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

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the "Board") of Asiaray Media Group Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023 (the "Year"), together with the comparative figures for the year ended 31 December 2022 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | **Year ended 31 December** | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Revenue** | *3* | **1,608,784** | 1,653,226 |
| Cost of revenue | *3* | **(1,256,926)** | (1,384,062) |
| **Gross profit** | | **351,858** | 269,164 |
| Selling and marketing expenses | | **(132,759)** | (149,306) |
| Administrative expenses | | **(182,841)** | (175,838) |
| Net impairment losses on financial assets | | **(217)** | (29,836) |
| Other income | *4* | **30,457** | 35,651 |
| Other gains, net | *5* | **61,666** | 154,758 |
| **Operating profit** | | **128,164** | 104,593 |

| | Note | Year ended 31 December 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Finance income | 6 | **4,083** | 2,203 |
| Finance costs | 6 | **(131,514)** | (208,432) |
| Finance costs, net | 6 | **(127,431)** | (206,229) |
| Share of net (loss)/profit of investments accounted for using the equity method | | **(10,293)** | 17,961 |
| **Loss before income tax** | | **(9,560)** | (83,675) |
| Income tax expense | 7 | **(389)** | (6,074) |
| **Loss for the year** | | **(9,949)** | (89,749) |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | | **(19,698)** | (112,663) |
| Non-controlling interests | | **9,749** | 22,914 |
| | | **(9,949)** | (89,749) |
| **Other comprehensive income/(loss):** | | | |
| *Item will not be recycled to profit or loss* | | | |
| – Net gains/(losses) from changes in financial assets at fair value through other comprehensive income, net of tax | | **184** | (973) |
| *Item that may be reclassified to profit or loss* | | | |
| – Currency translation differences | | **2,047** | (17,864) |
| | | **2,231** | (18,837) |
| **Total comprehensive loss for the year** | | **(7,718)** | (108,586) |
| Attributable to: | | | |
| Owners of the Company | | **(17,686)** | (129,537) |
| Non-controlling interests | | **9,968** | 20,951 |
| **Total comprehensive loss for the year** | | **(7,718)** | (108,586) |
| **Loss per share attributable to owners of the Company for the year** *(expressed in RMB cents per share)* | | | |
| – Basic and diluted | 8 | **(6.5)** | (26.3) |

## CONSOLIDATED BALANCE SHEET

| | Note | **As at 31 December 2023** *RMB'000* | As at 31 December 2022 *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **133,767** | 157,876 |
| Right-of-use assets | | **1,178,457** | 1,418,362 |
| Investment properties | | **92,013** | 94,924 |
| Intangible assets | | **11,441** | 13,306 |
| Investments accounted for using the equity method | | **53,807** | 76,465 |
| Financial assets at fair value through profit or loss | | **9,335** | 8,433 |
| Financial assets at fair value through other comprehensive income | | **6,152** | 5,852 |
| Deferred income tax assets | | **197,028** | 193,537 |
| Deposits | *10* | **5,241** | 9,455 |
| | | **1,687,241** | 1,978,210 |
| **Current assets** | | | |
| Inventories | | **43,196** | 22,902 |
| Trade and other receivables | *10* | **750,861** | 786,779 |
| Current income tax recoverable | | **4,565** | – |
| Financial assets at fair value through profit or loss | | **891** | – |
| Restricted cash | | **23,541** | 31,797 |
| Cash and cash equivalents | | **367,241** | 333,320 |
| | | **1,190,295** | 1,174,798 |
| **Total assets** | | **2,877,536** | 3,153,008 |

| | Note | As at 31 December 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **38,947** | 38,139 |
| Reserves | | **87,718** | 101,114 |
| | | **126,665** | 139,253 |
| **Non-controlling interests** | | **120,717** | 132,895 |
| **Total equity** | | **247,382** | 272,148 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *12* | **147,193** | 177,408 |
| Lease liabilities | | **1,041,041** | 1,173,285 |
| Deferred income tax liabilities | | **1,316** | 1,827 |
| | | **1,189,550** | 1,352,520 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **253,818** | 348,958 |
| Contract liabilities | | **78,663** | 98,203 |
| Borrowings | *12* | **269,752** | 146,348 |
| Current income tax liabilities | | **2,135** | 5,677 |
| Lease liabilities | | **836,236** | 929,154 |
| | | **1,440,604** | 1,528,340 |
| **Total liabilities** | | **2,630,154** | 2,880,860 |
| **Total equity and liabilities** | | **2,877,536** | 3,153,008 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2023*

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 20 May 2014 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the Company's registered office is PO 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 (the "Stock Exchange") 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, mainly in the People's Republic of China (the "PRC"), Hong Kong, Macau and Southeast Asia.

## 2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL") and investment properties, which are carried at fair values.

As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB250,309,000. The net current liabilities were mainly attributable to borrowings of RMB269,752,000 recognised as current liabilities and the recognition of lease liabilities of approximately RMB836,236,000 included in current liabilities and approximately RMB1,041,041,000 included in non-current liabilities, while the associated right-of-use assets amounting to approximately RMB1,178,457,000 were recognised in non-current assets. For the year ended 31 December 2023, the Group also recorded a net loss of approximately RMB9,949,000 as disclosed in the consolidated statement of comprehensive income.

In view of such circumstances, the directors of the Company ("Directors") have given careful consideration of the future liquidity and operating performance of the Group and its available source of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to the following:

(a) Subsequent to year ended 31 December 2023, the Group has obtained and drawn down new borrowings of RMB73,203,000 with maturity dates within one year. The Group has also successfully refinanced a borrowing of RMB126,868,000 in February 2024 which has a maturity date in February 2027 with payment terms of semi-annually and the corresponding financial covenant requirements of the borrowing are considered more favourable which would alleviate the Group's pressure in complying these financial covenant requirements in the future. The Group maintains regular communications with its banks and given its good track records, the Directors are confident that the existing banking facilities will continue to be available to the Group and the outstanding borrowings can be renewed when their current terms expire.

(b) The Group expects that there will be steady cash inflow from operations that is sufficient enough to fulfil its obligations including lease liabilities. The Group will continue to closely monitor the performance of each contract and take proactive measures on cost control to mitigate the negative impact that might arise, including, but not limited to, negotiation with the landlords for concessions of its lease obligations, if necessary.

The Directors have reviewed the Group's cash flow projections prepared by management and the cash flow projections cover a period of not less than twelve months from 31 December 2023. The Directors are of the opinion that taking into account the Group's available sources of funds, including the Group's expected net cash inflows from its operating activities, the Group's ability to comply with the financial covenant requirements and the continuous support from its banks, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

These consolidated financial statements are presented in RMB and all figures are rounded to the nearest thousand (RMB'000) unless otherwise stated.

**(a) New and amended standards adopted by the Group**

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2023:

| | |
|---|---|
| HKAS 1 and HKFRS Practice Statement 2 (Amendments) | Disclosure of Accounting Policies |
| HKAS 8 (Amendments) | Definition of Accounting Estimates |
| HKAS 12 (Amendments) | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| HKAS 12 (Amendments) | International Tax Reform – Pillar Two Model Rules |
| HKFRS 4 (Amendments) | Extension of the Temporary Exemption from Applying HKFRS 9 |
| HKFRS 17 | Insurance Contracts |
| HKFRS 17 (Amendments) | Amendments to HKFRS 17 |
| HKFRS 17 | Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information |

The adoption of these new and amended standards does not have any significant impact on the results and the financial position of the Group.

**(b) New and amended standards and interpretations not yet adopted**

The following amended standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted:

| | | Effective for accounting year beginning on or after |
|---|---|---|
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| HKAS 1 (Amendments) | Non-current Liabilities with Covenants | 1 January 2024 |
| HKFRS 16 (Amendments) | Lease Liability in a Sale and Leaseback | 1 January 2024 |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2024 |
| HKAS 7 and HKFRS 7 (Amendments) | Supplier Finance Arrangements | 1 January 2024 |
| HKAS 21 (Amendments) | Lack of Exchangeability | 1 January 2025 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

According to the assessment made by the Board, these amendments are not expected to have a material impact to the Group in the current or future reporting periods and on foreseeable future transactions.

## 3 SEGMENT INFORMATION

The segment information for the operating segments is as follows:

| | Airports business *RMB'000* | Metro and billboards business *RMB'000* | Bus and other business *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Year ended 31 December 2023** | | | | |
| Revenue | **519,364** | **585,493** | **503,927** | **1,608,784** |
| Cost of revenue | **(381,440)** | **(426,614)** | **(448,872)** | **(1,256,926)** |
| Gross profit | **137,924** | **158,879** | **55,055** | **351,858** |
| Share of net (loss)/profit of investments accounted for using the equity method | **(11,184)** | **891** | **–** | **(10,293)** |
| **Segment results** | **126,740** | **159,770** | **55,055** | **341,565** |
| Selling and marketing expenses | | | | **(132,759)** |
| Administrative expenses | | | | **(182,841)** |
| Net impairment losses on financial assets | | | | **(217)** |
| Other income | | | | **30,457** |
| Other gains, net | | | | **61,666** |
| Finance income | | | | **4,083** |
| Finance costs | | | | **(131,514)** |
| Finance costs, net | | | | **(127,431)** |
| Loss before income tax | | | | **(9,560)** |

| | Airports business *RMB'000* | Metro and billboards business *RMB'000* | Bus and other business *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | |
| Revenue | 554,240 | 596,368 | 502,618 | 1,653,226 |
| Cost of revenue | (383,829) | (564,174) | (436,059) | (1,384,062) |
| Gross profit | 170,411 | 32,194 | 66,559 | 269,164 |
| Share of net profit of investments accounted for using the equity method | 14,259 | 3,702 | – | 17,961 |
| **Segment results** | 184,670 | 35,896 | 66,559 | 287,125 |
| Selling and marketing expenses | | | | (149,306) |
| Administrative expenses | | | | (175,838) |
| Net impairment losses on financial assets | | | | (29,836) |
| Other income | | | | 35,651 |
| Other gains, net | | | | 154,758 |
| Finance income | | | | 2,203 |
| Finance costs | | | | (208,432) |
| Finance costs, net | | | | (206,229) |
| Loss before income tax | | | | (83,675) |

Revenue consists of the following:

| | **Year ended 31 December** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Advertising display revenue | **1,341,610** | 1,347,499 |
| Advertising production, installation and dismantling revenue | **267,174** | 305,727 |
| | **1,608,784** | 1,653,226 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Revenue over time | **1,341,610** | 1,347,499 |
| Revenue at a point in time | **267,174** | 305,727 |
| | **1,608,784** | 1,653,226 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **967,692** | 1,126,523 |
| Hong Kong and others | **641,092** | 526,703 |
| | **1,608,784** | 1,653,226 |

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

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

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **1,163,852** | 1,318,955 |
| Hong Kong | **290,016** | 428,944 |
| Others | **20,858** | 22,489 |
| | **1,474,726** | 1,770,388 |

## 4 OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Advertising consulting service income | **4,773** | 3,944 |
| Advertising design service income | **5,200** | 6,630 |
| Agency service income | **43** | 798 |
| Dividend income | **384** | 368 |
| Rental income | **8,304** | 3,618 |
| Government subsidy income *(Note)* | **4,184** | 10,486 |
| Others | **7,569** | 9,807 |
| | **30,457** | 35,651 |

*Note:* Government subsidy income mainly represented various tax refunds granted by the relevant government authorities with no future obligations.

## 5 OTHER GAINS, NET

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Gains on disposal of property, plant and equipment | **11** | 100 |
| Fair value losses on investment properties | **(4,930)** | (2,804) |
| Fair value gains on financial assets at fair value through profit or loss | **1,284** | 768 |
| Fair value losses on remeasurement on contingent consideration | **–** | (6,598) |
| Net gains from early termination of leases | **66,264** | 165,483 |
| Net exchange gains/(losses) | **666** | (3,256) |
| Others | **(1,629)** | 1,065 |
| | **61,666** | 154,758 |

## 6 FINANCE COSTS, NET

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| **Finance income** | | |
| Interest income on bank deposits | **(4,083)** | (2,203) |
| **Finance costs** | | |
| Interest expense on bank borrowings | **19,899** | 9,343 |
| Interest expense on lease liabilities *(Note)* | **111,615** | 199,089 |
| | **131,514** | 208,432 |
| **Finance costs, net** | **127,431** | 206,229 |

*Note*: Interest expense on lease liabilities is arising from recognition of right-of-use assets, which is measured at net present value of the fixed payment.

## 7 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2023 and 2022 is analysed as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| – PRC corporate income tax | **4,311** | 6,819 |
| – Hong Kong profits tax | **–** | 4,839 |
| | **4,311** | 11,658 |
| Deferred income tax | **(3,922)** | (5,584) |
| | **389** | 6,074 |

## 8 LOSS PER SHARE

### (a) Basics loss per share

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

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| Loss attributable to owners of the Company *(RMB'000)* | **(19,698)** | (112,663) |
| Less: distribution to PSCS *(RMB'000)* | **(11,318)** | (10,479) |
| | **(31,016)** | (123,142) |
| Weighted average number of ordinary shares in issue *(thousand shares)* | **473,825** | 468,518 |
| Loss per share *(RMB cents per share)* | **(6.5)** | (26.3) |

### (b) Diluted loss per share

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.

For the years ended 31 December 2023 and 2022, the Group's 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 years.

## 9 DIVIDENDS

At the meeting held on 25 March 2024, the Board does not recommend the payment of a final dividend for the year (2022: Nil).

## 10 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| **Current assets** | | |
| Trade receivables (a) | **559,116** | 625,718 |
| Less: loss allowance of trade receivables (b) | **(93,117)** | (89,911) |
| Trade receivables, net | **465,999** | 535,807 |
| Other receivables (c) | **131,018** | 140,426 |
| Less: loss allowance of other receivables (c) | **(3,963)** | (7,985) |
| Other receivables, net | **127,055** | 132,441 |
| Interest receivables | **60** | 147 |
| Value-added-tax recoverable | **59,464** | 55,020 |
| Prepayments (d) | **98,283** | 63,364 |
| | **750,861** | 786,779 |
| **Non-current assets** | | |
| Deposits (c) | **5,241** | 9,455 |
| **Total** | **756,102** | 796,234 |

(a) The Group has various credit terms for its customers. At 31 December, ageing analysis of the trade receivables by invoice date is as follows:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Up to 6 months | **338,190** | 393,826 |
| 6 months to 12 months | **62,638** | 78,271 |
| 1 year to 2 years | **53,060** | 63,986 |
| 2 years to 3 years | **33,533** | 29,650 |
| Over 3 years | **71,695** | 59,985 |
| | **559,116** | 625,718 |

(b) Loss allowance of trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables. The Group also continuously monitors the credit risks by assessing the credit quality of respective counterparties, taking into account its financial position, past experience and other factors.

The loss allowance of trade receivables increased by RMB3,206,000 during the year (2022: RMB26,303,000).

(c) Other receivables mainly represent concession deposits paid to various media resources owners and amounts due from certain related parties. The amounts due from related parties are RMB43,744,000 and RMB42,802,000 as at 31 December 2023 and 2022, respectively. The carrying amounts of other receivables approximate their fair values.

Other receivables and deposits are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime expected credit losses. The loss allowance of other receivables decreased by RMB4,022,000 during the year (2022: increased by RMB3,756,000).

(d) The carrying amounts of the Group's trade and other receivables excluded prepayment are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| RMB | **445,415** | 575,020 |
| HKD | **202,718** | 132,765 |
| United States dollars ("USD") | **5,255** | 19,029 |
| Singapore dollars ("SGD") | **4,431** | 6,056 |
| | **657,819** | 732,870 |

## 11 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables (a) | **113,994** | 123,166 |
| Accrued concession fee charges for advertising spaces | **50,804** | 106,174 |
| Other taxes payables | **18,692** | 16,539 |
| Interests payables | **1,035** | 746 |
| Salary and staff welfare payables | **20,596** | 21,113 |
| Consideration payable | **–** | 17,971 |
| Other payables | **48,697** | 63,249 |
| | **253,818** | 348,958 |

The carrying amounts of the Group's total trade and other payable are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| RMB | **132,166** | 183,781 |
| HKD | **107,965** | 133,207 |
| USD | **7,140** | 17,957 |
| SGD | **6,547** | 14,013 |
| | **253,818** | 348,958 |

(a) At 31 December, ageing analysis of the trade payables by invoice date is as follows:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Up to 6 months | **93,143** | 81,470 |
| 6 months to 12 months | **5,399** | 7,746 |
| 1 year to 2 years | **5,048** | 32,563 |
| 2 years to 3 years | **9,493** | 206 |
| Over 3 years | **911** | 1,181 |
| | **113,994** | 123,166 |

## 12 BORROWINGS

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| **Non-current portion** | | |
| Bank borrowings, unsecured | **147,193** | 177,408 |
| **Current portion** | | |
| Bank borrowings, unsecured | **269,752** | 146,348 |
| **Total bank borrowings** | **416,945** | 323,756 |

(a) At 31 December, the Group's borrowings are repayable as follows:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **269,752** | 146,348 |
| Between 1 and 2 years | **130,788** | 57,908 |
| Between 2 and 5 years | **16,405** | 119,500 |
| | **416,945** | 323,756 |

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| HKD | **276,986** | 262,672 |
| RMB | **139,959** | 61,084 |
| | **416,945** | 323,756 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The year 2023 presented numerous challenges, including geopolitical conflicts, high interest rates, and persistent inflation, which cast a shadow over the global business environment and consumer sentiment. As a result, various industries, including the advertising industry, were inevitably impacted. However, benefitting from a number of policies aimed at stabilising market confidence, the Mainland economy has experienced a slow recovery, presenting a ray of hope amidst the uncertainty. Meanwhile, Hong Kong's economy has gradually recovered since the reopening of the Mainland border in January 2023 and the easing of the city's pandemic restrictions in March 2023.

Despite the market headwinds, the Group leveraged its diverse media resources in mega transport, and actively identified and secured a number of projects that could synergise with the Group's cross-modal, cross-border, and cross-national strengths. At the same time, the Group diligently reviewed its media network to achieve better cost control and financial performance. It selectively exited less profitable media resources and continuously improved the performance of its existing media resources, while re-acquiring media resources with development potential under more favourable terms and conditions or at lower costs.

With the support of the aforementioned strategic initiatives, coupled with its proven track record and strong strategic partnerships with major stakeholders, the Group maintained its revenue at RMB1,608.8 million for the year ended 31 December 2023 (the "Year") (2022: RMB1,653.2 million), and the combined revenue[1] was RMB2,226.7 million (2022: RMB2,338.7 million). Gross profit amounted to RMB351.9 million (2022: RMB269.2 million), with gross profit margin improving to 21.9%. Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled RMB838.3 million (2022: RMB1,154.5 million). As a result, the Group was able to significantly reduce its loss by 89.0% to RMB9.9 million (2022: a loss of RMB89.7 million).

As at 31 December 2023, the Group was in a healthy financial position with cash and cash equivalents and bank deposits amounting to RMB390.8 million (2022: RMB365.1 million), laying a solid foundation for its sustainable development.

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1 Combined revenue 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.

**Performance of Business Segments**

*Airports*

Segment revenue for the Year was RMB519.4 million (2022: RMB554.2 million), with gross profit of RMB137.9 million and gross profit margin of 26.5% (2022: RMB170.4 million and 30.7%).

During the Year, the Group's operations at several airports continued to show resilience, with the recovery of ambitious projects at airports in Yunnan Province standing out for their continuous contribution to the overall performance. These included a number of advertising projects aimed at boosting local tourism, enabling the Group to seize the opportunities presented by favourable national policies to stimulate domestic demand. In addition, the Group focused on segment restructuring to promote greater business synergies among airports and between airports and other segments, thereby adapting to the evolving business and partnership models that have emerged in the post-COVID-19 era.

*Metro lines and billboards*

The segment recorded revenue of RMB585.5 million (2022: RMB596.4 million), with gross profit of RMB158.9 million and gross profit margin of 27.1% (2022: RMB32.2 million and 5.4%).

During the Year, the Group proactively offered a wide range of advertising solutions to advertisers to capture the opportunities and new customers arising from the reopening of the borders between Hong Kong and the Mainland China, demonstrating its agile response to the evolving market dynamics. Brands and customers from various sectors, including wealth management, payment platform, and healthcare, benefited from the Group's cross-border media resource deployment. By deploying the Group's media resources at the Hong Kong High-Speed Rail Station, they were able to precisely reach target audiences with considerable purchasing power travelling between the Mainland China and Hong Kong, thereby expanding their brand awareness within a two to three-hour radius. In terms of Mainland deployment, the Group successfully secured an agreement granting exclusive concession rights for advertising and media resources on several lines of the Hangzhou Metro. Thanks to its strong relationships with media resource owners and proven track record, the Group was able to secure these resources under highly favourable terms and conditions. As a major transport hub located in east China, the initiative was expected to enable the Group to capture the city's vibrant growth and provide commuters with an enjoyable travel experience. As for overseas deployment, the Group's exclusive media resources have experienced wider and more comprehensive coverage as a result of the official integration of the Singapore Thomson-East Coast Line ("TEL") into the city centre and the increased number of commuters.

In terms of billboard operations, during the Year, the Group observed an increasing interest from cultural art and lifestyle and daily need brands to penetrate the local market more efficiently. As a result, the Group consistently offers advertisers a highly innovative and customised advertising experience, leveraging its dominant position in billboard advertising. For example, the Group's large-scale digital screen located in the heart of Tsim Sha Tsui, Hong Kong's main leisure district, infused energy into the vibrant city life by showcasing stunning 3D advertisements that leave a lasting impression through its O&O solutions.

*Bus and others*

Segment revenue for the Year was RMB503.9 million (2022: RMB502.6 million), with gross profit and gross profit margin of RMB55.1 million and 10.9%, respectively (2022: RMB66.6 million and 13.3%). The Group consistently conducted timely reviews of its operations and cooperation models with business partners to enhance operational efficiency. During the Year, the Group not only provided O&O interactive advertisements at major bus stops to enhance the city's appeal, but also facilitated opportunities for major brands to enter the local market through bus body advertising. Numbers of Mainland brands, including medical beauty enterprises, renowned food and beverage brands, and large cultural and tourism groups, who seized the opportunity to establish a presence in Hong Kong and attract local residents to patronise their businesses in the Mainland China.

*O&O New Media Strategy Development*

The Group has been at the forefront of a transformative movement, empowering advertisers, brands, customers, and audiences through its commitment to innovation. The Group has seen a growing trend among brands to seek advertising solutions that are precise, efficient, and cost-effective, while maintaining a strong emphasis on innovation and interaction. The Group's long-standing expertise in digital driving solutions positions it well to meet these market trends and to be a favourable partner in the post-COVID-19 era. During the Year, the Group continued to leverage its O&O New Media strategy and DOOH+ solution to integrate cutting-edge solutions, offering visionary advertisers and brands exceptional opportunities to connect with their target audiences on a deeper and more effective level. For example, the Group created a naked-eye 3D technology advertisement for a famous jewellery brand at a metro station. With stunning visuals and romantic music, the campaign immersed passengers in the brand's atmosphere, strengthening its concept and establishing an emotional connection with the audience. Additionally, the Group arranged a grand LED booth and an interactive installation named "MailBox" at the Shenzhen Bao'an International Airport on Children's Day. Travelers were able to display their personalised "emoji" on the installation using sound and on-site equipment. This innovative blend of art and technology delivered an artistic public space, enhancing the airport travel experience.

On the supply side, the Group has adopted a customer-centric approach and established strong partnerships with leading technology companies such as Hivestack, The Trade Desk, and Vistar Media. Through various platforms, the Group actively promotes its own OOH media resources and digital tactics programmatically. During the Year, it successfully secured several major customers, including several Fortune Global 500 companies. For instance, a multinational toothpaste brand utilised programmatic DOOH ("pDOOH") technology to align advertising messages with audience needs. Besides, taking advantage of Singapore's mask-wearing policy change on public transport, the brand placed smile-filled advertisements on TEL, enhancing the effectiveness of its campaign.

**Prospects**

Looking ahead to 2024, the entire industry continues to face an uncertain macroeconomic landscape characterised by geopolitical conflict and escalating inflation. Despite these challenges, the Group sees potential opportunities in the growing cross-border consumption activities between the Mainland China and Hong Kong. With its deep market insights accumulated over time, extensive media network established in the Greater China region, and proven track record, Asiaray is well positioned to seize these opportunities concealed within the challenges. Therefore, the Group remains cautiously optimistic about its prospects.

At the same time, the Group recognises that striking a balance between risk and development is paramount in overcoming the current turbulence. As a result, the Group has doubled its efforts in internal control and applied prudent capital management, thus strengthening its solid foundation to effectively navigate the ever-evolving operating environment. Additionally, through its media network optimisation strategy, the Group is exiting marginally profitable avenues and focusing on key resources with promising growth potential. Furthermore, the Group's long-standing collaborative relationships with media resource owners are enabling it to revitalise the partnership arrangements of existing media resources through the implementation of more stringent cost control.

Asiaray is renowned for its unwavering commitment to meeting the various demands of the market. Leveraging its deep understanding of large-scale transport advertising media and astute market insights, the Group maintains a sophisticated approach to partnerships, aiming to provide immersive interaction advertising experiences for advertisers, brands, customers and audiences alike. In addition, the Group will continue to introduce cutting-edge, digitally advanced, and innovative advertising solutions to the market, thereby cultivating a positive impact within the ecosystem, fostering continuous industry advancement, and ultimately creating greater value for shareholders and stakeholders in the long term.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group for the Year decreased from RMB1,653.2 million to RMB1,608.8 million, representing a year-on-year decreased by 2.7%. The decrease in revenue is due to termination of projects during the Year.

The airports segment revenue decreased by 6.3% from RMB554.2 million in 2022 to RMB519.4 million in 2023. The decrease is due to economy recovery in post epidemic era is not as fast as expected in the Mainland China.

The metro and billboards segment revenue decreased by 1.8% from RMB596.4 million in 2022 to RMB585.5 million in 2023. The decrease is due to the termination of metro lines in Shenzhen.

The bus and others segment revenue increased by 0.3% from RMB502.6 million in 2022 to RMB503.9 million in 2023.

### Cost of Revenue

The cost of revenue decreased by RMB127.2 million, or 9.2%, from RMB1,384.1 million in 2022 to RMB1,256.9 million in 2023. It decreased along with the revenue decrement.

### Gross Profit and Gross Profit Margin

The gross profit in 2023 increased by RMB82.8 million, or 30.8%, from RMB269.1 million in 2022 to RMB351.9 million and the gross profit margin increased from 16.3% in 2022 to 21.9% in 2023. The increase is due to termination of loss making projects.

### Selling and Marketing Expenses

The selling and marketing expenses decreased by RMB16.5 million, or 11.1%, from RMB149.3 million in 2022 to RMB132.8 million in 2023. The decrease corresponds with the revenue decrement.

**Administrative Expenses**

The administrative expenses increased by RMB7.0 million, or 4.0%, from RMB175.8 million in 2022 to RMB182.8 million in 2023.

**Finance Costs, net**

Net finance cost decreased by RMB78.8 million, or 38.2%, from RMB206.2 million in 2022 to RMB127.4 million in 2023. The decrease is primarily attributable to the decrease in interest expense recognized in accordance with HKFRS16. The decrease is due to termination of projects during the Year.

**Share of net (loss)/profit of investments accounted for using the equity method**

The share of results of investments in associates decreased from a share of net profit of RMB18.0 million in 2022 to a share of net loss of RMB10.3 million in 2023 due to the decrease in revenue from media under airports in Shenzhen.

**Income Tax Expense**

Income tax expense decreased by 93.4% from RMB6.1 million in 2022 to RMB0.4 million in 2023.

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

The EBITDA of the Group decreased by RMB316.2 million, or 27.4%, from RMB1,154.5 million in 2022 to RMB838.3 million in 2023.

**Loss attributable to owners of the Company**

Loss attributable to owners of the Company decreased by RMB93.0 million, or 82.5%, from RMB112.7 million in 2022 to RMB19.7 million in 2023. The loss is the net effect of the performance of the Group as fully explained in the above.

## FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on funds. As the Group carries out business in the Mainland China and Hong Kong, most of its 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 RMB390.8 million as at 31 December 2023, representing an increase of RMB25.7 million compared with that as at 31 December 2022. As at 31 December 2023, the financial ratios of the Group were as follows:

| | **As at 31 December 2023** | As at 31 December 2022 |
|---|---|---|
| Current ratio (1) | **0.83** | 0.77 |
| Gearing ratio (2) | **0.2** | Net cash |

*Notes:*

(1) Current ratio is calculated by dividing current assets by current liabilities.

(2) Gearing ratio is calculated as net debt/(cash) divided by total equity. Net debt/(cash) is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity represents the equity attributable to owners of the Company and non-controlling interests.

**Borrowings**

The Group had bank borrowings as at 31 December 2023 in the sum of RMB416.9 million. Out of the total borrowings, RMB269.7 million was repayable within one year, while RMB147.2 million was repayable after one year. The carrying amounts of bank borrowings are denominated in Hong Kong dollars and Renminbi.

No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

**Exposure to Interest Rate Risk**

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

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

**Pledge of Assets**

As at 31 December 2023 and 31 December 2022, the Group did not pledge any assets to secure borrowings of the Group.

**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. Its capital expenditures for the years ended 31 December 2023 and 2022 were RMB17.4 million and RMB51.5 million, respectively.

**Contingent liabilities**

The Group had no material contingent liabilities outstanding as at 31 December 2023 and 31 December 2022.

**Important events after the reporting period**

The Group has successfully refinanced a borrowing of RMB127 million in February 2024 which has a maturity date in February 2027 with payment terms of semi-annually.

On 5 March 2024, 上海雅仕維廣告傳播有限公司 (Shanghai Asiaray Advertising Media Company Limited*) ("Shanghai Advertising Media") and 深圳市地鐵集團有限公司 (Shenzhen Metro Group Co.,Ltd.*), entered into an advertising resources operation contract in respect of the exclusive concession rights to use and operate the advertising resources in Shenzhen metro line 3, line 6, sub-line 6, line 10, line 14 and line 16 for a period of 5 years commencing on 5 February 2024. On 7 March 2024, Shanghai Advertising Media and 深圳市十二號綫軌道交通有限公司 (Shenzhen Line 12 Rail Transit Co., Ltd*), entered into an advertising resources operation contract in respect of the exclusive concession rights to use and operate the advertising resources in Shenzhen metro line 12 for a period of 5 years commencing on 5 February 2024. For details, please refer to the announcement of the Company dated 22 March 2024.

Save as disclosed above, there is no other important event affecting the Group which have occurred since 31 December 2023 and up to the date of this announcement.

## HUMAN RESOURCES

The Group offers competitive remuneration packages, including trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and the Mainland China. As at 31 December 2023, the Group had 796 employees (2022: 932 employees). The total salaries and related costs for the years ended 31 December 2023 and 2022 amounted to RMB223.7 million and RMB230.0 million, respectively.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2022: Nil).

* *For identification purpose only*

## CLOSURE OF REGISTER OF MEMBERS

### Annual General Meeting

The register of members of the Company will be closed from Wednesday, 29 May 2024 to Monday, 3 June 2024, both days inclusive, during which period no transfer of shares will be effected.

In order to determine who are eligible to attend and vote at the annual general meeting of the Company to be held on Monday, 3 June 2024 (the "AGM"), the shareholders of the Company should ensure that all transfers documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 28 May 2024.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## CORPORATE GOVERNANCE

During the Year, the Company had complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange" respectively) (formerly Appendix 14 to the Listing Rules), except the deviations from code provision C.2.1 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 *JP* currently assumes the roles of both the chairman of the Board and the chief executive officer (the "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.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Listing Rules (formerly Appendix 10 to the Listing Rules) (the "Model Code") as the code of conduct for Directors' securities transactions. The Company has made specific enquiries to all Directors and that all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the Year.

## CONSTITUTIONAL DOCUMENTS

During the Year, the Company has amended its memorandum and articles of association (the "M&A"), the details of which are set out in the announcements of the Company dated 28 April 2023 and 2 June 2023 and the circular of the Company dated 28 April 2023. The shareholders of the Company have approved the amendments to the M&A at the annual general meeting of the Company held on 2 June 2023. The latest version of the Company's M&A is available for inspection on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://www.asiaray.com/en/home/).

## REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has together with the Board reviewed and approved the audited annual results of the Group for the year ended 31 December 2023.

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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

## PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 25 March 2024

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