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 2023

The board of directors (the "Board" and the "Directors", respectively) of Asiaray Media Group Limited (the "Company", together with its subsidiaries, the "Group") announces the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2023, together with the comparative figures for the corresponding period of 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited and restated)*
Revenue	*5*	**718,430**	807,620
Cost of revenue		**(565,662)**	(667,658)
Gross profit		**152,768**	139,962
Selling and marketing expenses		**(58,713)**	(74,581)
Administrative expenses		**(77,976)**	(77,523)
Net reversal of impairment losses/ (impairment losses) on financial assets		**10,452**	(9,048)
Other income	*7*	**10,575**	7,442
Other gains, net	*8*	**60,150**	58,617
Operating profit	*6*	**97,256**	44,869

* *See Note 3 to the condensed consolidated interim financial information*

	Note	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited and restated)*
		Six months ended 30 June	
Finance income	*9*	**1,730**	774
Finance costs	*9*	**(71,584)**	(115,108)
Finance costs, net	*9*	**(69,854)**	(114,334)
Share of net (loss)/profit of investments accounted for using the equity method		**(7,720)**	1,823
Profit/(loss) before income tax		**19,682**	(67,642)
Income tax (expense)/credit	*10*	**(16,813)**	1,921
Profit/(loss) for the period		**2,869**	(65,721)
(Loss)/profit attributable to:			
Owners of the Company		**(9,183)**	(89,742)
Non-controlling interests		**12,052**	24,021
		2,869	(65,721)
Other comprehensive income/(loss)			
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		**(7)**	(848)
Items that may be reclassified to profit or loss			
– Currency translation differences		**8,357**	471
		8,350	(377)
Total comprehensive income/(loss) for the period		**11,219**	(66,098)
Attributable to:			
Owners of the Company		**(1,061)**	(86,468)
Non-controlling interests		**12,280**	20,370
Total comprehensive income/(loss) for the period		**11,219**	(66,098)
Loss per share attributable to owners of the Company for the period (expressed in RMB cents per share)			
– Basic and diluted	*11*	**(3.2)**	(20.4)

* *See Note 3 to the condensed consolidated interim financial information*

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2023** *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**139,237**	157,876
Right-of-use assets	*15*	**1,509,253**	1,418,362
Investment properties		**96,391**	94,924
Intangible assets		**12,702**	13,306
Investments accounted for using the equity method		**68,745**	76,465
Financial assets at fair value through profit or loss		**8,704**	8,433
Financial assets at fair value through other comprehensive income		**6,019**	5,852
Deferred income tax assets		**182,378**	193,537
Deposits	*13*	**10,275**	9,455
		2,033,704	1,978,210
Current assets			
Inventories		**28,159**	22,902
Trade and other receivables	*13*	**749,851**	786,779
Current income tax recoverable		**4,799**	–
Restricted cash		**26,503**	31,797
Cash and cash equivalents		**304,131**	333,320
		1,113,443	1,174,798
Total assets		**3,147,147**	3,153,008
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**38,947**	38,139
Reserves		**102,023**	101,114
		140,970	139,253
Non-controlling interests		**131,455**	132,895
Total equity		**272,425**	272,148

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings		**166,192**	177,408
Lease liabilities	*15*	**1,226,499**	1,173,285
Deferred income tax liabilities		**1,758**	1,827
		1,394,449	1,352,520
Current liabilities			
Trade and other payables	*14*	**276,555**	348,958
Contract liabilities		**121,836**	98,203
Borrowings		**190,996**	146,348
Current income tax liabilities		**–**	5,677
Lease liabilities	*15*	**890,886**	929,154
		1,480,273	1,528,340
Total liabilities		**2,874,722**	2,880,860
Total equity and liabilities		**3,147,147**	3,153,008

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 laws of the Cayman Islands. The address of the Company's registered office is PO 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 (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 Mainland China, Hong Kong, Macau and Southeast Asia.

The condensed consolidated interim financial information are presented in Renminbi ("RMB") and all figures are rounded to the nearest thousand (RMB'000), unless otherwise stated, and has been approved by the Board on 25 August 2023.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group's current liabilities exceeded its current assets by RMB366,830,000 as at 30 June 2023 (31 December 2022: RMB353,542,000). The net current liabilities were mainly attributable to (i) recognition of lease liabilities of RMB890,886,000 (31 December 2022: RMB929,154,000) in current liabilities and RMB1,226,499,000 (31 December 2022: RMB1,173,285,000) in non-current liabilities respectively, while the associated right-of-use assets amounting to RMB1,509,253,000 (31 December 2022: RMB1,418,362,000) were recognised in non-current assets.

The Directors are of the opinion that the Group's available sources of funds, including the Group's expected net cash inflows from its operating activities and the continuous support from its banks, are sufficient to fulfil its financial obligations as and when they fall due in the coming twelve months from 30 June 2023. 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 2022, 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 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9
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
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information Amendments

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 2023 and have not been early adopted.

		Effective for annual periods 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 Sales and Leaseback	1 January 2024
Revised Hong Kong Interpretation 5 Presentation of Financial Statements	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
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by the HKICPA

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 CHANGES IN ACCOUNTING POLICIES

During the year ended 31 December 2022, the Group has changed its presentation currency from Hong Kong dollars ("HKD") to RMB for the preparation of its consolidated financial statements. Accordingly, the change in presentation currency have been applied retrospectively. The comparative figures in the condensed consolidated interim financial statements were translated from HKD to RMB using the applicable closing rates for items in the condensed consolidated balance sheet and applicable average rates that approximated to actual rates for items in the condensed consolidated statement of comprehensive income.

4 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 2022.

5 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 (expense)/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 is as follows:

	Airport business *RMB'000*	**Metro and billboards business** *RMB'000*	**Bus and other business** *RMB'000*	**Total** *RMB'000*
(Unaudited)				
Six months ended 30 June 2023				
Revenue	**248,298**	**264,782**	**205,350**	**718,430**
Cost of revenue	**(183,662)**	**(186,745)**	**(195,255)**	**(565,662)**
Gross profit	**64,636**	**78,037**	**10,095**	**152,768**
Share of net (loss)/profit of investments accounted for using the equity method	**(8,805)**	**1,085**	**–**	**(7,720)**
Segment results	**55,831**	**79,122**	**10,095**	**145,048**
Selling and marketing expenses				**(58,713)**
Administrative expenses				**(77,976)**
Net reversal of impairment losses on financial assets				**10,452**
Other income				**10,575**
Other gains, net				**60,150**
				89,536
Finance income				**1,730**
Finance costs				**(71,584)**
Finance costs, net				**(69,854)**
Profit before income tax				**19,682**

	Airport business *RMB'000*	Metro and billboards business *RMB'000*	Bus and other business *RMB'000*	Total *RMB'000*
(Unaudited and restated)				
Six months ended 30 June 2022				
Revenue	302,216	281,064	224,340	807,620
Cost of revenue	(169,772)	(284,205)	(213,681)	(667,658)
Gross profit/(loss)	132,444	(3,141)	10,659	139,962
Share of net profit/(loss) of investments accounted for using the equity method	5,817	(3,994)	–	1,823
Segment results	138,261	(7,135)	10,659	141,785
Selling and marketing expenses				(74,581)
Administrative expenses				(77,523)
Net impairment losses on financial assets				(9,048)
Other income				7,442
Other gains, net				58,617
				46,692
Finance income				774
Finance costs				(115,108)
Finance costs, net				(114,334)
Loss before income tax				(67,642)

Revenue consisted of the following:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Advertising display revenue	**569,608**	664,608
Advertising production, installation and dismantling revenue	**148,822**	143,012
	718,430	807,620

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Revenue over time	**569,608**	664,608
Revenue at a point in time	**148,822**	143,012
	718,430	807,620

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Mainland China	**447,251**	580,115
Hong Kong and others	**271,179**	227,505
	718,430	807,620

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 2023 and 2022.

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 2023 and 31 December 2022 as follows:

	As at 30 June 2023 *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Mainland China	**1,402,944**	1,318,955
Hong Kong and others	**433,659**	451,433
	1,836,603	1,770,388

6 OPERATING PROFIT

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

	Six months ended 30 June	
	2023 *RMB'000* **(Unaudited)**	2022 *RMB'000* (Unaudited and restated)
Variable concession fee charges for advertising spaces	**46,584**	25,042
Rent concession fee reduction	**–**	(94,825)
Expenses related to short-term concession fee	**81,324**	102,133
Depreciation of property, plant and equipment	**21,570**	21,456
Depreciation of right-of-use assets *(Note 15)*	**361,981**	518,435
Employee benefit expenses	**101,295**	112,892
Project installation and dismantling costs	**43,651**	56,585
Travelling and entertainment expenses	**7,560**	7,374
Amortisation of intangible assets	**1,180**	989

7 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Advertising consulting service income	**1,509**	1,088
Advertising design service income	**1,397**	903
Rental income	**3,229**	2,182
Dividend income	**190**	177
Compensation from counter parties for breach of contracts	**1,158**	7
Government subsidy income		
– Tax refund *(Note (i))*	**121**	571
– Employment Support Scheme *(Note (ii))*	**–**	412
Others	**2,971**	2,102
	10,575	7,442

Notes:

(i) The amount represents 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.

8 OTHER GAINS, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Net gains from early termination of leases	**62,658**	54,192
Net exchange (losses)/gains	**(2,384)**	4,318
Gains/(losses) on disposal of property, plant and equipment	**36**	(3)
Others	**(160)**	110
	60,150	58,617

9 FINANCE COSTS, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Finance income		
Interest income on bank deposits	**(1,730)**	(774)
Finance costs		
Interest expense on bank borrowings	**9,956**	3,697
Interest expense on lease liabilities	**61,628**	111,411
	71,584	115,108
Finance costs, net	**69,854**	114,334

10 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for the six months ended 30 June 2023 and 2022 is analysed as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Current income tax		
PRC corporate income tax	**4,331**	18,315
Hong Kong profits tax	**–**	3,503
	4,331	21,818
Deferred income tax	**12,482**	(23,739)
	16,813	(1,921)

11 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 perpetual subordinated convertible securities ("PSCS"), by the weighted average number of ordinary shares in issue during the period excluding treasury shares.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited and restated)
Loss attributable to owners of the Company (RMB'000)	**(9,183)**	(89,742)
Less: Distribution to PSCS (RMB'000)	**(5,603)**	(5,215)
	(14,786)	(94,957)
Weighted average number of ordinary shares in issue (thousands shares)	**469,097**	465,987
Loss per share (RMB cents per share)	**(3.2)**	(20.4)

(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.

For the period ended 30 June 2023 and 2022, the Group's PSCS could potentially dilute basic loss per share in the future, but are not included in the calculation of diluted loss per share because they are anti-dilutive for the period.

12 DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2023, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2022: Nil).

13 TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 *RMB'000* (Unaudited)	As at 31 December 2022 *RMB'000* (Audited)
Current assets		
Trade receivables *(a)*	**550,117**	625,718
Less: Impairment loss of trade receivables	**(79,455)**	(89,911)
Trade receivables, net	**470,662**	535,807
Other receivables	**138,213**	140,426
Less: Impairment loss of other receivables	**(7,792)**	(7,985)
Other receivables, net	**130,421**	132,441
Interest receivable	**118**	147
Value-added-tax recoverable	**60,457**	55,020
Prepayments	**88,193**	63,364
	749,851	786,779
Non-current assets		
Deposits	**10,275**	9,455
Total	**760,126**	796,234

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

	As at 30 June 2023 *RMB'000* (Unaudited)	As at 31 December 2022 *RMB'000* (Audited)
Up to 6 months	**317,691**	393,826
6 months to 12 months	**64,137**	78,271
1 year to 2 years	**68,312**	63,986
2 years to 3 years	**37,466**	29,650
Over 3 years	**62,511**	59,985
	550,117	625,718

14 TRADE AND OTHER PAYABLES

	As at 30 June 2023 *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Trade payables	**120,542**	123,166
Accrued concession fee charges for advertising spaces	**52,002**	106,174
Other taxes payables	**11,874**	16,539
Interest payables	**1,363**	746
Salary and staff welfare payables	**11,755**	21,113
Consideration payable	**–**	17,971
Other payables	**79,019**	63,249
	276,555	348,958

As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2023 *RMB'000* **(Unaudited)**	As at 31 December 2022 *RMB'000* (Audited)
Up to 6 months	**49,331**	81,470
6 months to 12 months	**39,814**	7,746
1 year to 2 years	**29,149**	32,563
2 years to 3 years	**539**	206
Over 3 years	**1,709**	1,181
	120,542	123,166

15 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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023 (Audited)	**18,513**	**1,383,922**	**15,927**	**1,418,362**
Additions	**–**	**475,158**	**1,665**	**476,823**
Depreciation *(Note 6)*	**(284)**	**(355,960)**	**(5,737)**	**(361,981)**
Termination	**–**	**(277,565)**	**(65)**	**(277,630)**
Modification	**–**	**242,585**	**413**	**242,998**
Currency translation differences	**–**	**10,437**	**244**	**10,681**
At 30 June 2023 (Unaudited)	**18,229**	**1,478,577**	**12,447**	**1,509,253**
At 1 January 2022 (Audited)	19,081	3,647,090	22,418	3,688,589
Additions	–	73,018	3,783	76,801
Depreciation *(Note 6)*	(284)	(512,314)	(5,837)	(518,435)
Termination	–	(322,728)	–	(322,728)
Modification	–	(89,344)	–	(89,344)
Reversal of impairment loss, net	–	11,746	–	11,746
Currency translation differences	–	18,478	304	18,782
At 30 June 2022 (Unaudited and restated)	18,797	2,825,946	20,668	2,865,411

Lease liabilities

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current portion	**890,886**	929,154
Non-current portion	**1,226,499**	1,173,285
Total lease liabilities	**2,117,385**	2,102,439

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2023, the global economy experienced a mix of positive and challenging factors. While the world continued to recover from the effects of the COVID-19 pandemic, emerging uncertainties, such as central banks tightening monetary policies, high inflation rates in major economies and geopolitical tensions added complexity to the business environment and further dampened consumer sentiment. Nonetheless, by focusing on relinquishing low-margin advertising supply and actively seeking resources with growth potential through more suitable cooperation models, the Group made profit of RMB2.9 million for the six months ended 30 June 2023 (the "Period"), turning around from loss of RMB 65.7 million for the corresponding period of last year.

On the other hand, the Group consistently collaborates with advertisers, brands, and customers to deliver exceptional experiences and create value for audiences through innovative business concepts such as Outdoor and Online ("O&O"), technology-driven Digital Out-of-Home ("OOH", "DOOH") Plus ("DOOH+") solutions. In addition, the Group's pioneering "space management" business philosophy has been recognised as a case study by Harvard Business Publishing Education[1], further demonstrating its competitiveness in the competitive market and its proven strategy amidst economic and technological change.

For the Period, the Group recorded revenue of RMB718.4 million (six months ended 30 June 2022: RMB807.6 million). Although it took some time for the market recovery to be reflected in the overall industry performance, the Group's strategic efforts in media network optimisation paid off, with gross profit increased 9.1% to RMB152.8 million, and the gross profit margin widened to 21.3% (six months ended 30 June 2022: RMB140.0 million and 17.3%). Earnings before interest, tax, depreciation and amortisation (EBITDA) totalled RMB476.0 million (six months ended 30 June 2022: RMB588.3 million).

As at 30 June 2023, the Group's financial position remained sound, with cash and cash equivalents and restricted cash amounting to RMB330.6 million (as at 31 December 2022: RMB365.1 million), demonstrating financial stability and prudent liquidity management.

[1] https://hbsp.harvard.edu/product/ST110-PDF-ENG

BUSINESS SEGMENT PERFORMANCE

Airports

Segment revenue for the Period was maintained at RMB248.3 million (six months ended 30 June 2022: RMB302.2 million), with gross profit of RMB64.6 million and a gross profit margin of 26.0% (six months ended 30 June 2022: RMB132.4 million and 43.8%).

The recovery of the airport media resource network to reflect the removal of travel restrictions in Mainland China and Hong Kong is still underway, as the advertisers and brands adopted a wait-and-see attitude before activating large-scale campaigns. However, the Group remained committed to providing customised advertising solutions that meet the needs of advertisers and brands in various industries to enhance brand image and expand influence. For example, inspired by the O&O New Media Strategy, the Group set up an augmented reality ("AR") exhibition hall at Zhengzhou Xinzheng International Airport. The exhibition hall offered a youthful, immersive and interactive experience through intangible cultural heritage exhibits, AR and virtual docent, aiming to showcase the profound culture of Henan Province, enhance its popularity, and explore the unique advantages of tourism in the province. In addition to strengthening established partnerships with high-profile advertisers and brands, the Group has made concerted efforts to leverage the synergies of its media resource network and enhance the overall airport experience, so as to capitalise on the favourable national policy aimed at expanding domestic demand and boosting market confidence.

Metro lines and billboards

Revenue of this segment reached RMB264.8 million (six months ended 30 June 2022: RMB281.1 million) for the Period, with gross profit increased by 2,616.1% to RMB78.0 million and gross profit margin increased by 30.6 percentage points to 29.5% (six months ended 30 June 2022: gross loss of RMB3.1 million and gross loss margin 1.1%).

Consumer sentiment has returned to normal with the increasing number of audiences, and several transport initiatives between Mainland China and Hong Kong have played a significant role in revitalising this sector. Among these initiatives, the reopening of the Express Rail Link and East Rail cross-boundary trains in the second quarter of 2023 has contributed to the regained momentum. Moreover, with the official connection of the Singapore Thomson-East Coast Line ("TEL") to the city centre in the second half of 2022 through 11 newly opened stations, the Group's exclusive media resources have enjoyed more diverse and extensive coverage brought by the influx of commuters. This has provided audiences with the opportunity to experience the possibilities offered by the Group's unique DOOH+ solution. During the Period, the Group's DOOH resources supported the campaign of a global leader in coffee capsules, machines, and accessories in TEL. The Group's large LED screen at the TEL, known for its superior resolution among all MRT stations in Singapore, captivated audience by showcasing the brand's latest and vibrant machines in a visually stunning manner. Additionally, the Group introduced the "Guess the Scent" contest, effectively engaging audience through offline-to-online interactions.

Regarding billboard operations, the Group continued to integrate the DOOH+ solution into digital billboards in prime locations across Hong Kong, striving to create value for advertisers and provide an immersive experience for the target audience.

Buses and others

The segment recorded revenue of RMB205.4 million for the Period (six months ended 30 June 2022: RMB224.3 million), while maintaining gross profit at RMB10.1 million, with gross profit margin increased to 4.9% (six months ended 30 June 2022: RMB10.7 million and 4.8%).

During the Period, the Group worked diligently with advertisers, brands, and customers to seize the opportunities arising from the resumption of business activities. Despite the continued volatility in consumer sentiment, the Group sought to generate demand and enhance market appeal through its innovative DOOH+ solutions. As for the other businesses operated by associated companies, although the volume of projects declined, there was a notable shift in customer preferences towards edge-cutting solutions. This led to a boost in the profit margin for this particular segment.

O&O New Media Strategy Development

As a pioneer, the Group has spearheaded a transformative movement, empowering advertisers, brands, customers and audiences alike through its commitment to innovation. It has been recognised by Harvard Business Publishing Education[1] as a case study that introduces the concept of OOH advertising in context and provides a basis for further discussion on specific aspects such as value creation in the advertising industry, sustainable advantage in a competitive market, and business strategy arising from economic and technological change. The Group transformed the industrial practice of "buy wholesale, sell retail" by managing space to create lasting impressions on target audiences through the "space management" philosophy. Subsequently, the Group extended this approach from physical to virtual spaces with the O&O new media strategy and employed digital intelligence and big data analytics to establish the DOOH+ solution, which goes beyond simply digitising hardware in its DOOH solutions. The case studies also highlight the Group's landmark projects, including a promotional campaign for a TV drama series and an impressive collection of three-dimensional illustration billboards in Hong Kong.

During the Period, the Group continued to integrate cutting-edge solutions to create unparalleled opportunities for visionary industry players to connect with their target audiences on a deeper, more effective and intimate level. For example, the Group collaborated with China's largest online payment platform to create an interactive exhibition in Hangzhou Metro, targeting the city's bustling transportation system that serves a large number of daily passager. By strategically selecting stations known for their prominent shopping destinations, the exhibition aimed to engage both young local audience and tourists, who are also advocates of green and low-carbon living. Through an innovative combination of AR technology and interactive scenes, the exhibition brought iconic and impressive moments from popular games to life inside the subway, while seamlessly integrating online platforms and social media channels. By participating in the payment platform's related activities, audience had the opportunity to earn green travel mileage points, which could be redeemed for free in-game items. The Group explored the seamless integration of offline and online interactions by DOOH+ solution, to effectively raise brand awareness and promote responsible travel practices.

1 https://hbsp.harvard.edu/product/ST110-PDF-ENG

On the supply side, by embracing a customer-centric approach and leveraging on close relationships with leading technology companies such as Hivestack, The Trade Desk and Vistar Media, the Group actively promotes its own OOH media resources programmatically through various platforms. During the Period, it secured several major customers to use OOH media resources. Some of these major customers are Fortune Global 500 companies. In this interconnected era, the Group's unwavering dedication to promoting more flexible and effective solutions sets it apart as it continues to reimagine the possibilities and redefine the benchmarks of innovation and connection.

PROSPECTS

Looking ahead to the second half of 2023, while macroeconomic uncertainties remain, there have been positive developments due to the relaxation of pandemic-related control measures and the reopening of borders. As a result, the Group's business performance has started to breathe a sigh of relief, particularly commencing from the second quarter of the year.

The Group's internal control framework serves as a strong foundation amidst the ever-changing operational environment. It will continue to withdraw from marginally profitable avenues and forge ahead to capture key demographics with development potential, through the utilization of data analytics and a dynamic, competitive partnership model.

The Group is also renowned for its commitment to meeting the unique requirements of the market. Leveraging its in-depth understanding of large-scale transport advertising media and astute market insights, the Group aims to diversify its offerings. In addition, it will continue to introduce more modernised, digitalised, and revolutionised advertising solutions to the market, creating a win-win situation with the advertiser, fostering further development within the industry and creating greater value for shareholders and stakeholders in the long term.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the Period decreased from RMB807.6 million for the corresponding period of 2022 to RMB718.4 million, representing a decrease by RMB89.2 million, or 11.0%. The decrease was primarily derived from the impact of several termination of projects. 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, reached RMB1.0 billion.

The airports segment decreased by RMB53.9 million, or 17.8% from RMB302.2 million for the corresponding period of 2022 to RMB248.3 million for the Period. The decrease was due to economy recovery in post-epidemic era is not as fast as expected in Mainland China.

The metro and billboards segment decreased by RMB16.3 million, or 5.8% from RMB281.1 million for the corresponding period of 2022 to RMB264.8 million for the Period. This was primarily attributable to the decreased revenue from metro lines and billboards in Mainland China, particularly the metro lines in Shenzhen.

The bus and others segment revenue decreased by RMB18.9 million, or 8.4%, from RMB224.3 million for the corresponding period of 2022 to RMB205.4 million for the Period, which was primarily attributable to the agency business in respect of the decrease in revenue from sales of advertising spaces in media resources operated by associated companies.

Cost of Revenue

The cost of revenue decreased by RMB102.0 million, or 15.3%, from RMB667.7 million for the corresponding period of 2022 to RMB565.7 million for the Period. The decrease was primarily due to the termination of projects.

Gross Profit and Gross Profit Margin

The gross profit for the Period increased by RMB12.8 million, or 9.1%, from RMB140.0 million for the corresponding period of 2022 to RMB152.8 million for the Period and the gross profit margin increased from 17.3% for the corresponding period of 2022 to 21.3% for the Period.

Selling and Marketing Expenses

The selling and marketing expenses decreased by RMB15.9 million, or 21.3% from RMB74.6 million for the corresponding period of 2022 to RMB58.7 million for the Period. The decrease was primarily attributable to the decrease in employee benefit expenses due to termination of projects.

Administrative Expenses

The administrative expenses increased by RMB0.5 million, or 0.6%, from RMB77.5 million for the corresponding period of 2022 to RMB78.0 million for the Period.

Finance Costs, Net

Net finance cost decreased by RMB44.4 million, or 38.8%, from RMB114.3 million for the corresponding period of 2022 to RMB69.9 million for the Period. This was primarily attributable to the decrease in interest expenses incurred from lease liabilities of HKFRS 16.

Share of Net (Loss)/Profit of Investments Accounted for Using the Equity Method

The share of net results of investments in associates decreased by 527.8% from a share of net profit of RMB1.8 million for the corresponding period of 2022 to a share of net loss of RMB7.7 million for the Period due to the decreased revenue from media under airports in Shenzhen.

Income Tax (Expense)/Credit

Income tax (expense)/credit increased by 984.2% from an income tax credit of RMB1.9 million for the corresponding period of 2022 to an income tax expense of RMB16.8 million for the Period.

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

The EBITDA of the Group decreased by RMB112.3 million, or 19.1%, from RMB588.3 million for the corresponding period of 2022 to RMB476.0 million for the Period.

Loss Attributable to Owners of the Company

Loss attributable to owners of the Company decreased by RMB80.5 million, or 89.7%, from RMB89.7 million for the corresponding period of 2022 to RMB9.2 million for the Period.

FINANCIAL MANAGEMENT AND TREASURY POLICY

Foreign Exchange Exposure

Some of the subsidiaries of the Group operate in Hong Kong with most of the transactions denominated and settled in HKD. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's condensed consolidated financial statements. If HKD appreciates/depreciates against RMB, the Group would record a(n) increase/decrease in the Group's net asset value. During the Period, the Group had not used derivative financial instruments to hedge against its foreign currency risk.

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 adopts conservative treasury policies and controls tightly over its cash and risk management. During the Period, the Group's operations and investments were supported by internal resources.

The Group's cash and cash equivalents and restricted cash was RMB330.6 million as at 30 June 2023, representing a decrease when compare to RMB365.1 million as at 31 December 2022. As at 30 June 2023, the financial ratios of the Group were as follows:

	As at 30 June 2023	As at 31 December 2022
Current ratio[(1)]	**0.75**	0.77
Gearing ratio[(2)]	**19.5%**	Net cash

Notes:

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

(2) Gearing ratio is calculated by dividing net cash or debt by total equity. Net cash or debt is calculated as total borrowings less cash and cash equivalents.

Borrowings

The Group had bank borrowings as at 30 June 2023 in the sum of RMB357.2 million. Out of the total borrowings, RMB191.0 million was repayable within one year, while RMB166.2 million was repayable after one year. The carrying amounts of bank borrowings are denominated in HKD and RMB.

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 issued at fixed rates expose the Group to fair value interest rate risk.

The Group's interest rate risks arise primarily from bank borrowings issued at variable rates. 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 HKD borrowings.

Pledge of Assets

As at 30 June 2023 and 31 December 2022, the Group did not pledge any assets to secure borrowings of the Group.

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 2022 were RMB3.7 million and RMB15.4 million, respectively.

Contingent liabilities

The Group had no material contingent liabilities outstanding as at 30 June 2023 and 30 June 2022.

SUBSEQUENT EVENTS

Subsequent to 30 June 2023, 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 Mainland China. As at 30 June 2023, the Group had 966 employees (30 June 2022: 1,104 employees). The total salaries and related costs for the Period and the corresponding period in 2022 amounted to RMB101.3 million and RMB112.9 million, respectively.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (30 June 2022: Nil).

CORPORATE GOVERNANCE

During the Period, the Company had complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except the deviation 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 chairman of the Board and 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

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, sold or redeemed 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 ***JP***
Chairman

Hong Kong, 25 August 2023

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.