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Asiaray Media Group Limited
雅仕維傳媒集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1993)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the "Board" and the "Directors", respectively) of Asiaray Media Group Limited (the "Company") announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022, together with the unaudited comparative figures for the corresponding period of 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
	Note	***HKD'000***	*HKD'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**971,865**	983,649
Cost of revenue		**(803,439)**	(827,175)
Gross profit		**168,426**	156,474
Selling and marketing expenses		**(89,748)**	(83,089)
Administrative expenses		**(93,290)**	(100,403)
Net impairment losses on financial assets		**(10,888)**	(7,548)
Other income	*6*	**8,955**	17,572
Other gains, net	*7*	**70,538**	19,495
Operating profit	*5*	**53,993**	2,501

	Note	Six months ended 30 June 2022 HKD'000 (Unaudited)	2021 HKD'000 (Unaudited)
Finance income	8	**932**	1,038
Finance costs	8	**(138,518)**	(150,453)
Finance costs, net	8	**(137,586)**	(149,415)
Share of net profit of investments accounted for using the equity method		**2,194**	4,433
Loss before income tax		**(81,399)**	(142,481)
Income tax credit	9	**2,312**	28,814
Loss for the period		**(79,087)**	(113,667)
Other comprehensive income			
Item will not be recycled to profit or loss			
– Net losses from changes in financial assets at fair value through other comprehensive income, net of tax		**(1,021)**	(74)
Items that may be reclassified to profit or loss			
– Currency translation differences		**(17,452)**	12,026
– Reclassification of currency translation differences to profit or loss upon disposal of a subsidiary		**–**	96
		(18,473)	12,048
Total comprehensive loss for the period		**(97,560)**	(101,619)
Loss attributable to:			
Owners of the Company		**(107,993)**	(119,335)
Non-controlling interests		**28,906**	5,668
Loss for the period		**(79,087)**	(113,667)
Total comprehensive loss attributable to:			
Owners of the Company		**(122,072)**	(107,866)
Non-controlling interests		**24,512**	6,247
Total comprehensive loss for the period		**(97,560)**	(101,619)
Loss per share attributable to owners of the Company for the period (expressed in HK cents per share)			
– Basic and diluted	10	**(24.5)**	(25.8)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2022 *HKD'000* (Unaudited)	As at 31 December 2021 *HKD'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**162,257**	174,150
Right-of-use assets	*14*	**3,350,574**	4,511,484
Investment properties		**78,880**	68,909
Intangible assets		**15,958**	17,150
Investments accounted for using the equity method		**70,856**	71,751
Financial assets at fair value through profit or loss		**7,964**	7,964
Financial assets at fair value through other comprehensive income		**6,230**	7,453
Deferred income tax assets		**254,120**	229,280
Other receivables and deposits	*12*	**5,167**	8,888
		3,952,006	5,097,029
Current assets			
Inventories		**14,712**	10,401
Trade and other receivables	*12*	**940,188**	1,143,015
Restricted cash		**32,233**	32,882
Cash and cash equivalents		**410,068**	386,038
		1,397,201	1,572,336
Total assets		**5,349,207**	6,669,365
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**47,568**	47,568
Reserves		**155,037**	283,207
		202,605	330,775
Non-controlling interests		**154,790**	130,278
Total equity		**357,395**	461,053

	Note	As at 30 June 2022 HKD'000 (Unaudited)	As at 31 December 2021 HKD'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings		**161,510**	160,250
Lease liabilities	*14*	**2,898,981**	3,941,871
Deferred income tax liabilities		**2,188**	2,331
		3,062,679	4,104,452
Current liabilities			
Trade and other payables	*13*	**348,127**	339,937
Contract liabilities		**143,692**	155,149
Financial liabilities at fair value through profit or loss		**12,529**	12,529
Borrowings		**174,954**	155,337
Current income tax liabilities		**30,672**	6,615
Lease liabilities	*14*	**1,219,159**	1,434,293
		1,929,133	2,103,860
Total liabilities		**4,991,812**	6,208,312
Total equity and liabilities		**5,349,207**	6,669,365

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 Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 15 January 2015.

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

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 26 August 2022.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2022 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 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group's current liabilities exceeded its current assets by HKD531,932,000 as at 30 June 2022 (31 December 2021: HKD531,524,000). The net current liabilities were mainly attributable to (i) recognition of lease liabilities of HKD1,219,159,000 (31 December 2021: HKD1,434,293,000) in current liabilities and HKD2,898,981,000 (31 December 2021: HKD3,941,871,000) in non-current liabilities respectively, while the associated right-of-use assets amounting to HKD3,350,574,000 (31 December 2021: HKD4,511,484,000) were recognised in non-current assets. For the period ended 30 June 2022, the Group recorded a net loss to equity owners as disclosed in the condensed consolidated statement of comprehensive income.

The Directors are of the opinion that the Group's available sources of funds, including (i) the Group had unutilised banking facilities of approximately HKD164,628,000, (ii) issuance of perpetual subordinated convertible securities ("PSCS") in principal amount of HKD37,500,000 in September 2022, (iii) the Group's expected net cash inflows from its operating activities in the next twelve months and (iv) the continuous support from its banks by providing loans and banking facilities to the Group, are sufficient to fulfil financial obligations as and when they fall due in the coming twelve months from 30 June 2022. Accordingly, these condensed consolidated interim financial information have been prepared on a going concern basis.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following new amendments to standards were required to be adopted by the Group effective from 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to Annual Improvement Project	Annual Improvements to HKFRS Standards 2018 – 2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of the above amendments to standards does not have any significant impact to the results and financial position of the Group.

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

New standards, amendments to existing standards, annual improvements, guideline and interpretation have been issued but are not effective for the financial year beginning 1 January 2022 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by the HKICPA
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	When an entity applies Classification of Liabilities as Current or Non-current – Amendments to HKAS 1

The Group has commenced an assessment of the impact of these new and amended standards, but is not yet in a position to state whether they would have significant impacts on its results of operations and financial position.

3 SIGNIFICANT ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

4 SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision-maker. The executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Executive Directors 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; and

– Bus and other business — operation of advertising service in bus exterior & interior, and bus shelter, and also advertising services from other media spaces.

The chief operating decision-maker assesses 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 period. Selling and marketing expenses and administrative expenses are common costs incurred for the operating segments as a whole and therefore they are not included in the measure of the segments' performance which is used by the chief operating decision-maker as a basis for the purpose of resource allocation and assessment of segment performance. Other income, other gains, net, finance costs, net and income tax credit are also not allocated to individual operating segment.

There are no segment assets and liabilities information provided to chief operating decision-maker.

The segment information for the operating segments was as follows:

	Airport business HKD'000	Metro and Billboards business HKD'000	Bus and other business HKD'000	Total HKD'000
(Unaudited)				
Six months ended 30 June 2022				
Revenue	**363,677**	**338,224**	**269,964**	**971,865**
Cost of revenue	**(204,299)**	**(342,004)**	**(257,136)**	**(803,439)**
Gross profit/(loss)	**159,378**	**(3,780)**	**12,828**	**168,426**
Share of net profit/(loss) of investments accounted for using the equity method	**7,000**	**(4,806)**	**–**	**2,194**
Segment results	**166,378**	**(8,586)**	**12,828**	**170,620**
Selling and marketing expenses				**(89,748)**
Administrative expenses				**(93,290)**
Net impairment losses on financial assets				**(10,888)**
Other income				**8,955**
Other gains, net				**70,538**
Finance income				**932**
Finance costs				**(138,518)**
Finance costs, net				**(137,586)**
Loss before income tax				**(81,399)**

	Airport business *HKD'000*	Metro and Billboards business *HKD'000*	Bus and other business *HKD'000*	Total *HKD'000*
(Unaudited)				
Six months ended 30 June 2021				
Revenue	379,877	353,737	250,035	983,649
Cost of revenue	(252,166)	(322,300)	(252,709)	(827,175)
Gross profit/(loss)	127,711	31,437	(2,674)	156,474
Share of net profit/(loss) of investments accounted for using the equity method	8,816	(3,879)	(504)	4,433
Segment results	136,527	27,558	(3,178)	160,907
Selling and marketing expenses				(83,089)
Administrative expenses				(100,403)
Net impairment losses on financial assets				(7,548)
Other income				17,572
Other gains, net				19,495
Finance income				1,038
Finance costs				(150,453)
Finance costs, net				(149,415)
Loss before income tax				(142,481)

Revenue consisted of the following:

	Six months ended 30 June	
	2022	2021
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Advertising display revenue	**799,769**	839,150
Advertising production, installation and dismantling revenue	**172,096**	144,499
	971,865	983,649

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

	Six months ended 30 June	
	2022	2021
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Revenue over time	**799,769**	839,150
Revenue at a point in time	**172,096**	144,499
	971,865	983,649

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

	Six months ended 30 June	
	2022	2021
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Mainland China	**698,093**	754,585
Hong Kong and others	**273,772**	229,064
	971,865	983,649

The Group has a large number of customers, none of whom contributed 10% or more of the Group's total revenue during six months ended 30 June 2022 and 2021.

The Group's non-current assets other than financial instruments and deferred income tax assets were located in Mainland China, Hong Kong and others at 30 June 2022 and 31 December 2021 as follows:

	As at 30 June 2022	As at 31 December 2021
	HKD'000	*HKD'000*
	(Unaudited)	(Audited)
Mainland China	**3,074,088**	4,091,195
Hong Kong and others	**609,604**	761,137
	3,683,692	4,852,332

5 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the interim period:

	Six months ended 30 June	
	2022	2021
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Variable concession fee charges for advertising spaces	**30,135**	70,394
Rent concession fee deduction	**(114,109)**	(51,395)
Expenses related to short-term concession fee	**122,904**	177,196
Depreciation of right-of-use assets *(Note 14)*	**623,869**	542,537
Depreciation of property, plant and equipment	**25,819**	16,334
Employee benefit expenses	**135,851**	129,960
Project installation and dismantling costs	**68,093**	68,068
Travelling and entertainment expenses	**8,874**	7,795
Amortisation of intangible assets	**1,190**	1,230

6 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Government subsidy income		
– Tax refund *(Note (i))*	**687**	9,718
– Employment Support Scheme *(Note (ii))*	**496**	–
Advertising consulting service income	**1,309**	3,979
Reimbursement of installation and maintenance costs	**–**	1,173
Advertising design service income	**1,087**	1,327
Rental income	**2,626**	852
Dividend income	**213**	228
Compensation from counter parties for breach of contracts	**8**	–
Others	**2,529**	295
	8,955	17,572

Note:

(i) Government subsidy income represented various tax refunds granted by the relevant government authorities with no unfulfilled obligations as at the period end.

(ii) The amount represents salaries and wages subsidies granted under Anti-Epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees.

7 OTHER GAINS, NET

	Six months ended 30 June	
	2022	2021
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Net gains from lease remeasurement and termination	**65,213**	256
Net exchange gains	**5,196**	611
Fair value gains on investment properties	**–**	18,345
(Loss)/gains on disposal of property, plant and equipment	**(4)**	9
Gain on disposal of a subsidiary	**–**	362
Others	**133**	(88)
	70,538	19,495

8 FINANCE COSTS, NET

	Six months ended 30 June	
	2022	2021
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Finance income		
– Interest income on bank deposits	**(932)**	(1,038)
Finance costs		
– Interest expense on bank borrowings	**4,449**	3,924
– Interest expense on lease liabilities	**134,069**	146,529
	138,518	150,453
Finance costs, net	**137,586**	149,415

9 INCOME TAX CREDIT

The income tax credit of the Group for the six months ended 30 June 2022 and 2021 was analysed as follows:

	Six months ended 30 June	
	2022	2021
	HKD'000	*HKD'000*
	(Unaudited)	(Unaudited)
Current income tax		
– PRC corporate income tax	**22,040**	10,186
– Hong Kong profits tax	**4,215**	–
	26,255	10,186
Deferred tax	**(28,567)**	(39,000)
	(2,312)	(28,814)

10 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company less the distribution of PSCS by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (HKD'000)	**(107,993)**	(119,335)
Less: Distribution to PSCS (HKD'000)	**(6,098)**	(1,838)
	(114,091)	(121,173)
Weighted average number of ordinary shares in issue (thousands shares)	**465,987**	468,923
Loss per share (expressed in HK cents per share)	**(24.5)**	(25.8)

(b) Diluted

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

For the period ended 30 June 2022 and 2021, the Group's share options and PSCS could potentially dilute basic loss per share in the future, but were not included in the calculation of diluted loss per share because they are anti-dilutive for the period.

11 DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2022, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2021: Nil).

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 *HKD'000* **(Unaudited)**	As at 31 December 2021 *HKD'000* (Audited)
Current assets		
Trade receivables *(a)*	**648,692**	747,656
Less: Impairment loss of trade receivables	**(84,827)**	(77,798)
Trade receivables, net	**563,865**	669,858
Other receivables	**256,509**	312,048
Less: Impairment loss of other receivables	**(4,945)**	(5,173)
Other receivables, net	**251,564**	306,875
Interest receivable	**178**	99
Value-added-tax recoverable	**59,340**	72,357
Prepayments	**65,241**	93,826
	940,188	1,143,015
Non-current assets		
Other receivables and deposits	**5,167**	8,888
Total	**945,355**	1,151,903

(a) The Group has various credit terms for its customers. Ageing analysis of the trade receivables by invoice date was as follows:

	As at 30 June 2022 *HKD'000* **(Unaudited)**	As at 31 December 2021 *HKD'000* (Audited)
Up to 6 months	**392,384**	540,664
6 months to 12 months	**105,151**	79,412
1 year to 2 years	**69,013**	51,367
2 years to 3 years	**20,526**	21,143
Over 3 years	**61,618**	55,070
	648,692	747,656

13 TRADE AND OTHER PAYABLES

	As at 30 June 2022 HKD'000 (Unaudited)	As at 31 December 2021 HKD'000 (Audited)
Trade payables (a)	**81,987**	123,435
Accrued concession fee charges for advertising fixtures	**163,247**	109,758
Other taxes payables	**16,762**	16,838
Interest payables	**1,006**	343
Salary and staff welfare payables	**19,727**	34,594
Other payables	**65,398**	54,969
	348,127	339,937

(a) As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2022 HKD'000 (Unaudited)	As at 31 December 2021 HKD'000 (Audited)
Up to 6 months	**51,785**	117,086
6 months to 12 months	**27,190**	3,489
1 year to 2 years	**1,506**	1,058
2 years to 3 years	**361**	439
Over 3 years	**1,145**	1,363
	81,987	123,435

14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Balance recognised in the condensed consolidated interim balance sheet

Right-of-use assets

	Land use rights	Advertising fixtures	Office	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
(Unaudited)				
At 1 January 2022	**23,338**	**4,460,726**	**27,420**	**4,511,484**
Additions	**–**	**87,868**	**4,552**	**92,420**
Termination	**–**	**(388,361)**	**–**	**(388,361)**
Lease remeasurement	**–**	**(107,514)**	**–**	**(107,514)**
Reversal of impairment loss, net	**–**	**14,135**	**–**	**14,135**
Depreciation and amortisation *(Note 5)*	**(342)**	**(616,503)**	**(7,024)**	**(623,869)**
Currency translation differences	**(1,016)**	**(145,924)**	**(781)**	**(147,721)**
At 30 June 2022	**21,980**	**3,304,427**	**24,167**	**3,350,574**
(Unaudited)				
At 1 January 2021	23,347	3,431,996	14,385	3,469,728
Additions	–	1,335,442	12,900	1,348,342
Termination	–	(8,330)	(258)	(8,588)
Disposal of a subsidiary	–	(41,127)	(566)	(41,693)
Depreciation and amortisation *(Note 5)*	(341)	(535,370)	(6,826)	(542,537)
Currency translation differences	266	32,542	646	33,454
At 30 June 2021	23,272	4,215,153	20,281	4,258,706

Lease liabilities

	As at 30 June 2022	As at 31 December 2021
	HKD'000	*HKD'000*
	(Unaudited)	(Audited)
Current portion	**1,219,159**	1,434,293
Non-current portion	**2,898,981**	3,941,871
Total lease liabilities	**4,118,140**	5,376,164

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2022 (the "Period"), the lingering effects of the novel coronavirus ("COVID-19" or "pandemic") continued to bring various unanticipated challenges. In particular, the fifth wave of the pandemic that began at the start of the year saw the introduction of strict static management measures by the government. As a consequence, the public's desire to travel, among other activities, was affected resulting in aftereffects felt by various sectors. With respect to the Group, it conducted a timely review of its media network and strategically consolidated its resources so as to better defend itself against the challenging business environment. With an eye on the future, the Group continued to invest in its diversified advertising solutions, including its Outdoor ("OOH") and Online ("O&O") New Media Strategy and Digital Out-of-Home ("DOOH") media, which together constitute DOOH Plus ("DOOH+"). DOOH+ delivers audiences with fully immersive experiences while providing advertisers with greater flexibility and value.

Owing to a strong customer base which has been built over the years through the provision of innovative advertising solutions and diversified media resources, the Group's revenue stood at HKD971.9 million (six months ended 30 June 2021: HKD983.6 million). Despite the testing market conditions, an increased gross profit of HKD168.4 million was recorded, while gross profit margin further improved to 17.3% (six months ended 30 June 2021: HKD156.5 million and 15.9%). Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled HKD708.0 million, up by 24.6% (six months ended 30 June 2021: HKD568.1 million). The Group has incurred a net loss of HKD79.1 million (six months ended 30 June 2021: net loss of HKD113.7 million), which has narrowed appreciably by 30.4% due to optimization of the media network. Moreover, the Group continues to be in a net cash position – now the ninth consecutive year, with total cash and bank balances rising to HKD442.3 million (year ended 31 December 2021: HKD418.9 million), laying a solid foundation for its sustainable development.

Updates on Business Segments

Airports

Even though the pandemic has continued to create headwinds for the air transportation sector, the Group's data-driven solutions and strong market presence have continued to reinforce the trust that it enjoys with advertising customers. Segment revenue consequently tapered only modestly to HKD363.7 million, while a gross profit of HKD159.4 million and gross profit margin of 43.8% were recorded.

During the Period, Asiaray sought to capitalize on the national regional development strategy, including Hainan Free Trade Zone and the Western Development Region. Correspondingly, it drafted a business blueprint to leverage opportunities emerging from Hainan Province, in particular, the Haikou Meilan International Airport and Qionghai Bo'ao Airport. The 35,000 sq. km island province of Hainan has been transformed into the world's largest free-trade port, and offers tourists and business travelers with tax incentives and relaxed visa requirements. Through its presence at the two airports, Asiaray will look to seize opportunities brought by the booming domestic consumption in Hainan, buoyed by different shopping festivals and promotions, which are key elements of the new "dual circulation" economic strategy. Separately, in Sichuan Province, Asiaray's operations at Chengdu Tianfu International Airport have begun contributing revenue to the Group. The media resources at the sight includes DOOH+ advertising solutions that cater for audiences depending on scenario. Moreover, the operations can benefit from Asiaray's media resources in Western China. As at the Period, Asiaray's airport network comprises over 30 airports in total, which are located in strategic aviation hubs across Mainland China.

Metro lines and billboards

The performance of the Group's metro lines business moderated during the Period, with segment revenue dipping to HKD338.2 million. The metrics reflect the operating environment in Mainland China and Hong Kong, where both jurisdictions were affected by the fifth wave of the COVID-19 pandemic.

During the Period, the Beijing Metro Line 17 operation started contributing revenue to the Group. Asiaray exclusively operates, manages, maintains and sells advertising and media resources at the route. And via the Group's first digitalized network covering the full length of the metro line, complemented by Asiaray's DOOH offerings, advertisers are able to deliver advertising that addresses the specific needs of passenger groups and demographics at various times and throughout the journey of the metro line. With respect to the Singapore Thomson-East Coast Line (TEL), Asiaray has been offering programmatic DOOH ("pDOOH") solutions to advertisers and brands, which includes screens fitted at the various stations of TEL that have newly been opened during the Period.

As for the Hong Kong billboards operation, its performance was boosted by recovering consumer sentiment, which was partly driven by the Consumption Voucher Scheme that commenced payments in April 2022. The operation includes digital billboards which are part of the DOOH+ advertising solution that the Group provides for advertisers.

Bus and others

Even though the performance of the bus media business was invariably affected by the pandemic, this was offset by income derived from other associated businesses, by the rise in revenue to HKD270.0 million for the Period. Furthermore, a gross profit of HKD12.9 million and gross profit margin of 4.8% were recorded.

Outside Mainland China, Asiaray's subsidiary Radius Displays ("Radius") entered into an agreement with QMS, one of Australia's leading OOH companies, involving a public infrastructure project. Radius has been contracted to provide design and engineering support, prototypes and all manufacturing work for the largest street furniture project in Australia, located in the city of Sydney. The project features over 340 digital bus shelters and 18 kiosks. The digital shelters are equipped with advertising screens that can display real-time information, including community updates and public safety messages. Production and components have been sourced from countries such as Mainland China, Australia, Italy, New Zealand and the United Kingdom. The project will render assistance to production activities along the pandemic-stricken global supply chain, contributing to the output of more than 300,000 parts and accessories, and more than 54,000 total man-hours of work, making it a record-breaking endeavor. The final products will be prominently on display for the next 15 plus years.

O&O New Media Strategy Development

In order to better measure the achievements its dedicated Strategy, Asiaray introduces DOOH+ riding on the well-publicized DOOH strategy in the industry. The Group believes true innovation does not stop at just turning a traditional OOH infrastructure into digital. Given the complementary nature of OOH and online media, such synergy should be advocated and experimented extensively. Its O&O New Media Strategy advocates a seamless OOH and online immersive experience that is data-driven and facilitates multiple media expressions. DOOH+ not only represents tremendous value for advertisers, resource owner, brands and audiences, but also enables Asiaray to redefines the benchmarks for the industry.

pDOOH is a logical step in the evolution of DOOH. As the first media company to cooperate with Google in developing this innovative and industry leading solution in Hong Kong, pDOOH allows advertisers to activate Asiaray's outdoor advertising assets programmatically via various platforms, such as The Trade Desk (NASDAQ: TTD) and Hivestack pDOOH platform, both of which the Group has been fostering ties. In the case of the later, Asiaray has actually extended its partnership to Mainland China. As a result, advertisers are able to easily access the Group's premium digital inventory in the country and deliver highly targeted campaigns. Such campaigns will benefit from transparent, quantifiable data, including geolocation, consumer behavior and audience mobility patterns from Asiaray in near real time. Moreover, advertisers and brands enjoy prompt activation and increased buying flexibility with affordable budget.

The Group made its mark in the virtual realm by creating Asia's first outdoor city digital gallery as part of its All for Hong Kong City Digital Exhibition Campaign. The Group collaborated with a local digital artist in displaying both physical artwork and digital artwork in the form of non-fungible tokens ("NFT") through its comprehensive outdoor transport media network and online platforms. In addition, the Campaign helped raised awareness and support for the arts and sports sectors as the artworks showcased the mottoes of six renowned Hong Kong athletes.

The Group is recognizing the importance of leveraging the virtual world for the mutual benefit of company and advertisers, thus has deployed relevant technologies to support business partners in conveying their corporate story and brand strengths to online audiences across the vast metaverse.

Prospects

Heading into the second half year, the world is expected to further acclimatize to the new normal in the late-pandemic era and Asiaray will reserve its resources for further development under such difficult business conditions. In terms of geographical market, the easing of static management measures in Hong Kong resulted in a gradual recovery in consumer sentiment starting in late May. And the appeal of the city to advertisers will further increase now that the East Rail Line Cross-Harbour Extension, which includes stations at the central business district and entertainment areas of Hong Kong Island, commenced services since the middle of May. Overseas, 11 new stations along the Singapore TEL are scheduled to open by the end of 2022. With Asiaray's significant digital media resources found in both locations, it will be able to provide passengers of the two rail lines, which are predominantly supported by digital media, with exceptional travel experiences through its partnerships with advertisers and brands. As for Mainland China, with the pandemic largely contained, hence the subsequent lifting of various static management measures, the local administration has started focusing on rebuilding public confidence and stimulating consumption by rolling out policies that support the real economy.

On the media network front, it will strive to achieve further optimization, increase synergies and maximize utilization of resources. Separately, to promote innovation and digitization, the Group will further intensify efforts in advancing its O&O New Media Strategy so as to reinforce its status as DOOH+ leader. Through the adoption of digitization technologies and methodologies, Asiaray will facilitate sustainable development. What is more, digitization will enable Asiaray to gather insights into emerging business trends, which in turn will allow the Group to remain in the vanguard of industry development.

Despite the conditions confronted during the Period, Asiaray is continuing to establish network with media resources in prime locations, and strong ties with advertisers, all of which will also safeguard the Group against consolidation and industry-related challenges. Through vigilance and prudent management, Asiaray remains cautiously optimistic about its ability to create long-term value for shareholders.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the Period decreased from approximately HKD983.6 million for the corresponding period of 2021 to approximately HKD971.9 million, representing a decrease by 1.2%. The decrease was primarily derived from the impact of the pandemic in Mainland China during the Period, it has been put on lockdown to combat the pandemic. 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 HKD1.35 billion.

The airports segment decreased by 4.3% from approximately HKD379.9 million for the corresponding period of 2021 to approximately HKD363.7 million for the Period. The decrease was due to the impact of lockdowns in Mainland China.

The metro and billboards segment decreased by 4.4% from approximately HKD353.7 million for the corresponding period of 2021 to approximately HKD338.2 million for the Period. This was primarily attributable to the decrease from metro lines and billboards in Mainland China, particularly the metro lines in Hangzhou and Shenzhen.

The bus and others segment revenue increased by approximately HKD20.0 million or 8.0%, from approximately HKD250.0 million for the corresponding period of 2021 to approximately HKD270.0 million for the Period, which was primarily attributable to the agency business in respect of sales of advertising spaces in media resources operated by associated companies which offset the loss impact on bus segment in Hong Kong.

Cost of Revenue

The cost of revenue decreased by approximately HKD23.8 million, or 2.9%, from approximately HKD827.2 million for the corresponding period of 2021 to approximately HKD803.4 million for the Period. The decrease was primarily due to the increase in rent deduction as compared with the corresponding period of 2021.

Gross Profit and Gross Profit Margin

The gross profit for the Period increased by approximately HKD11.9 million, or 7.6%, from approximately HKD156.5 million for the corresponding period of 2021 to approximately HKD168.4 million and the gross profit margin increased from 15.9% for the corresponding period of 2021 to 17.3% for the Period.

Selling and Marketing Expenses

The selling and marketing expenses increased by approximately HKD6.6 million, or 7.9% from approximately HKD83.1 million for the corresponding period of 2021 to approximately HKD89.7 million for the Period. The increase was primarily attributable to the increase in employee benefit expenses due to expansion.

Administrative Expenses

The administrative expenses decreased by approximately HKD7.1 million, or 7.1%, from approximately HKD100.4 million for the corresponding period of 2021 to approximately HKD93.3 million for the Period. The decrease was primarily attributable to the cost control policy.

Finance Costs, net

Net finance cost decreased by approximately HKD11.8 million, or 7.9%, from approximately HKD149.4 million for the corresponding period of 2021 to approximately HKD137.6 million for the Period. This was primarily attributable to the decrease in interest expenses incurred from lease liabilities of HKFRS 16.

Share of net profit of investments accounted for using the equity method

The share of net profit of investments in associates decreased by 50.0% from approximately HKD4.4 million for the corresponding period of 2021 to approximately HKD2.2 million for the Period due to the decreased revenue from media under airports in Fujian.

Income Tax Credit

Income tax credit decreased by 92.0% from approximately HKD28.8 million for the corresponding period of 2021 to approximately HKD2.3 million for the Period.

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

The EBITDA of the Group increased by approximately HKD139.9 million, or 24.6%, from approximately HKD568.1 million for the corresponding period of 2021 to approximately HKD708.0 million for the Period.

Loss attributable to owners of the Company

Loss attributable to owners of the Company decreased by approximately HKD11.3 million, or 9.5%, from approximately HKD119.3 million for the corresponding period of 2021 to approximately HKD108.0 million for the Period.

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 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 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 and restricted cash was approximately HKD442.3 million as at 30 June 2022, representing an increase when compare to approximately HKD418.9 million as at 31 December 2021. As at 30 June 2022, the financial ratios of the Group were as follows:

	As at 30 June 2022	As at 31 December 2021
Current ratio[1]	**0.72**	0.75
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 30 June 2022 in the sum of approximately HKD336.5 million. Out of the total borrowings, approximately HKD175.0 million was repayable within one year, while approximately HKD161.5 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.

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 Group manages its interest rate exposure with a focus on reducing the cost of debt in order to maintain a balanced combination of fixed and variable rate borrowings. The Group uses derivatives such as interest rate option to manage its interest rate exposure, in relation to the Hong Kong dollar borrowings.

Pledge of Assets

As at 30 June 2022, the Group pledged its buildings and land use rights with carrying amount of approximately HKD21.4 million (31 December 2021: approximately HKD22.9 million), respectively to secure borrowings of the Group. The total secured borrowings as at 30 June 2022 amounted to approximately HKD0.3 million (31 December 2021: approximately HKD0.9 million).

Fund Raising Activities/Use of Proceeds

Subscription of perpetual subordinated convertible securities under specific mandate

On 16 July 2021, the Company entered into the subscription agreement which the Company has conditionally agreed to issue perpetual subordinated convertible securities (the "2021 PSCS") in the principal amount of HKD75.0 million convertible into conversion shares at the initial conversion price of HKD2.43 per conversion share under specific mandate. The intended use of proceeds were disclosed in the circular issued by the Company dated 27 September 2021. The issuance of the 2021 PSCS in the principal amount of HKD75.0 million was completed on 1 November 2021. The net proceeds of approximately HKD74.7 million was received. As at 30 June 2022, the 2021 PSCS in the principal amount of HKD75.0 million has not been converted into conversion shares. For details, please refer to the announcements and the circular issued by the Company dated 16 July 2021, 27 September 2021 and 19 October 2021 respectively.

The use of proceeds was as follows:

As at 30 June 2022

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**
74,700 (Issue of 2021 PSCS)	General working capital (Payment of concession fee)	74,700	74,700	Nil	N/A	Yes

Capital Expenditures

The 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 Period and the corresponding period of 2021 were approximately HKD18.6 million and HKD5.2 million, respectively.

Contingent liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2022 and 30 June 2021.

SUBSEQUENT EVENTS

Subsequent to 30 June 2022, the Group had no material events have occurred.

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 in Mainland China. As at 30 June 2022, the Group had 1,104 employees (30 June 2021: 1,101 employees). The total salaries and related costs for the Period and the corresponding period in 2021 amounted to approximately HKD135.9 million and HKD130.0 million, respectively.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (30 June 2021: Nil).

CORPORATE GOVERNANCE

During the Period, the Company had 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 of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange", respectively), except the deviation from code provisions C.2.1 and C.1.6 of the CG Code. Under code provision C.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 chairman of the Board and 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 C.1.6 of the CG Code, independent non-executive Directors and non-executive Directors should attend general meetings of the Company and develop a balanced understanding of shareholders' view. Due to other business engagement, a non-executive Director was unable to attend an extraordinary general meeting of the Company during the Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Period, the Company had adopted the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct for Directors' securities transactions. The Company has made specific enquiry of all Directors and that all the Directors have confirmed their compliance with the required standard set out in the Model Code during the Period.

PURCHASE, SALE OR REDEMPTION 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 Period.

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

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

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

Hong Kong, 26 August 2022

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