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# 北京首都國際機場股份有限公司

## Beijing Capital International Airport Co.,Ltd.

*(a sino-foreign joint stock limited company incorporated in the People's Republic of China)*

(Stock Code: 00694)

### ANNOUNCEMENT

### CONTINUING CONNECTED TRANSACTIONS

### ADVERTISING MANAGEMENT AGREEMENT

#### **ADVERTISING MANAGEMENT AGREEMENT**

Reference is made to the announcement of the Company dated 30 December 2020 in respect of, among other things, the Former Advertising Management Agreement, which will expire on 31 December 2023. As the parties intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023, the Company and Beijing Airport Media entered into the Advertising Management Agreement.

The Board announces that on 7 November 2023, the Company entered into the Advertising Management Agreement with Beijing Airport Media, pursuant to which Beijing Airport Media shall operate and manage designated advertising resources within or in the vicinity of Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Parent Company is the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company. Since Beijing Airport Media is a wholly-owned subsidiary of the Parent Company, Beijing Airport Media is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Advertising Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Advertising Management Agreement is more than 5%, the transactions contemplated under the Advertising Management Agreement are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EGM**

The EGM will be held to consider, among others, the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee has been established to advise the Independent Shareholders and Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps, are fair and reasonable; (ii) whether the transactions contemplated under the Advertising Management Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Company, and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps.

## **DESPATCH OF CIRCULAR**

Pursuant to Rule 14A.68 (11) of the Listing Rules, the Circular is required to be despatched to the Shareholders within 15 business days after the publication of this announcement, being on or before 28 November 2023. As additional time is required by the Company to prepare and finalise certain information to be included in the Circular, it is expected that the Circular will be despatched to the Shareholders on or before 11 December 2023. If it is expected that there will be a delay to the despatch of the Circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the Circular.

## **ADVERTISING MANAGEMENT AGREEMENT**

### **Background**

Reference is made to the announcement of the Company dated 30 December 2020 in respect of, among other things, the Former Advertising Management Agreement, which will expire on 31 December 2023. As the parties intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023, the Company and Beijing Airport Media entered into the Advertising Management Agreement.

The Board announces that on 7 November 2023, the Company entered into the Advertising Management Agreement with Beijing Airport Media, pursuant to which Beijing Airport Media shall operate and manage designated advertising resources within or in the vicinity of Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

## **Material terms of the Advertising Management Agreement**

### ***Date***

7 November 2023

### ***Parties***

- (a) the Company; and
- (b) Beijing Airport Media.

### ***Services***

Pursuant to the Advertising Management Agreement, Beijing Airport Media agreed to provide advertising management services in respect of the designated advertising resources within or in the vicinity of the indoor and outdoor areas of Beijing Capital Airport. The indoor areas include the advertising spaces set up in the indoor public area of Terminal One, Terminal Two, Terminal Three and the GTC (other than levels B1 and B2), the public area of public walkways, waiting area and lanes outside the Beijing Capital Airport building. The outdoor areas include the advertising spaces set up on the outer body and in the extension area of Terminal One, Terminal Two, Terminal Three, and the GTC (other than levels B1 and B2).

### ***Term***

The Advertising Management Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

### ***Condition precedent***

The Advertising Management Agreement and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the EGM.

### ***Consideration and payment***

The total amount of entrusted management fee payable by the Company to Beijing Airport Media for each year in respect of the provision of the advertising management services shall be calculated as follows:

Total advertising revenue (*Note 1*) for the current year  $\times$  22%

*Note 1:* The advertising revenue comprises (i) the advertising operating fee paid by third party operators under the advertising business operating agreements entered into between Beijing Airport Media (acting for and on behalf of the Company) and third party operators in respect of the designated

advertising resources; and (ii) the actual amount received by the Company in relation to breach of contract or compensation liability incurred by third party operators (including but not limited to liquidated damages and security deposit).

The payment of entrusted management fee shall be settled on a monthly basis. Within 3 working days from the beginning of each month, the Company and Beijing Airport Media shall verify and confirm the amount of advertising revenue for the preceding month. Within 5 working days from the beginning of each month, the Company and Beijing Airport Media shall confirm the amount of entrusted management fee with reference to the advertising revenue for the preceding month and the fee percentage of 22%. Within 5 working days from the Company's receipt of such written confirmation, the Company shall pay the entrusted management fee to Beijing Airport Media in respect of the advertising revenue for the preceding month.

### ***Other material terms***

Pursuant to the Advertising Management Agreement, Beijing Airport Media is authorised by the Company to sign individual operating agreements with third party operators in relation to the use and operation of advertising resources, and the terms of such operating agreements shall not be inconsistent with the terms of the Advertising Management Agreement. In addition, Beijing Airport Media shall ensure that each of the operators will pay advertising operating fee to the Company's designated bank account directly. The Company shall then pay the entrusted management fee to Beijing Airport Media with reference to, among other things, such advertising operating fee, details of which are set out in the section headed "Consideration and payment" in this announcement. The Company expects that the operators and their ultimate beneficial owners will be third parties independent of the Company and its connected persons.

Within one month from the effective date of the Advertising Management Agreement, Beijing Airport Media shall pay security deposit of RMB10,900,000 to the Company. The Company is entitled to deduct from the security deposit in respect of breach of contract incurred by Beijing Airport Media, which shall then replenish the security deposit within 5 working days from its receipt of notice from the Company. The security deposit shall be returned without interest to Beijing Airport Media upon expiry of the Advertising Management Agreement. The security deposit may not be returned in the event of early termination of the Advertising Management Agreement due to any breach of contract incurred by Beijing Airport Media or any other reasons attributable to Beijing Airport Media.

Furthermore, during the term of the Advertising Management Agreement, any security deposit paid by third party operators under the advertising business operating agreements shall be placed with and held by Beijing Airport Media for and on behalf of the Company. Such security deposit shall be deducted and paid to the Company in accordance with the advertising business operating agreements, if any third party operator is liable for breach of contract.

In respect of commercial planning, the Company and Beijing Airport Media shall establish a working mechanism for collaborative management. In particular, the Company is responsible for, and Beijing Airport Media will participate in, the management of resource allocation, layout, business type and product categories.

In respect of the formulation of standards, the Company is responsible for formulating (i) operator access standards; (ii) brand access standards; (iii) service standards; and (iv) resource value evaluation standards. Beijing Airport Media is responsible for, and the Company will participate in, the establishment of brand library to realise the sharing of brand information.

In respect of market development and merchandising, Beijing Airport Media is responsible for formulating reasonable merchandising proposals based on the resource planning of Beijing Capital Airport and the implementation of advertising contracts. The merchandising proposals will be implemented by Beijing Airport Media after the Company has reviewed the appropriateness of resource allocation plans in the merchandising proposals.

In respect of the daily operation and management of advertising businesses, Beijing Airport Media is entrusted by the Company to undertake daily operation and management of third party operators, including safety, servicing, logistics, cashier, renovation, as well as management of resources, premises and other related entrusted resources.

In respect of appraisal mechanism, the Company is responsible for establishing an appraisal mechanism to conduct annual appraisal of Beijing Airport Media's entrusted management work.

### Historical transaction amounts

The following table shows the historical transaction amounts for the provision of operation and management services for the designated advertising resources within or in the vicinity of Beijing Capital Airport by Beijing Airport Media to the Company:

	<b>For the year ended 31 December 2021 (RMB) (audited)</b>	<b>For the year ended 31 December 2022 (RMB) (audited)</b>	<b>For the year ending 31 December 2023 (RMB) (unaudited)</b>
Historical transaction amounts for the provision of operation and management services by Beijing Airport Media	185,197,000	102,432,000	177,250,000 <sup>(Note 2)</sup>
Annual caps	200,000,000	250,000,000	270,000,000

*Note 2:* Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, this is an estimated figure only. The unaudited figure of the transaction amount for the nine months ended 30 September 2023 was approximately RMB125,020,000. The Company expects that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

## **Annual caps**

The Company expects that the annual caps for the transactions contemplated under the Advertising Management Agreement are as follows:

	<b>For the year ending 31 December 2024 (RMB)</b>	<b>For the year ending 31 December 2025 (RMB)</b>	<b>For the year ending 31 December 2026 (RMB)</b>
Annual caps	200,000,000	225,000,000	250,000,000

The above annual caps are determined based on the following factors:

- (i) the anticipated change in passenger throughput at Beijing Capital Airport in the next three years and its possible impact on the advertising business;
- (ii) the average advertising revenue per traveller during the period from 2015 to 2023 (excluding the pandemic period) and the expected recovery and development potential of the outdoor advertising market in the future.

## **Pricing policy**

After receiving the quotation from Beijing Airport Media for the provision of advertising management services, the Company has considered the following factors to assess the reasonableness and fairness of such quotation: (i) the costs of Beijing Airport Media in providing the advertising management services; (ii) the reasonable profit margin to be charged by Beijing Airport Media for the provision of advertising management services to the Company; and (iii) the relevant taxes.

Beijing Airport Media's profit margin is considered by the Company as reasonable after the Company has compared it with the profit margin for the provision of other services, e.g. property management services, environmental and cleaning services, by other service providers at Beijing Capital Airport. Such service providers are selected based on tender results after the Company has assessed their quotations, qualifications, experience and service proposals.

The Company has also considered the management fees charged by Beijing Airport Media for the provision of similar advertising management services to other airports in the PRC. In comparison, the rate of entrusted management fee payable by the Company to Beijing Airport Media in respect of the advertising management services is at a moderate to low level.

### **Internal control on pricing**

The Company has implemented a management system to monitor the pricing standards for the transactions under the Advertising Management Agreement to ensure that such terms are on normal commercial terms. Such system is described as below:

1. Prior to entering into the Advertising Management Agreement, the relevant departments of the Company are responsible for gathering information on the historical transaction amounts and profit margin under the Former Advertising Management Agreement and conducting cross-checks against the entrusted management fees charged by Beijing Airport Media to other airports in the PRC for the provision of similar advertising management services, as well as the profit margin charged by other service providers for other related services at Beijing Capital Airport.
2. Prior to the implementation of the transactions contemplated under the Advertising Management Agreement, the principal officers in the relevant department shall lodge applications within the Company, which are subject to a preliminary review conducted by the managers of the respective departments of the Company, followed by a final review at the general manager office meeting in accordance with the internal control policies of the Company. Upon completion of the above internal review procedures, the relevant transactions contemplated under the Advertising Management Agreement were considered and approved by the Board.
3. The independent non-executive Directors have reviewed and will continue to review the transactions contemplated under the Advertising Management Agreement to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.
4. The auditors of the Company will conduct annual review on the transactions contemplated under the Advertising Management Agreement in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

### **Internal control on review of annual caps**

The Company has implemented the following internal control measures to ensure that the annual caps for the transactions contemplated under the Advertising Management Agreement will not be exceeded:

1. The finance department of the Company provides the secretariat to the Board with information in relation to the actual transaction amounts on a monthly basis.

2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of transactions does not exceed the annual caps.
3. If such amount of transactions is estimated to exceed the relevant annual cap, the person-in-charge of the relevant department of the Company will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

### **Reasons for and benefits of entering into the Advertising Management Agreement**

Beijing Airport Media maintained a good cooperative relationship with the Company in the past and is familiar with the advertising business within Beijing Capital Airport. In addition, Beijing Airport Media has ample client resources and the capability of scaled operations with its operation networks covering 40 airports across the country. Beijing Airport Media has strong capability of initiating tender invitation and management for advertising business. By employing the entrusted management mode of operation, Beijing Airport Media is able to bring the development of its core capability into better play, so as to facilitate the increase in value of advertising resources of Beijing Capital Airport.

In light of the above, the Directors (excluding the independent non-executive Directors whose views will be contained in the Circular after considering the advice of the Independent Financial Adviser) are of the view that the Advertising Management Agreement is entered into on normal commercial terms that are fair and reasonable and in the ordinary and usual course of business of the Company, and the transactions contemplated under the Advertising Management Agreement are in the interest of the Company and the Shareholders as a whole.

### **GENERAL**

The Company is principally engaged in the operation of Beijing Capital Airport.

The Parent Company is principally engaged in the provision of ground handling services for domestic and international aviation enterprises and the provision of operation and management services, counter and premises rental services, car parking management, housing rental, property management, advertising agency services and other businesses to its subsidiaries. The ultimate beneficial owner of the Parent Company is the Civil Aviation Administration of China, which is a state bureau administered by the Ministry of Transport of the PRC.

Beijing Airport Media is principally engaged in the business of advertising and is a wholly-owned subsidiary of the Parent Company.

### **BOARD'S APPROVAL**

The Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps, were approved by the Board.



As at the date of this announcement, there are no overlapping directors and senior management between the Company and Beijing Airport Media. Moreover, while the executive Directors and the non-executive Directors concurrently serve as directors or senior management of the Parent Company, none of the Directors personally has any material interest in the transactions contemplated under the Advertising Management Agreement entered into by the Company and Beijing Airport Media. Therefore, none of the Directors has abstained from voting at the Board meeting to approve the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Parent Company is the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company. Since Beijing Airport Media is a wholly-owned subsidiary of the Parent Company, Beijing Airport Media is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Advertising Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Advertising Management Agreement is more than 5%, the transactions contemplated under the Advertising Management Agreement are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EGM**

The EGM will be held to consider, among others, the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee has been established to advise the Independent Shareholders and Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps, are fair and reasonable; (ii) whether the transactions contemplated under the Advertising Management Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Company, and whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps.

## DESPATCH OF CIRCULAR

Pursuant to Rule 14A.68 (11) of the Listing Rules, the Circular is required to be despatched to the Shareholders within 15 business days after the publication of this announcement, being on or before 28 November 2023. As additional time is required by the Company to prepare and finalise certain information to be included in the Circular, it is expected that the Circular will be despatched to the Shareholders on or before 11 December 2023. If it is expected that there will be a delay to the despatch of the Circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the Circular.

## DEFINITIONS

“Advertising Management Agreement”	the advertising management agreement dated 7 November 2023 entered into between the Company and Beijing Airport Media for the provision of operation and management services of the designated advertising spaces within or in the vicinity of Beijing Capital Airport by Beijing Airport Media to the Company
“associates”	has the same meaning ascribed to it in the Listing Rules
“Beijing Capital Airport”	Beijing Capital International Airport
“Beijing Airport Media”	Capital Airports Holdings Media Company Limited* (首都機場集團傳媒有限公司) (formerly known as Beijing Capital Airport Advertising Company Limited* (北京首都機場廣告有限公司)), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Parent Company
“Board”	the board of Directors
“Circular”	the circular of the Company containing, among other matters, details of the Advertising Management Agreement and the letters of advice from the Independent Board Committee and the Independent Financial Adviser
“Company”	Beijing Capital International Airport Company Limited, a sino-foreign joint stock limited company incorporated in the PRC with limited liability, and the H Shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it in the Listing Rules

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve, among others, the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps
“Former Advertising Management Agreement”	the advertising management agreement dated 30 December 2020 entered into between the Company and Beijing Airport Media for the provision of operation and management services of the designated advertising spaces within or in the vicinity of Beijing Capital Airport by Beijing Airport Media to the Company, details of which were disclosed in the announcement of the Company dated 30 December 2020
“GTC”	Ground Traffic Centre, a car-parking building that is located in the south side of Terminal Three
“H Share(s)”	overseas listed foreign share(s) of nominal value of RMB1.00 each in the registered share capital of the Company
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Zhang Jiali, Mr. Stanley Hui Hon-chung, Mr. Wang Huacheng and Ms. Duan Donghui, established to advise the Independent Shareholders in respect of the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Advertising Management Agreement and the transactions contemplated thereunder, including the annual caps
“Independent Shareholders”	the Shareholders other than the Parent Company, its associates and any other Shareholder who has a material interest in the transactions contemplated under the Advertising Management Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Parent Company”	Capital Airports Holdings Limited* (首都機場集團有限公司) (formerly known as Capital Airports Holding Company* (首都機場集團公司)), an enterprise established in the PRC and the controlling shareholder of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Terminal One”	the passenger terminal numbered one which forms part of Beijing Capital Airport
“Terminal Three”	the passenger terminal numbered three which forms part of Beijing Capital Airport
“Terminal Two”	the passenger terminal numbered two which forms part of Beijing Capital Airport
“%”	per cent

By order of the Board  
**Li Bo**  
*Secretary to the Board*

Beijing, the PRC  
7 November 2023

*As at the date of this announcement, the Directors of the Company are:*

*Executive Directors: Mr. Wang Changyi and Mr. Han Zhiliang*

*Non-executive Directors: Mr. Jia Jianqing, Mr. Song Kun and Mr. Du Qiang*

*Independent Non-executive Directors: Mr. Zhang Jiali, Mr. Stanley Hui Hon-chung, Mr. Wang Huacheng and Ms. Duan Donghui*

*An announcement containing details of the matter is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under “Latest Listed Company Information” and the website of the Company at <http://www.bcia.com.cn>.*

*\* For identification purpose only*