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 2019

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 2019, together with the unaudited comparative figures for the corresponding period of 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
	Note	***HKD'000***	*HKD'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**901,064**	888,298
Cost of revenue	*5*	**(685,769)**	(694,364)
Gross profit		**215,295**	193,934
Selling and marketing expenses	*5*	**(89,106)**	(75,331)
Administrative expenses	*5*	**(89,167)**	(86,215)
Net impairment losses on financial assets		**(380)**	(180)
Other income	*6*	**6,072**	5,207
Other gains – net	*6*	**2,113**	237
Operating profit		**44,827**	37,652

	Note	Six months ended 30 June **2019** ***HKD'000*** **(Unaudited)**	 2018 *HKD'000* (Unaudited)
Finance income	*7*	**695**	1,157
Finance costs	*7*	**(82,446)**	(2,380)
Finance costs – net	*7*	**(81,751)**	(1,223)
Share of profits of investments in associates	*11*	**3,984**	6,424
(Loss)/profit before income tax		**(32,940)**	42,853
Income tax credit/(expense)	*8*	**11,135**	(4,702)
(Loss)/profit for the period		**(21,805)**	38,151
Other comprehensive income			
Items that may be reclassified to profit or loss			
– Net gain/(loss) from changes in financial assets at fair value through other comprehensive income, net of tax		**395**	(315)
– Currency translation differences		**(2,217)**	(72)
		(1,822)	(387)
Total comprehensive (loss)/income for the period		**(23,627)**	37,764
(Loss)/profit attributable to:			
– Owners of the Company		**(42,004)**	6,553
– Non-controlling interests		**20,199**	31,598
(Loss)/profit for the period		**(21,805)**	38,151
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(42,546)**	7,702
– Non-controlling interests		**18,919**	30,062
Total comprehensive (loss)/income for the period		**(23,627)**	37,764
(Loss)/earnings per share attributable to owners of the Company for the period (expressed in HK cents per share)			
– Basic	*9*	**(9.89)**	1.49
– Diluted	*9*	**N/A**	1.47

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2019 HKD'000 (Unaudited)	As at 31 December 2018 HKD'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		**94,343**	106,235
Right-of-use assets	*14*	**3,089,959**	–
Land use rights	*14*	**–**	23,724
Investment properties		**9,609**	8,785
Intangible assets		**21,690**	21,400
Investments in associates	*11*	**31,843**	38,136
Financial assets at fair value through profit or loss		**6,204**	5,943
Financial assets at fair value through other comprehensive income		**8,014**	7,619
Deferred income tax assets		**145,151**	92,937
Other receivables	*12*	**–**	15,826
		3,406,813	320,605
Current assets			
Inventories		**2,156**	2,444
Trade and other receivables	*12*	**927,434**	840,865
Short-term bank deposits		**201**	6,122
Restricted cash		**29,559**	49,489
Cash and cash equivalents		**230,847**	379,931
		1,190,197	1,278,851
Total assets		**4,597,010**	1,599,456
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**44,000**	44,000
Reserves		**317,476**	418,619
		361,476	462,619
Non-controlling interests		**104,238**	112,558
Total equity		**465,714**	575,177

	Note	As at 30 June 2019 HKD'000 (Unaudited)	As at 31 December 2018 HKD'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings		**60,808**	77,726
Lease liabilities	*14*	**2,670,860**	–
Deferred income tax liabilities		**2,711**	2,854
		2,734,379	80,580
Current liabilities			
Trade and other payables	*13*	**308,640**	573,053
Contract liabilities	*13*	**118,388**	145,051
Financial liabilities at fair value through profit or loss		**6,611**	6,611
Current income tax liabilities		**7,924**	27,704
Borrowings		**165,173**	191,280
Lease liabilities	*14*	**790,181**	–
		1,396,917	943,699
Total liabilities		**4,131,296**	1,024,279
Total equity and liabilities		**4,597,010**	1,599,456

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 are 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.

The condensed consolidated interim financial information are presented in Hong Kong dollars ("HKD") and all figures are rounded to the nearest thousand (HKD'000), unless otherwise stated, and has been approved for issued by the Board on 23 August 2019.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2019, the Group had net current liabilities of HKD206,720,000. Notwithstanding the Group's net current liabilities, these consolidated financial statements have been prepared on a going concern basis as the Board considered that the Group's available sources of funds, including the Group's expected net cash inflows from its operating activities in the coming year and the continuous support from its banks by providing loans and banking facilities to the Group, is sufficient to meet its financial obligations as they become due and to finance its planned capital expenditure. The Board therefore continues to adopt the going concern basis in preparing these consolidated financial statements.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, 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 HKFRS 16 "Leases".

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 3 below. The other standards did not have any significant 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 2019, and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	*Note*

Note: To be announced by HKICPA.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.71%.

	HKD'000
Operating lease commitments disclosed as at 31 December 2018	**3,008,434**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**2,586,292**
Less: short-term and low-value leases recognised on a straight-line basis as expense	**(93,947)**
Lease liabilities recognised as at 1 January 2019	**2,492,345**
Of which are:	
– Current lease liabilities	**665,441**
– Non-current lease liabilities	**1,826,904**
	2,492,345

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Land use rights previously presented as a separate item on the consolidated balance sheet is grouped as part of right-of-use assets with effect from 1 January 2019.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 *HKD'000*	1 January 2019 *HKD'000*
Advertising fixtures	**3,048,661**	2,119,289
Office	**17,991**	23,377
Land use right	**23,307**	23,724
	3,089,959	2,166,390

The changes in accounting policies affected the following items in the consolidated balance sheet on 1 January 2019:

Consolidated balance sheet (extract)	**31 December 2018 as originally presented** *HKD'000*	**Effects of the adoption of HKFRS 16** *HKD'000*	**1 January 2019 Restated** *HKD'000*
Non-current assets			
Land use rights	23,724	(23,724)	–
Right-of-use assets	–	2,166,390	2,166,390
Deferred income tax assets	90,083	27,789	117,872
Current assets			
Trade and other receivables	840,865	(32,945)	807,920
Current liabilities			
Lease liabilities	–	(665,441)	(665,441)
Trade and other payables	(573,053)	261,400	(311,653)
Non-current liabilities			
Lease liabilities	–	(1,826,904)	(1,826,904)
Equity			
Retained earnings	(184,450)	66,634	(117,816)
Non-controlling interests	(112,558)	26,801	(85,757)

(i) *Impact on segment disclosures and loss per share*

The following segments results were affected by the changes in the accounting policies:

	Increase in segment gross profit for the six months ended 30 June 2019 *HKD'000*
Airport business	**28,692**
Metro and billboards business	**35,068**
	63,760

	Six months ended 30 June 2019 *HKD'000*
Increase in operating expenses	**1,275**
Increase in finance costs	**77,205**
Decrease in income tax expense	**3,368**
Increase in loss attributable to owners of the Company	**16,137**

Loss per share increased by HKD3.72 cents per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following recognition exemptions and practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessment on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- exempting operating leases for which the underlying assets are of low value
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)–4 "Determining whether an Arrangement contains a Lease".

(b) The Group's leasing activities and how these are accounted for

The Group leases various advertising fixtures, offices and land use rights. Rental contracts of advertising fixtures and offices are typically made for fixed periods of 1 to 10 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of advertising fixtures and offices were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use assets and a corresponding liability at the date at which the leased assets is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any);
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received (if any);
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small advertising fixtures and small items of office furniture.

(i) *Variable lease payment*

Variable lease payments that depend on an index or a rate are included in lease payments, initially measured using the index or rate as at the commencement date. They meet the definition of liabilities for the lessee because they are unavoidable and do not depend on any future activity of the lessee. Any uncertainty, therefore, relates to the measurement of the ability that arises from those payments and not to the existence of that ability.

At initial recognition, such payments are measured using the index or rate at the commencement date (without estimating changes in the index or rate over the reminder of the lease term). Variable lease payments that depend on an index or a rate are recognized in profit or loss in the period in which the condition that triggers those payments occurs. As at 1 January 2019 and 30 June 2019, the variable lease payment that depends on an index or rate were not significant.

(ii) *Extension and termination options*

Extension options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

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 base 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 periods. 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. Net impairment losses on financial assets, other income, other gains – net, finance costs – net and income tax credit/(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 2019				
Revenue	**347,924**	**450,318**	**102,822**	**901,064**
Cost of revenue	**(233,778)**	**(372,780)**	**(79,211)**	**(685,769)**
Gross profit	**114,146**	**77,538**	**23,611**	**215,295**
Selling and marketing expenses				**(89,106)**
Administrative expenses				**(89,167)**
Net impairment losses on financial assets				**(380)**
Other income				**6,072**
Other gains – net				**2,113**
Operating profit				**44,827**
Finance income				**695**
Finance costs				**(82,446)**
Finance costs – net				**(81,751)**
Share of profits of investments in associates	**3,984**	**–**	**–**	**3,984**
Loss before income tax				**(32,940)**
Income tax credit				**11,135**
Loss for the period				**(21,805)**

	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				(86,215)
Net impairment losses on financial assets				(180)
Other income				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 profits 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

Revenue consisted of the following:

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Advertising display revenue	**792,933**	797,002
Advertising production, installation and dismantling revenue	**108,131**	91,296
	901,064	888,298

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

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Revenue over time	**792,933**	797,002
Revenue at a point in time	**108,131**	91,296
	901,064	888,298

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

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Mainland China	**664,976**	718,003
Hong Kong	**236,088**	170,295
	901,064	888,298

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 2019 and 2018.

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 2019 and 31 December 2018 as follows:

	As at 30 June 2019	As at 31 December 2018
	HKD'000	*HKD'000*
	(Unaudited)	(Audited)
Mainland China	**3,043,859**	173,852
Hong Kong	**203,585**	40,254
	3,247,444	214,106

5 STATEMENT OF COMPREHENSIVE INCOME ITEMS BY NATURE

Consolidated statement of comprehensive income items included in cost of revenue, selling and marketing expenses and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Concession fee charges for advertising fixtures	**292,208**	600,494
Project installation and dismantling costs	**40,258**	38,282
Depreciation of property, plant and equipment	**21,223**	16,586
Depreciation of right-of-use assets	**312,857**	–
Employee benefit expenses	**126,109**	98,055
Travelling and entertainment expenses	**13,308**	17,057
Office rental expense	**8,371**	10,470
Amortisation of intangible assets	**1,084**	286
Amortisation of land use rights	**–**	349

6 OTHER INCOME AND OTHER GAINS – NET

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
OTHER INCOME		
Advertising consulting service income	**2,453**	1,446
Advertising design service income	**1,052**	913
Interest income on loan to an associate	**518**	515
Compensation from counter parties for breach of contracts	**453**	601
Government subsidy income	**317**	647
Dividend income on unlisted bond investments	**244**	241
Reimbursement of installation and maintenance costs	**–**	280
Rental income on investment properties	**139**	188
Others	**896**	376
	6,072	5,207

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
OTHER GAINS – NET		
Fair value gain on investment properties	**874**	–
Fair value loss on financial assets at fair value through profit or loss	**–**	(280)
Gain/(loss) on disposal of property, plant and equipment	**148**	(336)
Net exchange gains	**135**	387
Others	**956**	466
	2,113	237

7 FINANCE COSTS – NET

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Finance income		
– Interest income on bank deposits	**(695)**	(1,157)
Finance costs		
– Interest expense on bank borrowings	**5,241**	2,380
– Unwinding of interests on lease liabilities	**77,205**	–
	82,446	2,380
Finance costs–net	**81,751**	1,223

8 INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense of the Group for the six months ended 30 June 2019 and 2018 is analysed as follows:

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax	**13,248**	17,863
– Hong Kong profits tax	**1,108**	582
	14,356	18,445
Deferred income tax	**(25,491)**	(13,743)
	(11,135)	4,702

(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. For the six months ended 30 June 2019, under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying group entity in Hong Kong will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the six months ended 30 June 2018, Hong Kong profits tax was calculated at a single flat rate of 16.5% of the estimated assessable profits.

(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 2018: 25%) in accordance with the CIT Law.

* *For identification purpose only*

9 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/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	
	2019	2018
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (HKD'000)	**(42,004)**	6,553
Less: Distribution to PSCS (HKD'000)	**(863)**	–
	(42,867)	6,553
Weighted average number of ordinary shares in issue (thousands shares)	**433,248**	440,000
(Loss)/earnings per share (expressed in HK cents per share)	**(9.89)**	1.49

(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).

For the period ended 30 June 2019, 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 periods presented.

For the period ended 30 June 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 period. 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 follow:

	Six months ended 30 June 2018 (Unaudited)
Profit attributable to equity holders of the Company (HKD'000)	6,553
Weighted average number of ordinary shares used to calculate basic earnings per share (thousands shares)	440,000
Adjustments for:	
– conversion of PSCS between 28 December 2017 to 30 June 2018 (thousands shares)	4,295
Weighted average number of ordinary shares for diluted earnings per share (thousands shares)	444,295
Diluted earnings per share (expressed in HK cents per share)	1.47

10 DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2019, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2018: HKD0.014 per share).

11 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
At beginning of the period	**38,136**	27,391
Share of profits	**3,984**	6,424
Dividend	**(10,224)**	–
Currency translation differences	**(53)**	(511)
At end of the period	**31,843**	33,304

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 *HKD'000* **(Unaudited)**	As at 31 December 2018 *HKD'000* (Audited)
Included in current assets		
Trade receivables (a)	**489,505**	522,054
Less: impairment loss on trade receivables	**(29,122)**	(28,615)
Trade receivables, net	**460,383**	493,439
Other receivables	**219,355**	271,720
Less: impairment loss on other receivables	**(4,479)**	(4,818)
Other receivables, net	**214,876**	266,902
Interest receivable	**1,064**	1,172
Dividends receivable	**10,037**	–
Prepaid taxes	**32,962**	26,929
Other prepayments	**191,841**	52,423
Loan to an associate	**16,271**	–
	927,434	840,865
Included in non-current assets		
Loan to an associate	**–**	15,826
	927,434	856,691

(a) Ageing analysis of the gross trade receivables based on revenue recognition date at 30 June 2019 and 31 December 2018 is as follows:

	As at 30 June 2019 *HKD'000* (Unaudited)	As at 31 December 2018 *HKD'000* (Audited)
Up to 6 months	**354,893**	397,028
6 months to 12 months	**70,892**	69,027
1 year to 2 years	**30,908**	22,716
2 years to 3 years	**10,748**	16,321
Over 3 years	**22,064**	16,962
	489,505	522,054

13 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Analysis of trade payables, accruals and other payables as at 30 June 2019 and 31 December 2018 is as follow:

	As at 30 June 2019 *HKD'000* (Unaudited)	As at 31 December 2018 *HKD'000* (Audited)
Trade payables	**99,056**	187,369
Accrued concession fee charges for advertising fixtures (i)	**139,819**	283,789
Other taxes payable	**5,697**	5,880
Dividends payable	**20,200**	25,113
Interest payable	**–**	530
Salary and staff welfare payables	**22,615**	28,581
Other payables	**21,253**	41,791
	308,640	573,053
Contract liabilities (ii)	**118,388**	145,051
	427,028	718,104

(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 charge payable according to the concession rights agreements.

(ii) The Group has recognised liabilities related to contracts with customers in accordance with HKFRS15 "Revenue from contracts with customers". The contract liabilities represented advance from customers before Group transfers good or services to customers. Contract liabilities are recognised as revenue when the Group performs under contract.

The revenue recognised that was included in the contract liabilities balance at the beginning of the period:

	Six months ended 30 June	
	2019	2018
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	**117,259**	114,712

(b) The ageing analysis of the trade payables based on invoice date at 30 June 2019 and 31 December 2018 is as follows:

	As at 30 June 2019	As at 31 December 2018
	HKD'000	*HKD'000*
	(Unaudited)	(Audited)
Up to 6 months	**78,212**	145,597
6 months to 12 months	**16,513**	36,855
1 year to 2 years	**1,263**	1,281
2 years to 3 years	**1,367**	3,116
Over 3 years	**1,701**	520
	99,056	187,369

14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Balance recognised in the condensed consolidated balance sheet

Right-of-use assets

	Land use rights *HKD'000*	**Advertising fixtures** *HKD'000*	**Office** *HKD'000*	**Total** *HKD'000*
(Unaudited)				
Balance as at 1 January 2019	–	–	–	–
Change in accounting policy (Note 3)	23,724	2,119,289	23,377	2,166,390
Restated balance at 1 January 2019	23,724	2,119,289	23,377	2,166,390
Additions	–	1,260,750	1,571	1,262,321
Depreciation and amortisation	(329)	(305,562)	(6,966)	(312,857)
Currency translation differences	(88)	(25,816)	9	(25,895)
Balance as at 30 June 2019	23,307	3,048,661	17,991	3,089,959

Lease liabilities

	As at 30 June 2019 *HKD'000* **(Unaudited)**
Current portion of lease liabilities	**790,181**
Non-current portion of lease liabilities	**2,670,860**
Total lease liabilities	**3,461,041**

(b) Amounts recognised in the condensed consolidated statement of comprehensive income

	Six months ended 30 June 2019 *HKD'000* **(Unaudited)**
Depreciation of right-of-use assets	**312,857**
Interest expenses on lease liabilities	**77,205**
Operating lease rental for short-term and low-value leases	**8,371**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Various macro-economic factors such as the Sino-US trade war and slowdown of the Hong Kong and Mainland China economies, brought a series of challenges to media companies in the first half of 2019. According to China Advertising Market Data for the first half of 2019 announced by CTR, the PRC advertising market has continued to decline since the beginning of 2018. Media advertising expenditure in the first quarter of 2019 decreased by 11.2% and that spent on traditional media decreased by 16.2%. With leadership in the out-of-home ("OOH") industry in the PRC and Hong Kong, and its proven "space management" approach well-appreciated by advertisers, Asiaray has stayed competitive in the unstable and uncertain market. For the six months ended 30 June 2019 (the "Period"), total revenue of the Group has slightly increased 1.4% to HKD901.1 million (2018: HKD888.3 million), with combined revenue, which includes consolidated revenue and revenue from all associated companies of the Group engaged in media advertising business, amounting to HKD1,239.0 million (2018: HKD1,330.1 million), driven by the project of High Speed Rail (Hong Kong Section) and the new billboard resources secured and commenced in late 2018. Gross profit rose by 11.0% to HKD215.3 million (2018: HKD193.9 million) and gross profit margin swelled by 2.1 percentage points to 23.9%.

However, due to the launch of several new projects still in ramp-up stage such as Beijing Metro Line No. 14, Wenzhou Metro Line S1 and Haikou Meilan International Airport, and the adverse effects of adoption of the Hong Kong Financial Reporting Standard 16 Leases which took effect on 1 January 2019, the Group recorded a net loss for the period of HKD21.8 million for the six months ended 30 June 2019 (2018: profit of HKD38.2 million). However, the Group continues to maintain the net cash position in the Period and is able to keep this net cash position for 5 years since its listing in Hong Kong Stock Exchange.

Maintaining leadership with long lasting impact

Asiaray's unique space management model which allows it to bolster the value of advertising projects through creative use of available space with stimulating the five senses of audience, exploiting the uniqueness of the advertising fixtures, and integrating advanced technology and digital media with the Group's OOH media. This approach is well-received by advertisers, landlords, and audience, and has set the Group apart from other market players. Priding a proven track record and an extensive media resources network, the Group enhanced its leadership among media companies in the airport and metro advertising markets in Greater China region during the Period. Currently, Asiaray is providing exclusive advertising services to 19 metro lines and 31 airports (including Sanya Phoenix International Airport Terminal 2, Hainan) across 39 cities in the PRC, and also the High Speed Rail (Hong Kong Section) and the Hong Kong-Zhuhai-Macau Bridge (Zhuhai-Macau port).

Update of business segments

Airport

For the six months ended 30 June 2019, revenue from media advertising business in airports declined 8.5% period-on-period to HKD347.9 million, mainly due to the expiry of the concessionary rights in Hangzhou Airport. Nonetheless, encouraging performance was achieved at Zhuhai International Airport, and profitability of the business segment remained stable. The Group managed to keep the segmental gross profit margin at 32.8%. Subsequent to the Period, the Group has once again secured the exclusive concession rights to operate the advertising and media resources of Kunming Airport, the main international airport serving the capital city of Yunnan province in China. Among the 50 busiest airports in the world in terms of passenger traffic, Kunming Airport is expected to handle 43 million passengers in 2020 be an important new gateway for the Bangladesh-China-India-Myanmar and the China-Indochina Peninsula corridors under the Chinese government's Belt and Road Initiative. Thus, together with several recently secured resources, such as media concession rights to the Beijing Capital International Airport and the new Beijing Daxing International Airport, and exclusive concession rights to the Haikou Meilan International Airport and the Qionghai Bo'ao Airport in Hainan, the Group has diversified and strengthened its presence in various regions in the PRC.

Metro lines and billboards

During the Period, the Group continued to focus on increasing sales contributions from the existing 19 metro lines, driving segmental revenue up by 12.6% to HKD450.3 million, while gross profit of the segment surged by 56.0% to HKD77.5 million and gross profit margin improved to 17.2%. In February, the Group secured the exclusive concession rights to operate the media resources of Beijing Metro Line 14, as such expanded its business presence in the Beijing-Tianjin-Hebei region, which is going to translate into huge synergistic benefits for its business in the region. Including the latest addition, the Group is now operating media resources of seven metro lines in the Beijing-Tianjin-Hebei region. Moreover, the Group also secured the exclusive concession rights to the advertising and media resources of Wenzhou Metro Line S1 in March, which is a new passenger transport model connecting inter-city metro and urban rail transit. Thus, the Group has broadened its business presence in the Yangtze River Delta with operating the media resources of six metro lines covering Wuxi, Hangzhou and Wenzhou. At the same time, the Group also has a strong business network in the Greater Bay Area with covering the media resource of Shenzhen metro lines (No.3 and No.4), Hong Kong-Zhuhai-Macau Bridge (Zhuhai-Macau port), the High Speed Rail (Hong Kong Section) and several metro lines in Hong Kong.

Furthermore, the Group secured new billboard resources in prime locations in Hong Kong, including the sightseeing and business area such as Tsim Sha Tsui, Central, Wan Chai, and Causeway Bay, which facilitated growth of the business segment during the Period. Boasting a leading market reputation, the Group is poised to capture opportunities despite the challenges in Mainland China and Hong Kong.

Latest developments in digital out-of-home ("DOOH")

Digital out-of-home ("DOOH") advertising demonstrates significant growth potential in the OOH Market. According to an advertising industry report, revenue of the sector in China will reach USD4,200 million in 2021. In 2018, armed with a solid foundation and strong connection, Asiaray joined hand with Google and launched the first media buying platform for programmatic DOOH media in Hong Kong. Apart from the programmatic buying media platform, the Group has further echoed its online and offline ("O&O") strategies by exploring different kind of online medium for promotion, which allows advertisers to reach their target audiences directly, thus, to further enhance Asiaray's leading position in the market.

OUTLOOK

The global economy is expected to be filled with uncertainties in the second half year, with the Sino-US trade war and geopolitical tensions looming, which will in turn challenge the Mainland China and Hong Kong economies. Declining import and export, lacklustre retail figures in Hong Kong, as well as the slowdown of advertising expenditure growth in China will continue to put pressure on media companies. Nevertheless, by capitalising on its broad resource network and deep roots in the markets, Asiaray will manage to stand out strong as the market consolidates and unearth market potential and strengthen its position as a leading player. With the second half of the year being the traditional peak season, the Group expects to see improvement in overall performance, especially with advertising opportunities the two said national projects, the Hong Kong-Zhuhai-Macau Bridge (Zhuhai-Macau port) and the High Speed Rail (Hong Kong Section) will bring. These projects are expected to be strong showcases that can open up for the Group with other opportunities. Airports and metro lines will remain the primary focus of the Group, while it will constantly seek different opportunities to diversify its clientele.

With transportation infrastructure development booming on the mainland, and various national projects expected to commence in the coming years, the Group sees immense growth opportunities from the OOH industry, particularly in the Greater Bay Area, the Beijing-Tianjin-Hebei Region, and the Yangtze River Delta. Furthermore, rapid urbanisation has brought over two billion people to urban populations, fuelling demand for OOH advertising and generating substantial business potential for media companies. To serve the burgeoning urban population, over 80 newly-built airports have started operation, and more are under construction. Infrastructure development is picking up speed in Hong Kong and Mainland China, considering that, the Group will focus on obtaining exclusive concession rights to media resources in airports and metro lines. The Group aims to continually penetrate the OOH market, including those in overseas markets at opportune time and should appropriate opportunities arise.

The Group will strive to broaden its revenue streams and generate synergies among its existing media resources. Leveraging Radius' market leadership and connection strong and wide, the Group will be able to reach various potential partners and explore growth opportunities from the emerging 5G technology. Furthermore, the Group plans to add more interactive and customisable elements to its DOOH media platform, and upgrade its technology to attract and connect a greater diversity of advertisers. The Group will continue to push to realise the objective of providing the best OOH communication solutions to customers, solutions that can effectively generate the highest return on investment.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2019 increased from approximately HKD888.3 million to approximately HKD901.1 million, representing an increase of 1.4%. The increase was mainly attributable to the growth in the metro and billboards segment and partially offset by the decrease 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 HKD1,239.0 million.

Revenue on the metro and billboards increased by approximately HKD50.4 million or 12.6% from approximately HKD399.9 million in the corresponding period of 2018 to approximately HKD450.3 million in this Period. This was primarily attributable to the additional revenue from High Speed Rail (Hong Kong section) and additional billboards in Hong Kong. Besides, Hangzhou metro lines 2 and 4 contributed a satisfactory results and achieved a double-digit growth during this Period.

Revenue on the airports decreased by 8.5% from approximately HKD380.4 million in the corresponding period of 2018 to approximately HKD347.9 million in this Period, it mainly due to the expiry of project on Hangzhou airport.

Revenue on the others segment decreased by approximately 4.8% from approximately HKD108.0 million in the corresponding period of 2018 to approximately HKD102.8 million in this Period, which was primarily attributable to the decrease in our agency business in respect of sales of advertising fixtures in media resources operated by certain associated companies and other companies.

The following table sets forth a breakdown of the growth rate of the metro and billboards segment and airport segment and the consolidated group revenue for this Period:

	Same project growth rate# (Excluding currency impact)	**Same project growth rate# (Including currency impact)**	**Growth rate (Excluding currency impact)**	**Reported growth rate**
Metro and billboards	5.8%	2.1%	16.4%	12.6%
Airports	(4.8%)	(1.8%)	(2.4%)	(8.5%)

	Growth rate (Excluding currency impact)	**Reported growth rate**
Consolidated group revenue	6.5%	1.4%

defined as revenue generated from the same projects which both contributed revenue for the year and the corresponding period in 2018 respectively

Cost of Revenue

The cost of revenue decreased by approximately HKD8.6 million, or 1.2%, from approximately HKD694.4 million in the corresponding period of 2018 to approximately HKD685.8 million in this Period. The decrease was primarily due to change in financial reporting standard (HKFRS 16). Without the financial impact of HKFRS 16, the cost of revenue increased by approximately HKD55.2 million or 7.9% when compared to the corresponding period of 2018, mainly due to (a) cost of new projects of High Speed Rail (Hong Kong section), Haikou Meilan airport, Wenzhou metro line S1, Beijing metro line no. 14 and the additional billboards in Hong Kong; and (b) increase of concession fee payable under the concession rights contract of Xinjiang airport which was renewed in the first quarter of 2019.

Gross Profit and Gross Profit Margin

The gross profit for the Period increased from approximately HKD193.9 million to approximately HKD215.3 million, while the gross profit margin increased from 21.8% in the corresponding period of 2018 to 23.9% in this Period. The increase in gross profit and gross profit margin was due to change in financial reporting standards (HKFRS 16). Without the financial impact of HKFRS 16, the gross profit decreased by approximately HKD42.4 million while the gross profit margin decreased to 16.8%, representing a 5 percentage point decreased when compared to the corresponding period of 2018. The decreased caused by the initial cost of new projects which explained above.

Selling and Marketing Expenses

Selling and marketing expenses increased by approximately HKD13.8 million, or 18.3%, from approximately HKD75.3 million in the corresponding period of 2018 to approximately HKD89.1 million this Period. This increase was primarily attributable to the increase in employee benefit expenses and set up expenses as a result of the growth and expansion of our business operations.

Administrative Expenses

Administrative expenses increased by approximately HKD3.0 million, or 3.5%, from approximately HKD86.2 million in the corresponding period of 2018 to approximately HKD89.2 million in this Period. The increase was attributable to the increase in depreciation of offices of the right-of-use assets regarding to HKFRS 16.

Finance Costs – net

Net finance cost was approximately HKD81.8 million for this Period, compared with approximately HKD1.2 million in corresponding period of 2018. This was primarily attributable to the HKFRS 16 and increase in bank borrowings during the Period.

Share of Profits of Investments in Associates

The share of profits of investments in associates for the Period decreased 37.5%, from approximately HKD6.4 million in the corresponding period of 2018 to approximately HKD4.0 million.

Income Tax Credit/Expenses

The Company incurred an income tax credit in this Period, and an taxation expense in the corresponding period of 2018, the changes was representing the net loss which was recorded during this Period. The relatively high in effective tax rate in the Period was primarily due to tax losses from the loss-marking subsidiaries.

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

The EBITDA of the Group was approximately HKD384.7 million in this Period, increased HKD322.2 million compared to the corresponding period of 2018. The increase was due to HKFRS 16, part of the concession fee was recorded as depreciation under the recognition of right-of-use assets since 1 January 2019.

Loss/Profit Attributable to Owners of the Company

Loss attributable to owners of the Company was approximately HKD42.0 million during the Period, compared to profit attributable to owners of the Company was approximately HKD6.6 million in corresponding period of 2018. The decrease in profit was the negative impact of HKFRS 16, as fully explained in the above and the losses recorded for the new projects which are still in ramp-up period.

Financial Impact of HKFRS 16

Condensed Consolidated Balance Sheet

	With HKFRS 16	**Without HKFRS 16**	Without HKFRS 16
	As at June 2019	**As at June 2019**	As at 31 December 2018
	HKD'000	***HKD'000***	*HKD'000*
Non-current assets	**3,406,813**	**309,176**	320,605
Current assets	**1,190,197**	**1,190,196**	1,278,851
Total assets	**4,597,010**	**1,499,372**	1,599,456
Non-current liabilities	**2,734,379**	**63,519**	80,580
Current liabilities	**1,396,917**	**865,905**	943,699
Total liabilities	**4,131,296**	**929,424**	1,024,279
Net current (liabilities)/assets	**(206,720)**	**324,291**	335,152
Total equity attribute to the Company	**361,476**	**434,123**	462,619
Total equity	**465,714**	**569,948**	575,177

Condensed Consolidated Statement of Comprehensive Income

	With HKFRS 16	**Without HKFRS 16**	Without HKFRS 16
	Six month ended 30 Jun 2019	**Six month ended 30 Jun 2019**	Six month ended 30 Jun 2018
	HKD'000	***HKD'000***	HKD'000
Cost of revenue	**685,769**	**749,529**	694,364
Finance costs – net	**81,751**	**4,546**	1,223
(Loss)/profit before income tax	**(32,940)**	**(18,220)**	42,853
(Loss)/profit after income tax	**(21,805)**	**(10,453)**	38,151

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on funds.

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 bank deposits and restricted cash was approximately HKD260.6 million as at 30 June 2019, an decrease of approximately HKD174.9 million compared with that as at 31 December 2018. As at 30 June 2019, the financial ratios of the Group were as follows:

	As at 30 June 2019	As at 31 December 2018
Current ratio(1)	**0.85**	1.36
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 2019 were approximately HKD226.0 million. Out of total borrowings, approximately HKD165.2 million was repayable within one year, while approximately HKD60.8 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 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 30 June 2019, the Group pledged its buildings and land use rights with carrying amount of HKD23.5 million (31 December 2018: HKD24.1 million), respectively to secure borrowings of the Group. The total secured borrowings as at 30 June 2019 amounted to HKD3.7 million (31 December 2018: HKD4.3 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 the principal amount of HKD30,000,000 and HKD20,000,000 was completed on 28 December 2017 and 28 June 2019 respectively. The net proceeds of approximately HKD49,400,000 was received. As at 30 June 2019, PSCS in the principal amount of HKD50,000,000 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

As at 30 June 2019

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 time frame for application of the unutilized proceeds	Whether the proceeds are to be used according to the intention previously disclosed
29,700 (First tranche)	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
19,700 (Second tranche)	General working capital (Payment of concession fee)	19,700	Nil	19,700	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 2019 and 2018 were approximately HKD11.1 million and approximately HKD13.5 million, respectively.

Commitments

(1) As at 30 June 2019 and 31 December 2018, the Group did not have any material capital commitments.

(2) Operating leases commitments

As disclosed in Note 3, the Group has adopted HKFRS 16 retrospectively from 1 January 2019 and recognised the lease commitment payments as right-of-use assets and lease liabilities.

Contingent liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2019 and 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

On 9 July 2019, 雲南空港雅仕維信息傳媒有限公司 (Yunnan Airport Asiaray Information Media Company Limited*) ("Yunnan Airport Asiaray") entered into the exclusive concession rights agreement with 雲南機場集團有限責任公司 (Yunnan Airport Group Limited Liability Company*) ("Kunming Airport Company"), pursuant to which Yunnan Airport Asiaray was granted the exclusive rights to use and operate the advertising and media resources in Terminal 1 of the Kunming Changshui International Airport operated by Kunming Airport Company with concession fees payable to Kunming Airport Company. For details, please refer to the announcement on 9 July 2019 and the circular on 22 August 2019.

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 2019, the Group has 1,101 permanent and temporary employees. The total salaries and related costs for the six months ended 30 June 2019 and 2018 amounted to approximately HKD126.1 million and HKD98.1 million, respectively.

INTERIM DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2019, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2018: HKD0.014 per share).

* *For identification purpose only*

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 and A.6.7 as explained below.

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

Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meeting 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all Directors and that all the Directors confirmed their compliance with the required standard set out in the Model Code during the six months ended 30 June 2019.

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 2018 (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 2018.

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 2019.

* *For identification purpose only*

CHANGE IN INFORMATION OF DIRECTORS

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

Mr. Ma Andrew Chiu Cheung had been appointed as an independent non-executive director and serve as chairman of the audit committee of S.A.I. Leisure Group Company Limited, a company listed on the Stock Exchange of Hong Kong Limited with stock code of 1832, with effect from 9 April 2019; and he retired/resigned as an independent non-executive director and appointed as an advisor of Asia Financial Holdings Limited, a company listed on the SEHK with stock code of 662, with effect from 23 May 2019.

Mr. Wong Chi Kin had resigned as an independent non-executive director of Shenzhou Space Park Group Limited, a company listed on the SEHK with stock code of 692, with effect from 31 July 2019.

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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Company's website (www.asiaray.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The interim report will be available on the websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 23 August 2019

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