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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
RENEWAL OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS UNDER YUNNAN AIRPORT
FRAMEWORK AGREEMENT**

On 14 December 2017, the Board resolved to revise the annual caps in respect of the concession fees for the Yunnan Airport Framework Agreement with Yunnan Airport Company, a connected person of the Company at the subsidiary level.

LISTING RULES IMPLICATIONS

The Directors (including the independent non-executive Directors) have approved the transactions contemplated under the Yunnan Airport Framework Agreement and confirm that (i) the terms of the Yunnan Airport Framework Agreement were negotiated on an arm's length basis; and (ii) the Yunnan Airport Framework Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and are on normal commercial terms and the terms thereof (including the proposed revised annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Yunnan Airport Framework Agreement are subject to reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements. None of the Directors have a material interest in the revision of annual caps of the Yunnan Airport Framework Agreement and the transactions contemplated thereunder, and hence no Director has to abstain from voting on the relevant board resolutions approving the new annual caps of the Yunnan Airport Framework Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Yunnan Airport Framework Agreement, including the existing Yunnan Implementation Agreements, exceeds three years, the Company has appointed Beijing Securities Limited as its Independent Financial Adviser, to explain why the Yunnan Airport Framework Agreement, including the existing Yunnan Implementation Agreements, are required to be of a period exceeding three years and to confirm that it is normal business practice for agreements of this type to be of such duration.

REVISION OF ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE YUNNAN AIRPORT FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 30 December 2016 in relation to the continuing connected transactions between the Group and Yunnan Airport Group under the Yunnan Airport Framework Agreement (the “**Previous Announcement**”). Asiaray Media Holdings entered into the Yunnan Airport Framework Agreement with Yunnan Airport Company where Yunnan Airport Asiaray has been granted the rights to use and operate the advertising and media resources in the airports operated by Yunnan Airport Group from time to time with concession fees payable to Yunnan Airport Group, which took effect from 15 January 2015 and will expire on 31 December 2022, renewable upon mutual agreement. Capitalised terms which are not otherwise defined in this announcement shall bear the same meaning ascribed to them as in the Previous Announcement.

The Board resolved to revise the annual caps in respect of the concession fees payable to the Yunnan Airport Group. The table below sets out the existing annual caps for each of the financial years ending 31 December 2017, 2018, 2019, 2020, 2021 and 2022 as follows:

For the financial year ending 31 December					
2017	2018	2019	2020	2021	2022
<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
131.9 million <i>(equivalent to approximately HKD155.6 million)</i>	143.8 million <i>(equivalent to approximately HKD169.7 million)</i>	156.7 million <i>(equivalent to approximately HKD184.9 million)</i>	170.8 million <i>(equivalent to approximately HKD201.5 million)</i>	186.2 million <i>(equivalent to approximately HKD219.7 million)</i>	202.9 million <i>(equivalent to approximately HKD239.4 million)</i>

On 14 December 2017, the Board resolved to revise the annual caps in respect of the concession fees payable to the Yunnan Airport Group for each of the financial years ending 31 December 2017, 2018, 2019, 2020, 2021 and 2022 as follows:

Historical transaction amounts for the Ten months Year ended 31 December		For the financial year ending 31 December					
2016 (RMB)	2017 (RMB)	2017 (RMB)	2018 (RMB)	2019 (RMB)	2020 (RMB)	2021 (RMB)	2022 (RMB)
97.5 million <i>(equivalent to approximately HKD115.1 million)</i>	102.1 million <i>(equivalent to approximately HKD120.5 million)</i>	140.0 million <i>(equivalent to approximately HKD165.2 million)</i>	175.0 million <i>(equivalent to approximately HKD206.5 million)</i>	218.8 million <i>(equivalent to approximately HKD258.2 million)</i>	218.8 million <i>(equivalent to approximately HKD258.2 million)</i>	218.8 million <i>(equivalent to approximately HKD258.2 million)</i>	218.8 million <i>(equivalent to approximately HKD258.2 million)</i>

REASONS FOR REVISION OF ANNUAL CAPS

Due to the continuous growth and development of the Group's business in the Yunnan Province, the amount of concession fees payable to the Yunnan Airport Group is expected to increase significantly. The concession fees payable by Yunnan Airport Asiaray to Yunnan Airport Group is expected to increase by 25% in 2018 and 2019 instead of 9% annually.

The revised annual caps of the concession fees payable to the Yunnan Airport Group for each of the financial years ending 31 December 2017, 2018, 2019, 2020, 2021 and 2022 above were determined with reference to the amount of concession fees paid since the effective date of the Yunnan Airport Framework Agreement and the anticipated future increase in the connected transactions between the Group and Yunnan Airport Group. As at the date of this announcement, the aggregate concession fees paid by the Group to Yunnan Airport Group have not exceeded the original annual cap for the financial year ending 31 December 2017.

In arriving at the above new annual caps, the Company has considered factors including:

- the concession fees payable by Yunnan Airport Asiaray to Yunnan Airport Group under the Yunnan Implementation Agreements normally determined with reference to the higher of: (i) a fixed fee with escalation, meaning increases over each year of the Yunnan Implementation Agreements; and (ii) a fee calculated by way of revenue sharing based on factors including the percentage of revenue generated by Yunnan Airport Asiaray and passenger flow of the revenue airports, subject to a fixed minimum guaranteed fee with escalation over the term of the Yunnan Implementation Agreements;
- the Group's actual concession fees paid and payable to Yunnan Airport Group during the current financial year ten months ended 31 October 2017;
- the Group's current and anticipated future capacity and needs;

- the business development of Yunnan Airport Group;
- the projected increase in the operating media resources that the Group will receive from Yunnan Airport Group in the next five years; and
- the recent macroeconomic policies of the PRC government and the future development of the advertising industry.

Given that the Yunnan Airport Framework Agreement have been entered into after arm's length negotiations and under normal commercial terms, the Board considers that (i) the transactions contemplated under the Yunnan Airport Framework Agreement are being provided on normal commercial terms and in the ordinary course of business of the Company which are not more favorable than those available to the Independent Third Parties; (ii) the terms of the Yunnan Airport Framework Agreement and the proposed revised annual caps thereunder are fair and reasonable; and (iii) the Yunnan Airport Framework Agreement is in the interest of the Company and its Shareholders as a whole.

OPINION FROM INDEPENDENT FINANCIAL ADVISOR

Under Rule 14A.52 of the Listing Rules, the term of an agreement governing continuing connected transactions of an issuer must not exceed three years except in special circumstances. As the term of the Yunnan Airport Framework Agreement, including the existing Yunnan Implementation Agreements, exceeds three years, the Company has appointed Beijing Securities Limited as its Independent Financial Adviser to explain why a longer period is required and to confirm that it is normal business practice for agreements of this type to be of such duration.

The Independent Financial Adviser in rendering its opinion pursuant to Rule 14A.52 of the Listing Rules, it has taken into consideration the following factors:

- (a) 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.
- (b) Yunnan Airport Company, a PRC state-owned enterprise, together with its associate(s), are principally engaged in management and operation of the civil airports in Yunnan Province. Yunnan Airport Company is held as to 51% by Shanghai Asiarray, an indirect wholly-owned subsidiary of the Company, and as to 49% by Yunnan Airport Company.
- (c) The transactions contemplated under the Yunnan Airport Framework Agreement allows Yunnan Airport Company use and operate the advertising and media resources in the airports operated by Yunnan Airport Group.
- (d) Given that an advertising operation company usually incurs substantial investment in developing, installing as well as maintaining the media resources for advertising fixtures designed to satisfy various technical requirements, a relatively longer-term agreement is commercially sensible for an advertising operation company to secure a desired investment return.

- (e) As agreements with a shorter duration for the use and operation of advertising and media resources with the media resource owners may give rise to uncertainties on the operation of an advertising operation company, it is fair and reasonable for an advertising operation company to enter into agreements with a relatively longer duration for such type of services.
- (f) It is not uncommon in the advertising industry that the duration term of the agreements between the advertising operation companies and the media resource owners for the use and operation of advertising and media resources to be longer than three years. The Independent Financial Adviser has reviewed announcements and financial reports of other advertising companies listed on the Stock Exchange and noted that other listed advertising companies such as Clear Media Limited (stock code: 100) and Roadshow Holdings Limited (stock code: 888) both have agreements with the media resource owners for the use and operation of advertising and media resources with a duration longer than three years.
- (g) The Independent Financial Adviser has also reviewed other agreements entered into between the Group and other media resource owners for the use and operation of advertising and media resources by the Group (“**Advertising Agreements**”) and noted that the Advertising Agreements also have a duration longer than three years, with the longest duration term up to a period of ten years.

Having considered the principal factors discussed above, the Independent Financial Adviser is of the view that it is a normal business practice for the Company to enter into the Yunnan Airport Framework Agreement to be of such duration.

INFORMATION ABOUT THE COMPANY AND YUNNAN 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.

Yunnan Airport Company

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

LISTING RULES IMPLICATIONS

Yunnan Airport Asiaray is held as to 51% by Shanghai Asiaray, an indirect wholly-owned subsidiary of the Company, and as to 49% by Yunnan Airport Company. For the purposes of the Listing Rules, Yunnan Airport Company is a substantial shareholder of Yunnan Airport Asiaray, and each of Yunnan Airport Company and its associates is thus a connected person of the Company. Accordingly, the transactions between Yunnan Airport Asiaray and Yunnan Airport Group contemplated under the Yunnan Airport Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Yunnan Airport Company is a connected person of the Company at the subsidiary level, the transactions between Yunnan Airport Asiaray and Yunnan Airport Group contemplated under the Yunnan Airport Framework Agreement are connected transactions between the Group and a connected person at the subsidiary level.

The Directors (including the independent non-executive Directors) have approved the transactions contemplated under the Yunnan Airport Framework Agreement and confirm that (i) the terms of the Yunnan Airport Framework Agreement were negotiated on an arm's length basis; and (ii) the Yunnan Airport Framework Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and are 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 the Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Yunnan Airport Framework Agreement are subject to reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

None of the Directors has a material interest in the Yunnan Airport Framework Agreement and the transactions contemplated thereunder, and hence no Director has to abstain from voting on the relevant board resolutions approving the new annual caps of the Yunnan Airport Framework Agreement and the transactions contemplated thereunder.

Details of the Yunnan Airport Framework Agreement will be disclosed in the next published annual reports of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules.

DEFINITIONS

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

“Asiaray Media Holdings”	Asiaray Media Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 20 May 2014 and a direct wholly-owned subsidiary of the Company
“associate”	has the meaning ascribed thereto under the Listing rules
“Board”	the board of Directors
“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)
“connected person(s)”	has the same meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Financial Adviser”	Beijing Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed for the purpose of Rule 14A.52 of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shanghai Asiaray”	Shanghai Asiaray Advertising Company Limited* (上海雅仕維廣告有限公司), a company established in the PRC with limited liability on 27 April 1999 and an indirect wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary shares of nominal value of HKD0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yunnan Airport Asiaray”	Yunnan Airport Asiaray Information Media Company Limited* (雲南空港雅仕維信息傳媒有限公司), a company established in the PRC with limited liability on 26 June 2002 and an indirect non-wholly owned subsidiary of the Company
“Yunnan Airport Company”	Yunnan Airport Group Limited Liability Company* (雲南機場集團有限責任公司), a PRC stated-owned enterprise established on 26 April 2004
“Yunnan Airport Framework Agreement”	the framework agreement dated 21 October 2014 and entered into between Asiaray Media Holdings and Yunnan Airport Company in relation to the grant of the rights to use and operate the advertising and media resources in the airports operated by Yunnan Airport Group to the Group

“Yunnan Airport Group”	Yunnan Airport Company and its associates (excluding Yunnan Airport Asiaray)
“Yunnan Implementation Agreements”	separate agreements or order forms which specify and record the specific terms and operative provisions of the transactions determined in accordance with the Yunnan Airport Framework Agreement
“%”	per cent.

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 = HKD1.18. 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, 14 December 2017

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.

* *For identification purposes only*