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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, together with the audited comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2018	2017
	Note	***HKD'000***	*HKD'000*
Revenue	*3*	**1,928,866**	1,759,244
Cost of revenue	*4*	**(1,444,746)**	(1,396,511)
Gross profit		**484,120**	362,733
Selling and marketing expenses	*4*	**(163,982)**	(135,372)
Administrative expenses	*4*	**(188,404)**	(153,278)
Other income	*5*	**11,751**	12,509
Other gains/(losses), net	*5*	**1,333**	(1,063)
Operating profit		**144,818**	85,529
Finance income	*6*	**3,437**	3,620
Finance costs	*6*	**(7,449)**	(7,143)
Finance costs, net	*6*	**(4,012)**	(3,523)
Share of results of investments in associates	*10*	**12,462**	8,584
Profit before income tax		**153,268**	90,590
Income tax expense	*7*	**(26,553)**	(19,388)
Profit for the year		**126,715**	71,202

	Note	Year ended 31 December 2018 HKD'000	2017 HKD'000
Other comprehensive income			
Items that may be reclassified to profit or loss			
— Net (losses)/gains from changes in financial assets at fair value through other comprehensive income (2017: relating to available-for-sale financial assets), net of tax		**(695)**	47
— Currency translation differences		**(24,596)**	31,236
		(25,291)	31,283
Total comprehensive income for the year		**101,424**	102,485
Profit attributable to:			
Owners of the Company		**62,953**	44,690
Non-controlling interests		**63,762**	26,512
Profit for the year		**126,715**	71,202
Total comprehensive income attributable to:			
Owners of the Company		**41,851**	78,458
Non-controlling interests		**59,573**	24,027
Total comprehensive income for the year		**101,424**	102,485
Earnings per share attributable to owners of the Company for the year *(expressed in HK cents per share)*			
— Basic	*8(a)*	**13.97**	10.16
— Diluted	*8(b)*	**N/A**	10.15

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 HKD'000	2017 HKD'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**106,235**	89,006
Land use rights		**23,724**	25,547
Investment properties		**8,785**	8,520
Intangible assets		**21,400**	1,614
Investments in associates	*10*	**38,136**	27,391
Financial assets at fair value through profit or loss		**5,943**	5,953
Financial assets at fair value through other comprehensive income		**7,619**	–
Available-for-sale financial assets		**–**	8,418
Deferred income tax assets		**92,937**	83,860
Non-current portion of other receivables	*11*	**15,826**	15,569
		320,605	265,878
Current assets			
Inventories		**2,444**	2,799
Trade and other receivables	*11*	**840,865**	636,183
Short-term bank deposits	*12*	**6,122**	31,628
Restricted cash		**49,489**	71,768
Cash and cash equivalents		**379,931**	299,188
		1,278,851	1,041,566
Total assets		**1,599,456**	1,307,444
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**44,000**	44,000
Reserves		**418,619**	493,477
		462,619	537,477
Non-controlling interests		**112,558**	41,701
Total equity		**575,177**	579,178

		As at 31 December	
		2018	2017
	Note	***HKD'000***	*HKD'000*
			(Restated)
Liabilities			
Non-current liabilities			
Borrowings		**77,726**	14,146
Deferred income tax liabilities		**2,854**	–
		80,580	14,146
Current liabilities			
Trade and other payables	*13*	**573,053**	418,486
Contract liabilities		**145,051**	149,697
Financial liabilities at fair value through profit or loss		**6,611**	–
Borrowings		**191,280**	130,204
Current income tax liabilities		**27,704**	15,733
		943,699	714,120
Total liabilities		**1,024,279**	728,266
Total equity and liabilities		**1,599,456**	1,307,444

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") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure 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 financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets), financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and investment properties, which are carried at fair values.

The preparation of the consolidated 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. These consolidated financial statements are presented in Hong Kong dollars ("HKD") and all figures are rounded to the nearest thousand (HKD'000) unless otherwise stated.

(a) New standards, amendment to standards and interpretation adopted by the Group

The Group has applied the following new standards, amendments to existing standards and interpretation for the first time for their financial year beginning on 1 January 2018:

Annual Improvements Project	Annual Improvements 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. The impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" are disclosed in Note 2(a) and Note 2(b) respectively. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2019
HK(IFRIC)-Int 23 (New interpretation)	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

HKFRS 16 Leases

Nature of change

HKFRS 16 provides new provisions for the accounting treatment of leases which does not require lessees to classify their leases as either finance leases or operating leases and account for those two types of leases differently. HKFRS 16 will no longer allow lessees to account for certain leases outside the consolidated balance sheet. Instead, all long-term leases must be recognised in the form of assets (for the right-of-use) and lease liabilities (for the payment obligations), both of which may be carried initially at the discounted present value of the future operating lease commitments subject to certain exceptions and arrangements that do not qualify as leases under HKFRS 16. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in recognition of a right-of-use asset and an increase in lease liabilities in the consolidated balance sheet. In the consolidated statement of comprehensive income, rental expenses will be replaced with depreciation and interest expenses and the classification of cash flows in the consolidated statement of cash flow may also be affected.

Impact

As at 31 December 2018, the Group has total non-cancellable operating lease commitments of HKD3,008 million. Based on the initial assessment performed by management, majority of the operating lease commitment will be recognised as right-of-use assets and lease liabilities. Given the significant amount of the non-cancellable operating lease commitment as at 31 December 2018 and the operating lease commitments within 1 year amounting to HKD795 million, the directors of the Company consider that the adoption of HKFRS 16 would result in significant impact on the consolidated financial position of the Group, including the significant increase in both assets and liabilities in the consolidated balance sheet, the change in net assets and net current assets position of the Group. Also, the adoption will front-load the expense recognised in the consolidated statement of comprehensive income over the lease period, as a result of the combination of interest expenses arising from the lease liabilities and the amortisation of right-of-use assets as compared to the rental expense under existing standard.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 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 consolidated 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 restating the consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more details by standard below.

Consolidated balance sheet (extract)	31 December 2017 As originally presented	Effect of adoption of HKFRS 15	31 December 2017 (Restated)	Effect of adoption of HKFRS 9	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	–	–	–	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
EQUITY AND LIABILITIES					
Reserves	493,477	–	493,477	(3,470)	490,007
Total equity	579,178	–	579,178	(3,470)	575,708
Current 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

(a) HKFRS 9 "Financial Instruments" – impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

(i) Classification and measurements of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial instruments held by the Group into the appropriate HKFRS 9 categories and the impact on the change on the opening consolidated balance sheet on 1 January 2019 are summarised as follows:

- Available-for-sale financial assets of HKD8,418,000 as at 31 December 2017 was reclassified to financial assets at FVOCI on 1 January 2018;

- Available-for-sale financial assets revaluation reserve of HKD712,000 as at 31 December 2017 was reclassified to financial assets at FVOCI revaluation reserve on 1 January 2018

The Group reclassified its investment in unquoted bond funds as financial assets at FVOCI as it is held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through FVOCI revaluation reserve, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in FVOCI revaluation reserve is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in profit or loss.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". Under HKFRS 9, the losses allowances are measured on either using the 12-month ECLs model: the ECLs that result from possible default events within the twelve months after the reporting date; or the lifetime ECLs model: ECLs that would result from all possible default events over the expected life of a financial instrument.

The Group has five types of financial assets as at 1 January 2018 subject to HKFRS 9's new expected credit loss model:

- Trade and other receivables
- Short-term bank deposits
- Restricted cash
- Cash and cash equivalents
- Debt investments carried at fair value through other comprehensive income

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of financial assets. The impact of the change in impairment methodology on the Group's retained earnings as at 1 January 2018 and the estimates and assumptions made in concerning the future are discussed below:

	HKD'000
Closing retained earnings as at 31 December 2017	121,729
Increase in provision for trade receivables	(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

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents, short-term bank deposits and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss by the directors of the Company was determined to be immaterial.

The Group has applied the general approach and recorded 12-month expected credit losses on its other receivables and deposits and debt investments carried at fair value through other comprehensive income based on the estimated loss of possible default events within the next twelve months. The directors of the Company has considered that the allowance on impairment loss is immaterial upon the initial adoption of the standard.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

By using the lifetime ECLs model, an additional provision for trade receivables of HKD4,155,000 was recognised as at 1 January 2018.

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

	Loss allowance
	HKD'000
At 31 December 2017 — calculated under HKAS 39	23,189
Amounts additionally provided on adoption of HKFRS 9	4,155
At 1 January 2018 — calculated under HKFRS 9	27,344

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18, which resulted in changes in accounting policies that relate to revenue recognition, contract costs and presentation of contract assets and liabilities.

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 consolidated 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
Total	568,183	–	568,183

The Group reclassified the receipt in advance from customers amounting HKD149,697,000 previously classified as "Trade and other payables" to "contract liabilities" upon the initial adoption of HKFRS 15. Except for the above impact, there is no significant impact to the Group's consolidated financial statements as at 31 December 2017 on the adoption of HKFRS15.

3. SEGMENT INFORMATION

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

The executive directors of the Company 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 and billboards business — operation of advertising services in metro lines; and billboards and building solutions.

The executive directors of the Company assess the performance of the operating segments mainly based on revenue and gross profit of each operating segment. Majority 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 gains/(losses), net, finance costs, net and income tax expense are also not allocated to individual operating segment.

There are no segment assets and liabilities information provided to the executive directors of the Company.

The segment information for the operating segments is as follows:

	Airports business *HKD'000*	Metro and Billboards business *HKD'000*	Others *HKD'000*	Total *HKD'000*
Year ended 31 December 2018				
Revenue	**727,684**	**974,917**	**226,265**	**1,928,866**
Cost of revenue	**(458,404)**	**(790,618)**	**(195,724)**	**(1,444,746)**
Gross profit	**269,280**	**184,299**	**30,541**	**484,120**
Selling and marketing expenses				**(163,982)**
Administrative expenses				**(188,404)**
Other income				**11,751**
Other gains, net				**1,333**
Operating profit				**144,818**
Finance income				**3,437**
Finance costs				**(7,449)**
Finance costs, net				**(4,012)**
Share of results of investments in associates	**12,462**	**–**	**–**	**12,462**
Profit before income tax				**153,268**
Income tax expense				**(26,553)**
Profit for the year				**126,715**

	Airports business *HKD'000*	Metro and Billboards business *HKD'000*	Others *HKD'000*	Total *HKD'000*
Year ended 31 December 2017				
Revenue	843,515	713,542	202,187	1,759,244
Cost of revenue	(616,570)	(602,602)	(177,339)	(1,396,511)
Gross profit	226,945	110,940	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

Revenue consisted of the following:

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
Advertising display revenue	**1,711,649**	1,589,651
Advertising production, installation and dismantling revenue	**217,217**	169,593
	1,928,866	1,759,244

The timing of revenue recognition of the Group's revenue was as follows:

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
Revenue over time	**1,711,649**	1,589,651
Revenue at a point in time	**217,217**	169,593
	1,928,866	1,759,244

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

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
Mainland China	**1,506,010**	1,450,654
Hong Kong	**422,856**	308,590
	1,928,866	1,759,244

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:

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
Mainland China	**173,852**	157,862
Hong Kong	**40,254**	9,785
	214,106	167,647

4. EXPENSES BY NATURE

Expenses included in cost of revenue, selling and marketing expenses and administrative expenses are analysed as follows:

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
Concession fee charges for advertising spaces	**1,227,615**	1,194,033
Project installation and dismantling costs	**104,502**	78,055
Tax and surcharges	**38,770**	34,753
Utilities	**21,342**	23,832
Employee benefit expenses	**213,639**	178,448
Travelling and entertainment expenses	**53,087**	43,056
Office rental expenses	**23,403**	16,408
Professional service fees	**12,196**	10,936
Depreciation of property, plant and equipment	**37,562**	38,140
Auditors' remuneration	**5,315**	3,868
— Audit services	**3,663**	3,468
— Non-audit services	**1,652**	400
Amortisation of land use rights	**672**	632
Amortisation of intangible assets	**497**	589
Impairment/(reversal of) provision for trade and other receivables	**7,998**	(1,023)

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

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
OTHER INCOME		
Advertising consulting service income	**4,276**	6,987
Government subsidy income	**682**	1,359
Interest income on loans to an associate	**1,007**	925
Compensation from counter parties for breach of contracts	**1,123**	892
Reimbursement of installation and maintenance costs	**1,169**	788
Advertising design service income	**2,402**	757
Dividend income on available-for-sale financial assets	**–**	486
Dividend income on financial assets at fair value through other comprehensive income	**485**	–
Rental income on investment properties	**230**	264
Others	**377**	51
	11,751	12,509

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
OTHER GAINS/(LOSSES), NET		
Net exchange (losses)/gains	**(291)**	581
Fair value gains on investment properties	**680**	573
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(336)**	569
Losses on disposal of property, plant and equipment and intangible assets	**(386)**	(3,795)
Others	**1,666**	1,009
	1,333	(1,063)

6. FINANCE COSTS, NET

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
Finance income		
Interest income on bank deposits	**(3,437)**	(3,620)
Finance costs		
Interest expense on bank borrowings	**7,449**	7,143
Finance costs, net	**4,012**	3,523

7. INCOME TAX EXPENSE

Taxation on profits has been calculated on the estimated assessable profit/(loss) for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

The income tax expense of the Group for the years ended 31 December 2018 and 2017 is analysed as follows:

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
Current income tax		
— People's Republic of China (the "PRC") corporate income tax	**38,040**	20,524
— Hong Kong profits tax	**734**	(225)
	38,774	20,299
Deferred income tax	**(12,221)**	(911)
	26,553	19,388

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company less the distribution of Perpetual Subordinated Convertible Securities ("PSCS") by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2018	2017
Profit attributable to equity holders of the Company (HKD'000)	**62,953**	44,690
Less: Distribution to PSCS (HKD'000)	**(1,725)**	–
	61,228	44,690
Weighted average number of ordinary shares in issue (thousand shares)	**438,403**	440,000
Earnings per share (HK cents per share)	**13.97**	10.16

(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).

For the year ended 31 December 2018, the Group's share options, PSCS 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 year.

For the year ended 31 December 2017, 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 year. 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 as follows:

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

9. DIVIDENDS

	Year ended 31 December	
	2018	2017
	HKD'000	*HKD'000*
Proposed final dividend of HKD0.025 (2017: HKD0.10) per share (a)	**11,000**	44,000
Interim dividend of HKD0.014 (2017: HKD0.16) per share	**6,160**	70,400
Special dividend of HKD0.10 (2017: nil) per share (b)	**44,000**	–
	61,160	114,400

(a) At the meeting held on 27 March 2019, the Board recommended the payment of a final dividend of HKD0.025 (2017: HKD0.10) per share for the year ended 31 December 2018, amounting to a total of HKD11,000,000 (2017: 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.

(b) At the meeting held on 14 November 2018, the Board approved the payment of the special dividend of HKD0.10 per share of the Company, amounting to a total of HKD44,000,000 (2017: nil). References are made to the announcements of the Company dated 2 November 2018 and 14 November 2018.

10. INVESTMENTS IN ASSOCIATES

	Year ended/As at 31 December	
	2018	2017
	HKD'000	*HKD'000*
At beginning of the year	**27,391**	26,997
Capital injections (a)	**9,199**	–
Share of results	**12,462**	8,584
Dividends	**(8,846)**	(10,715)
Currency translation differences	**(2,070)**	2,525
At end of the year	**38,136**	27,391

(a): On 22 August 2018, Shanghai Asiaray Advertising Company Limited* ("Shanghai Asiaray") and Zhuhai Yuehe Enterprise Management Company Limited* ("Zhuhai Yuehe") jointly set up Zhuhai Yueya Media Company Limited* ("Zhuhai Yueya"). The proportion of shares held by Shanghai Asiaray and Zhuhai Yuehe is 40% and 60%, respectively.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	HKD'000	*HKD'000*
Included in current assets		
Trade receivables (a)	**522,054**	440,580
— Due from related parties	**3,358**	6,048
— Due from third parties	**518,696**	434,532
Less: loss allowance of trade receivables (b)	**(28,615)**	(23,189)
Trade receivables, net	**493,439**	417,391
Other receivables (c)	**271,720**	112,244
— Due from related parties	**22,911**	15,447
— Due from third parties	**248,809**	96,797
Less: loss allowance of other receivables	**(4,818)**	(1,739)
Other receivables, net	**266,902**	110,505
Interest receivables	**1,172**	1,107
Prepaid taxes	**26,929**	27,960
Other prepayments (d)	**52,423**	79,220
— Paid to related parties	**6,428**	4,914
— Paid to third parties	**45,995**	74,306
	840,865	636,183
Included in non-current assets		
Loans to an associate (e)	**15,826**	15,569
Total	**856,691**	651,752

* *For identification purpose only*

(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	
	2018	2017
	HKD'000	*HKD'000*
Up to 6 months	**397,028**	331,480
6 months to 12 months	**69,027**	58,786
1 year to 2 years	**22,716**	26,030
2 years to 3 years	**16,321**	8,481
Over 3 years	**16,962**	15,803
	522,054	440,580

(b) Impairment of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected loss allowance for all trade receivables. The Group also continuously monitors the credit risks by assessing the credit quality of respective counterparties, taking into account its financial position, past experience and other factors. When necessary, the Group will make specific provision for those balances which cannot be recovered apart from the general provision arise from the expected credit loss model.

Upon the adoption of HKFRS 9 on 1 January 2018, the loss allowance increased by HKD4,155,000 to HKD27,344,000. The loss allowance further increased by HKD1,271,000 during the current reporting period to HKD28,615,000. The closing loss allowance for trade receivables as at 31 December 2018 reconciling to the opening loss allowances is as follows:

	HKD'000
31 December 2017 – calculated under HKAS 39	23,189
Amount restated through opening retained earnings	4,155
As at 1 January 2018 – calculated under HKFRS 9	27,344
Increase in loss allowance recognised in profit or loss	4,728
Receivables written off during the year as uncollectible	(2,199)
Exchange differences	(1,258)
At 31 December 2018	28,615

The provision for impaired trade 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. The carrying amounts of other receivables approximated to their fair value as at 31 December 2018 and 2017. Their recoverability was assessed with reference to the credit status of the recipients, and there is no expected credit loss for future twelve months.

As at 31 December 2018 and 2017, other receivables of HKD4,818,000 and HKD1,739,000 over 180 days past due are impaired. As at 31 December 2018 and 2017, the balance of the loss allowance are HKD4,818,000 and HKD1,739,000, respectively.

(d) Analysis of other prepayments is as follows:

	As at 31 December	
	2018	2017
	HKD'000	*HKD'000*
Prepayments for concession fee charges for advertising spaces	**47,161**	74,764
Others	**5,262**	4,456
	52,423	79,220

(e) It represented an interest-free loan RMB15,251,000 (equivalent to HKD17,406,000) from Shanghai Asiaray to Fujian Zhaoxiang Advertising Company Limited* ("Fuijian Zhaoxiang Advertising") with a term of 6 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 Airport Group Co., Ltd.* (廈門翔業集團有限公司) (the "Agreements"). Pursuant to the Agreements, amounting RMB15,251,000 (equivalent to HKD17,406,000) 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.

* *For identification purpose only*

12. SHORT-TERM BANK DEPOSITS

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

	As at 31 December	
	2018	2017
	HKD'000	*HKD'000*
RMB	**6,122**	31,427
HKD	**–**	201
	6,122	31,628

Short-term bank deposits were neither past due nor impaired. The directors of the Company considered that the carrying amount of the short-term bank deposits approximated their fair values as at 31 December 2018 and 2017.

The effective interest rate for the short-term bank deposits of the Group with initial terms ranging from 6 months to 1 year for the years ended 31 December 2018 and 2017 was 1.75% and 1.70%, respectively.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	HKD'000	*HKD'000*
		(Restated)
Trade payables (a)	**187,369**	117,580
— Due to related parties	**71,374**	33,698
— Due to third parties	**115,995**	83,882
Accrued concession fee charges for advertising spaces (b)	**283,789**	193,796
— Due to related parties	**244,338**	192,141
— Due to third parties	**39,451**	1,655
Other taxes payables	**5,880**	6,915
Dividends payables	**25,113**	29,309
Interests payables	**530**	–
Salary and staff welfare payables	**28,581**	22,770
Other payables (c)	**41,791**	48,116
— Due to related parties	**9,522**	4,283
— Due to third parties	**32,269**	43,833
	573,053	418,486

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

	As at 31 December	
	2018	2017
	HKD'000	*HKD'000*
Up to 6 months	**145,597**	88,999
6 months to 12 months	**36,855**	953
1 year to 2 years	**1,281**	26,710
2 years to 3 years	**3,116**	226
Over 3 years	**520**	692
	187,369	117,580

(b) The amounts 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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

While 2018 marked the 25th anniversary of the Company, it also introduced a period of challenges brought upon by developments such as the US-China trade war and slowing down of Hong Kong and Mainland China economies. Nonetheless, by leveraging our leading position in the out-of-home ("OOH") advertising industry in Mainland China and Hong Kong, effective "Space Management" approach embraced by advertisers, and growth momentum accumulated during the past few years, the Group has been able to sustain satisfactory financial growth, thereby continuing the string of positive profit alert announcements made since FY2016. For the year ended 31 December 2018, revenue increased by 9.6% to approximately HKD1,928.9 million (2017: approximately HKD1,759.2 million), which was mainly due to the encouraging results of the metro and billboard business, representing a CAGR over 15.2% from 2011-2018. Gross profit rose by 33.5% to approximately HKD484.1 million (2017: approximately HKD362.7 million), while gross profit margin was up by 4.5 percentage points to 25.1% (2017: 20.6%), as a result of improved contributions from the Yunnan Airport Group and Zhengzhou Airport, as well as the outstanding performance of the Hong Kong billboard business and Beijing metro lines. The combined revenue of the Group, which provides a more accurate representation of total business scale by including the above mentioned consolidated revenue and the revenue of all associated companies, grew by 9.1% to approximately HKD2,799.7 million (2017: approximately HKD2,567.0 million). The EBITDA (Earnings before interests, tax, depreciation and amortization) was recorded approximately HKD196.0 million which has a raised of 46.8% with compared to last year (2017: approximately HKD133.5 million). Moreover, profit for the year surged by 77.9% to approximately HKD126.7 million (2017: approximately HKD71.2 million), while profit attributable to owners of the Company rose by 40.9% to approximately HKD63.0 million (2017: approximately HKD44.7 million).

Maintaining leadership while having a lasting impact

According to a report by CTR Market Research, 2018 was a year in which the Mainland China advertising market underwent a period of adjustment and development. Overall advertising spending ("adspend") recorded a growth of only 2.9% in 2018, slipping from 4.3% in 2017. Meanwhile, the Group's revenue recorded a 9.6% growth in 2018, such a figure suggests that the Group outperformed the market – able to accelerate growth even in a challenging environment, thus successfully strengthened our leading position among privately-owned media companies in the airport and metro advertising markets in the Greater China region. As at 31 December 2018, the Group provided exclusive advertising services for 17 metro lines and 30 airports (and Sanya Phoenix International Airport Terminal 2, Hainan) and other OOH media across over 30 cities in the Mainland China.

It is worth noting that in the second half year, we have secured the exclusive concession rights to the media resources of the Hong Kong-Zhuhai-Macau Bridge (Macau-Zhuhai Port) and High Speed Railway (Hong Kong Section), which both national projects are the largest of their kind in the world. Together with the winning of a series of new projects in 2018, including the media resources of six airports and two metro lines, the Group is set to substantially improve its presence in the prosperous Greater Bay Area, and further enrich its already well-established media resources network in Mainland China covering nearly 40 cities – cementing the Group's leadership in the market.

Update of business segments

Metro lines and billboards

During the past year, the metro and billboard business became the growth engine of the Group, driven by several recently secured projects such as Hangzhou Metro Line 2 and 4, as well as the satisfactory performance of other metro lines. Consequently, revenue of this business segment rose by 36.6% to approximately HKD974.9 million, while segment gross profit surged by 66.1% to approximately HKD184.3 million. Apart from the signature project High Speed Railway (Hong Kong Section), the Group also obtained the exclusive operation rights to the train media at the Beijing Capital Airport Line, as well as the Hangzhou Metro Line 5 that enjoys synergies with the city's existing Metro Line 2 and 4.

Our billboards are a traditional yet effective OOH advertising solution for reaching the masses. The Group's newest billboards, which are all located in prime locations such as the Star Ferry Carpark in Central, 1 Leighton Road, Laforet and Lin Fook House in Causeway Bay, and Sim City in Mong Kok, all of them have realized revenue growth for the Group during the year.

Airport

With the improved performance of the Yunnan Airport Group and Zhengzhou Airport, as well as better cost control measures in place, segment gross profit increased by 18.7% to approximately HKD269.3 million. Enhanced profitability can also be attributed to other factors, including national marketing efforts to promote our media resources network as a whole, introduction of top-level luxury brands to airports of first-tier cities and brought in creative showcases that are backed by our "space management" model. During the year, the Group also secured the operation rights to media resources in Lancang Airport, Xi'an International Airport and Haikou Meilan International Airport, as well as the Zhuhai Airport, Beijing Capital International Airport and the new Beijing Daxing International Airport, which have further strengthened our presence in the Greater Bay Area and Beijing-Tianjin-Hebei region.

Groundbreaking digital out-of-home (“DOOH”) initiative

In the OOH advertising market, DOOH advertising is a segment that has demonstrated the greatest growth potential, with revenue projected to reach approximately USD4,200 million in Mainland China by 2021, representing a CAGR of approximately 14.9%, according to a report on the entertainment and media industry in Mainland China. The Group believes programmatic DOOH advertising has more advantages since it can reach target audiences with measurable results, the Group has created the first media buying platform with programmatic DOOH media in Hong Kong during the year. The programmatic DOOH platform project represents a joint effort with Google and the global media investment management company under the WPP Group. This project signifies the entry of a new era by the OOH industry, enabling the convergence of the Internet and DOOH, which also echoes the Group’s promising online and offline (‘O&O’) strategies. The Group believes programmatic buying is a major future trend and introducing this platform in Hong Kong is in line with Asiaray’s pursuit of innovation and development in DOOH as an industry pioneer. This new programmatic DOOH platform provides a comprehensive range of services, from booking placement to the launch of an advertising campaign, with all our outdoor digital media resources now available for trading. Advertisers can therefore reach their target audiences directly through digital media, whether they are indoor or out. For example, different advertisements can be shown according to different real-time factors such as weather, stock index and any other identifiable parameter. This feature has been successfully employed to meet the needs of advertisers from different industries, including pharmaceutical, retail, technology and luxury goods. The platform will further enhance Asiaray’s leading position in the market by attracting and connecting more diversified advertisers to purchase the Group’s media resources remotely, especially those keen on using digital media. Going forward, we plan to add more interactive and customizable elements such as bidding systems to the platform, as well as secure more digital media resources in order to expand our network.

Acquisition of Radius

In August 2018, the Group, in acquiring 51% stake in Radius Displays International Limited (“Radius”), significantly expanded its business coverage upstream. Incorporated in Hong Kong, Radius is principally engaged in the provision of signage and urban furniture design, engineering and consulting work in Hong Kong, the US and Europe. It has developed several impressive OOH advertisements, including the world’s first robotic 3D sign that went up in New York’s Times Square in 2017 featuring a Coca-Cola ad – a project that Radius played a major part in its engineering design. By integrating Radius’ engineering expertise into our OOH advertising solutions and leveraging the cross-selling opportunities between the two companies, the Group will be strengthened in terms of having a more diversified business portfolio, income stream and client base. Also, more comprehensive and sophisticated advertisement solutions will be delivered to our clients thanks to synergies generated between the two companies.

Making our mark on the industry

Aside from celebrating our 25th anniversary, we also celebrated the winning of numerous accolades as a result of our innovative "Space Management" model. Such honors include the "China Advertising Great-wall Award", which is a top national advertising competition, and the world-renowned "Cannes Lions 2017 – Silver" and "Spikes Asia 2017 – Bronze" awards. In addition to the aforementioned achievements, the Group won a Bronze Award in the Media and Communication category of the 2017 Hong Kong Awards for Environment Excellence ("HKAEE") in May 2018, and "Outstanding Import & Export Enterprise Awards 2018 – Innovation Excellence Awards" in October 2018.

OUTLOOK

Looking ahead, the outlook for the global economy is expected to be filled with uncertainties as it will be affected by various issues including the US-China trade war, weaker prospects for emerging markets, geopolitical tensions, etc. In Mainland China, economic growth has continued to slow, with various indicators failing to achieve forecast targets in 2018. The Hong Kong economy has encountered similar challenges. The trade war and weakening domestic demand have added further pressure on the GDP of Mainland China and Hong Kong. Despite the challenging environment, the Group, as a market leader with strong presence and extensive network in the two markets, remains prudently optimistic about the prospects given the potential of the OOH market and the competitive advantages it has established. Apart from being encouraged by our outperformance in the industry, which has demonstrated the Group's ability to weather headwinds, we believe the difficult operating environment will accelerate consolidation in the fragmented OOH industry, which will provide a golden opportunity for industry leaders such as ourselves to gain greater market share in the future.

With the transportation infrastructure boom along with various national projects expected to commence in the coming years, the Group expects large growth opportunities to the OOH industry. Besides the Greater Bay Area, more exciting opportunities are emerging in the country brought by the Belt and Road, as well as the flourishing Yangtze River Delta area and the Beijing-Tianjin-Hebei region. Our unique and favorable market standing, including a leading position in the airport and metro media sectors, combined with expansive network as well as innovative advertising solutions backed by the unique "space management" model, will enable us to seize the opportunities ahead and pursue our goal of becoming a leading industry player in the world. Consistent with our goal to build an even stronger foundation for achieving our objectives, we have secured several new projects in the past six months, including media concession rights of Beijing Capital International Airport and the new Beijing Daxing International Airport, exclusive concession rights of Wenzhou Metro S1, Beijing Metro Line 14, Hangzhou Metro Line 5, Haikou Meilan International Airport, Qionghai Bo'ao Airport in Hainan and two national projects – the High Speed Railway (Hong Kong Section) and the Hong Kong-Zhuhai-Macao Bridge (Zhuhai-Macau Boundary-Crossing Artificial Island), which further expand the Group's presence in the Guangdong-Hong Kong-Macao Greater Bay area, Beijing-Tianjin-Hebei region and the Yangtze River Delta area.

As aforementioned, DOOH advertising is demonstrating the greatest growth potential in the OOH market. Therefore, on top of launching the pioneering programmatic DOOH media platform in Hong Kong, we have also mapped out other initiatives to maintain our competitive edge in this arena. For example, the Group will continue to optimize the Central Innovation and Technology Unit ("CTU"), which is involved in the development of programmatic buying and media technologies, including data-driven OOH advertising solutions, to further improve the programmatic buying experience as well as enhance internal inventory management. Such efforts are in line with our objective to offer even more interactive elements, leading to greater personalized experiences and engagement with a larger number of customers. Also, the Asiaray 360 platform (https://360.asiaray.com/en/) has been launched during the year, and serves as a media management and planning system through which customers and 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. Going forward, we will leverage this platform to better manage our media inventory, capture the interest of advertisers, and generate greater sales.

In addition to our core businesses, we will continue to pursue innovation and advancement as well as business diversification in order to broaden the Group's revenue streams and generate synergies with our sales and business operations. Backed by the acquisition of Radius, we are not only in a favorable position to extend coverage upstream, but also have the potential to leverage Radius' strong reputation in the European and the US markets to expand outside the Greater China region when appropriate.

Having celebrated our silver jubilee in 2018, we are proud to have reached this important juncture and the many achievements that been made leading up to this point. This includes the establishment of an extensive network that stretches across close to 40 major cities in the Greater China region and Hong Kong. We target to achieve more milestones in the coming 25 years. Towards this goal, we will seek to provide the best OOH communication solutions with the highest return on investment (ROI) in an effective manner. We are confident in our ability to succeed in view of our capacity to innovate and adapt, as well as observe the same founding principles that have enabled us to flourish over the past 25 years.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2018 increased from approximately HKD1,759.2 million to approximately HKD1,928.9 million, representing a year-on-year an increase of 9.6%. The increase was mainly attributable to the increase in revenue in the metro and billboards segments partially offset by the decrease in revenue in airport segment. The combined revenue of the Group, which includes the consolidated revenue of the Group and the total revenue of the Group's associated companies engaged in the media business as an operating information, reached approximately HKD2,799.7 million, representing a year-on-year increase of 9.1%.

The metro and billboards segment increased by 36.6% from approximately HKD 713.5 million for the year ended 31 December 2017 to approximately HKD 974.9 million in 2018. This was primarily attributable to the additional revenue from Express Rail Link (Hong Kong section) and additional billboards in Hong Kong. Hangzhou metro lines 2 and 4 recorded a significant revenue growth after the ramp-up period. Tianjin Metro Lines 2 and 3, Shenzhen metro line 3 and 4, Beijing metro line and Hong Kong metro lines also recorded a strong growth during the year.

The airports segment decreased by 13.7% from approximately HKD843.5 million for the year ended 31 December 2017 to approximately HKD727.7 million in 2018 mainly due to expired projects on Hangzhou airport. However, Yunnan group airport, Zhengzhou airport and Sanya airport contributed a satisfactory result and achieved a double-digit growth during the year.

The others revenue increased by approximately HKD24.1 million or 11.9%, from approximately HKD202.2 million for the year ended 31 December 2017 to approximately HKD226.3 million in 2018, 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.

During the year, the Group acquired its first ever project management business. On 30 October 2018, the Group completed the acquisition of the 51% interests in Radius, a Hong Kong based company, its principally engaging in the provision of signage and urban furniture design, engineering and consulting work. From the acquisition date to the year end of 2018, Radius contributed approximately HKD3.9 million revenue in two months period. The revenue of Radius delivered is classified as Others in the segment information.

The following table sets forth a breakdown of the growth rate of our airports and metro and billboards segments and the 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
Airports business	13.0%	15.5%	(15.7%)	(13.7%)
Metro and billboards business	31.7%	33.4%	35.0%	36.6%

	Growth rate (Excluding currency impact)	Reported growth rate
Consolidated group revenue	7.8%	9.6%

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

Cost of Revenue

Our cost of revenue increased by approximately HKD48.2 million, or 3.5%, from approximately HKD1,396.5 million for the year ended 31 December 2017 to approximately HKD1,444.7 million in 2018. The increase was primarily due to (a) the initial cost at Hangzhou metro lines, Zhuhai airport and Highspeed Railway (Hong Kong section); 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 year ended 31 December 2018 increased from approximately HKD362.7 million to approximately HKD484.1 million and the Group's gross profit margin increased from 20.6% in 2017 to 25.1% in 2018. The increase in gross profit margin was due to: (1) an increase in gross profit from the airport business primarily due to the promising revenue growth in a stable performance delivered by existing airports; (2) an increase in gross profit contributed by Hong Kong metro and billboard business and Beijing metro lines due to successful advertising campaigns.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately HKD28.6 million, or 21.1%, from approximately HKD135.4 million for the year ended 31 December 2017 to approximately HKD164.0 million in 2018. This increase was primarily attributable to the 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.

Administrative Expenses

Our administrative expenses increased by approximately HKD35.1 million, or 22.9%, from approximately HKD153.3 million for the year ended 31 December 2017 to approximately HKD188.4 million in 2018. The increase was primarily attributable to the increase in employee benefit expenses, office rental expenses and legal and professional fee due to expansion of our business operation. In addition, the increase was also attributable to the increase in impairment provision for the trade and other receivables, due to the change of Hong Kong Financial Reporting Standard.

Finance Costs, net

Net finance cost was approximately HKD4.0 million for the year ended 31 December 2018, compared with approximately HKD3.5 million in 2017. This was primarily attributable to the increase in bank borrowings during the year.

Share of Results of Investments in Associates

Our share of results of investments in associates for the year ended 31 December 2018 increased 45.3% from approximately HKD8.6 million for the year ended 31 December 2017 to approximately HKD12.5 million in 2018 due to better performance in an associate company, Shenzhen Airport Asiaray Media Company Limited ("Shenzhen Airport Asiaray"). During the year, our Group has formed an associate company, Zhuhai Yueya Media Company Limited* (珠海粵雅傳媒有限公司) with an independent third party to operate the advertising construction and media under the exclusive concession rights to the advertising spaces located at Hong Kong-Zhuhai-Macao Bridge (Macau-Zhuhai Port).

Income Tax Expenses

Our income tax expense increased by approximately HKD7.2 million from approximately HKD19.4 million for the year ended 31 December 2017 to approximately HKD26.6 million in 2018. This increase in expense was primarily attributable to the increase in profit before income tax by approximately HKD62.7 million.

* *For identification purpose only*

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

The EBITDA of the Group increased by approximately HKD62.5 million, or 46.8%, from approximately HKD133.5 million for the year ended 31 December 2017 to approximately HKD196.0 million in 2018. The increase was due to increase in earnings of the Group for the year.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was approximately HKD63.0 million for the year ended 31 December 2018, compared to approximately HKD44.7 million in 2017. The increase in profit was the net effect of the increase in gross profit of the Group and 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 bank 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.

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 bank deposits and restricted cash was approximately HKD435.5 million as at 31 December 2018, representing an increase of approximately HKD33.0 million compared with that as at 31 December 2017. As at 31 December 2018, the financial ratios of the Group were as follows:

	As at 31 December 2018	**As at 31 December 2017**
Current ratio [(1)]	1.36	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 had bank borrowings as at 31 December 2018 in the sum of approximately HKD269.0 million. Out of the total borrowings, approximately HKD191.3 million was repayable within one year, while approximately HKD77.7 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 4.38% for non-current borrowings and 3.89% for current borrowings as at 31 December 2018.

Exposure to Interest Rate Risk

The Group's interest rate risk arises from interest-bearing short-term bank deposits and bank borrowings. Short-term bank 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.

The Group's interest rate risks arise primarily from variable rates bank borrowings. The management manages interest rate risks and controls such risks within a reasonable level by closely tracking changes in the macroeconomic environment and monitoring changes in current and projected interest rates on a regular basis, taking into account conditions in the domestic and international markets.

Pledge of Assets

As at 31 December 2018, the Group pledged its buildings and land use rights with carrying amount of approximately HKD24.1 million (31 December 2017: HKD34.9 million), respectively to secure borrowings of the Group. The total secured borrowings as at 31 December 2018 amounted to approximately HKD4.3 million (31 December 2017: approximately HKD5.7 million).

Fund raising activities and 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 the principal amount of HKD30,000,000 was completed on 28 December 2017. The net proceeds of approximately HKD29,700,000 was received. As at 31 December 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 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	15,000 (used as intended)	Nil	N/A	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	4,700 (used as intended)	Nil	N/A	Yes

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 2018 and 2017 were approximately HKD60.6 million and HKD27.2 million, respectively.

Commitments

(1) As at 31 December 2018 and 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 31 December 2018 *HKD'000*	As at 31 December 2017 *HKD'000*
Not later than 1 year	**794,710**	887,656
Later than 1 year and not later than 5 years	**1,586,818**	2,046,838
Later than 5 years	**626,906**	756,139
	3,008,434	3,690,633

Contingent liabilities

Other than the contingent liabilities payable arising from the acquisition of Radius, the Group had no material contingent liabilities outstanding as at 31 December 2018.

Subsequent events

Subsequent to 31 December 2018, 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 2018, the Group has 1,001 employees (2017: 902 employees). The total salaries and related costs for the years ended 31 December 2018 and 2017 amounted to approximately HKD213.6 million and HKD178.4 million, respectively.

FINAL DIVIDEND

The Board has recommended a final dividend of HKD0.025 (2017: HKD0.10) per share for the year ended 31 December 2018 payable on or around Tuesday, 30 July 2019 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Friday, 12 July 2019 subject to the approval of the shareholders of the Company in the annual general meeting to be held on Tuesday, 25 June 2019.

CLOSURE OF REGISTER OF MEMBERS

(a) Annual General Meeting

The register of members of the Company will be closed from Thursday, 20 June 2019 to Tuesday, 25 June 2019, 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 Tuesday, 25 June 2019, 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 Wednesday, 19 June 2019.

(b) Payment of the proposed final dividend

The register of member of the Company will be closed from Wednesday, 10 July 2019 to Friday, 12 July 2019, 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, 9 July 2019.

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, an independent non-executive director was 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 2018.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has together with the Board reviewed and approved the annual results for the year ended 31 December 2018.

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 2018 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.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

All the financial and other related information of the Company required by the Listing Rules will be published on the website of each of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.asiaray.com/en/home/) in due course.

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

Hong Kong, 27 March 2019

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.