HKD0.10 (2016: HKD0.10) per share (a)	**44,000**	44,000
Interim dividend of HKD0.16 (2016: HKD0.13) per share	**70,400**	57,200
	114,400	101,200

(a) At the meeting held on 27 March 2018, the Board recommended the payment of a final dividend of HKD0.10 (2016: HKD0.10) per share for the year ended 31 December 2017, amounting to a total of HKD44,000,000 (2016: HKD44,000,000). This proposed dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company. These financial statements do not reflect this dividend payable.

11. INVESTMENTS IN ASSOCIATES

	Year ended/As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
At beginning of the year	**26,997**	37,938
Share of results	**8,584**	5,255
Dividend	**(10,715)**	(13,745)
Currency translation differences	**2,525**	(2,451)
At end of the year	**27,391**	26,997

12. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
Included in current assets		
Trade receivables (a)	**440,580**	354,610
— Due from related parties	**6,048**	10,428
— Due from third parties	**434,532**	344,182
Less: allowance for impairment of trade receivables (b)	**(23,189)**	(23,494)
Trade receivables, net	**417,391**	331,116
Other receivables (c)	**112,244**	98,801
— Due from related parties	**15,447**	6,625
— Due from third parties	**96,797**	92,176
Less: allowance for impairment of other receivables (d)	**(1,739)**	(1,090)
Other receivables, net	**110,505**	97,711
Interest receivable	**1,107**	857
Prepaid taxes	**27,960**	14,197
Other prepayments (e)	**79,220**	95,268
— Paid to related parties	**4,914**	3,088
— Paid to third parties	**74,306**	92,180
Loans to an associate (f)	**–**	4,472
	636,183	543,621
Included in non-current assets		
Loans to an associate (f)	**15,569**	13,697
Total	**651,752**	557,318

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

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
Up to 6 months	**331,480**	256,304
6 months to 12 months	**58,786**	49,791
1 year to 2 years	**26,030**	32,306
2 years to 3 years	**8,481**	5,499
Over 3 years	**15,803**	10,710
	440,580	354,610

As at 31 December 2017 and 2016, trade receivables past due but not impaired were approximately HKD417,391,000 and HKD331,116,000, respectively. These mainly relate to a number of independent customers for whom there were no significant financial difficulties and based on the past experience, the overdue amount can be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
Up to 6 months	**331,447**	254,829
6 months to 12 months	**58,786**	48,187
1 year to 2 years	**23,970**	26,859
2 years to 3 years	**3,188**	1,241
	417,391	331,116

As at 31 December 2017 and 2016, trade receivables of HKD23,189,000 and HKD23,494,000 were impaired. The amount of the provision were HKD23,189,000 and HKD23,494,000 as of 31 December 2017 and 2016. The ageing of these receivables is as follows:

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
Up to 6 months	**33**	1,475
6 months to 12 months	**–**	1,604
1 year to 2 years	**2,060**	5,447
2 years to 3 years	**5,293**	4,258
Over 3 years	**15,803**	10,710
	23,189	23,494

(b) Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2017	2016
	HKD'000	*HKD'000*
At beginning of the year	**23,494**	23,911
(Reversal of)/provision for impairment	**(1,582)**	1,134
Currency translation differences	**1,277**	(1,551)
At end of the year	**23,189**	23,494

The provision for impaired receivables had been included in 'administrative expenses' in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(c) Other receivables mainly represent guaranteed deposits paid to various media resources owners and amounts due from certain related parties. As at 31 December 2017 and 2016, other receivables past due but not impaired were approximately HKD15,447,000 and HKD6,625,000, respectively. These mainly relate to certain related companies for whom there were no significant financial difficulties and based on the past experience, the overdue amount can be recovered. The ageing analysis of these other receivables is as follows:

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
180 days or less	**9,066**	6,486
Over 180 days	**6,381**	139
	15,447	6,625

As at 31 December 2017 and 2016, other receivables of HKD1,739,000 and HKD1,090,000 over 180 days were impaired. The amount of the provision were HKD1,739,000 and HKD1,090,000, respectively.

(d) Movements on the Group's provision for impairment of other receivables are as follows:

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
At beginning of the year	**1,090**	1,028
Provision for impairment	**559**	133
Provision written off	**(6)**	–
Currency translation differences	**96**	(71)
At end of the year	**1,739**	1,090

The provision and reversal of provision for impaired other receivables have been included in 'administrative expenses' in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(e) Analysis of other prepayments is as follows:

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
Prepayments for concession fee charges for advertising spaces	**74,764**	88,160
Others	**4,456**	7,108
	79,220	95,268

(f) It represented an interest-free loan HKD18,245,000 (RMB15,251,000) from Shanghai Asiaray Advertising Company Limited ("Shanghai Asiaray") to Fujian Zhaoxiang Advertising Company Limited ("Fujian Zhaoxiang Advertising") with a term of 2 years. The initial fair value of the loan was based on cash flow discounted using interest rate based on the prevailing borrowing rates of 6.55%, promulgated by the People's Bank of China.

In 2014, Shanghai Asiaray entered into a formal equity transfer agreement and a related supplemental agreement with Xiamen Iport Group Co., Ltd. (廈門翔業集團有限公司) (the "Agreements"). Pursuant to the Agreements, approximately HKD18,245,000 (RMB15,251,000) representing 49% of the retained earnings of Fujian Zhaoxiang Advertising as at 30 June 2014 was declared as dividends to Shanghai Asiaray, which was immediately loaned to Fujian Zhaoxiang Advertising through entrusted loan arrangement with commercial banks for funding its business expansion.

(g) The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
RMB	**558,933**	462,832
HKD	**92,819**	94,486
	651,752	557,318

13. SHORT-TERM DEPOSITS

The effective interest rate for the short-term deposits of the Group with initial terms ranging from 6 months to 1 year for the years ended 31 December 2017 and 2016 was 1.70% and 1.96%, respectively.

The Group's short-term deposits were denominated in the following currencies:

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
RMB	**31,427**	46,537
HKD	**201**	200
	31,628	46,737

Short-term deposits were neither past due nor impaired. The directors of the Company considered that the carrying amount of the short-term deposits approximated their fair value as at 31 December 2017 and 2016.

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
Trade payables (a)	**117,580**	83,536
— Due to related parties	**33,698**	24,250
— Due to third parties	**83,882**	59,286
Accrued concession fee charges for advertising spaces (b)	**193,796**	210,278
— Due to related parties	**192,141**	149,849
— Due to third parties	**1,655**	60,429
Advances received from customers	**149,697**	133,077
Other taxes payable	**6,915**	4,755
Dividends payable	**29,309**	–
Salary and staff welfare payables	**22,770**	16,245
Other payables (c)	**48,116**	24,018
— Due to related parties	**4,283**	1,666
— Due to third parties	**43,833**	22,352
	568,183	471,909

(a) As at 31 December 2017 and 2016, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2017	2016
	HKD'000	*HKD'000*
Up to 6 months	**88,999**	42,633
6 months to 12 months	**953**	17,396
1 year to 2 years	**26,710**	22,225
2 years to 3 years	**226**	184
Over 3 years	**692**	1,098
	117,580	83,536

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Over the past year, global economic activity has continued to rise, with global output estimated to have grown by 3.7% in 2017, which is 0.1 percentage point faster than projected in the fall and half a percentage point higher than in 2016 according to the International Monetary Fund[1]. Despite the upswing, however, market conditions for the out-of-home ("OOH") advertising industry in Mainland China and Hong Kong have remained challenging as advertisers remained cautious and kept a tight rein on advertising spending ("adspend"). Even though conditions were less than favourable, our airport and metro advertising operations were still able to realise growth, which in the case of the former was due to the gradual ramp up of associated new projects, while in the case of the latter was the result of securing new media resources. Also, our well-developed "Space Management" approach that has been welcomed by advertisers further facilitated the Group's business growth. Correspondingly, total reported revenue rose by 19.6% to HKD1,759.2 million (2016: HKD1,470.8 million). Combined revenue, which includes consolidated revenue and revenue from all associated companies of the Group engaged in the media advertising business, also grew, rising by 20.1% year-on-year to HKD2,567.0 million (2016: HKD2,137.7 million). Owing to the encouraging performance of our core businesses, profit attributable to owners of the Company surged by 164.5% to HKD44.7 million versus HKD16.9 million in the preceding year.

According to a CTR Market Research report, overall adspend in Mainland China has achieved a turnaround following two years of negative growth, rising by 4.3% year-on-year in 2017. However, OOH media adspend in the country actually contracted slightly by 0.4% during the same period. Despite the mixed signals from the market, we continued to be a top player in the Greater China region. With revenue growth of 23.1% and 25.5% from the airport and metro advertising businesses respectively in 2017, the Group has continued to rank first and second in the respective markets in the Greater China region among privately-owned media companies.

As at 31 December 2017, the Group provides exclusive advertising services for 16 metro lines and 27 airports across 38 cities in Mainland China. With the annual aggregate passenger traffic of all airports exclusively covered by the Group in Mainland China amounting to 228 million as at the close of 2017, we have thus captured approximately one-fifth of aggregate passenger traffic of all airports in the country. Given our leading position in Mainland China, we will leverage our stature to seize more opportunities and thus ensure that the country continues to be our major growth driver going forward.

[1] https://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018

Our success can directly be attributed to the ability to innovate, and a clear example of this is our well-developed"Space Management" model that has been embraced by advertisers, landlords and audiences alike. Besides enabling us to differentiate the Group from other market players, space management allows us to create value for advertisers through the shrewd use of available spaces, as well as the ability to stimulate the five senses of audiences that results in unforgettable experiences. By employing the space management model frequently, and integrating advanced technologies such as digital media with OOH media, we are also able to further hone our expertise facilitating the model's continuous advancement.

Among the exciting venues where we have used our space management model to best effect as well as showcase the Group's ability to provide innovative advertising solutions beyond airports and metro lines was our efforts for the 2017 FIA Formula E Hong Kong E-Prix ("Hong Kong E-Prix"). Having been appointed exclusive advertising agency for the second consecutive year, we sought to take yet another step forward, consequently exploring and utilising creative and unique advertising spaces for capturing the attention of a global audience.

Our Group is willing to go to great heights to cater for the needs of our clients, for example, we developed a tailored advertising solution for the brewing company, Heineken that employed the Shanghai Tower — the tallest building in the PRC and third tallest in the world — along with four other iconic buildings in the heart of Shanghai's financial district. Through the use of LED technology, these buildings bathed the city in the brewer's signature green palette all the while capturing the attention of an awestruck public.

In order to sustain growth momentum and mitigate the impact of business cycles, the Group has continued to bolster its extensive and diversified client portfolio. At the same time, it has sought to strengthen the Group's sales team in order to capture the tremendous opportunities brought about by the emerging industries, which tend to favour OOH advertising. Correspondingly, heading our advertising mix is Telecommunication and 3C (Computer, Communication and Consumer Electronics), with the other top industries being Fast Moving Consumer Goods, Automobile and Related, Banking and Insurance, and Property and Real Estate.

As a company that takes pride in its work, we are always immensely honoured that our efforts are valued and appreciated by our clients and the industry. In 2017, Asiaray was granted a considerable number of advertising awards. Among more than 10 fiercely contested advertising competitions that the Group participated in both at home and abroad, Asiaray captured over 20 high-profile awards. We not only received recognition at the ROI Festival and top domestic competitions, including the China Advertising Great-wall Award where Asiaray has taken top honours for many years, but we were also granted the Gold Award of Media Marketing in the China Advertising Great-wall Award. Our creative capability and strength are unanimously recognized by the public.

All the aforementioned honours can be credited to co-operation between Asiaray and advertisers, advertising agencies and media owners. We will continue our close collaboration with the respective parties while leveraging our "Space Management" model to create extraordinary experiences for both passengers and audiences, and thereby ensuring a win-win result for all our stakeholders.

Over the past year, the airport business has continued to perform favourably, leading to an increase in revenue inflow. Among the contributors to such growth was Terminal 4 of Xiamen Gaoqi International Airport which the Group had obtained advertising concession rights in the preceding year. Yet another effort that bore fruit was Terminal 2 of Zhengzhou Airport which, having completed ramp-up, delivered notable contributions to the Group in 2017 as a result.

Revenue from our metro lines business also increased and was largely driven by greater sales from Beijing Metro Lines and Wuxi Metro Lines, as well as income from newly secured lines, i.e. Tianjin and Hangzhou. With regard to the Tianjin operation, we obtained exclusive rights in March 2017 to operate advertising and media resources for Metro Lines 2 and 3, which run from east to west and south to north respectively through the heart of the city, central business districts, residential areas and major traffic hubs. Presently, these two metro lines cover 45 of the 89 stations in Tianjin and have total ridership of over one million passengers per month. With regard to the Hangzhou operation, we have held exclusive concession rights to Metro Line 2 and Line 4 since June 2017. With burgeoning internet and tourism-related industries, Hangzhou has become an important business and transportation hub in Mainland China. Reflecting its rising stature, the city achieved an average daily transportation load of almost 4.14 million in 2016.

Over the past year, we have been recognised for our various efforts both within the industry and beyond. This has included winning the Outstanding Import & Export Enterprise Awards 2017 — Market Development Excellence Award, owing to our outstanding market development strategies, ability to capture market share, and for contributing to the community and industry as part of the Group's corporate social responsibility efforts. We also earned two awards at The 17th IAI International Advertising Awards and three more honours at the 5th TopDigital Innovation Award. And in recognition of our commitment to advancing investor relations, we were bestowed "Best IR Company" and "Best IR by Chairman/CEO" titles at the HKIRA 3rd IR Awards. Yet another accolade that highlighted our concerns beyond the business realm was the naming of the Group as "Hong Kong Green Organisation" under the Hong Kong Green Organisation Certification ("HKGOC") programme, led by the Environmental Campaign Committee ("ECC"). We also received a Certificate of Merit in the field of Media and Communication at the 2016 Hong Kong Awards for Environmental Excellence ("HKAEE").

OUTLOOK

The OOH advertising industry is expected to continue to some challenges in the near future. Nevertheless, we remain optimistic about the industry's outlook further down the road in view of the recovering retail sector in Hong Kong and steady expansion of the OOH market in Mainland China. In the case of the latter, expansion is expected to intensify according to PwC China Entertainment and Media Outlook 2017-2021 ("PwC Report"), which projects income derived from the Mainland China OOH market to increase at a CAGR of 8.5% till 2021. At that time, the country will have the fastest developing OOH market in the world. Driving such growth is a booming construction sector, with many large-scale infrastructure projects either underway or planned, including over 80 airports. There are also many cities that are building or expanding their public transportation systems, which will result in greater demand for advertising solutions. Besides ongoing construction, another catalyst for the OOH market's growth is the telecommunications and 3C industry. In 2017, this segment was already the largest source of adspend in Mainland China as well as the top revenue driver of the Group — a trend that is expected to continue.

As a company that is constantly looking at ways to seize new opportunities, we will continue to further hone our media resources network and develop innovative solutions that expedite our progress and growth. A clear example of this determination is our efforts for Hong Kong Red Cross Blood Transfusion Service ("BTS") in March 2018. As part of our strategy, we unveiled an online and offline ("O&O") blood donation campaign. We also created the "Turning Challenge" (轉圈挑戰) to encourage the general public to be regular blood donors. Leading up to the launch of the Challenge, we developed different facets of the campaign such as overall concept, layout design and video promotion. We also sought support from celebrities and key opinion leaders from various sectors. By posting their attempts on such social media platforms as Facebook and YouTube, we were not only able to promulgate the "regular blood donation" message, but also reach the youth demographic and encourage their participation. The videos of participants were also included in a comprehensive media package that was exclusively managed by the Group at prime locations, including the LED walls at World-Wide House in Central and Russell Street in Causeway Bay, as well as the Transvision Ring Domination at the MTR Sha Tin, Mong Kok East and Kowloon Tong stations. By employing our diversified O&O resources combined with digital out-of-home ("DOOH") advertising, the BTS campaign was able to reach a considerably large amount of audience.

Besides its deployment for the BTS campaign, it is always our belief that DOOH advertising possesses immense growth potential. Our view is supported by the PwC Report as well, which projects revenue from the Mainland China DOOH industry to reach USD4,200 million in 2021, achieving a CAGR of approximately 14.9%. It is worth noting that while DOOH accounted for a small fraction of the Mainland China OOH market based on quantity, it in fact contributed 34.3% of total OOH market revenue in 2017. This was because LED walls that fall under the DOOH segment are normally installed at prime locations and therefore generate greater revenue and profit. And as DOOH transition towards programmatic DOOH, which offers the advantages of reaching target audiences explicitly with measurable results, the Group will be well prepared. Already, we have established an account with a world-renowned American multinational technology that enables us to place our digital inventories in their platform for trading. Also with programmatic DOOH in mind, specifically on the sell side, we will optimise our Central Innovation and Technology Unit ("CTU") with the objective of further developing the Group's programmatic buying capabilities.

There are other facets of DOOH that we will seek to advance besides programmatic, including the incorporation of mobile and digital elements such as Html5, Virtual Reality and iBeacon. An example of such effort, which also highlights our ability to provide value-added services, is a recent campaign involving Vitasoy. Representing part of their Vitasoy Real Friends Campaign (雅仕維 × 維他奶 "真心友Say"), the Group employed technologies whereby participants of the campaign were able to send messages to loved ones via a dedicated mobile app — the messages subsequently appearing on a large LED wall located at Russell Street in Causeway Bay. Among the unique features of the campaign included the ability to provide "Live feed 實時" and "Co-creation 共創", meaning that input was instantaneously available and the image displayed was a joint production by the participants and Vitasoy. Being both innovative and unique, this type of advertisement is readily acceptable to target audiences, and just as importantly, can be easily shared via social media thus highly impactful. The Group was responsible not only for planning but also execution and technology support of the entire campaign.

While maintaining an eye on the future, we are at the same time cognisant of the importance of strengthening our core businesses as they represent the foundation on which the Group is able to develop. We will therefore continue to establish ties that bolster our OOH presence as well as enable us to generate greater synergies with our existing media resources. Correspondingly, the Group has included Zhuhai Airport as part of its growing airport business portfolio. With the Greater Bay Area initiative and the launch of the Hong Kong-Zhuhai-Macao Bridge just around the corner, Zhuhai will become the only transportation hub that connects the three major economic zones of Guangdong, Hong Kong and Macao within a travel time of one hour by land.

Though significantly smaller in scale, billboards represent an important part of our repertoire of services. As such, we will continue to expand in key sites that enable us to best showcase our clients. Among the locations that the Group has most recently secured in Hong Kong include the Star Ferry Carpark Building in Central, Laforet and Lin Fook House in Causeway Bay, and Sim City in Mong Kok.

Another strategy of the Group is diversification of businesses. Correspondingly, the Group has been appointed by Emperor Cinemas as their exclusive media agent. Among our responsibilities will be the provision of prestigious advertising in Hong Kong's central business district.

Going forward, we will seek to further expand our portfolio of clients as this the ultimate testament to the trust and confidence that companies have in the Group. To do so, we will continue to enhance all areas of operation and maintain our commitment to innovation and service excellence. Through the experience and prudence of our management team, we trust that the Group will receive the support of business partners old and new, achieve further growth and create value for its shareholders.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2017 increased from approximately HKD1,470.8 million to approximately HKD1,759.2 million, representing a year-on-year increase of 19.6%. The increase was mainly attributable to the increase in revenue in the airports media and metro media segments and partially offset by the decrease in revenue in billboard and building solution segments. The combined revenue of the Group, which includes the consolidated revenue of the Group and the total revenue of the Group's associated companies engaged in the media business as an operating information, reached HKD2,567.0 million, representing a year-on-year increase of 20.1%.

The airports media segment increased by 23.1% from approximately HKD685.4 million for the year ended 31 December 2016 to approximately HKD843.5 million in 2017 mainly due to satisfactory results delivered by Zhengzhou Airport, Xiamen Gaoqi International Airport and Sanya Phoenix International Airport. Most of our airports achieved a double-digit growth during the year.

Our revenue from metro media segment for the year increased by approximately HKD116.9 million or 25.5%, from approximately HKD457.8 million in 2016 to approximately HKD574.7 million in 2017. This was primarily attributable to the additional revenue from Hangzhou Metro Lines 2 and 4 and Tianjin Metro Lines 2 and 3 which incepted in this year. Beijing Metro Line also recorded a significant revenue growth during the year but such increase was partially offset by the decrease in revenue from Hong Kong.

Our revenue in billboards and building solutions segment decreased by approximately HKD19.0 million or 12.0%, from approximately HKD157.9 million for the year ended 31 December 2016 to approximately HKD138.9 million in 2017, which was primarily attributable to the drop in billboard revenue from Shanghai and Qingdao resulted by the site demolition under the regulatory policy in reducing number of billboards in certain areas.

Other revenue increased by approximately HKD32.5 million or 19.2%, from approximately HKD169.7 million for the year ended 31 December 2016 to approximately HKD202.2 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 our consolidated group revenue for the year:

	Same project growth rate[#] (Excluding currency impact)	Same project growth rate[#] (Including currency impact)	Growth rate (Excluding currency impact)	Reported growth rate
Airport media	22.1%	21.0%	24.2%	23.1%
Metro media	11.5%	10.9%	26.3%	25.5%

	Growth rate (Excluding currency impact)	Reported growth rate
Consolidated group revenue	20.5%	19.6%

[#] defined as revenue generated from the same projects which both contributed revenue for the year and the corresponding period in 2016 respectively

Cost of Revenue

Our cost of revenue increased by approximately HKD216.2 million, or 18.3%, from approximately HKD1,180.3 million for the year ended 31 December 2016 to approximately HKD1,396.5 million in 2017. The increase was primarily due to (a) the concession rights obtained to operate the advertising spaces at Hangzhou Metro Lines 2 and 4 and Tianjin Metro Lines 2 and 3; and (b) the increase of concession fee payable under the renewal contract of Zhengzhou Airport in last year.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 December 2017 increased from approximately HKD290.5 million to approximately HKD362.7 million and the Group's gross profit margin increased slightly from 19.8% in 2016 to 20.6% in 2017. The increase in gross profit margin was due to: (1) an increase in gross profit from the airport business segment due to revenue growth in newly incepted/renewed airport such as Xiamen, Sanya and Zhengzhou airports; (2) the stable performance delivered by the existing airports; and (3) an increase in gross profit contributed by Beijing Metro Lines and Shenzhen Metro Lines. The increase in gross profit was partially offset by the Tianjin Metro Lines 2 and 3 and Hangzhou Metro Lines 2 and 4 which were still in the ramp-up stage.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately HKD8.8 million, or 7.0%, from approximately HKD126.6 million for the year ended 31 December 2016 to approximately HKD135.4 million in 2017. This increase was primarily attributable to the increase in employee benefit expenses and travelling and entertainment expenses as a result of the growth of our business operations and partially offset by decrease in marketing research expenses.

Administrative Expenses

Our administrative expenses increased by approximately HKD3.4 million, or 2.3%, from approximately HKD149.9 million (restated) for the year ended 31 December 2016 to approximately HKD153.3 million in 2017. The increase was primarily attributable to the increase in travelling and entertainment expenses and office rental expenses which partially offset by recognition of a reversal of impairment provision for the trade and other receivables and the decrease in employee benefit expenses.

Finance Income/Costs — Net

Net finance cost was approximately HKD3.5 million for the year ended 31 December 2017, compared with net finance income of HKD0.3 million in 2016. This was primarily attributable to the increase in average bank borrowings during the year.

Share of Result of Investments in Associates

Our share of results of investments in associates for the year ended 31 December 2017 increased 62.3% from approximately HKD5.3 million for the year ended 31 December 2016 to approximately HKD8.6 million in 2017 due to better performance in an associate company, Shenzhen Airport Asiaray Media Company Limited, during the year.

Income Tax Expenses

Our income tax expense increased by approximately HKD4.5 million from approximately HKD14.9 million for the year ended 31 December 2016 to approximately HKD19.4 million in 2017. This increase in expense was primarily attributable to the increase in profit before income tax.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was approximately HKD44.7 million for the year ended 31 December 2017, compared to a restated profit of approximately HKD16.9 million in 2016. The increase in profit was the net effect of (i) the increase in gross profit of the Group and partially offset by (ii) the absence of the HKD24.7 million other gain associated with the written back provision of compensation loss in this year.

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 that there is no significant exposure on the foreign exchange risk. The Group will closely monitor foreign exchange exposure and consider hedging significant exposure should the need arises.

Liquidity and Financial Resources

The Group's cash and cash equivalents, short-term deposits and restricted cash was approximately HKD402.6 million as at 31 December 2017, representing an increase of approximately HKD75.0 million compared with that as at 31 December 2016. As at 31 December 2017, the financial ratios of the Group were as follows:

	As at 31 December 2017	As at 31 December 2016
Current ratio [(1)]	**1.46**	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 had bank borrowings as at 31 December 2017 in the sum of approximately HKD144.4 million. Out of the total borrowings, approximately HKD130.2 million was repayable within one year, while approximately HKD14.2 million was repayable after one year. The carrying amounts of bank borrowings are denominated in Hong Kong dollars and Renminbi.

No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments. The weighted average interest rate (per annum) was 4.4% for non-current borrowings and 3.9% for current borrowings as at 31 December 2017.

Exposure to Interest Rate Risk

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

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

Pledge of Assets

As at 31 December 2017, the Group pledged its buildings, land use rights, short-term deposits and available-for-sale financial assets with carrying amount of approximately HKD34.9 million (31 December 2016: HKD34.1 million), respectively to secure borrowings of the Group. The total secured borrowings as at 31 December 2017 amounted to approximately HKD5.7 million (31 December 2016: HKD14.5 million).

Fund raising activities/Use of Proceeds

On 29 December 2016, the Company completed the issuance of 10,000,000 non-listed warrants at the exercise price of HKD4.1 per warrant share. As at 31 December 2017, the outstanding non-listed warrants were 10,000,000 warrants and in which the subscription right had not been exercised.

On 7 September 2017, the Company entered into the subscription agreement which the Company has conditionally agreed to issue the perpetual subordinated convertible securities (PSCS) in the principal amount of HKD50,000,000 convertible into conversion shares at the initial conversion price of HKD3.54 per conversion share. The issuance of PSCS in principal amount of HKD30,000,000 was completed on 28 December 2017. As at 31 December 2017, PSCS in the principal amount of HKD30,000,000 has not been converted into conversion shares.

As at 31 December 2017, the net proceeds of approximately HKD29,700,000 has yet to be used and is deposited in the bank.

Capital Expenditures

Our capital expenditures primarily comprise cash expenditures for property, plant and equipment, such as advertising facilities and furniture and office equipment. Our capital expenditures for the year ended 31 December 2017 and 2016 were approximately HKD27.2 million and HKD69.8 million, respectively.

Commitments

(1) As at 31 December 2017 and 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 31 December 2017 *HKD'000*	As at 31 December 2016 *HKD'000*
Not later than 1 year	**887,656**	853,071
Later than 1 year and not later than 5 years	**2,046,838**	1,613,948
Later than 5 years	**756,139**	750,371
	3,690,633	3,217,390

Contingent liabilities

The Group had no material contingent liabilities outstanding as at 31 December 2017.

Subsequent events

Subsequent to 31 December 2017, no material events have occurred.

HUMAN RESOURCES

The Group offers competitive remuneration packages, including trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in Mainland China. As at 31 December 2017, the Group has 902 employees (2016: 814 employees). The total salaries and related costs for the years ended 31 December 2017 and 2016 amounted to approximately HKD178.4 million and HKD162.7 million, respectively.

FINAL DIVIDEND

The Board has recommended a final dividend of HKD0.10 (2016: HKD0.10) per share for the year ended 31 December 2017 payable on or around Friday, 27 July 2018 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 29 June 2018 subject to the approval of the shareholders of the Company in the annual general meeting to be held on Friday, 15 June 2018.

CLOSURE OF REGISTER OF MEMBERS

(a) Annual General Meeting

The register of members of the Company will be closed from Tuesday, 12 June 2018 to Friday, 15 June 2018, both days inclusive, during which period no transfer of shares will be effected.

In order to determine who are eligible to attend and vote at the annual general meeting of the Company to be held on Friday, 15 June 2018, the shareholders of the Company should ensure that all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 11 June 2018.

(b) Payment of the proposed final dividend

The register of member of the Company will be closed from Wednesday, 27 June 2018 to Friday, 29 June 2018, both days inclusive, during which period no transfer of shares will be effected.

In order to be qualified for the proposed final dividend, all transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 26 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

During the year, the Company has complied with all the applicable code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except the deviations from code provisions A.2.1 and A.6.7 of the CG Code.

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

Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings of the Company and develop a balanced understanding of shareholders' view. Due to other business engagement, certain independent non-executive Directors were unable to attend the general meetings of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of the Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for directors' securities transactions. All the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the year ended 31 December 2017.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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

Hong Kong, 27 March 2018

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.