

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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:**

**(1) KMB LICENCE AGREEMENT; AND**

**(2) LWB LICENCE AGREEMENT**

**KMB LICENCE AGREEMENT**

The Board is pleased to announce that on 19 November 2019, Asiaray Advertising entered into the KMB Licence Agreement with KMB, pursuant to which Asiaray Advertising was granted the exclusive right, licence and authority to market, install, display and maintain advertisements on or at the Advertising Spaces, together with such rights of access to the Advertising Spaces as approved by KMB for the proper displaying, installation, and maintenance of advertisements and the carrying out of the Works on or at the Advertising Spaces. In consideration of KMB granting the Licence, Asiaray Advertising undertakes to pay KMB a Licence Fee on a monthly basis.

**LWB LICENCE AGREEMENT**

The Board is pleased to announce that on 19 November 2019, Asiaray Advertising entered into the LWB Licence Agreement with LWB, pursuant to which Asiaray Advertising was granted the exclusive right, licence and authority to market, install, display and maintain advertisements on or at the Advertising Spaces, together with such rights of access to the Advertising Spaces as approved by LWB for the proper displaying, installation, and maintenance of advertisements and the carrying out of the Works on or at the Advertising Spaces. In consideration of LWB granting the Licence, Asiaray Advertising undertakes to pay LWB a Licence Fee on a monthly basis.

## **LISTING RULES IMPLICATIONS**

The transactions contemplated under the KMB and LWB Licence Agreements, 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 KMB and LWB Licence Agreements, when aggregated with the total consideration under the KMB and LWB Licence Agreements is more than 25% but less than 100%, the entering into the KMB and LWB Licence Agreements 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 KMB and LWB Licence Agreements will require the Group to recognise the exclusive rights as right-of-use asset in which the amount was approximately HKD707.2 million calculated with reference to the aggregated present value of the fixed lease payments under the KMB and LWB Licence Agreements, thus the entering into the KMB and LWB Licence Agreements and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group. The value of the KMB and LWB Licence Agreements 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 KMB and LWB Licence Agreements and the transactions contemplated thereunder, and therefore no Director has to abstain from voting on the relevant board resolutions approving the KMB and LWB Licence Agreements 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 KMB and LWB Licence Agreements.

The Company has received a written approval by Media Cornerstone Limited (holding approximately 57.94% of the entire issued ordinary share capital of the Company) for the transactions contemplated under the KMB and LWB Licence Agreements 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 KMB and LWB Licence Agreements and the transaction contemplated thereunder, is expected to be despatched to the Shareholders for information purposes only in accordance with Rule 14.41(a) of the Listing Rules on or before 10 December 2019.

## **(1) KMB LICENCE AGREEMENT**

The Board is pleased to announce that on 19 November 2019, Asiaray Advertising entered into the KMB Licence Agreement with KMB, pursuant to which Asiaray Advertising was granted the exclusive right, licence and authority to market, install, display and maintain advertisements on or at the Advertising Spaces, together with such rights of access to the Advertising Spaces as approved by KMB for the proper displaying, installation, and maintenance of advertisements and the carrying out of the Works on or at the Advertising Spaces. In consideration of KMB granting the licence, Asiaray Advertising undertakes to pay KMB a Licence Fee on a monthly basis.

### **Principal Terms of the KMB Licence Agreement**

Date : 19 November 2019

Parties : (i) Asiaray Advertising  
(ii) KMB

Subject matter : Asiaray Advertising was granted the exclusive right, licence and authority to market, install, display and maintain advertisements on or at the Advertising Spaces, together with such rights of access to the Advertising Spaces as approved by KMB for the proper displaying, installation, and maintenance of advertisements and the carrying out of the Works on or at the Advertising Spaces.

The Company, as guarantor, has entered into the Parent Company Guarantee with KMB as a condition precedent of the KMB Licence Agreement.

In addition to the Parent Company Guarantee, the Company agreed to provide KMB with a performance deposit in the form of irrevocable bank guarantees in favour of KMB.

Agreement period : The licence shall be valid for an initial term of 48 months from the 1 July 2020 and ending on 30 June 2024 (both dates inclusive) (“**Initial Term**”).

KMB is entitled to an option to extend the term for another 36 months from 1 July 2024 to 30 June 2027 (both dates inclusive). The option is exercised at KMB’s sole discretion by giving not less than 3 months prior extension notice in writing (“**Extended Term**”).

Licence Fees : The total Licence Fee is an aggregate of the (i) bus exterior and interior advertising and (ii) Bus Information Panel.

The total Licence Fee for the Initial Term is approximately HK\$797,996,000. The Licence Fee for the Extended Term is expected to be approximately HK\$709,627,000, but subject to KMB’s sole discretion to exercise the option of renewal.

The total Licence Fee was determined after arm’s length negotiations between the parties to the KMB Licence Agreement prepared by an independent professional valuer in the sum of approximately HKD700,097,000.

Either party may request the other party to adjust the Licence Fee of a particular month, on a mutual agreement basis, by reason of the total number of buses available for the purposes of this agreement deviates from the total number of KMB buses agreed upon in excess of 5%.

Payment : From the commencement date of the KMB Licence Agreement (1 July 2020) up to the expiry of the KMB Licence Agreement (30 June 2024 or 30 June 2027 if extended), Asiaray Advertising shall on the last day of each month pay to KMB a monthly Licence Fee.

Asiaray Advertising undertakes to pay an interest to KMB on any amount not paid on the due date by the Licencee at the rate of 5% per annum over the prime rate set by The Hongkong and Shanghai Banking Corporation Limited and such interest is to be calculated on a daily basis until full payment is received by KMB.

Guarantee : The Company, as guarantor, has entered into the Parent Company Guarantee with KMB as a condition precedent of the KMB Licence Agreement. The Company has irrevocably unconditionally and absolutely undertakes and guarantee to KMB the due and punctual performance and fulfilment of each and every one of Asiaray Advertising's duties and obligations towards KMB under the KMB Licence Agreement.

In addition to the Parent Company Guarantee, Asiaray Advertising agreed to provide KMB with a performance deposit in the form of irrevocable bank guarantees in favour of KMB upon the commencement of the KMB Licence Agreement, where the banking corporation undertakes as primary obligor to pay KMB an amount equal to 6 times of the average monthly Licence Fee for the due payment of the Licence Fee and all other sums payable by Asiaray Advertising to KMB under the KMB Licence Agreement and the due performance and observance by Asiaray Advertising of all agreements conditions terms and stipulations reserved and contained in the KMB Licence Agreement, within 3 days of our receipt of a written demand from KMB in immediately available Hong Kong Dollars.

## **(2) LWB LICENCE AGREEMENT**

The Board is pleased to announce that on 19 November 2019, Asiaray Advertising entered into the LWB Licence Agreement with LWB, pursuant to which Asiaray Advertising was granted the exclusive right, licence and authority to market, install, display and maintain advertisements on or at the Advertising Spaces, together with such rights of access to the Advertising Spaces as approved by LWB for the proper displaying, installation, and maintenance of advertisements and the carrying out of the Works on or at the Advertising Spaces. In consideration of LWB granting the licence, Asiaray Advertising undertakes to pay LWB a Licence Fee on a monthly basis.

### **Principal Terms of the LWB Licence Agreement**

Date : 19 November 2019

Parties : (i) Asiaray Advertising  
(ii) LWB

Subject matter : Asiaray Advertising was granted the exclusive right, licence and authority to market, install, display and maintain advertisements on or at the Advertising Spaces, together with such rights of access to the Advertising Spaces as approved by LWB for the proper displaying, installation, and maintenance of advertisements and the carrying out of the Works on or at the Advertising Spaces.

The Company, as guarantor, has entered into the Parent Company Guarantee with LWB as a condition precedent of the LWB Licence Agreement.

In addition to the Parent Company Guarantee, the Company agreed to provide LWB with a performance deposit in the form of irrevocable bank guarantees in favour of LWB.

Agreement period : The licence shall be valid for an initial term of 48 months from the 1st July 2020 and ending on 30th June 2024 (both dates inclusive) (“**Initial Term**”).

LWB is entitled to an option to extend the term for another 36 months from 1st July 2024 to 30th June 2027 (both dates inclusive). The option is exercised at LWB’s sole discretion by giving not less than 3 months prior extension notice in writing (“**Extended Term**”).

Licence Fees : The total Licence Fee is an aggregate of the (i) bus exterior and interior advertising and (ii) Bus Information Panel.

The total Licence Fee for the Initial Term is approximately HK\$8,061,000. The Licence Fee for the Extended Term is expected to be approximately HK\$7,168,000, but subject to LWB’s sole discretion to exercise the option of renewal.

The total Licence Fee was determined after arm’s length negotiations between the parties to the LWB Licence Agreement prepared by an independent professional valuer in the sum of approximately HKD7,072,000.

Either party may request the other party to adjust the Licence Fee of a particular month, on a mutual agreement basis, by reason of the total number of buses available for the purposes of this agreement deviates from the total number of LWB buses agreed upon in excess of 5%.

Payment : From the commencement date of the LWB Licence Agreement (1 July 2020) up to the expiry of the LWB Licence Agreement (30 June 2024 or 30 June 2027 if extended), Asiaray Advertising shall on the last day of each month pay to LWB a monthly Licence Fee.

Asiaray Advertising undertakes to pay an interest to LWB on any amount not paid on the due date by the Licencee at the rate of 5% per annum over the prime rate set by The Hongkong and Shanghai Banking Corporation Limited and such interest is to be calculated on a daily basis until full payment is received by LWB.

Guarantee : The Company, as guarantor, has entered into the Parent Company Guarantee with LWB as a condition precedent of the LWB Licence Agreement. The Company has irrevocably unconditionally and absolutely undertakes and guarantee to LWB the due and punctual performance and fulfilment of each and every one of Asiaray Advertising's duties and obligations towards LWB under the LWB Licence Agreement.

In addition to the Parent Company Guarantee, Asiaray Advertising agreed to provide LWB with a performance deposit in the form of irrevocable bank guarantees in favour of LWB upon the commencement of the LWB Licence Agreement, where the banking corporation undertakes as primary obligor to pay LWB an amount equal to 6 times of the average monthly Licence Fee for the due payment of the Licence Fee and all other sums payable by Asiaray Advertising to LWB under the Licence Agreement and the due performance and observance by Asiaray Advertising of all agreements conditions terms and stipulations reserved and contained in the Licence Agreement, within 3 days of our receipt of a written demand from LWB in immediately available Hong Kong Dollars.



## **INFORMATION OF PARTIES TO THE KMB & LWB LICENCE AGREEMENTS**

### **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, Hong Kong, Macau and Southeast Asia.

### **Asiaray Advertising**

Asiaray Advertising was incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. Asiaray Advertising is principally engaged in out-of-home advertising media services in Hong Kong.

### **KMB**

The Kowloon Motor Bus Company (1933) Limited was incorporated in Hong Kong with limited liability. KMB is specialized in provision of public transport in service in Hong Kong. KMB is the grantee of a franchise granted under the Public Bus Services Ordinance (Chapter 230 of the Laws of Hong Kong) to operate public bus service for a term commencing on 1 July 2017 and ending on 1 July 2027.

### **LWB**

The Long Win Bus Company Limited was incorporated in Hong Kong with limited liability. LWB is specialized in provision of public transport in service in Hong Kong. LWB is the grantee of a franchise granted under the Public Bus Services Ordinance (Chapter 230 of the Laws of Hong Kong) to operate public bus service for a term commencing on 1 May 2013 and ending on 1 May 2023.

### **Transport International Holdings Limited**

Transport International Holdings Limited is a leading public transport operator in Hong Kong and Mainland. It is the holding company of KMB, LWB and a number of non-franchised transport providers.

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

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE KMB AND LWB LICENCE AGREEMENTS**

KMB is one of the biggest public transport service providers in Hong Kong. In 2018, KMB operates over 400 bus routes, consisting of a fleet of 4,112 bus carrying approximately 1,022,300,000 passengers carried throughout the year.

LWB is also a public transport service provider in Hong Kong. LWB operates 34 bus routes consisting of a fleet of approximately 279 bus.

The Directors believe that the entering into of the KMB and LWB Licence Agreements would enable the Group to exert their strengths and grasp market opportunities in the public transport advertising market create a greater return for the Shareholders.

The terms of the KMB and LWB Licence Agreements have been arrived at after arm's length negotiations between the parties. The Directors consider that the terms of the KMB and LWB Licence Agreements 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 KMB and LWB Licence Agreements, 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 KMB and LWB Licence Agreements, when aggregated with the total consideration under the KMB and LWB Licence Agreements is more than 25% but less than 100%, the entering into the KMB and LWB Licence Agreements 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 KMB and LWB Licence Agreements will require the Group to recognise the exclusive rights as right-of-use asset in which the amount was approximately HKD707.2 million calculated with reference to the aggregated present value of the fixed lease payments under the KMB and LWB Licence Agreements, thus the entering into the KMB and LWB Licence Agreements and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group. The value of the KMB and LWB Licence Agreements 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 KMB and LWB Licence Agreements and the transactions contemplated thereunder, and therefore no Director has to abstain from voting on the relevant board resolutions approving the KMB and LWB Licence Agreements 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 KMB and LWB Licence Agreements.

The Company has received a written approval by Media Cornerstone Limited (holding approximately 57.94% of the entire issued ordinary share capital of the Company) for the transactions contemplated under the KMB and LWB Licence Agreements 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 KMB and LWB Licence Agreements and the transaction contemplated thereunder, is expected to be despatched to the Shareholders for information purposes only in accordance with Rule 14.41(a) of the Listing Rules on or before 10 December 2019.

## **DEFINITIONS**

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

“Advertising Space”	Spaces for advertising in exterior and interior areas of the buses
“Asiaray Advertising”	Asiaray Advertising Media Limited, a company established in Hong Kong with limited liability on 5 August 1993 and an indirect wholly-owned subsidiary of the Company

“Bus Information Panel(s)”	means the electronic display panels installed or to be installed by KMB/LWB on the franchised public buses operated by KMB/LWB, for displaying and/or broadcasting bus/route information and other media content
“Bank Guarantee”	performance deposit in the form of irrevocable bank guarantees in favour of KMB/LWB provided by Asiaray Advertising
“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)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong Dollars, the lawful currency in Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“KMB”	The Kowloon Motor Bus Company (1933) Limited, a company incorporated in Hong Kong with limited liability.
“KMB Licence Agreement”	the licence agreement dated 19 November 2019 entered into between Asiaray Advertising and KMB
“KMB and LWB Licence Agreements”	the KMB Licence Agreement and the LWB Licence Agreement
“km”	kilometers
“Licence Fee(s)”	licence fee(s) payable by Asiaray Advertising to KMB/LWB pursuant to the KMB and LWB Licence Agreements

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LWB”	The Long Win Bus Company Limited, a company incorporated in Hong Kong with limited liability.
“LWB Licence Agreement”	the licence agreement dated 19 November 2019 entered into between Asiaray Advertising and LWB
“Parent Company Guarantee”	the guarantee provided by the Company as guarantor for KMB/LWB as a condition precedent of the KMB and LWB Licence Agreements.
“Shares”	ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Works”	means the physical works to be performed by Asiaray Advertising at KMB/LWB’s premises including but not limited to affixing, placing, installing, maintaining, removing, replacing or repairing of advertisements on or at the Advertising Spaces or the repainting of the bus bodies pursuant to the terms and conditions of the KMB & LWB Licence Agreements or the performance of any other scope of works as approved by KMB/LWB in writing in advance from time to time to accomplish any new advertising formats or opportunities
“%”	per cent

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

Hong Kong, 19 November 2019

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