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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)

**MAJOR TRANSACTION:
SHENZHEN METRO LINES
EXCLUSIVE CONCESSION RIGHTS AGREEMENT FOR
ADVERTISING AND MEDIA RESOURCES**

EXCLUSIVE CONCESSION RIGHTS AGREEMENT

The Board is pleased to announce that on 22 March 2021, Shanghai Asiaray, a wholly owned subsidiary of the Company, entered into the Exclusive Concession Rights Agreement with 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.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Exclusive Concession Rights Agreement, in aggregate, will constitute a major transaction for the Company under Rule 14.07 of the Listing Rules on the basis that certain of the applicable percentage ratios are more than 25%. As one or more of the applicable percentage ratios in respect of the consideration under the Exclusive Concession Rights Agreement is more than 25% but less than 100%, the entering into the Exclusive Concession Rights Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to HKFRS 16, the entering of the Exclusive Concession Rights Agreement will require the Group to recognise the exclusive concession rights as right-of-use asset in which the amount was approximately RMB887,000,000 (equivalent to approximately HKD1,060,000,000) calculated with reference to the aggregated present value of the fixed lease payments under the Exclusive Concession Rights Agreement, thus the entering into the Exclusive Concession Rights Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group. The value of the Exclusive Concession Rights Agreement is on the basis of right-of-use assets measured at cost, which comprise of: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

None of the Directors have a material interest in the Exclusive Concession Rights Agreement and the transactions contemplated thereunder, and therefore no Director has to abstain from voting on the relevant board resolutions approving the Exclusive Concession Rights Agreement and the transaction contemplated thereunder. Since no shareholder is required to abstain from voting, pursuant to Rule 14.44 of the Listing Rules, written approval from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at the general meeting to approve the transaction such shareholder can be accepted in lieu of holding a general meeting for the purpose of approving the Exclusive Concession Rights Agreement.

The Company has received a written approval by Media Cornerstone Limited (holding approximately 53.59% of the entire issued ordinary share capital of the Company) for the transactions contemplated under the Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules.

It is expected that a circular containing, among other things, further information on the Exclusive Concession Rights Agreement and the transaction contemplated thereunder, is to be despatched to the Shareholders for information purposes only in accordance with Rule 14.41(a) of the Listing Rules on or before 15 April 2021.

INTRODUCTION

On 22 March 2021, the Shanghai Asiaray, a wholly owned subsidiary of the Company, entered into the Exclusive Concession Rights Agreement with the 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.

EXCLUSIVE CONCESSION RIGHTS AGREEMENT

Principal Terms of the Exclusive Concession Rights Agreement

Date	:	22 March 2021
Parties	:	(i) Shanghai Asiaray (ii) Shenzhen Metro
Subject matter	:	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.
Agreement period	:	From 1 January 2021 to 31 December 2029
Concession Fees	:	Concession fee for each Agreement Term would be determined based on the annual revenue generated by Shanghai Asiaray from operation of the advertising and media resources of Shenzhen Metro Line 2 (Phase 3), 3, 6, 8 (Phase 1) and 10 under the Exclusive Concession Rights Agreement. Shanghai Asiaray agreed to pay a minimum guaranteed fee if the annual revenue generated is equal to or is less than the Annual Target Revenue, and an agreed percentage of the annual revenue in addition to the minimum guaranteed fee if the annual revenue exceeds the Annual Target Revenue.

The minimum Concession Fees for the entire agreement period, being the sum of the minimum guaranteed fees, is RMB1,022,400,000 (equivalent to approximately HKD1,221,768,000) if the Annual Revenue is equal to or below the respective Annual Target Revenue.

The total value of Concession Fees was determined after arm's length negotiations between the parties to the Exclusive Concession Rights Agreement after taking into consideration the valuation of the right-of-use asset under the Exclusive Concession Rights Agreement prepared by an independent professional valuer in the sum of approximately RMB887,000,000 (equivalent to approximately HKD1,060,000,000).

Guarantee : Shanghai Asiaray agreed to pay Shenzhen Metro a sum of RMB64,820,160 (equivalent to approximately HKD77,460,000) as Guarantee for the performance of the Exclusive Concession Rights Agreement in the form of bank guarantee. The initial bank guarantee shall be paid within 15 working days from the signing of the Exclusive Concession Rights Agreement and should be valid upon payment. Shanghai Asiaray shall ensure the Guarantee is valid throughout the entire agreement.

The Guarantee would be returned to Shanghai Asiaray upon the end of the Exclusive Concession Rights Agreement, given the Exclusive Concession Rights Agreement has not been extended and subject to any deductions from the Guarantee pursuant to the Exclusive Concession Rights Agreement.

Payment : Shanghai Asiaray shall pay Shenzhen Metro the first payment within 30 working days from the signing of the Exclusive Concession Rights Agreement. Shanghai Asiaray shall pay Shenzhen Metro a monthly minimum guaranteed fee within 10 working days after the start of each calendar month.

Shanghai Asiaray will provide Shenzhen Metro an audited report of Annual Revenue compiled by an independent auditor approved by Shenzhen Metro within 90 working days of the end of each calendar year for the purpose of calculating the Additional Concession Fee. Any Additional Concession Fee to the minimum guaranteed fee should be paid to Shenzhen Metro within 10 working days from the date of the audit report.

INFORMATION OF PARTIES TO THE EXCLUSIVE CONCESSION RIGHTS AGREEMENT

The Group

The Company was incorporated in the Cayman Islands with limited liability. The Company is an investment holding company and its subsidiaries are principally engaged in the development and operations of out-of-home advertising media, including advertising in airports, metro lines, billboards and building solutions in the PRC and Hong Kong, Macau and Southeast Asia.

Shanghai Asiaray

Shanghai Asiaray was established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Shanghai Asiaray is principally engaged in out-of-home advertising media services in the PRC.

Shenzhen Metro

Shenzhen Metro was established in the PRC with limited liability. Shenzhen Metro is principally engaged in property management and construction and operation of the metro lines in the PRC. The ultimate beneficial owner of Shenzhen Metro is the 深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Shenzhen Metro and its ultimate beneficial owner are third parties independent of the Company and its connected persons under the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EXCLUSIVE CONCESSION RIGHTS AGREEMENT

The Group is an outstanding out-of-home media group in Greater China with a strategic focus on mega transport advertising media management, including airport, metro line and high speed rail line. The Group is also one of two out-of-home resources companies operating in the metro lines segment in Hong Kong.

The Shenzhen Metro Lines is located at the city of Shenzhen, Guangdong, the PRC. The Shenzhen Metro Lines is about 138 km long with 91 stations. The Group has commenced operation of advertising and media resources located at Shenzhen Metro since 2010.

The terms of the Exclusive Concession Rights Agreement have been arrived at after arm's length negotiations between the parties. The Directors consider that the terms of the Exclusive Concession Rights Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

The transactions contemplated under the Exclusive Concession Rights Agreement, in aggregate, will constitute a major transaction for the Company under Rule 14.07 of the Listing Rules on the basis that certain of the applicable percentage ratios are more than 25%. As one or more of the applicable percentage ratios in respect of the consideration under the Exclusive Concession Rights Agreement is more than 25% but less than 100%, the entering into the Exclusive Concession Rights Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to HKFRS 16, the entering of the Exclusive Concession Rights Agreement will require the Group to recognise the exclusive concession rights as right-of-use asset in which the amount was approximately RMB887,000,000 (equivalent to approximately HKD1,060,000,000) calculated with reference to the aggregated present value of the fixed lease payments under the Exclusive Concession Rights Agreement, thus the entering into the Exclusive Concession Rights Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group. The value of the Exclusive Concession Rights Agreement is on the basis of right-of-use assets measured at cost, which comprise of: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

None of the Directors have a material interest in the Exclusive Concession Rights Agreement and the transactions contemplated thereunder, and therefore no Director has to abstain from voting on the relevant board resolutions approving the Exclusive Concession Rights Agreement and the transaction contemplated thereunder. Since no shareholder is required to abstain from voting, pursuant to Rule 14.44 of the Listing Rules, written approval from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at the general meeting to approve the transaction such shareholder can be accepted in lieu of holding a general meeting for the purpose of approving the Exclusive Concession Rights Agreement.

The Company has received a written approval by Media Cornerstone Limited (holding approximately 53.59% of the entire issued ordinary share capital of the Company) for the transactions contemplated under the Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules.

It is expected that a circular containing, among other things, further information on the Exclusive Concession Rights Agreement and the transaction contemplated thereunder, is to be despatched to the Shareholders for information purposes only in accordance with Rule 14.41(a) of the Listing Rules on or before 15 April 2021.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Annual Revenue”	annual revenue generated by Shanghai Asiaray from operation of the advertising and media resources of Shenzhen Metro Line 2 (Phase 3), 3, 6, 8 (Phase 1), and 10 under the Exclusive Concession Rights Agreement for the respective calendar year
“Annual Target Revenue”	the target revenue for each calendar year pursuant to the Exclusive Concession Rights Agreement
“Board”	the board of directors of the Company
“Company”	Asiaray Media Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 1993)
“Concession Fees”	concession fees payable by Shanghai Asiaray to Shenzhen Metro pursuant to the Exclusive Concession Rights Agreement
“Directors”	the directors of the Company
“Exclusive Concession Rights Agreement”	the Exclusive Concession Rights Agreement dated 22 March 2021 entered into between Shanghai Asiaray and Shenzhen Metro in relation to, among other things, the grant of the exclusive right to Shanghai Asiaray 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
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong Dollars, the lawful currency in Hong Kong
“HKFRS 16”	Hong Kong Financial Reporting Standards 16 “Leases”
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“km”	kilometers

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Asiaray”	上海雅仕維廣告有限公司 (Shanghai Asiaray Advertising Company Limited*), a company established in the PRC with limited liability on 27 April 1999 and an indirect wholly-owned subsidiary of the Company
“Shares”	ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Shenzhen Metro”	深圳市地鐵集團有限公司 (Mass Transit Railway (Shenzhen) Co., Limited*), a company established in the PRC with limited liability on 31 July 1998
“Shenzhen Metro Lines”	Shenzhen Metro Line 2 (Phase 3), 3, 6, 8 (Phase 1) and 10 (for the purpose of this announcement)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 22 March 2021

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

For illustrative purpose of this announcement and unless otherwise specified, conversion of RMB into HKD is based on the exchange rate of RMB1.00=HKD1.195.

* For identification purpose only