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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1993)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018, together with the unaudited comparative figures for the corresponding period of 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
	Note	***HKD'000***	*HKD'000*
		(Unaudited)	(Unaudited)
Revenue		**888,298**	743,679
Cost of revenue	*5*	**(694,364)**	(614,527)
Gross profit		**193,934**	129,152
Selling and marketing expenses	*6*	**(75,331)**	(55,343)
Administrative expenses	*7*	**(86,395)**	(66,421)
Other incomes	*8*	**5,207**	5,496
Other gains — net	*8*	**237**	4
Operating profit		**37,652**	12,888
Finance income	*9*	**1,157**	1,804
Finance costs	*9*	**(2,380)**	(2,022)
Finance costs — net	*9*	**(1,223)**	(218)
Share of results of investments in associates	*13*	**6,424**	2,559
Profit before income tax		**42,853**	15,229
Income tax expense	*10*	**(4,702)**	(2,244)
Profit for the period		**38,151**	12,985

	Note	Six months ended 30 June 2018 HKD'000 (Unaudited)	2017 HKD'000 (Unaudited)
Other comprehensive income			
Items that may be reclassified to profit or loss			
— Net (loss)/gain from changes in financial assets at fair value through other comprehensive income (2017 relating to available-for-sale financial assets), net of tax		**(315)**	144
— Currency translation differences		**(72)**	17,677
		(387)	17,821
Total comprehensive income for the period		**37,764**	30,806
Profit attributable to:			
Owners of the Company		**6,553**	5,037
Non-controlling interests		**31,598**	7,948
Profit for the period		**38,151**	12,985
Total comprehensive income attributable to:			
Owners of the Company		**7,702**	21,697
Non-controlling interests		**30,062**	9,109
Total comprehensive income for the period		**37,764**	30,806
Earnings per share attributable to owners of the Company for the period (expressed in HK cents per share)			
— Basic	*11*	**1.49**	1.14
— Diluted	*11*	**1.47**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2018 HKD'000 (Unaudited)	As at 31 December 2017 HKD'000 (Audited) (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**83,775**	89,006
Land use rights		**24,992**	25,547
Investment properties		**8,448**	8,520
Intangible assets		**1,500**	1,614
Investments in associates	*13*	**33,304**	27,391
Financial assets at fair value through profit or loss		**5,617**	5,953
Financial assets at fair value through other comprehensive income	*3*	**8,060**	–
Available-for-sale financial assets	*3*	**–**	8,418
Deferred income tax assets		**97,251**	83,860
Non-current portion of other receivables	*14*	**15,934**	15,569
		278,881	265,878
Current assets			
Inventories		**2,545**	2,799
Trade and other receivables	*14*	**699,051**	636,183
Short-term deposits		**6,452**	31,628
Restricted cash		**47,699**	71,768
Cash and cash equivalents		**323,851**	299,188
		1,079,598	1,041,566
Total assets		**1,358,479**	1,307,444
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**44,000**	44,000
Reserves		**453,709**	493,477
		497,709	537,477
Non-controlling interests		**75,550**	41,701
Total equity		**573,259**	579,178

	Note	As at 30 June 2018 HKD'000 (Unaudited)	As at 31 December 2017 HKD'000 (Audited) (Restated)
Liabilities			
Non-current liabilities			
Borrowings		**46,114**	14,146
Deferred income tax liabilities		**–**	–
		46,114	14,146
Current liabilities			
Trade and other payables	*15*	**455,911**	418,486
Contract liabilities	*3*	**110,932**	149,697
Current income tax liabilities		**13,972**	15,733
Borrowings		**158,291**	130,204
		739,106	714,120
Total liabilities		**785,220**	728,266
Total equity and liabilities		**1,358,479**	1,307,444

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 20 May 2014 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman lslands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 15 January 2015.

The Company is an investment holding company. The Group is principally engaged in the development and operations of out-of-home advertising media, including advertising in airports, metro lines, billboards and building solutions in the People's Republic of China (the "PRC") and Hong Kong.

This condensed consolidated interim financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact of standards issued but not yet applied by the Group

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2018, and have not been early adopted by the Group.

	Effective for accounting periods beginning on or after
Leases	1 January 2019
Uncertainty over Income Tax Treatments	1 January 2019
Annual improvements to HKFRS Standards 2014–2017 Cycle	1 January 2019
Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HKD3,067,059,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

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

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

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

3.1 Impact on the financial statements

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated. HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 December 2017 As originally presented	**HKFRS 15**	**31 December 2017 Restated**	**HKFRS 9 *(note 3.2.1)***	**1 January 2018 Restated**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
ASSETS					
Non-current assets					
Financial assets at fair value through other comprehensive income ("FVOCI")	–	–	–	8,418	8,418
Available-for-sale financial assets	8,418	–	8,418	(8,418)	–
Deferred income tax assets	83,860	–	83,860	685	84,545
Current assets					
Trade and other receivables	636,183	–	636,183	(4,155)	632,028
Total assets	1,307,444	–	1,307,444	(3,470)	1,303,974
Reserves	493,477	–	493,477	(3,470)	490,007
Total equity	579,178	–	579,178	(3,470)	575,708
Liabilities					
Trade and other payables	568,183	(149,697)	418,486	–	418,486
Contract liabilities	–	149,697	149,697	–	149,697
Total liabilities	728,266	–	728,266	–	728,266
Total equity and liabilities	1,307,444	–	1,307,444	(3,470)	1,303,974

3.2 HKFRS 9 Financial Instruments — accounting policies applied from 1 January 2018 and impact of adoption

3.2.1 Impact of adoption of HKFRS 9

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting. The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings as at 1 January 2018 is disclosed in the table as follows:

	Note	**2018** *HKD'000*
Closing retained earnings as at 31 December 2017		**121,729**
Increase in provision for trade receivables	*(a)*	**(4,155)**
Increase in deferred tax assets relating to impairment provisions		**685**
Adjustment to retained earnings from adoption of HKFRS 9 on 1 January 2018		**(3,470)**
Opening retained earnings as at 1 January 2018		**118,259**

(a) The loss allowance as at 1 January 2018 was determined as follows for trade receivables:

1 January 2018	Up to 6 months *HKD'000*	6 months to 12 months *HKD'000*	1 year to 2 years *HKD'000*	2 years to 3 years *HKD'000*	Over 3 years *HKD'000*	Total *HKD'000*
Expected loss rate	0.64%	0.51%	14.84%	72.22%	94.39%	
Gross carrying amount	331,480	58,786	26,030	8,481	15,803	440,580
Loss allowance	2,138	302	3,863	6,125	14,916	27,344

The loss allowance for trade receivables as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 as follows:

	Trade receivables *HKD'000*
At 31 December 2017 — calculated under HKAS 39	**23,189**
Amounts restated through opening retained earnings	**4,155**
Opening loss allowance as at 1 January 2018 — calculated under HKFRS 9	**27,344**

(b) Available-for-sale classified as FVOCI

Non-quoted investments in certain bond funds were reclassified from available-for-sale to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, non-quoted investments in certain bond funds with a fair value of HKD8,418,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and the fair value losses of HKD712,000 were reclassified from the available-for-sale financial assets reserve to financial assets at FVOCI reserve on 1 January 2018.

3.3 HKFRS 15 Revenue from Contracts with Customers — accounting policies applied from 1 January 2018 and impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year as follows:

	Carrying amount as at 31 December 2017 under HKAS 18	**Reclassification**	**Carrying amount as at 31 December 2017 under HKFRS 15**
	HKD'000	*HKD'000*	*HKD'000*
Liabilities			
Trade and other payables	568,183	(149,697)	418,486
Contract liabilities	–	149,697	149,697

Except for the above impact, there is no significant impact to the Group's financial statements as at 31 December 2017 on the adoption of HKFRS15.

4. 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 and Billboards business — operation of advertising services in metro lines; and 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 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:

	Airport business *HKD'000*	Metro and Billboards business *HKD'000*	Others *HKD'000*	Total *HKD'000*
(Unaudited)				
Six months ended 30 June 2018				
Revenue	**380,384**	**399,916**	**107,998**	**888,298**
Cost of revenue	**(249,810)**	**(350,197)**	**(94,357)**	**(694,364)**
Gross profit	**130,574**	**49,719**	**13,641**	**193,934**
Selling and marketing expenses				**(75,331)**
Administrative expenses				**(86,395)**
Other incomes				**5,207**
Other gains — net				**237**
Operating profit				**37,652**
Finance income				**1,157**
Finance costs				**(2,380)**
Finance costs — net				**(1,223)**
Share of results of investments in associates	**6,424**	**–**	**–**	**6,424**
Profit before income tax				**42,853**
Income tax expense				**(4,702)**
Profit for the period				**38,151**

	Airport business *HKD'000*	Metro and Billboards business *HKD'000*	Others *HKD'000*	Total *HKD'000*
(Unaudited)				
Six months ended 30 June 2017				
Revenue	380,318	275,708	87,653	743,679
Cost of revenue	(292,302)	(248,523)	(73,702)	(614,527)
Gross profit	88,016	27,185	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

Revenue consisted of the following:

	Six months ended 30 June	
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Advertising display revenue	**797,002**	680,589
Advertising production, installation and dismantling revenue	**91,296**	63,090
	888,298	743,679

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

	Six months ended 30 June	
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Mainland China	**718,003**	599,086
Hong Kong	**170,295**	144,593
	888,298	743,679

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 2018 and 2017.

The Group's non-current assets other than financial instruments and deferred income tax assets are located in the Mainland China and Hong Kong at 30 June 2018 and 31 December 2017 as follows:

	As at	As at
	30 June	31 December
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Audited)
Mainland China	**160,292**	157,862
Hong Kong	**7,661**	9,785
	167,953	167,647

5. COST OF REVENUE

Expenses included in cost of revenue are analysed as follows:

	Six months ended 30 June	
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Concession fee charges for advertising spaces	**600,494**	544,252
Project installation and dismantling costs	**38,282**	22,345
Depreciation of property, plant and equipment	**11,093**	9,966

6. SELLING AND MARKETING EXPENSES

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

	Six months ended 30 June	
	2018	2017
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Employee benefit expenses	**53,666**	44,215
Travelling and entertainment expenses	**17,057**	7,644
Depreciation of property, plant and equipment	**681**	107

7. ADMINISTRATIVE EXPENSES

Expenses included in administrative expenses are analysed as follows:

	Six months ended 30 June	
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**44,389**	35,869
Office rental expense	**10,470**	6,173
Depreciation of property, plant and equipment	**4,812**	4,530
Auditors' remunerations	**2,133**	2,085
Impairment/(reversal of) provision for trade and other receivables	**180**	(2,854)
Amortisation of intangible assets	**286**	290
Amortisation of land use rights	**349**	303

8. OTHER INCOMES AND OTHER GAINS — NET

	Six months ended 30 June	
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Other incomes		
Government subsidy income	**647**	89
Advertising consulting service income	**1,446**	2,801
Dividend income on financial assets at fair value through other comprehensive income	**241**	–
Dividend income on available-for-sale financial assets	**–**	246
Interest income on loan to an associate	**515**	454
Reimbursement of installation and maintenance costs	**280**	394
Rental income on investment properties	**188**	1,065
Compensation from counter parties for breach of contracts	**601**	125
Advertising design service income	**913**	315
Others	**376**	7
	5,207	5,496

	Six months ended 30 June	
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Other gains — net		
Fair value gains on investment properties	**–**	542
Compensation loss	**–**	(205)
Fair value losses on financial assets at fair value through profit or loss	**(280)**	–
Losses on disposal of property, plant and equipment	**(336)**	(8)
Net exchange gains	**387**	122
Others	**466**	(447)
	237	4

9. FINANCE COSTS — NET

	Six months ended 30 June	
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income on bank deposits	**(1,157)**	(1,804)
Finance costs		
Interest expense on bank borrowings	**2,380**	2,022
Finance costs — net	**1,223**	218

10. INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended 30 June 2018 and 2017 is analysed as follows:

	Six months ended 30 June	
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	**17,863**	7,390
— Hong Kong profits tax	**582**	972
	18,445	8,362
Deferred tax	**(13,743)**	(6,118)
	4,702	2,244

(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 2018 and 2017.

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

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

Yunnan Airport Asiaray Information Media Company Limited, a subsidiary of the Group, was established in Yunnan Province, PRC. It was eligible for preferential tax policies applicable for the development of western regions in the PRC, and was entitled to a preferential income tax rate of 15%. All other PRC entities of the Group are subject to CIT at a rate of 25% (six months ended 30 June 2017: same) in accordance with the CIT Law.

11. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HKD'000)*	**6,553**	5,037
Weighted average number of ordinary shares in issue *(thousands)*	**440,000**	440,000
Earnings per share (HK cents per share)	**1.49**	1.14

(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 Perpetual Subordinated Convertible Securities ("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 periods 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.

	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company *(HKD'000)*	**6,553**	5,037
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 30 June 2018 (thousands)	**4,295**	–
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**444,295**	440,000
Diluted earnings per share (expressed in HK cents per share)	**1.47**	N/A

12. DIVIDENDS

At the meeting held on 28 August 2018, the Board recommended the payment of an interim dividend of HKD0.014 (six months ended 30 June 2017: HKD0.16) per share, amounting to a total of HKD6,160,000 (six months ended 30 June 2017: HKD70,400,000) out of share premium. This condensed consolidated interim financial information does not reflect this as dividend payable.

13. INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2018	2017
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**27,391**	26,997
Share of results	**6,424**	2,559
Dividend	**–**	(10,508)
Currency translation differences	**(511)**	923
At end of the period	**33,304**	19,971

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 *HKD'000* (Unaudited)	As at 31 December 2017 *HKD'000* (Audited)
Included in current assets		
Trade receivables (a)	**476,097**	440,580
Less: allowance for impairment of trade receivables	**(27,963)**	(23,189)
Trade receivables, net	**448,134**	417,391
Other receivables	**119,122**	112,244
Less: allowance for impairment of other receivables	**(1,081)**	(1,739)
Other receivables, net	**118,041**	110,505
Interest receivable	**560**	1,107
Prepaid taxes	**26,824**	27,960
Other prepayments	**105,492**	79,220
	699,051	636,183
Included in non-current assets		
Loan to an associate	**15,934**	15,569
	714,985	651,752

(a) Ageing analysis of the gross trade receivables based on revenue recognition date at 30 June 2018 and 31 December 2017 is as follows:

	As at 30 June 2018 *HKD'000* (Unaudited)	As at 31 December 2017 *HKD'000* (Audited)
Up to 6 months	**352,353**	331,480
6 months to 12 months	**68,781**	58,786
1 year to 2 years	**24,642**	26,030
2 years to 3 years	**14,093**	8,481
Over 3 years	**16,228**	15,803
	476,097	440,580

(b) The loss allowance as at 30 June 2018 is determined as follows for trade receivables:

30 June 2018	Up to 6 months *HKD'000*	6 months to 12 months *HKD'000*	1 year to 2 years *HKD'000*	2 years to 3 years *HKD'000*	Over 3 years *HKD'000*	Total *HKD'000*
Expected loss rate	0.60%	0.54%	6.62%	62.55%	92.72%	
Gross carrying amount	352,353	68,781	24,642	14,093	16,228	476,097
Loss allowance	2,097	371	1,631	8,816	15,048	27,963

15. TRADE AND OTHER PAYABLES

(a) The ageing analysis of the trade payables based on invoice date at 30 June 2018 and 31 December 2017 is as follows:

	As at 30 June 2018 *HKD'000* **(Unaudited)**	As at 31 December 2017 *HKD'000* (Audited)
Up to 6 months	**54,444**	88,999
6 months to 12 months	**1,126**	953
1 year to 2 years	**314**	26,710
2 years to 3 years	**3,599**	226
Over 3 years	**901**	692
	60,384	117,580

(b) Analysis of accruals and other payables as at 30 June 2018 and 31 December 2017 is as follow:

	As at 30 June 2018 *HKD'000* **(Unaudited)**	As at 31 December 2017 *HKD'000* (Audited) (Restated)
Accrued concession fee charges for advertising spaces (i)	**343,834**	193,796
Other taxes payable	**3,707**	6,915
Dividends payable	**–**	29,309
Salary and staff welfare payables	**14,933**	22,770
Other payables	**33,053**	48,116
	395,527	300,906

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With its leading position in the out-of-home ("OOH") advertising industry in Mainland China and Hong Kong, as well as the effective "space management" approach, the Group capitalized on its listing in 2015 to invest in obtaining more media resources, as well as improving internal management to facilitate sustained growth. These efforts started to bear fruit last year and the growth momentum continues. During the six months ended 30 June 2018 (the "Period"), the Group maintained its organic growth with total revenue rising by 19.4% to HKD888.3 million (2017: HKD743.7 million) due to the sustained growth of the airport, metro and billboards businesses, particularly contributions from the well-developed media resources in Yunnan and Zhengzhou airports, and the metro business in Hong Kong. Consequently, gross profit surged 50.1% to HKD193.9 million (2017: HKD129.2 million), even though the newly secured media resources at the Tianjin Metro Lines 2 and 3 and Hangzhou Metro Lines 2 and 4 were still at an investment stage. Furthermore, gross profit margin climbed 4.4 percentage points to 21.8%. Combined revenue, which includes consolidated revenue and revenue from all associated companies of the Group engaged in the media advertising business, rose as well, rising by 21.0% year-on-year to HKD1,330.1 million (2017: HKD1,099.5 million). Profit for the Period surged by 193.8% to HKD38.2 million (2017: HKD13.0 million), while profit attributable to owners of the Company increased by 32% to HKD6.6 million.

Leadership backed by innovative space management approach

Leveraging our existing networks, the Group has strengthened its leading position among privately-owned media companies in the airport and metro advertising markets in the Greater China Region — ranking first in the airport advertising market and second in the metro advertising market. As at the Period, the Group provided exclusive advertising services for 16 metro lines and 28 airports and other OOH media across 39 cities in Mainland China (2017: 38 cities). Our well-developed space management model has enabled the Group to not only differentiate itself from other market players, but also to gain support from advertisers, landlords and audiences. What is more, the aforesaid model allows us to create value for advertisers by creatively using available spaces, stimulating the five senses of target audiences, exploring the uniqueness of the advertising environment, and integrating advanced technologies and digital media with the Group's OOH media.

The unique solutions that we developed during the Period included campaigns relating to the 2018 FIFA World Cup. Using the Wuxi Metro Line as venue, we recreated a full-scale football pitch through the use of floor and wall stickers, which included goal frames and flags of the 32 countries that took part. Adding to the experience included sensory goalkeeper games that passengers could participate in simply by using different hand gestures — going beyond the conventional use of touch-screen controls. We also capitalized on the 2018 FIFA World Cup to introduce the "Scan to Cheer" campaign to passengers of the MTR in Hong Kong. The campaign featured three online and offline ("O&O") interactive zones where eight different types of magnetic stickers could be found. By scanning the stickers, passengers were able to learn how to cheer in different languages.

Update of business segments

Airport

Our airport media advertising business continued to deliver stable revenue to the Group, despite the expiration of advertising concession rights to the Hangzhou and Haikou airports during the Period. In addition to the commencement of our exclusive advertising operation at the Zhuhai Airport in the first half year, the Yunnan and Zhengzhou airports performed particularly well, achieving double-digit revenue growth and helping raise the revenue and profitability of the business segment as a whole. The favorable performance can be attributed to our national marketing efforts to promote our media resources network as a whole. Not only did we introduce top-level luxury brands like Dior and Martell beyond airports in the first-tier cities, we also were able to bring in some creative showcases that utilized our space management model. For instance, we leveraged customized campaigns that we had earlier developed to manage an upgraded product launch recently at the Zhengzhou airport for OPPO, a well-known mobile communication company, which successfully engaged customers via performances and a lucky draw. The Group was pleased to see this business strategy drive network sales despite its initial stage of development.

Metro lines and billboards

During the Period, we continued to focus on increasing sales contributions from our existing metro lines and billboards, which resulted in revenue growth of 45.0% for the segments. Existing Beijing and Shenzhen metro lines, as well as the newly secured Tianjin and Hangzhou metro lines secured last year all recorded double-digit revenue growth. Such growth consequently enabled us to offset the set-up costs associated with the Tianjin and Hangzhou lines. We also obtained three-year exclusive operation rights to the train media at the Beijing Capital Airport Line. Being one of the key transportation routes to the Beijing Capital International Airport, it is widely used by over 12 million travelers annually. With regard to our metro advertising business in Hong Kong, its performance also improved when compared with the same period last year, mirroring the recovery of the retail market.

Billboards represent an integral part of our OOH advertising solutions. Among the new billboards located in prime locations that contributed to revenue growth during the Period include the Star Ferry Carpark in Central; 1 Leighton Road; Laforet and Lin Fook House in Causeway Bay; and Sim City in Mong Kok.

Latest developments in digital out-of-home (“DOOH”)

Within the OOH market is DOOH advertising, a segment that has demonstrated the greatest growth potential. According to a report on the media industries in Mainland China (https://www.pwccn.com/en/industries/telecommunications-media-and-technology/entertainment-and-media/global-entertainment-and-media-outlook-2017-2021.html), revenue from this segment will reach USD 4,200 million in Mainland China by 2021, representing a CAGR of approximately 14.9%. Programmatic DOOH advertising, in particular, is believed to have more advantages as it is able to clearly reach target audiences with measurable results. We have developed the first media buying platform for programmatic DOOH media in Hong Kong with a multinational Internet conglomerate. This new one-stop platform provides a comprehensive range of services, from booking to the launch of an advertising campaign, and now includes all of Asiaray's outdoor digital media resources available for trading. The platform has already helped to increase the turnover rate of our media resources by providing a more timely and convenient DOOH platform to advertisers. The platform also enables advertisers to reach out to target audiences more precisely by selecting specific content to be shown depending on audience demographics, weather, time and other parameters, an example being the advertising campaign developed for Redoxon (Bayer). Moreover, our platform will further attract and bring together a wider range of advertisers to purchase the Company's media resources remotely, especially those keen on using digital media. At the same time, we will be able to obtain access to the online budget of advertisers for our OOH media.

To continue capturing opportunities from OOH advertising, we have been making efforts to advance our Central Innovation and Technology Unit ("CTU"), which is involved in the development of programmatic buying and media technologies, including data-driven OOH advertising solutions. Moreover, through the use of tools and platform from a high-technology company, we have developed Asiaray 360, a media management and planning system (https://360.asiaray.com/en/). Via Asiaray 360, customers/advertisers are able to better visualize our inventory of OOH advertising solutions and their respective costs, as well as request for quotes, resulting ultimately in more prompt transactions.

OUTLOOK

The OOH advertising industry in Mainland China is presently fragmented, comprising players of different scale and capabilities. Consolidation is expected and will result in a greater share of the market for companies that are best equipped to compete. With our large network and deep roots in the market, we have the means and resources to overcome the upcoming headwinds and become a leading industry player in the region. Moreover, opportunities are emerging in the Greater Bay Area, thanks to the high-speed railway and Hong Kong-Zhuhai-Macau Bridge, which will lead to the establishment of the three-hour economic circle and result in greater flexibility for the movement of people and goods. With our existing and well diversified advertising inventories in the area, as well as long-term ties with relevant airports and metro lines, we are well positioned to capture the opportunities that emerge. We trust that as the Group derives benefit from the various developments aforementioned, our standing in the industry will be boosted, and our ability to further expand will be enhanced.

According to a report mentioned earlier, Mainland China accounts for one-fifth of OOH advertising market growth worldwide, and such dominance is expected to be maintained in the coming five years. With revenue from OOH advertising growing at a CAGR of 8.5%, Mainland China will therefore be the largest OOH advertising market by 2021. Furthermore, rapid urbanization and a fast growing population have led to over 80 new airports built, and more are under construction. The Group will continue to focus on obtaining exclusive concession rights to media resources in airports and metro lines in view of the rapid infrastructure development in both Mainland China and Hong Kong.

Continuous improvement will be key as well to enhancing the performance of the Group. According to another report on the media industry in Mainland China (http://www.pwc.com/gx/em/industries/tmt/media/outlook.html), developing novel revenue streams in the digital realm is the trend for all entertainment and media companies. As consumers are no longer satisfied with the one-size-fits-all approach, personalized content is among the means to stand out. The finding corresponds with our own determination to optimize "space management" and proactively develop the DOOH advertising business, which provides customized media solutions. An example of our efforts include the recent roll — out of a campaign for Coca-Cola incorporating interactive games, and which utilized the large LED screen located at Russell Street in Causeway Bay. Enabling a high degree of customer engagement, the campaign allows two players to battle head-to-head using their mobile device while viewing the game's mesmerizing graphics on the large LED screen — the players' respective result determines the gift that he/she receives. This interactive experience attracted over 1,500 participants and a related video reached over 245,000 viewers.

In addition to developing DOOH to reach target audiences, we are optimizing the CTU with the objective of further improving programmatic buying as well as enhancing internal inventory management. Our aim is to offer even more interactive elements, leading to greater personalized experiences and thereby engage a larger number of customers. With regard to Asiaray 360 in particular, we will use this pioneering platform to better manage our media inventory, capture the interest of advertisers, and generate greater sales.

Besides strengthening our core business, we will also seek to foster relations with many other business partners. Further to our successful cooperation with Lagardère since 2015 at the Kunming Changshui International Airport, we will be introducing the same businesses model to the Zhengzhou Xinzheng International Airport. This new endeavor will consequently enable us to broaden our profit stream as well as facilitate greater synergy between advertising and retail businesses.

As 2018 marks the 25th anniversary of Asiaray, we are proud of our accomplishments. We have established an extensive network that encompasses over 30 major cities in the Greater China Region and Hong Kong, and are motivated to achieve even more in the next 25 years. As we seek to strengthen our market presence, we will at the same time strive to fulfill our mission of providing optimal OOH communication solutions with the highest Return-On-Investment (ROI) in an effective manner. We trust that this mission can be achieved by leveraging our spirit of innovation and adaptability, complemented by the founding principles that have underpinned our success.

In view of the advertising industry's constant evolution, driven in part by the aforementioned infrastructure boom in Mainland China, as well as the need for personalized content, we will create value for media resource owners, advertisers and passengers by effectively employing our unique "Space Management" model. We will also proactively diversify our business and seek to further expand the Group's client portfolio. At the same time, we will enhance all areas of operation and maintain our commitment to innovation and service excellence. From such efforts, the Group will have a solid foundation from which to develop and lead trends, and become both a dominant member of the OOH advertising industry and a respected pioneer.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2018 increased from approximately HKD743.7 million to approximately HKD888.3 million, representing an increase of 19.4%. The increase was mainly attributable to the strong growth in revenue from metro and billboards segments.

The revenue from airport segment contributed HKD380.4 million which represents 42.8% of total revenue. The stable performance delivered by Yunnan airports and Zhengzhou airport but such contribution was partially offset by the decrease in revenue from the completion contracts such as in Hangzhou and Haikou airports. Besides, a new project in Zhuhai airport was started in the January of 2018 and started to contribute revenue during the Period.

The revenue from metro and billboards segment for the Period increased by approximately HKD124.2 million or 45.0%, from approximately HKD275.7 million in the corresponding period of 2017 to approximately HKD399.9 million. The metro and billboards segment contributed a satisfactory performance during the Period when compared to the last period. This was primarily attributable to the additional revenue from Hangzhou metro line which incepted in the second quarter of 2017. A satisfactory revenue growth in Beijing and Hong Kong metro lines were reported during the Period. The billboards business increased by approximately 3.6% which was mainly attributable to the sharp increase in advertising revenue from Hong Kong.

Other revenue increased by HKD20.3 million or 23.1%, from approximately HKD87.7 million in 2017 to approximately HKD108.0 million in 2018 which was primarily attributable to the increase in the 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 airports and metro and billboards 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 business	21.4%	31.4%	–7.6%	0%
Metro and billboards business	38.7%	45.1%	38.7%	45.1%

	Growth rate (Excluding currency impact)	Reported growth rate
Consolidated group revenue	12.1%	19.4%

defined as revenue generated from the same projects which both contributed revenue for the Period and the corresponding period in 2017 respectively

Cost of Revenue

The cost of revenue of the Group increased by approximately HKD79.9 million, or 13.0%, from HKD614.5 million in 2017 to HKD694.4 million in 2018. The increase was primarily due (a) the initial cost at Hangzhou metro line which was newly incepted in the second quarter of 2017; and (b) the increase of concession fee payable under the concession rights contract of Shenzhen metro lines which were renewed in second quarter of 2017 and the first quarter of 2018.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Period increased from approximately HKD129.2 million to approximately HKD193.9 million and the Group's gross profit margin increase from 17.4% for 2017 to 21.8% for 2018 due to: (1) an increase in gross profit from the airport business 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 Hong Kong billboard business and Beijing metro lines where we launched many successful advertising campaigns; partially offset by (3) the inception of Hangzhou metro line in this Period which was still in the ramp-up stage.

Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by approximately HKD20.0 million, or 36.2%, from HKD55.3 million for the corresponding period in 2017 to HKD75.3 million. This increase was primarily attributable to increase in employee benefit expenses, travelling and entertainment expenses and set up expenses as a result of the growth and expansion of our business operations. The appreciation of RMB also increase the expenses in term of HKD.

Administrative Expenses

The administrative expenses of the Group increased by approximately HKD20.0 million, or 30.1%, from HKD66.4 million for the corresponding period in 2017 to HKD86.4 million. The increase was primarily attributable to increase in employee benefit expenses and office rental expenses due to expansion of our business operation.

Finance Costs — net

Net finance costs was HKD1.2 million for the six months ended 30 June 2018, compared with net finance costs of HKD0.2 million in 2017. This was primarily attributable to the decrease in finance income during the Period.

Share of Results of Investments in Associates

The share of results of investments in associates of the Group for the six months ended 30 June 2018 increased 146.2% from approximately HKD2.6 million to approximately HKD6.4 million due to a better performance in an associate company, Shenzhen Airport Asiaray Media Company Limited, during the Period.

Income Tax Expenses

The income tax expense of the Group increased by approximately HKD2.5 million, from HKD2.2 million for the six months ended 30 June 2017 to HKD4.7 million for the Period. This increase was primarily attributable to the increase in the profit before income tax by HKD27.6 million.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was approximately HKD6.6 million for the Period, compared to of approximately HKD5.0 million for 2017. The increase in profit was attributable to the increase in gross profit of the Group as fully explained in the above.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on funds. The net proceeds from 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 PRC 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.

Dividend Policy

The Company endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company adopts a dividend policy, which is based on the profit attributable to owners of the Company, and the distribution amount is up to 100% of the profit attributable to owners of the Company.

Liquidity and Financial Resources

The Group's cash and cash equivalents, short-term deposits and restricted cash was approximately HKD378.0 million as at 30 June 2018, an decrease of approximately HKD24.6 million compared with that as at 31 December 2017. As at 30 June 2018, the financial ratios of the Group were as follows:

	As at 30 June 2018	As at 31 December 2017
Current ratio(1)	**1.46**	1.46
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 total borrowings as at 30 June 2018 were approximately HKD204.4 million. Out of total borrowings, approximately HKD158.3 million was repayable within one year, while approximately HKD46.1 million was repayable after one year.

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 2018, the Group pledged its buildings and land use rights with carrying amount of HKD26.2 million (31 December 2017: HKD34.9 million), respectively to secure borrowings of the Group. The total secured borrowings as at 30 June 2018 amounted to HKD5.0 million (31 December 2017: HKD5.7 million).

Fund Raising Activities/Use of Proceeds

Subscription of perpetual subordinated convertible securities under general mandate

On 7 September 2017, the Company entered into the subscription agreement which the Company has conditionally agreed to issue the perpetual subordinated convertible securities (the "PSCS") in the principal amount of HKD50,000,000 convertible into conversion shares at the initial conversion price of HKD3.54 per conversion share under general mandate. The intended use of proceeds was disclosed in the circular issued by the Company dated 30 November 2017. The issuance of PSCS in principal amount of HKD30,000,000 was completed on 28 December 2017 not yet translate on Chinese version. As at 30 June 2018, PSCS in the principal amount of HKD30,000,000 has not been converted into conversion shares.

The use of proceeds was as follows:

As at 31 December 2017

Net proceeds raised *(approximately) HKD'000*		**Intended use of the net proceeds** *(approximately) HKD'000*	**Actual used amount** *(approximately) HKD'000*	**Unutilized amount** *(approximately) HKD'000*	**Expected timeframe for application of the unutilized proceeds**	**Whether the proceeds are to be used according to the intention previously disclosed**
29,700	General working capital (Improvement of advertising fixtures and office renovation)	15,000	Nil	15,000	Next 12 months	Yes
	General working capital (New recruitment and salary costs)	10,000	Nil	10,000	Next 12 months	Yes
	General working capital (Bank charges and interest expenses)	4,700	Nil	4,700	Next 12 months	Yes

As at 30 June 2018

Net proceeds raised *(approximately)* *HKD'000*		Intended use of the net proceeds *(approximately)* *HKD'000*	Actual used amount *(approximately)* *HKD'000*	Unutilized amount *(approximately)* *HKD'000*	Expected timeframe for application of the unutilized proceeds	Whether the proceeds are to be used according to the intention previously disclosed
29,700	General working capital (Improvement of advertising fixtures and office renovation)	15,000	13,000 (used as intended)	2,000	Next 6 months	Yes
	General working capital (New recruitment and salary costs)	10,000	10,000 (used as intended)	Nil	N/A	Yes
	General working capital (Bank charges and interest expenses)	4,700	2,300 (used as intended)	2,400	Next 6 months	Yes

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. The capital expenditures of the Group for the six months ended 30 June 2018 and 2017 were HKD13.5 million and HKD10.8 million, respectively.

Commitments

(1) As at 30 June 2018 and 31 December 2017, 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 2018 *HKD'000* **(Unaudited)**	As at 31 December 2017 *HKD'000* (Unaudited)
Not later than 1 year	**740,905**	887,656
Later than 1 year and not later than 5 years	**1,685,765**	2,046,838
Later than 5 years	**640,389**	756,139
	3,067,059	3,690,633

Contingent liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2018 and 31 December 2017.

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 the PRC. As at 30 June 2018, the Group has 912 permanent and temporary employees. The total salaries and related costs for the six months ended 30 June 2018 and 2017 amounted to approximately HKD98.1 million and HKD80.1 million, respectively.

INTERIM DIVIDEND

The Board has declared an interim dividend of HKD0.014 per share (six months ended 30 June 2017: HKD0.16 per share), totalling HKD6,160,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HKD70,400,000) payable on or around Friday, 9 November 2018 to the shareholders whose names appear on the register of members of the Company on Friday, 26 October 2018.

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 Wednesday, 24 October 2018 to Friday, 26 October 2018, 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 Tuesday, 23 October 2018.

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 provision A.2.1 as explained below.

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

CHANGE IN INFORMATION OF DIRECTORS

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

1. The annual salary of Mr. Lam Tak Hing, Vincent has been adjusted to HKD1,404,000 with effect from 1 January 2018.

2. The annual salary of Mr. Lam Ka Po has been adjusted to HKD2,400,000 with effect from 1 January 2018.

3. The annual remuneration of Mr. Wong Chi Kin has been adjusted to HKD252,000 with effect from 1 January 2018. Mr. Wong Chi Kin has been appointed as independent non-executive director of Shenzhou Space Park Group Limited (formerly known as China Household Holdings Limited) with effect from 9 July 2018.

4. The annual remuneration of all independent non-executive directors of the Company, namely Mr. Ma Andrew Chiu Cheung, Mr. Ma Ho Fai *GBS JP* and Ms. Mak Ka Ling, has been adjusted to HKD252,000 with effect from 1 January 2018.

5. Mr. Ma Ho Fai *GBS JP* has been appointed as chairman of the Protection of Wages on Insolvency Fund Board by the Government of the Hong Kong Special Administrative Region with effect from 1 April 2018.

DEED OF NON-COMPETITION

Mr. Lam, Media Cornerstone, Space Management and Shalom Family (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.

The Company has received confirmations from the Controlling Shareholders of their compliance with the Deed of Non-competition for the year ended 31 December 2017 (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 2017.

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 2018.

* *For identification purpose only*

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, 28 August 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.