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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)

CONTINUING CONNECTED TRANSACTIONS NEW ANNUAL CAPS OF THE TERMINAL 2 AGREEMENT

THE TERMINAL 2 AGREEMENT

Reference is made to the Announcement in respect of the Terminal 2 Agreement and the Expired Annual Caps.

On 12 June 2015, Henan Airport Asiaray entered into the Terminal 2 Agreement with Zhengzhou Airport Company pursuant to which Henan Airport Asiaray was granted the rights to operate the advertising and media resources in the Zhengzhou Airport Terminal 2 for a fixed term of seven years commencing on the date of commencement of operation of the Zhengzhou Airport Terminal 2 (i.e. 1 January 2016) with a three-year conditional renewal option.

By virtue of the respective Special Arrangements, the fixed term of the Terminal 2 Agreement is required to be extended from the Original Expiry Date to the New Expiry Date. As such, the Board proposes to set the New Annual Caps for the three financial years ending 31 December 2025.

LISTING RULES IMPLICATIONS

As Henan Airport Asiaray is an indirectly non-wholly owned subsidiary of the Company and is owned as to 49% by Zhengzhou Airport Company, for the purposes of the Listing Rules, Zhengzhou Airport Company is a substantial shareholder of Henan Airport Asiaray and thus, a connected person of the Company at the subsidiary level under Rule 14A.101 of the Listing Rules.

On the basis that (i) the highest applicable percentage ratio in respect of the maximum amount of the New Annual Caps is more than 5% but less than 25%; (ii) the Directors have approved the Terminal 2 Agreement (none of the Directors has a material interest in the Terminal 2 Agreement); and (iii) all the independent non-executive Directors have confirmed that the terms of the Terminal 2 Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the setting of the New Annual Caps is subject to reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 15 June 2015 (the “**Announcement**”) in respect of the Terminal 2 Agreement and the Expired Annual Caps. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise specified.

On 12 June 2015, the Henan Airport Asiaray entered into the Terminal 2 Agreement with Zhengzhou Airport Company pursuant to which Henan Airport Asiaray was granted the rights to operate the advertising and media resources in the Zhengzhou Airport Terminal 2 for a fixed term of seven years commencing on the date of commencement of operation of the Zhengzhou Airport Terminal 2 (i.e. 1 January 2016) with a three-year conditional renewal option.

By virtue of the respective Special Arrangements, the Original Expiry Date is required to be extended to the New Expiry Date. As such, the Board proposes to set the New Annual Caps for the three financial years ending 31 December 2025.

The background and general terms of the Terminal 2 Agreement are set out below:

THE TERMINAL 2 AGREEMENT

The principal terms of the Terminal 2 Agreement are set out below:

Date : 12 June 2015

Commencement Date : 1 January 2016

- Parties : (1) Henan Airport Asiaray
(2) Zhengzhou Airport Company
- Term : A term of seven years (the “**7-Year Period**”) commencing on the commencement of operation of the Zhengzhou Airport Terminal 2, i.e. on 1 January 2016, with a conditional renewal option for a further term of three years thereafter, subject to no material breach of the Terminal 2 Agreement during the initial term of the contract period.
- As the term of the Terminal 2 Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company appointed Goldin Financial Limited as its Independent Financial Adviser to explain the reasons for requiring a term exceeding three years and to confirm whether this is normal business practice for similar types of contracts in 2015.
- Subject matters : Pursuant to the terms of the Terminal 2 Agreement, Henan Airport Asiaray shall be granted the exclusive right to use and operate the advertising and media resources in Zhengzhou Airport Terminal 2 and the General Transportation Center operated by Zhengzhou Airport Company.
- Concession fees and payment : The annual concession fees shall be payable by Henan Airport Asiaray to Zhengzhou Airport Company or its associates on a half-year basis.

THE SPECIAL ARRANGEMENTS

On 31 December 2020, it was resolved by Zhengzhou Airport Company that the concession fees payable under the Terminal 2 Agreement for 2020 be reduced by (i) waiving the concession fees for three months’ period; and (ii) calculating the concession fees for the period between July 2020 and December 2020 based on the recovery level on passenger traffic of the Zhengzhou Airport, provided that the entire 2020 shall not be reckoned in the computation of the 7-Year Period.

On 21 January 2022, it was resolved by Zhengzhou Airport Company that the concession fees payable under the Terminal 2 Agreement for 2021 be reduced by (i) waiving the concession fee for August 2021; and (ii) calculating the concession fees for the period between September 2021 and December 2021 based on the passenger traffic of the Zhengzhou Airport in 2019, provided that the entire 2021 shall not be reckoned in the computation of the 7-Year Period.

On 21 March 2023, it was resolved by Zhengzhou Airport Company that the concession fees payable under the Terminal 2 Agreement for 2022 be reduced by 50% of the decreased percentage level on passenger traffic of the Zhengzhou Airport in 2022 compared to 2019, provided that the entire 2022 shall not be reckoned in the computation of the 7-Year Period.

By virtue of the respective Special Arrangements, the fixed term of the Terminal 2 Agreement is required to be extended from the Original Expiry Date to the New Expiry Date.

HISTORICAL FIGURES AND THE NEW ANNUAL CAPS

Historical figures

The aggregate transaction amounts under the Terminal 2 Agreement for each of the seven financial years ended 31 December 2016, 2017, 2018, 2019, 2020, 2021 and 2022 were approximately RMB64.5 million (equivalent to approximately HK\$71.6 million), RMB88.8 million (equivalent to approximately HK\$98.6 million), RMB97.6 million (equivalent to approximately HK\$108.3 million), RMB105.1 million (equivalent to approximately HK\$116.7 million), RMB112.9 million (equivalent to approximately HK\$125.3 million), RMB120.6 million (equivalent to approximately HK\$133.9 million) and RMB129.0 million (equivalent to approximately HK\$143.2 million), respectively.

Save for the maintenance fees in the aggregate sum of RMB0.5 million (equivalent to approximately HK\$0.6 million), no other fees (including concession fees) under the Terminal 2 Agreement had been paid to Zhengzhou Airport Company or booked by Henan Airport Asiaray for the year ending 31 December 2023 before the date of this announcement. The concession fees payable to Zhengzhou Airport Company after the Original Expiry Date in the aggregate sum of RMB66.4 million (equivalent to approximately HK\$73.7 million) has been booked on the date of this announcement when the Board has agreed to extend the fixed term of the Terminal 2 Agreement from the Original Expiry Date to the New Expiry Date.

The New Annual Caps

The Company considers that, as the Terminal 2 Agreement was entered into between Henan Airport Asiaray and Zhengzhou Airport Company at a time prior to the implementation of HKFRS 16 and that the New Annual Caps are within the fixed term of the 7-Year Period, the three years' period after the Original Expiry Date should not constitute an acquisition of right-of-use assets under HKFRS 16 and as such, the Board proposes to set the New Annual Caps for the three financial years ending 31 December 2023, 2024 and 2025. The Company will re-comply with the Listing Rules in relation to the determination of the annual caps before the New Expiry Date if Henan Airport Asiaray decides to exercise the option to renew granted to it under the Terminal 2 Agreement for another three years.

The New Annual Caps for each of the three financial years ending 31 December 2023, 2024 and 2025 will be RMB146.8 million (equivalent to approximately HK\$162.9 million), RMB156.8 million (equivalent to approximately HK\$174.0 million) and RMB167.7 million (equivalent to approximately HK\$186.1 million), respectively.

BASIS OF THE NEW ANNUAL CAPS

The New Annual Caps were determined by the Company based on the expired annual caps for the three financial years ended 31 December 2022 with adjustment after taking into account:

- (i) the projected increase by 5% annually in the concession fees payable by Henan Airport Asiaray to Zhengzhou Airport Company for the advertising and media resources in the Zhengzhou Airport;
- (ii) the concession fees payable by Henan Airport Asiaray to Zhengzhou Airport Company under the Terminal 2 Agreement, including the higher of (i) a fixed fee under the Terminal 2 Agreement; and (ii) a fee calculated by way of revenue sharing based on the projected revenue to be generated by Henan Airport Asiaray each year;
- (iii) the Group's current and anticipated future capacity and needs;
- (iv) the business development of Zhengzhou Airport Company; and
- (v) the macroeconomic policies of the PRC government and the future development of the advertising industry.

REASONS AND BENEFITS OF THE TERMINAL 2 AGREEMENT

As a result of the transactions contemplated under the Terminal 2 Agreement, the Group can secure a long-term media resource right in Zhengzhou Airport and thus avoiding unnecessary disruptions to the Group's business and enabling the Group to ensure long-term development and continuity of the Group's operations in Zhengzhou Airport.

The Directors (including the independent non-executive Directors) consider that the Terminal 2 Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms thereof (including the New Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors has a material interest in the Terminal 2 Agreement and hence no Director has abstained from voting on the relevant board resolutions approving the Terminal 2 Agreement and the transactions contemplated thereunder.

INFORMATION ABOUT THE COMPANY AND ZHENGZHOU AIRPORT COMPANY

The Company

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.

Zhengzhou Airport Company

Zhengzhou Airport Company, a PRC state-owned enterprise, together with its associate(s), are principally engaged in management and operation of Zhengzhou Airport.

LISTING RULES IMPLICATIONS

As Henan Airport Asiaray is an indirectly non-wholly owned subsidiary of the Company and is owned as to 49% by Zhengzhou Airport Company, for the purposes of the Listing Rules, Zhengzhou Airport Company is a substantial shareholder of Henan Airport Asiaray and thus, a connected person of the Company at the subsidiary level under Rule 14A.101 of the Listing Rules.

On the basis that (i) the highest applicable percentage ratio in respect of the maximum amount of the New Annual Caps is more than 5% but less than 25%; (ii) the Directors have approved the Terminal 2 Agreement (none of the Directors has a material interest in the Terminal 2 Agreement); and (iii) all the independent non-executive Directors have confirmed that the terms of the Terminal 2 Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the setting of the New Annual Caps is subject to reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“Expired Annual Caps”	the expired annual caps for the seven financial years ended 31 December 2022, which were expired on 31 December 2022
“New Annual Caps”	the annual caps for the three financial years ending 31 December 2025
“New Expiry Date”	31 December 2025
“Original Expiry Date”	31 December 2022
“Special Arrangements”	the special arrangements made by Zhengzhou Airport Company

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this announcement is calculated at the exchange rate of RMB1.00 = HK\$1.11, such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

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

Hong Kong, 27 June 2023

As at the date of this announcement, the executive Directors are Mr. Lam Tak Hing, Vincent 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.