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CLEAR MEDIA LIMITED

白馬戶外媒體有限公司



(Incorporated in Bermuda with limited liability)

(Stock Code: 100)

CONTINUING CONNECTED TRANSACTIONS CREATIVE SERVICES AGREEMENT AND MAINTENANCE SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 28 January 2014 in relation to the entering into of (i) the Previous Creative Services Agreement between WHA Joint Venture and White Horse Advertising (a company in which Mr. Han Zi Dian, the brother of Mr. Han Zi Jing (an executive Director of the Company), is able to exercise influence over the management and day-to-day operations as a director and general manager, and control the composition of a majority of the board of directors); and (ii) the Previous Maintenance Services Agreement between WHA Joint Venture and White Horse Holding (a company in which Mr. Han Zi Dian owns more than 50% voting rights). The Previous Creative Services Agreement and the Previous Maintenance Services Agreement expired on 31 December 2016.

The Board announces that, on 24 October 2016, WHA Joint Venture entered into (i) the Creative Services Agreement with White Horse Media (a company in which Mr. Han Zi Dian is able to exercise influence over the management and day-to-day operations and control the composition of a majority of the board of directors) on substantially the same terms as the Previous Creative Services Agreement and (ii) the Maintenance Services Agreement with White Horse Holding to renew the terms under the Previous Maintenance Services Agreement. Each of the Creative Services Agreement and the Maintenance Services Agreement has a fixed term of three years of which will expire on 31 December 2019.

The transactions under the Creative Services Agreement and Maintenance Services Agreement constitute continuing connected transactions of the Company under the Listing Rules. As each of the applicable Percentage Ratios is higher than 0.1% but less than 5%, the continuing connected transactions thereunder are subject to the reporting, annual review and announcement requirements and are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

* For identification purpose only

1. CREATIVE SERVICES AGREEMENT

(a) Continuing connected transactions

The Board announces that, on 24 October 2016, WHA Joint Venture and White Horse Media entered into the Creative Services Agreement. The Creative Services Agreement is entered into on substantially the same terms as the Previous Creative Services Agreement. Pursuant to the Creative Services Agreement, White Horse Media will provide to WHA Joint Venture creative services in the form of poster design services, sales and marketing materials design services and company profiles design services during the term of the Creative Services Agreement on a continuing basis and at the request of WHA Joint Venture.

The Creative Services Agreement is effective from 1 January 2017 and will expire on 31 December 2019.

(b) Consideration

Under the Creative Services Agreement, WHA Joint Venture will pay White Horse Media RMB12,000 per poster design, RMB3,600 per design of sales and marketing materials and RMB1,200 per design of company profiles. The maximum aggregate annual value for each of the years ending 31 December 2017, 2018 and 2019 under the Creative Services Agreement will be no more than RMB4,000,000 (approximately HK\$4,651,000 based on the exchange rate as at 30 September 2016). Such maximum aggregate annual value is calculated based on the expected amount and types of services required by WHA Joint Venture from White Horse Media for creative services in the form of poster design services, sales and marketing materials design services and company profiles design services.

The annual cap is negotiated on an arm's length basis and takes into account the prevailing market rates for such services and historical transactions between the Group and White Horse Advertising for the provision of creative services. For the years ended 31 December 2014 and 2015, the aggregate creative service fees paid or payable by WHA Joint Venture to White Horse Advertising was RMB2,830,000 (HK\$3,558,000), and RMB2,830,000 (HK\$3,489,000), respectively. For the year ended 31 December 2016, the expected aggregate creative service fees paid or payable by WHA Joint Venture for the services provided by White Horse Advertising is expected to be around RMB3,000,000 (HK\$3,537,000). The terms of the Creative Services Agreement are no less favourable than those offered to the Group by independent third parties.

WHA Joint Venture will pay to White Horse Media on or before the 25th day of each calendar month the fees for the creative design services rendered to WHA Joint Venture. WHA Joint Venture will fulfill its payment obligations under the Creative Services Agreement from its working capital.

(c) Reasons for and benefits of the transaction

The Company does not have any in-house creative design capabilities and hence needs to procure creative design services from external service providers. The outsourcing of creative design services allows for greater efficiency and enables the Company to focus on its core operations. The Creative Services Agreement allows the Company to achieve these objectives.

(d) Connection between the parties

WHA Joint Venture is an indirect 80% owned subsidiary of the Company. Mr. Han Zi Dian, the brother of Mr. Han Zi Jing (an executive Director of the Company), is able to exercise influence over the management and day-to-day operations of White Horse Media.

As such, White Horse Media is an associate of Mr. Han Zi Jing, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions between WHA Joint Venture and White Horse Media constitute continuing connected transactions of the Company under the Listing Rules.

2. MAINTENANCE SERVICES AGREEMENT

(a) Continuing connected transactions

The Board announces that, on 24 October 2016, WHA Joint Venture and White Horse Holding entered into the Maintenance Services Agreement. The Maintenance Services Agreement is entered into on substantially the same terms as the Previous Maintenance Services Agreement. Pursuant to the Maintenance Services Agreement, WHA Joint Venture will outsource the provision of cleaning, maintenance and related services to its local bus shelters to White Horse Holding. The following services will be provided by White Horse Holding through its branches:

- cleaning, maintenance and repair of electrical appliances for the bus shelter media;
- coordinating local public relations;
- cooperating in application procedures relating to, amongst others, shelter construction and power connection, and conducting maintenance, relocation and conversion of bus shelter media;
- assisting WHA Joint Venture in filing applications to the administration for industry and commerce for the publication of advertisement pictures; and
- publishing advertisement pictures in a timely manner and conducting, amongst others, photography and transmission.

The Maintenance Services Agreement is effective from 1 January 2017 and will expire on 31 December 2019.

(b) Consideration

Under the Maintenance Services Agreement, WHA Joint Venture will pay service fees to White Horse Holding for the services provided by its branches. The service fees comprise fixed cleaning and maintenance costs, variable subsidies and discretionary bonus. The same basis for calculating payment of the service fee is applicable to all service providers of the Group including third party service providers.

The fixed cleaning and maintenance costs are calculated based on the number of panels on the shelters operated in the relevant cities, the cities' locations and other factors having regard to the prevailing market rates, which shall be in the range of RMB215 to RMB295 per panel per month. A certain discount rate may be applied if the shelters are without electricity connection or are located in remote locations. The variable subsidies are calculated based on certain factors including the size of the cities, local labor costs and social welfare contribution, consumer price index and operation requirements and the amount is based on negotiation taking into account the market rates of comparable service providers (if available). In addition, if White Horse Holding meets certain service quality and performance benchmarks set by WHA Joint Venture, WHA Joint Venture may grant bonus to White Horse Holding on a discretionary basis. The (i) total variable subsidies and (ii) bonus paid or payable by WHA Joint Venture for the years ended 31 December 2014 and 2015 amount for (i) approximately 10% to 15% and (ii) around 10% of the aggregate service fees paid or payable to White Horse Holding in 2014 and 2015, respectively.

For the years ended 31 December 2014 and 2015, the aggregate service fees paid or payable by WHA Joint Venture for the services provided by White Horse Holding was HK\$42,280,000 and HK\$38,885,000 respectively. For the year ending 31 December 2016, the aggregate service fees paid or payable by WHA Joint Venture for the services provided by White Horse Holding is expected to be around HK\$38,000,000.

Under the Maintenance Services Agreement, the service fees payable by WHA Joint Venture to White Horse Holding for the years ending 31 December 2017, 2018 and 2019 shall not exceed HK\$52,000,000, HK\$60,000,000 and HK\$66,000,000, respectively. Service fees shall be settled by WHA Joint Venture on a monthly basis on or before the tenth day of every month. WHA Joint Venture will fulfill its payment obligations under the Maintenance Services Agreement from its working capital.

The annual caps for the years ending 31 December 2017, 2018 and 2019 are determined based on (i) the anticipated average increase in the number of bus shelters in the three years ending 31 December 2019 in the cities where White Horse Holding will provide maintenance services; (ii) the anticipated growth in advertising revenues for the three years ending 31 December 2019 and the corresponding demand for the maintenance services; and (iii) inflation in the PRC. Reference is also made to the historical and estimated annual service fees charged by White Horse Holding for the years 2014, 2015 and 2016 as set out above.

(c) Reasons for and benefits of the transaction

The practice of sub-contracting maintenance and ancillary services to contractors is common among media and advertising companies. The Company believes that the arrangements under the Maintenance Services Agreement with White Horse Holding is beneficial to its business as a whole especially in cities where the Company has yet to reach a sizeable operation scale. This sub-contracting arrangement allows the Company to focus on its core operations. The outsourcing of the maintenance and other routine aspect of its business also allows for greater efficiency. In addition, White Horse Holding has more experience in bus shelters maintenance of WHA Joint Venture than third party companies and thus provides services of a better quality. The Company's established working relationship with White Horse Holding also strengthens and ensures such quality of service.

(d) Connection between the parties

WHA Joint Venture is an indirect 80% owned subsidiary of the Company. Mr. Han Zi Dian, the brother of Mr. Han Zi Jing (an executive Director of the Company) is interested in more than 50% of the voting power of White Horse Holding.

As such, White Horse Holding is an associate of Mr. Han Zi Jing, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions between WHA Joint Venture and White Horse Holding constitute continuing connected transactions of the Company under the Listing Rules.

3. OPINION OF THE BOARD

The Board (including the independent non-executive Directors) considers that the terms of the Creative Services Agreement and the Maintenance Services Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the relevant annual caps under the Creative Services Agreement and the Maintenance Services Agreement for each of the three years ending 31 December 2017, 2018 and 2019 are fair and reasonable.

Mr. Han Zi Jing, who is the brother of Mr. Han Zi Dian and also a director of White Horse Holding is considered to have a material interest in the continuing connected transactions under the Creative Services Agreement and the Maintenance Services Agreement, and therefore has abstained from voting on the relevant board resolutions of the Company. Other than Mr. Han Zi Jing, none of the Directors of the Company have any interest in the Creative Services Agreement and Maintenance Services Agreement.

4. LISTING RULES IMPLICATIONS

As each of the applicable Percentage Ratios of the continuing connected transactions under the Creative Services Agreement and the Maintenance Services Agreement is higher than 0.1% but less than 5%, the continuing connected transactions thereunder are subject to the reporting, annual review and announcement requirements and are exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

5. INFORMATION ABOUT THE GROUP AND CONNECTED PERSONS

(a) The Group

The principal business of the Group is the operation of outdoor advertising. Its activities include obtaining concession rights, constructing and installing bus shelters and marketing advertising space on such bus shelters.

(b) White Horse Media

White Horse Media is an advertising agency. Its principal business includes planning and execution of media and advertising campaigns in China.

(c) White Horse Holding

The principal businesses of White Horse Holding are property development and the provision of cleaning, maintenance and related services for the bus shelter business of WHA Joint Venture. It does not perform any cleaning, maintenance and related services for any party other than WHA Joint Venture.

DEFINITIONS

“Board”	the board of directors of the Company
“Company”	Clear Media Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange
“Creative Services Agreement”	the creative services agreement dated 24 October 2016 entered into between WHA Joint Venture and White Horse Media with a term of three years expiring on 31 December 2019
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maintenance Services Agreement”	the maintenance services agreement dated 24 October 2016 entered into between WHA Joint Venture and White Horse Holding with a term of three years expiring on 31 December 2019
“Percentage Ratios”	the percentage ratios set out in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China

“Previous Creative Services Agreement”	the creative services agreement dated 28 January 2014, which sets out the terms of the creative services arrangement between WHA Joint Venture and White Horse Advertising for a fixed term of three years expiring on 31 December 2016
“Previous Maintenance Services Agreement”	the maintenance services agreement dated 28 January 2014 entered into between WHA Joint Venture and White Horse Holding with a fixed term expiring on 31 December 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WHA Joint Venture”	Hainan White Horse Advertising Media Investment Company Limited, an indirect 80% owned subsidiary of the Company and a sino-foreign cooperative joint venture established in the PRC in which China Outdoor Media Investment (Hong Kong) Company Limited and Hainan White Horse Advertising Co., Ltd have a 80% and 20% interest, respectively
“White Horse Media”	Hainan White Horse Media Advertising Company Limited, a company established in the PRC with limited liability
“White Horse Advertising”	Guangdong White Horse Advertising Company Limited, a company established in the PRC with limited liability
“White Horse Holding”	Hainan White Horse Holdings Company Limited, a company established in the PRC with limited liability

By order of the Board of
CLEAR MEDIA LIMITED
Joseph Tcheng
Chairman

Hong Kong, 24 October 2016

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Joseph Tcheng
Mr. Han Zi Jing
Mr. Teo Hong Kiong
Mr. Zhang Huai Jun

Non-executive Directors:

Mr. William Eccleshare
Mr. Peter Cosgrove
Mr. Zhu Jia
Mr. Cormac O'Shea

Independent Non-executive Directors:

Mr. Wang Shou Zhi
Ms. Leonie Ki Man Fung
Mr. Thomas Manning
Mr. Robert Gazzi

Alternate Director:

Mr. Zou Nan Feng
(Alternate to Mr. Zhang Huai Jun)