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Asiaray Media Group Limited
雅仕維傳媒集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1993)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Board”) of Asiaray Media Group Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 December | |
|---|--------------|-------------------------------|--------------------|
| | | 2020 | 2019 |
| | <i>Notes</i> | <i>HKD'000</i> | <i>HKD'000</i> |
| Revenue | 3 | 1,557,103 | 1,878,361 |
| Cost of revenue | | <u>(1,209,582)</u> | <u>(1,480,557)</u> |
| Gross profit | | 347,521 | 397,804 |
| Selling and marketing expenses | | (147,575) | (183,793) |
| Administrative expenses | | (167,842) | (187,774) |
| Net impairment losses on financial assets | | (23,531) | (8,661) |
| Other income | 4 | 39,425 | 27,037 |
| Other gains, net | 5 | <u>13,699</u> | <u>1,363</u> |
| Operating profit | | <u>61,697</u> | <u>45,976</u> |

| | | Year ended 31 December | |
|--|-------|------------------------|------------------|
| | | 2020 | 2019 |
| | Notes | HKD'000 | HKD'000 |
| Finance income | 6 | 3,155 | 1,598 |
| Finance costs | 6 | (229,516) | (185,210) |
| Finance costs, net | 6 | (226,361) | (183,612) |
| Share of net profit of associates accounted for using the equity method | | 14,754 | 12,873 |
| Loss before income tax | | (149,910) | (124,763) |
| Income tax credit | 7 | 8,501 | 16,084 |
| Loss for the year | | (141,409) | (108,679) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Net (losses)/gains from changes in financial assets at fair value through other comprehensive income, net of tax | | (289) | 409 |
| Currency translation differences | | 42,683 | (18,162) |
| | | 42,394 | (17,753) |
| Total comprehensive loss for the year | | (99,015) | (126,432) |
| Loss attributable to: | | | |
| Owners of the Company | | (163,362) | (126,411) |
| Non-controlling interests | | 21,953 | 17,732 |
| Loss for the year | | (141,409) | (108,679) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (125,645) | (126,002) |
| Non-controlling interests | | 26,630 | (430) |
| Total comprehensive loss for the year | | (99,015) | (126,432) |
| Loss per share attributable to owners of the Company for the year <i>(expressed in HK cents per share)</i> | | | |
| – Basic and diluted | 8 | (35.49) | (29.69) |

CONSOLIDATED BALANCE SHEET

| | <i>Note</i> | As at 31 December | |
|--|-------------|--------------------------|----------------|
| | | 2020 | 2019 |
| | | HKD'000 | HKD'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 74,126 | 87,437 |
| Right-of-use assets | | 3,469,728 | 2,763,406 |
| Investment properties | | 10,997 | 9,846 |
| Intangible assets | | 19,197 | 21,007 |
| Investments accounted for using the equity method | | 50,629 | 39,841 |
| Financial assets at fair value through profit or loss | | 7,378 | 6,530 |
| Financial assets at fair value through other comprehensive income | | 7,734 | 8,074 |
| Deferred income tax assets | | 196,958 | 153,555 |
| Other receivables and deposits | <i>10</i> | 13,068 | 12,902 |
| | | 3,849,815 | 3,102,598 |
| Current assets | | | |
| Inventories | | 4,017 | 1,833 |
| Trade and other receivables | <i>10</i> | 1,011,189 | 863,751 |
| Restricted cash | | 33,753 | 29,584 |
| Cash and cash equivalents | | 378,509 | 415,461 |
| | | 1,427,468 | 1,310,629 |
| Total assets | | 5,277,283 | 4,413,227 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 47,568 | 47,568 |
| Reserves | | 247,453 | 356,340 |
| | | 295,021 | 403,908 |
| Non-controlling interests | | 79,731 | 109,372 |
| Total equity | | 374,752 | 513,280 |

| | | As at 31 December | |
|---|-----------|--------------------------|-----------------------|
| | | 2020 | 2019 |
| <i>Notes</i> | | <i>HKD'000</i> | <i>HKD'000</i> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | <i>12</i> | 80,641 | 120,404 |
| Lease liabilities | | 3,077,028 | 2,432,265 |
| Deferred income tax liabilities | | 2,331 | 2,575 |
| | | <u>3,160,000</u> | <u>2,555,244</u> |
| Current liabilities | | | |
| Trade and other payables | <i>11</i> | 291,487 | 275,900 |
| Contract liabilities | | 127,388 | 122,056 |
| Financial liabilities at fair value through profit or loss | | 7,800 | 6,216 |
| Borrowings | <i>12</i> | 222,188 | 152,206 |
| Current income tax liabilities | | 13,851 | 9,161 |
| Lease liabilities | | 1,079,817 | 779,164 |
| | | <u>1,742,531</u> | <u>1,344,703</u> |
| Total liabilities | | <u>4,902,531</u> | <u>3,899,947</u> |
| Total equity and liabilities | | <u>5,277,283</u> | <u>4,413,227</u> |

NOTES

1 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, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and investment properties, which are carried at fair values.

As at 31 December 2020, the Group’s current liabilities exceeded its current assets by HKD315,063,000. The net current liabilities was mainly attributable to (i) recognition of lease liabilities of HKD1,079,817,000 in current liabilities and HKD3,077,028,000 in non-current liabilities respectively, while the associated right-of-use assets amounting to HKD3,469,728,000 were recognised in non-current assets. For the year ended 31 December 2020, the Group recorded a net loss to equity owners as disclosed in the 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. The Directors of the Company have reviewed a cash flow projection of the Group prepared by management covering a period of not less than twelve months from 31 December 2020 taking into account the following plans and measures into consideration:

- (i) Subsequent to year end date, the Group has re-financed certain current borrowings to long term borrowings. Also, the Group has successfully obtained a new committed banking facility with a limit of HKD150,000,000 for a term of 36-month period. This new bank facility can be further increased by HKD50,000,000. As a result, the Group had unutilised banking facility of approximately HKD270,000,000. The Group maintains regular communication with its banks and given its good track records, the Directors are confident that the existing bank facilities will continue to be available to the Group and the outstanding borrowings can be renewed when their current term expires.
- (ii) The Group expects that there will be steady cash inflow from operations that is sufficient enough to fulfil its obligations under lease liabilities. The Group will continue to monitor the impact of COVID-19 pandemic on its operation and take proactive measures on cost control to mitigate the negative impact that might arise, including, but not limited to, negotiation with the landlord for concession of its lease obligation, if necessary.

- (iii) Subsequent to the year end date, the Group entered into certain agreements, to acquire entire equity interest and shareholder loan in the Billion China International Limited (“Billion China”) by the issuance of Perpetual Subordinated Convertible Securities (“PSCS”) in the principal amount of approximately HKD122,700,000 to Mr. Lam Tak Hing, Vincent (“Mr. Lam”), a controlling shareholder, and his nominee(s). Billion China mainly holds a property located in the PRC. The Directors are of the view the proposed transaction will enhance the capital structure of the Group as the PSCS has no maturity date.

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 in the next twelve months and the continuous support from its banks, is sufficient to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2020. 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 Hong Kong dollars (“HKD”) and all figures are rounded to the nearest thousand (HKD’000) unless otherwise stated.

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

The Group has applied the following new standards, amendments to existing standards and interpretation for the first time for their financial year beginning on 1 January 2020:

| | |
|--|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Revised Conceptual Framework for Financial Reporting | Conceptual Framework for Financial Reporting 2018 |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions |

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to HKFRS 16 set out above.

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

| | | Effective for annual periods beginning on or after |
|---|---|--|
| Annual improvements project | Annual improvements to HKFRSs 2018–2020 | 1 January 2022 |
| Amendments to HKFRS 3, HKAS 16 and HKAS 37 | Narrow-scope amendments | 1 January 2022 |
| Revised AG 5 | Revised accounting guideline 5 merger accounting for common control combinations | 1 January 2022 |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest rate benchmark reform – phase 2 | 1 January 2021 |
| Amendments to HKAS 1 | Classification of liabilities as current or non-current | 1 January 2023 |
| HKFRS 17 | Insurance contracts | 1 January 2023 |
| HK Int 5 (2020) | Hong Kong interpretation 5 (2020) presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause (HK Int 5 (2020)) | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The above new standards, amendments to existing standards and interpretations have been published that are not mandatory for the annual reporting periods commencing 1 January 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 CHANGES IN ACCOUNTING POLICIES

The Group has early adopted Amendment to HKFRS 16 – Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HKD222,567,000 have been accounted for as negative variable lease payments and recognised in administrative expenses or cost of revenue in the consolidated statement of comprehensive income for the year ended 31 December 2020, with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity as at 1 January 2020.

3 SEGMENT INFORMATION

The segment information for the operating segments is as follows:

| | Airports business HKD'000 | Metro and billboards business HKD'000 | Bus and other business HKD'000 | Total HKD'000 |
|--|--|--|---|--------------------------|
| Year ended 31 December 2020 | | | | |
| Revenue | 692,980 | 596,047 | 268,076 | 1,557,103 |
| Cost of revenue | (427,198) | (514,215) | (268,169) | (1,209,582) |
| Gross profit/(loss) | 265,782 | 81,832 | (93) | 347,521 |
| Share of net profit of associates accounted for using the equity method | 16,444 | (1,690) | – | 14,754 |
| Segment results | 282,226 | 80,142 | (93) | 362,275 |
| Selling and marketing expenses | | | | (147,575) |
| Administrative expenses | | | | (167,842) |
| Net impairment losses on financial assets | | | | (23,531) |
| Other income | | | | 39,425 |
| Other gains, net | | | | 13,699 |
| Finance income | | | | 3,155 |
| Finance costs | | | | (229,516) |
| Finance costs, net | | | | (226,361) |
| Loss before income tax | | | | (149,910) |
| Depreciation of right-of-use assets | 349,822 | 460,852 | 103,571 | 914,245 |
| Depreciation of property, plant and equipment | 20,360 | 6,600 | 10,596 | 37,556 |
| Amortisation of intangible assets | – | – | 2,531 | 2,531 |

Bus and other business represent revenue from other media spaces.

| | Airports business HKD'000 | Metro and billboards business HKD'000 | Others HKD'000 | Total HKD'000 |
|--|---------------------------------|--|-------------------|--------------------|
| Year ended 31 December 2019 | | | | |
| Revenue | 739,282 | 919,309 | 219,770 | 1,878,361 |
| Cost of revenue | <u>(522,027)</u> | <u>(782,646)</u> | <u>(175,884)</u> | <u>(1,480,557)</u> |
| Gross profit | <u>217,255</u> | <u>136,663</u> | <u>43,886</u> | <u>397,804</u> |
| Share of net profit of associates accounted for using the equity method | <u>11,625</u> | <u>1,248</u> | <u>–</u> | <u>12,873</u> |
| Segment results | <u>228,880</u> | <u>137,911</u> | <u>43,886</u> | 410,677 |
| Selling and marketing expenses | | | | (183,793) |
| Administrative expenses | | | | (187,774) |
| Net impairment losses on financial assets | | | | (8,661) |
| Other income | | | | 27,037 |
| Other gains, net | | | | <u>1,363</u> |
| Finance income | | | | 1,598 |
| Finance costs | | | | <u>(185,210)</u> |
| Finance costs, net | | | | <u>(183,612)</u> |
| Loss before income tax | | | | <u>(124,763)</u> |
| Depreciation of right-of-use assets | 246,736 | 442,277 | 16,543 | 705,556 |
| Depreciation of property, plant and equipment | 26,048 | 7,727 | 8,366 | 42,141 |
| Amortisation of intangible assets | <u>–</u> | <u>–</u> | <u>2,157</u> | <u>2,157</u> |

Others represent revenue from other media spaces.

Revenue consisted of the following:

| | Year ended 31 December | |
|--|-------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Advertising display revenue | 1,369,478 | 1,681,013 |
| Advertising production, installation and dismantling revenue | 187,625 | 197,348 |
| | <u>1,557,103</u> | <u>1,878,361</u> |

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

| | Year ended 31 December | |
|----------------------------|-------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Revenue over time | 1,369,478 | 1,681,013 |
| Revenue at a point in time | 187,625 | 197,348 |
| | <u>1,557,103</u> | <u>1,878,361</u> |

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

| | Year ended 31 December | |
|----------------|-------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Mainland China | 1,254,547 | 1,428,955 |
| Hong Kong | 302,556 | 449,406 |
| | <u>1,557,103</u> | <u>1,878,361</u> |

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

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

| | As at 31 December | |
|----------------|--------------------------|-------------------------|
| | 2020 | 2019 |
| | HKD'000 | HKD'000 |
| Mainland China | 2,838,800 | 2,754,986 |
| Hong Kong | 795,462 | 178,737 |
| Others | 3,483 | 716 |
| | <u>3,637,745</u> | <u>2,934,439</u> |

4 OTHER INCOME

| | Year ended 31 December | |
|---|-------------------------------|----------------------|
| | 2020 | 2019 |
| | HKD'000 | HKD'000 |
| Advertising consulting service income | 8,634 | 11,335 |
| Government subsidy income | 18,215 | 4,374 |
| Interest income on loans to an associate | 536 | 1,032 |
| Compensation from counter parties for breach of contracts | – | 561 |
| Reimbursement of installation and maintenance costs | 969 | 851 |
| Advertising design service income | 7,434 | 5,829 |
| Dividend income | 477 | 488 |
| Rental income | 284 | 206 |
| Others | 2,876 | 2,361 |
| | <u>39,425</u> | <u>27,037</u> |

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

5 OTHER GAINS, NET

| | Year ended 31 December | |
|---|------------------------|--------------|
| | 2020 | 2019 |
| | HKD'000 | HKD'000 |
| Net exchange gains/(losses) | 1,693 | (33) |
| Fair value gains on investment properties | 490 | 1,276 |
| Fair value losses on remeasurement on contingent consideration | (1,584) | – |
| Net gains from early termination of lease | 8,182 | – |
| (Losses)/gains on disposal of property, plant and equipment and intangible assets | (53) | 120 |
| Gain on disposal of an associate | 4,971 | – |
| | <u>13,699</u> | <u>1,363</u> |

6 FINANCE COSTS, NET

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2020 | 2019 |
| | HKD'000 | HKD'000 |
| Finance income | | |
| Interest income on bank deposits | (3,155) | (1,598) |
| Finance costs | | |
| Interest expense on bank borrowings | 10,885 | 14,173 |
| Interest expense on lease liabilities (<i>Note</i>) | 218,631 | 171,037 |
| | <u>229,516</u> | <u>185,210</u> |
| Finance costs, net | <u>226,361</u> | <u>183,612</u> |

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 CREDIT

The income tax credit of the Group for the years ended 31 December 2020 and 2019 is analysed as follows:

| | Year ended 31 December | |
|----------------------------|------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Current income tax | | |
| – PRC corporate income tax | 23,176 | 19,660 |
| – Hong Kong profits tax | 434 | 538 |
| | <u>23,610</u> | <u>20,198</u> |
| Deferred income tax | (32,111) | (36,282) |
| | <u>(8,501)</u> | <u>(16,084)</u> |

8 LOSS PER SHARE

(a) Basics

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

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2020 | 2019 |
| Loss attributable to owners of the Company (<i>HKD'000</i>) | (163,362) | (126,411) |
| Less: Distribution to PSCS (<i>HKD'000</i>) | <u>(3,075)</u> | <u>(2,300)</u> |
| | (166,437) | (128,711) |
| Weighted average number of ordinary shares in issue (<i>thousand shares</i>) | <u>468,923</u> | <u>433,521</u> |
| Loss per share (<i>HK cents per share</i>) | <u>(35.49)</u> | <u>(29.69)</u> |

(b) Diluted

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

For the year ended 31 December 2020 and 2019, the Group's share options and PSCS could potentially dilute basic loss per share in the future, but were not included in the calculation of diluted loss per share because they are anti-dilutive for the year.

9 DIVIDENDS

At the meeting held on 26 March 2021, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

10 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|--------------------------|----------------|
| | 2020 | 2019 |
| | HKD'000 | HKD'000 |
| Current assets | | |
| Trade receivables (a) | 658,117 | 477,989 |
| Less: loss allowance of trade receivables (b) | (63,844) | (36,585) |
| Trade receivables, net | 594,273 | 441,404 |
| Other receivables (c) | 229,358 | 245,561 |
| Less: loss allowance of other receivables (c) | (4,701) | (4,467) |
| Other receivables, net | 224,657 | 241,094 |
| Interest receivables | 205 | 363 |
| Value-added-tax ("VAT") recoverable | 58,070 | 37,683 |
| Prepayments (d) | 133,984 | 143,207 |
| | 1,011,189 | 863,751 |
| Non-current assets | | |
| Other receivables and deposits (c) | 13,068 | 12,902 |
| Total | 1,024,257 | 876,653 |

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

| | As at 31 December | |
|-----------------------|--------------------------|----------------|
| | 2020 | 2019 |
| | HKD'000 | HKD'000 |
| Up to 6 months | 454,837 | 351,371 |
| 6 months to 12 months | 95,346 | 47,538 |
| 1 year to 2 years | 46,950 | 43,340 |
| 2 years to 3 years | 23,663 | 8,058 |
| Over 3 years | 37,321 | 27,682 |
| | 658,117 | 477,989 |

(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 increased by HKD27,259,000 (2019: HKD7,970,000) during the year.

- (c) Other receivables mainly represent guaranteed deposits paid to various media resources owners and amounts due from certain related parties. The carrying amounts of other receivables approximated the fair value as at 31 December 2020 and 2019.

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 amounts to HKD4,701,000 (2019: HKD4,467,000).

- (d) Analysis of prepayments is as follows:

| | As at 31 December | |
|---|--------------------------|----------------|
| | 2020 | 2019 |
| | HKD'000 | HKD'000 |
| Prepayments for concession fee for advertising spaces | 116,466 | 136,998 |
| Others | 17,518 | 6,209 |
| | 133,984 | 143,207 |

- (e) The carrying amount of the Group's trade and other receivables excluded prepayments are denominated in the following currencies:

| | As at 31 December | |
|--------|-------------------|----------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| RMB | 749,408 | 626,681 |
| HKD | 139,038 | 106,049 |
| Others | 1,827 | 716 |
| | <u>890,273</u> | <u>733,446</u> |

11 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|-------------------|----------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Trade payables (a) | 96,339 | 92,558 |
| Accrued concession fee charges for advertising spaces | 92,778 | 89,856 |
| Other taxes payables | 12,531 | 9,173 |
| Interests payables | 558 | – |
| Salary and staff welfare payables | 30,324 | 23,328 |
| Other payables | 58,957 | 60,985 |
| | <u>291,487</u> | <u>275,900</u> |

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

| | As at 31 December | |
|-----|-------------------|----------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| RMB | 165,355 | 194,215 |
| HKD | 126,132 | 81,685 |
| | <u>291,487</u> | <u>275,900</u> |

- (a) As at 31 December 2020 and 2019, the ageing analysis of the trade payables based on invoice date is as follows:

| | As at 31 December | |
|-----------------------|--------------------------|----------------|
| | 2020 | 2019 |
| | HKD'000 | HKD'000 |
| Up to 6 months | 89,306 | 89,130 |
| 6 months to 12 months | 3,066 | 578 |
| 1 year to 2 years | 2,573 | 875 |
| 2 years to 3 years | 261 | 176 |
| Over 3 years | 1,133 | 1,799 |
| | 96,339 | 92,558 |

12 BORROWINGS

| | As at 31 December | |
|------------------------------|--------------------------|----------------|
| | 2020 | 2019 |
| | HKD'000 | HKD'000 |
| Non-current portion | | |
| Bank borrowings, secured | 891 | 1,954 |
| Bank borrowings, unsecured | 79,750 | 118,450 |
| | 80,641 | 120,404 |
| Current portion | | |
| Bank borrowings, secured | 1,188 | 1,116 |
| Bank borrowings, unsecured | 221,000 | 151,090 |
| | 222,188 | 152,206 |
| Total bank borrowings | 302,829 | 272,610 |

- (a) At 31 December 2020 and 2019, the Group's borrowings are repayable as follows:

| | As at 31 December | |
|-----------------------|--------------------------|-----------------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Within 1 year | 212,921 | 152,206 |
| Between 1 and 2 years | 61,638 | 90,817 |
| Between 2 and 5 years | 28,270 | 29,587 |
| | <u>302,829</u> | <u>272,610</u> |

The carrying amount of current borrowings approximated their fair values as the impact of discounting was not significant. The carrying amounts and fair values of the non-current borrowings are as follows:

| | As at 31 December | |
|------------------|--------------------------|-----------------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Carrying amounts | 80,641 | 120,404 |
| Fair values | <u>77,111</u> | <u>114,473</u> |

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

| | As at 31 December | |
|-----|--------------------------|-----------------------|
| | 2020 | 2019 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| RMB | 83,644 | 30,978 |
| HKD | 219,185 | 241,632 |
| | <u>302,829</u> | <u>272,610</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Over the past year, the business environment has remained challenging due principally to the aggravation COVID-19 pandemic, especially in Hong Kong, the difficult environment was compounded by social unrest since the second half of 2019, which introduced added uncertainty to the local market. Among the casualties of such conditions has been the advertising sector, with advertising expenditures falling by nearly 18% in 2020, according to admanGo's preliminary monitoring data (including social media), representing the largest decline in the past two decades. Advertising revenue from outdoor media contracted by 17% year-on-year. With respect to Mainland China, advertising expenditures declined by 11.6% in 2020, according to CTR China Advertising Market Data¹. Amid such volatile conditions, the Group was invariably affected, with revenue declining by 17.1% to HKD1,557.1 million for the year ended 31 December 2020 (the "Year"). Gross profit amounted to HKD347.5 million, with gross profit margin at 22.3%. EBITDA (Earnings before interest, taxes, depreciation and amortization) totaled HKD1,034.0 million, while the combined revenue, which provides a broad and more accurate representation of total business scale by including consolidated revenue and revenue from all associated companies, amounted to HKD2.212 billion (2019: HKD2.630 billion) for the Year. As several new projects of the Group were still at a ramp-up stage and were affected by the COVID-19 pandemic, particularly in Hong Kong, the Group's performance was inevitably suffered, as reflected by a loss amounting to HKD141.4 million for the Year.

Nevertheless, the Group's financial resources remains sound and achieved a net cash position for the seventh consecutive years despite the challenging business environment, with cash and cash equivalents of HKD412.3 million (As at 31 December 2019: HKD445.0 million). It therefore has the capacity to withstand the current headwinds as well as development for the future. With the vision clearly in mind, the Group has been placing enormous effort on its Out-of-home and Offline & Online ("O&O") strategy, which translated into an enlarged clientele as well as new contract-wins since the inception of such strategy. Among the highlights of this strategy has been its engagement with Viya, a popular social media influencer on livestream shopping, which has resulted in overwhelmingly favorable outcomes.

¹ <http://www.ctrchina.cn/insightView.asp?id=3977>

Update of business segments

Airport

During the Year, revenue from the airport media advertising segment declined by 6.3% to HKD693.0 million (2019: HKD739.3 million), which was primarily the result of a reduction in passenger traffic caused by the COVID-19 pandemic. Gross profit amounted to HKD265.8 million (2019: HKD217.3 million), and gross profit margin was 38.4%. Nevertheless, Asiaray has been actively exploring and garnering the rights to operate new media resources at various national airports. During the Year, the Group has been granted concession rights to operate media resources at Terminal 1 and Terminal 2 of the new Chengdu Tianfu International Airport, which is currently under construction and is expected to commence operation in 2021. Following completion of the aforesaid airport, Chengdu will become the third city in the mainland, along with Beijing and Shanghai, to possess two international airports, thus making Chengdu the gateway to Europe, the Middle East and Southeast Asia. In view of the significance of the new airport, the Group will fully utilize its advanced transformation and pioneering O&O strategy to facilitate the latest programmatic buying, which employs big data and is able to place advertising content at scenarios to target specific audiences. Through this advanced approach, Asiaray trusts that it will be able to draw more advertisers who have traditionally gravitated towards online platforms, hence are new to airport venues. Armed with an integrated branding and sales strategy for O&O new media, Asiaray is well equipped with both the ability and resources to deliver maximum benefits to its customers.

Indicative of the tremendous trust that it has with airport partners, Asiaray's airport network now covers over 33 airports in Mainland China. Together with the exclusive concession rights to Kunming Changshui International Airport and Shenzhen Baoan International Airport, along with media resources at Chengdu Shuangliu and Beijing Daxing International Airport, Asiaray has formed a comprehensive network that enables it to deliver innovative advertisement spaces to target citizens and travellers in different regions. It is worth noting as well that the Group's extensive airport resources cover two of the busiest airports in the world, and cover three of the busiest airports in the Asia-Pacific, based on passenger traffic, according to The Cirium Airline Insights Review 2020². With its comprehensive nationwide network and significant coverage, it not only places the Group in a favorable position for benefiting from a surge in post-pandemic travel, but also for seizing subsequent expansion opportunities.

² <https://www.cirium.com/studios/reports/2020-airline-insights-review/>

Metro lines and billboards

Amid a weakened business environment, the Group recorded a decline in sales from metro lines during the Year. Consequently, revenue slid by 35.2% to HKD596.0 million (2019: HKD919.3 million). Furthermore, gross profit of HKD81.8 million (2019: HKD136.7 million) and gross profit margin of 13.7% were recorded. Asiaray has, however, been able to secure several new media resources during the Year. In Hong Kong, Asiaray has leveraged its business ties with Hong Kong MTR to secure the exclusive rights to operate media resources at the stations and trains found along the new Tuen Ma Line Phase 1 metro line. Meanwhile, across in Mainland China, the Group has also made headway, securing new media resources at Kunming Metro Line 3. Furthermore, since late 2020, the Group's exclusive concession rights to operate media resources at Beijing Metro Line 4 and Line 16 have been renewed, as well as at the Daxing Line and Shenzhen Metro Line 4, hence further reinforcing the Group's foundation in the metro business. During the Year, the Group has also started its operation in Singapore, marking the first footprint outside Mainland China. The concession right to operate media resources at the Thomson East Coast Line in Singapore is a 16 years contract, which provides a solid stepping stone for future development in South East Asia. Subsequent to the Year, Asiaray further garnered a total of five new metro lines, located in Shenzhen and consisting of Line 2 (Phase 3), 3, 6, 8 (Phase 1) and 10. The newly won media resources, together with its existing footprint, will further bolster Asiaray's business network nationwide, and particularly in the Greater Bay Area. It will therefore be able to exert greater influence when grasping opportunities in the metro advertising market.

On top of metro lines, the Group extensive upper ground network also covers the national railway. During the Year, Asiaray was awarded the concession right to Kunming Railway Station, which is a key station that serves as transportation hub, linking with the Shanghai-Kunming Railway, Chengdu-Kunming Railway and Nanning-Kunming Railway. Furthermore, the network has been expanded to include Lijiang Railway Station, which is an electrified railroad that is presently under construction in Yunnan Province and is scheduled for completion in 2021. These are the first railway stations the Group has won subsequent to the Hong Kong High Speed Train Station.

In respect of the billboard operation, Asiaray continues its dominance in billboard advertising in prime locations across Hong Kong. Its billboards can be found at the Star Ferry Carparks, Worldwide House, Wheelock House, and atop a pedestrian subway in Central. Additional assets include those at Admiralty Center in Admiralty, the innovative T-shape billboard at Hung Hom Station Carpark right next to Hung Hom Cross Harbour Tunnel, 1 Leighton Road in Wan Chai, Lin Fook House in Causeway Bay, One Peking in Tsim Sha Tsui, and Sim City in Mong Kok. Armed also with digital billboards, the Group has logically included Digital Out of Home ("DOOH") buying into its O&O strategy, so as to cater for the diverse needs of advertisers.

New DOOH medium to deliver interactive user experience

The Group started its bus advertising venture with The Kowloon Motor Bus Co. (“KMB”) and Long Win Bus Company Limited (“LWB”) in Hong Kong during the Year. In addition to leveraging their traditional mediums, the Group has sought to combine the two bus operators with its O&O strategy to offer advertisers a more diversified advertising solution. Rather than just one-way advertising, Asiaray has devised a suite of interactive solutions. During the Year, the Group launched a number of games that required participants to obtain answers from bus advertisements with which to participate in online games to be eligible for various prizes. The campaign has been well received by bus passengers, enthusiasts and the market. A series of follow through campaigns have been developed to maximize clients’ brand exposure, including the illumination of bus body panels during Christmas. The illuminated bus advertising was in fact the first of its type in Hong Kong, which helped to not only highlight client sponsorships, but also bring Christmas cheer to the people of Hong Kong. Perhaps seeing the outstanding results of bus media operation, Asiaray has been granted exclusive advertising rights to bus shelters in 2021, hence expanding its media network with this new “combination”. As a result, the Group will be able to reach the mass customer base even more intensively.

Pioneer in O&O new media development

During the Year, Asiaray has placed tremendous focus on online platforms by deploying relevant services and methodologies. Witnessing the synergy among both Out-of-Home (OOH) and online media, Asiaray has committed its investment in the O&O New Media strategy. Consequently, the Group launched its latest iteration of programmatic buying, which utilizes big data to determine the ideal location for placing advertisements, based on audience and different variables. Through this innovative approach, Asiaray hopes to draw even more advertisers to the fold, particularly those unfamiliar with offline settings and tend to seek online channels. To complement this technology, Asiaray has also strengthened its integrated branding and sales strategy for O&O New Media, including through the creation of its own social media platform, to deliver more benefits to customers.

Amid the COVID-19 pandemic, people have changed their lifestyles. In order to adapt to the new normal, including the Stay-at-Home economy (宅經濟), Asiaray has been exploring new strategies to reach out to different clients and audiences. During the Year, the Group has utilized its self-owned social media platform to assist advertiser clients in selling their products, with sales derived from such products also contributing to the Group's revenue. At the same time, subsequent to its successful collaboration with Viya, the Group has continued its O&O investment and launched more flexible promotion packages not only targeting large-scale companies but also small-mid size companies, in order to enlarge its clientele and increase its penetration into a larger market with different audience group. Meanwhile, further to the completion of a programmatic transformation project with Rubicon in January 2020, Asiaray officially launched a DOOH programmatic transaction platform with The Trade Desk (TDD) and Magnite (formerly known as Rubicon and Telaria) in the second half year. The platform has enabled Asiaray to programmatically trade its DOOH display and video inventory across both offline and online channels, targeting not only local customers but also international advertisers.

Working in conjunction with the MTR and KMB in Hong Kong, their respective mobile applications have been used as additional promotion tools for advertiser clients. Also, understanding the importance of interactive experiences as part of its skills repertoire, Asiaray has cooperated with different companies to showcase its capabilities. In 2020, the Group launched a number of interactive games to reach out to different passengers. Its collaboration with JETSO in the “Happy Fun” event is a successful example. Asiaray will continue to make use of its extensive resources in providing interactive experiences for passenger.

The importance of the Group's O&O strategies is clear, enabling it to offer a wide variety of solutions to clients, as well as maximize the effectiveness of advertising to achieve optimum outcomes. Going forward, mindful that for every crisis lies an opportunity, Asiaray will capitalize on its operational advantages to penetrate the “live-stream shopping” e-commerce market. This will involve the integration of supply chains in order to further raise brand awareness and to effectively utilize its O&O capabilities to optimize sales and promotions.

Connecting the dots to give back to society

It is Asiaray's firm belief that promoting positive messages amid the COVID-19 pandemic is paramount. It has consequently allocated media resources, including those at airports, metro lines as well as billboards in different cities to this effect. Some of the creative works have included those created by the Group, such as a spontaneously produced video that has been broadcasted in core areas and during prime time. To further disseminate positive messages to the public, Asiaray has fully leveraged outdoor media resources to deliver public service announcements to more than 20 cities in Mainland China and Hong Kong. Such messages have included COVID-19 prevention and control reminders, well wishes to Wuhan during the height of the COVID-19 crisis, and notifications to the public regarding the resumption of business and other activities. In addition, Asiaray has cooperated with the Publicity Department of Shenzhen Municipal Committee of the CPC (深圳市委宣傳部) and Southern Metropolis Daily (南都傳媒) on the "Retrograde" (逆行者) project in Wuhan, Hubei. The Group released the themes "The Most Beautiful Retrograde" (最美逆行者), "Welcome Back Heroes" (英雄回家), "Dear Frontline Hero" (致敬火線英雄) and "My Fellow Village Heroes" (我的同鄉英雄) to greet medical workers upon their arrival to Shenzhen Baoan International Airport, and to welcome them back to the warmth of community.

OUTLOOK

Although the global economy is expected to experience significant downward pressure due principally to the COVID-19 pandemic, Asiaray is a strong proponent that "for every crisis lies great opportunity". Armed with strong financial backing and a professional team with a proven track record for innovation, especially in devising O&O New Media initiatives, it has confidence in safely navigating through the current choppy waters to a much more promising future.

With respect to Mainland China, thanks to the strict safety and COVID-19 containment measures, the country has been in a fast mode in terms of a full economic recovery. Asiaray is therefore very optimistic about business development in the country, supported by upturns in both domestic and international travel and consumption. Already with an extensive network in Mainland China, covering tier-one to tier-four cities, the Group will continue to secure media resources in high-speed rail, metro lines and airports. As the Group pragmatically expands its footprint in the country, it will seek to capture growth, particularly arising from the rebound in consumption demand resulting from COVID-19. Backed by its unique “Space Management” approach and pioneering O&O initiatives, Asiaray will straddle the best O&O advertising solutions to cater for the needs of its advertiser clients, all the while reinforcing its reputation in the market, which in turn will help enhance the Group’s ability to seize opportunities in the future. The Group will also proactively expand its market presence as part of its long-term strategy, and will spare no effort in increasing Asiaray’s share of the Mainland China market, whether online or offline.

As for Hong Kong, the market recovery will likely be a slow process. Nonetheless, the Group will leverage its extensive network and experience to cope with whatever challenges that may emerge. What is more, with Asiaray’s comprehensive media portfolio, which now includes bus advertising via KMB and LWB, and media resources at MTR metro lines, it will be able to capitalize on greater synergies generated from media coverage both above and below ground. The Group will also leverage its O&O initiatives to strengthen its position with clients, providing all-round advertising solutions and support to reinforce business ties. Although the market sentiment has deteriorated in the recent past, the Group remains optimistic about its long-term prospects in Hong Kong, and will further explore opportunities for both expanding revenue streams and deepening market penetration.

Amid the COVID-19 pandemic and resultant safety measures, the general public has increased its focus on online shopping, which in turn has spawned the Stay-at-Home economy and “new normal”. As a pioneer in O&O advertising solutions, Asiaray is well positioned to capitalize on this changing consumption trend. Its O&O initiatives provide dynamic and responsive advertisements to advertisers and are able to reach increasingly sophisticated target audiences. Under the new normal, the Group will also allocate more resources for O&O development. This will include bolstering its OOH media to create advertising solutions with exceptional reach. Already, through extended experiments involving O&O initiatives over the years, Asiaray has been able to consolidate relevant findings to deliver product lines that combine OOH media, online platforms and data-enriched buying options to meet the changing needs of its customers. In this new O&O realm, cooperation will be key as well. Backed by the comprehensive and tremendous coverage offered by its OOH media portfolio, Asiaray will be in a favorable position to capture opportunities by serving as an indispensable and strategic partner in the market. Similarly, the Group will continue to work with its strategic partner Ant Group Co., Ltd. 螞蟻科技集團股份有限公司 (“Ant Group”) with the aim of exploring opportunities capitalizing on the new digital trend.

Despite the challenging environment, with Asiaray's successful track record, leading market position, advantageous 'mega transport, multi-media and fully comprehensive settings', and portfolio of diverse advertising solutions, it holds guarded optimism towards its prospects. The Group remains committed to grasping emerging opportunities in Mainland China and overseas, and will spare no effort in pursuing sustainable growth, as well as creating maximum value for its shareholders.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2020 declined from approximately HKD1,878.4 million to approximately HKD1,557.1 million, representing a year-on-year decline by 17.1%. The decrease was primarily derived from the revenue in the metro and billboards segments due to COVID-19 pandemic impacted patronage of all lines during the Year. The combined revenue of the Group, which includes the consolidated revenue of the Group and the total revenue of the Group's associated companies engaged in the media business as an operating information, reached approximately HKD2,212.3 million, representing a year-on-year drop of 16.0%.

The metro and billboards segment decreased by 35.2% from approximately HKD919.3 million in 2019 to approximately HKD596.0 million in 2020. This was primarily attributable to the sharp decrease from metro lines and billboards in Hong Kong. The significant decline was due to the shutdown of High Speed Rail and the patronage decreased under the COVID-19 pandemic in Hong Kong.

The airports segment decreased by 6.3% from approximately HKD739.2 million in 2019 to approximately HKD693.0 million in 2020. The decline was due to the short term closure of airports and the travel restriction, the decline is not significant when comparing to other segments as the trade activities rebounded since the second quarter in Mainland China.

The bus and others segment revenue increased by approximately HKD48.3 million or 22.0%, from approximately HKD219.8 million in 2019 to approximately HKD268.1 million in 2020, which was primarily attributable to the bus segment acquired since the second quarter in Hong Kong but offset by the drops of the agency business in respect of sales of advertising spaces in media resources operated by associated companies.

Cost of Revenue

The cost of revenue decreased by approximately HKD271.0 million, or 18.3%, from approximately HKD1,480.6 million in 2019 to approximately HKD1,209.6 million in 2020. The decrease was primarily due to the reduction of concession fee payable under the concession rights contract due to COVID-19 pandemic.

Gross Profit and Gross Profit Margin

The gross profit in 2020 decreased by approximately HKD50.3 million, or 12.6%, from approximately HKD397.8 million in 2019 to approximately HKD347.5 million and the gross profit margin slightly increased from 21.2% in 2019 to 22.3% in 2020.

Selling and Marketing Expenses

The selling and marketing expenses decreased by approximately HKD36.2 million, or 19.7% from approximately HKD183.8 million in 2019 to approximately HKD147.6 million in 2020. This decrease was primarily attributable to the decrease in employee benefit expenses which is in line with the decrease in revenue.

Administrative Expenses

The administrative expenses decreased by approximately HKD20.0 million, or 10.6%, from approximately HKD187.8 million in 2019 to approximately HKD167.8 million in 2020. The decrease was primarily attributable to rent reduction and cost control of the overall general administrative expenses due to the long-lasting impacts of COVID-19 pandemic.

Finance Costs, net

Net finance cost increased by approximately HKD42.8 million, or 23.3%, from approximately HKD183.6 million in 2019 to approximately HKD226.4 million in 2020. This was primarily attributable to the increase in interest expenses incurred from lease liabilities of HKFRS 16.

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

The share of results of investments in associates increased by 14.7% from approximately HKD12.9 million in 2019 to approximately HKD14.8 million in 2020 due to increased revenue from media under the Shenzhen Airport.

Income Tax Credit

Income tax credit decreased by 47.2% from approximately HKD16.1 million in 2019 to approximately HKD8.5 million in 2020.

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

The EBITDA of the Group increased by approximately HKD225.2 million, or 27.8%, from approximately HKD808.7 million in 2019 to approximately HKD1,033.9 million in 2020.

Loss attributable to owners of the Company

Loss attributable to owners of the Company increased by approximately HKD37.0 million, or 29.3%, from approximately HKD126.4 million in 2019 to approximately HKD163.4 million in 2020. The loss was the net effect of the decrease in gross profit of the Group and as fully explained in the above.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on funds. As the Group carries out business in the Mainland China and Hong Kong, most of our receipts and payments were denominated in Renminbi and Hong Kong dollars. As the conversion of Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the directors of the Company consider that there is no significant exposure on the foreign exchange risk. The Group will closely monitor foreign exchange exposure and consider hedging significant exposure should the need arises.

Dividend Policy

The Company endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company adopts a dividend policy, which is based on the profit attributable to owners of the Company, and the distribution amount is up to 100% of the profit attributable to owners of the Company.

Liquidity and Financial Resources

The Group's cash and cash equivalents and restricted cash was approximately HKD412.3 million as at 31 December 2020, representing a decrease of approximately HKD32.7 million compared with that as at 31 December 2019. As at 31 December 2020, the financial ratios of the Group were as follows:

| | As at 31 December 2020 | As at 31 December 2019 |
|------------------------------|------------------------------|------------------------------|
| Current ratio ⁽¹⁾ | 0.82 | 0.97 |
| Gearing ratio ⁽²⁾ | Net cash | Net cash |

Notes:

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

(2) Gearing ratio is calculated by dividing net debt by total equity.

Borrowings

The Group had bank borrowings as at 31 December 2020 in the sum of approximately HKD302.8 million. Out of the total borrowings, approximately HKD222.2 million was repayable within one year, while approximately HKD80.6 million was repayable after one year. The carrying amounts of bank borrowings are denominated in Hong Kong dollars and Renminbi.

No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments. The weighted average interest rate (per annum) was 2.2% for non-current borrowings and 3.3% for current borrowings as at 31 December 2020.

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 2020, the Group pledged its buildings and land use rights with carrying amount of approximately HKD23.2 million (31 December 2019: approximately HKD22.6 million), respectively to secure borrowings of the Group. The total secured borrowings as at 31 December 2020 amounted to approximately HKD2.0 million (31 December 2019: approximately HKD3.1 million).

Fund Raising Activities/Use of Proceeds

Subscription of new shares under general mandate

On 20 November 2019, the Company entered into a subscription agreement with Antfin (Hong Kong) Holding Limited ("Antfin"), an indirect wholly-owned subsidiary of Ant Group Co. Ltd. 螞蟻科技集團有限公司 (the "Ant Group"), pursuant to which Antfin subscribed for, and the Company allotted and issued, a total of 35,675,676 subscription shares at the subscription price of HK\$4.10 per subscriptions share. The net proceeds were approximately HKD142.8 million and are being used by the Company as general working capital and for funding its projects in the PRC and Singapore. For further details, please refer to the announcements issued by the Company dated 20 November 2019, 27 November 2019 and 4 December 2019.

Subscription of perpetual subordinated convertible securities under general mandate

On 4 June 2020, the Company entered into the subscription agreement which the Company has conditionally agreed to issue the perpetual subordinated convertible securities (the “2020 PSCS”) in the principal amount of HKD20.0 million convertible into conversion shares at the initial conversion price of HKD5.1 per conversion share under general mandate. The intended use of proceeds were disclosed in the circular issued by the Company dated 8 September 2020. The issuance of the 2020 PSCS in the principal amount of HKD20.0 million was completed on 28 September 2020. The net proceeds of approximately HKD19.8 million was received. As at 31 December 2020, the 2020 PSCS in the principal amount of HKD20.0 million has not been converted into conversion shares. For details, please refer to the announcement and the circular issued by the Company dated 4 June 2020 and 28 September 2020 respectively.

The use of proceeds was as follows:

As at 31 December 2020

| Net proceeds raised (approximately) HKD'000 | | Intended use of the net proceeds (approximately) HKD'000 | Actual used amount (approximately) HKD'000 | Unutilized amount (approximately) HKD'000 | Expected timeframe for application of the unutilized proceeds | Whether the proceeds are to be used according to the intention previously disclosed |
|---|---|--|---|--|---|---|
| 142,800 | General working capital (Issue of subscription shares) | 142,800 | 142,800 | Nil | N/A | Yes |
| | (Working capital and funding projects in the PRC and Singapore) | | | | | |
| 19,800 | General working capital (Issue of 2020 PSCS) | 19,800 | 5,000 | 14,800 | Next 12 months | Yes |
| | (Payment of concession fee) | | | | | |

As at 31 December 2019

| Net proceeds raised (approximately) HKD'000 | | Intended use of the net proceeds (approximately) HKD'000 | Actual used amount (approximately) HKD'000 | Unutilized amount (approximately) HKD'000 | Expected timeframe for application of the unutilized proceeds | Whether the proceeds are to be used according to the intention previously disclosed |
|---|---|--|--|---|---|---|
| 29,700 | General working capital | 15,000 | 15,000 | Nil | N/A | Yes |
| (First tranche of 2017 PSCS) | (Improvement of advertising fixtures and office renovation) | | (used as intended) | | | |
| | General working capital | 10,000 | 10,000 | Nil | N/A | Yes |
| | (New recruitment and salary costs) | | (used as intended) | | | |
| | General working capital | 4,700 | 4,700 | Nil | N/A | Yes |
| | (Bank charges and interest expenses) | | (used as intended) | | | |
| 19,700 | General working capital | 19,700 | 19,700 | Nil | N/A | Yes |
| (Second tranche of 2017 PSCS) | (Payment of concession fee) | | (used as intended) | | | |
| 142,800 | General working capital | 142,800 | Nil | 142,800 | Next 12 months | Yes |
| (Issue of subscription shares) | (Working capital and funding projects in the PRC and Singapore) | | | | | |

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 year ended 31 December 2020 and 2019 were approximately HKD20.5 million and HKD25.9 million, respectively.

Contingent liabilities

The Group had no material contingent liabilities outstanding as at 31 December 2020 and 31 December 2019.

Subsequent events

On 4 January 2021, the Company entered into a facility agreement with certain licensed banks in Hong Kong (the “Banks” and the “Facility Agreement”, respectively) whereby the Banks collectively make available to the Company a committed term loan facility for 36 months in the principal amount of up to HK\$200 million in aggregate. For details, please refer to the announcements issued by the Company dated 8 January 2021.

On 15 January 2021, Asiaray International Holdings Limited, a wholly owned subsidiary of the Company, entered into a supplemental agreement to the original agreement with Mr. Lo Chi Kwong, Mr. Colin Neil Stewart and Mr. Leung Siu Pun (collectively, the “Vendors”), pursuant to which Asiaray International Holdings Limited and the Vendors agreed to amend the original cash portion and original share portion of the third instalment and final instalment of the original agreement for the acquisition of the sale shares by Asiaray International Holdings Limited, representing 51% of the entire issued capital of Radius Displays International Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Vendors. For details, please refer to the announcements of the Company dated 22 June 2018, 29 August 2018, 30 October 2018 and 15 January 2021 in relation to the acquisition of the Target Company by the Asiaray International Holdings Limited.

On 22 January 2021, the Company, Billion China International Limited and Mr. Lam Tak Hing, Vincent (“Mr. Lam”) entered into an acquisition agreement, pursuant to which, the Company has conditionally agreed to acquire and Mr. Lam has conditionally agreed to sell (i) the sale share, representing 100% of the issued share capital of the Billion China International Limited; and (ii) the sale loan in the sum of approximately HKD38.2 million at the consideration of approximately HKD122.7 million. The consideration will be satisfied by the issuance of perpetual subordinated convertible securities (“2021 PSCS”) by the Company to Mr. Lam or his nominee(s). For details, please refer to the announcements issued by the Company dated on 22 January 2021 and 16 February 2021.

On 22 March 2021, 上海雅仕維廣告有限公司 (Shanghai Asiaray Advertising Company Limited*) (“Shanghai Asiaray”), a wholly owned subsidiary of the Company, entered into the exclusive concession rights agreement with 深圳市地鐵集團有限公司 (Mass Transit Railway (Shenzhen) Co., Limited*) (“Shenzhen Metro”), pursuant to which Shanghai Asiaray was granted the exclusive rights to use and operate the advertising and media resources in Shenzhen metro line 2 (Phase 3), 3, 6, 8 (Phase 1) and 10 operated by Shenzhen Metro with concession fees payable to Shenzhen Metro. For details, please refer to the announcements issued by the Company dated on 22 March 2021.

* For identification purpose only.

HUMAN RESOURCES

The Group offers competitive remuneration packages, including trainings, medical, insurance coverage and retirement benefits, to all employees in Hong Kong and in Mainland China. As at 31 December 2020, the Group has 1,073 employees (2019: 1,109 employees). The total salaries and related costs for the years ended 31 December 2020 and 2019 amounted to approximately HKD217.0 million and HKD264.4 million, respectively.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

Annual General Meeting

The register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021, 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 Friday, 25 June 2021, the shareholders of the Company should ensure that all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 21 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

During the Year, the Company has complied with all the applicable code provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), except the deviations from code provisions A.2.1 of the CG Code and A.6.7 of the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Lam Tak Hing, Vincent currently assumes the roles of both the chairman of the Board and the chief executive officer (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.

Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings of the Company and develop a balanced understanding of shareholders’ view. Due to other business engagement, an independent non-executive director was unable to attend the general meetings of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by director of the Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) as the code for directors’ securities transactions. All the directors have confirmed their compliance with the required standards set out in the Model Code throughout the year ended 31 December 2020.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has together with the Board reviewed and approved the annual results for the year ended 31 December 2020.

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 ended 31 December 2020 as set out in 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 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 of Hong Kong Limited (www.hkexnews.hk) and the Company (<https://www.asiaray.com/en/home/>) in due course.

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

Hong Kong, 26 March 2021

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