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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

SHENZHEN AIRPORT ASIARAY ADVERTISING FRAMEWORK AGREEMENT

On 26 November 2016, Asiaray Media Holdings entered into the Shenzhen Airport Asiaray Advertising Framework Agreement with Shenzhen Airport Asiaray.

LISTING RULES IMPLICATIONS

Shenzhen Airport Asiaray is owned as to 49% by Shanghai Asiaray, an indirect wholly-owned subsidiary of the Company, and as to 51% by Shenzhen Airport Company. Shenzhen Airport Asiaray directly holds 55% equity interest in Shenzhen Yashi, the remaining 45% equity interest of which is held directly by Shanghai Asiaray. The Directors consider that Shenzhen Yashi should be consolidated into the financial information of the Group as Shanghai Asiaray has the power to control the financial and operating policies of Shenzhen Yashi pursuant to its articles of association.

At the time when the Shenzhen Airport Asiaray Advertising Framework Agreement was entered into, Shenzhen Yashi was an insignificant subsidiary of the Company whose total assets, profits and revenue compared to those of the Group were less than 10% under the percentage ratios for each of the three financial years ended 31 December 2015. Therefore, Shenzhen Airport Asiaray was a substantial shareholder of an insignificant subsidiary of the Company, and the transactions between Asiaray Media Holdings and Shenzhen Airport Asiaray contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement did not constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

However, pursuant to the announcement of audited consolidated financial results of the Group for the year ended 31 December 2016 on 24 March 2017, Shenzhen Yashi is no longer an insignificant subsidiary as one or more of the applicable percentage ratios exceed 10% for the financial year ended 31 December 2016. Accordingly, the transactions between Asiaray Media Holdings and Shenzhen Airport Asiaray contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Shenzhen Airport Asiaray is a connected person of the Company at the subsidiary level, the transactions between Asiaray Media Holdings and Shenzhen Airport Asiaray contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement are continuing 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 Shenzhen Airport Asiaray Advertising Framework Agreement and confirm that (i) the terms of the Shenzhen Airport Asiaray Advertising Framework Agreement were negotiated on an arm's length basis; and (ii) the Shenzhen Airport Asiaray Advertising 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 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 Shenzhen Airport Asiaray Advertising 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 Shenzhen Airport Asiaray Advertising Framework Agreement and the transactions contemplated thereunder, and hence no Director has to abstain from voting on the relevant board resolutions approving the Shenzhen Airport Asiaray Advertising Framework Agreement (including the proposed annual caps) and the transactions contemplated thereunder.

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

INTRODUCTION

Shenzhen Airport Asiaray was jointly established by Shanghai Asiaray and Shenzhen Airport Company in 2013 to exclusively operate mainstream media resources in Terminal 3 of Shenzhen Bao'an International Airport. It is held as to 49% by Shanghai Asiaray and 51% by Shenzhen Airport Company.

Shenzhen Airport Asiaray directly holds 55% equity interest in Shenzhen Yashi, the remaining 45% equity interest of which is held directly by Shanghai Asiaray. The Directors consider that Shenzhen Yashi should be consolidated into the financial information of the Group as Shanghai Asiaray has the power to control the financial and operating policies of Shenzhen Yashi pursuant to its articles of association.

On 26 November 2016, Asiaray Media Holdings entered into the Shenzhen Airport Asiaray Advertising Framework Agreement with Shenzhen Airport Asiaray. At the time when the Shenzhen Airport Asiaray Advertising Framework Agreement was entered into, Shenzhen Yashi was an insignificant subsidiary of the Company whose total assets, profits and revenue compared to those of the Group were less than 10% under the percentage ratios for each of the three financial years ended 31 December 2015. Therefore, Shenzhen Airport

Asiaray was a substantial shareholder of an insignificant subsidiary of the Company, and the transactions between Asiaray Media Holdings and Shenzhen Airport Asiaray contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement did not constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

However, pursuant to the announcement of audited consolidated financial results of the Group for the year ended 31 December 2016 dated 24 March 2017, Shenzhen Yashi is no longer an insignificant subsidiary as one or more of the applicable percentage ratios exceed 10% for the financial year ended 31 December 2016. Accordingly, the transactions between Asiaray Media Holdings and Shenzhen Airport Asiaray contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

SHENZHEN AIRPORT ASIARAY ADVERTISING FRAMEWORK AGREEMENT

Shenzhen Airport Asiaray had been providing advertising services to the Group in relation to the media resources in Terminal 3 of Shenzhen Bao'an International Airport from time to time and the Group had been providing advertising services to Shenzhen Airport Asiaray in relation to the media resources in locations other than Shenzhen Bao'an International Airport from time to time.

To regulate the advertising services provided by and to Shenzhen Airport Asiaray, Asiaray Media Holdings entered into the Shenzhen Airport Asiaray Advertising Framework Agreement with Shenzhen Airport Asiaray, which took effect from 1 January 2017 and would expire on 31 December 2019.

To implement the transactions contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement, Asiaray Media Holdings and Shenzhen Airport Asiaray have entered or will enter into the Shenzhen Implementation Agreements, which specify and record the specific terms (such as the types of advertising services, the price of relevant services and the payment and delivery terms) and operative provisions of those transactions determined in accordance with the Shenzhen Airport Asiaray Advertising Framework Agreement.

Principal Terms of the Shenzhen Airport Asiaray Advertising Framework Agreement

Date	26 November 2016
Parties	(a) Asiaray Media Holdings (b) Shenzhen Airport Asiaray
Term	From 1 January 2017 to 31 December 2019
Subject matters	Pursuant to the terms of the Shenzhen Airport Asiaray Advertising Framework Agreement: (a) Shenzhen Airport Asiaray shall provide advertising services to the Group in relation to the media resources in Terminal 3 of Shenzhen Bao'an International Airport from time to time with service fees payable to Shenzhen Airport Asiaray; and

- (b) the Group shall provide advertising services to Shenzhen Airport Asiaray in relation to the media resources in locations other than Shenzhen Bao'an International Airport from time to time with service fees payable to the Group.

Service fees

- (a) Service fees payable to Shenzhen Airport Asiaray for the advertising services provided by Shenzhen Airport Asiaray to the Group shall be agreed and set out in the Shenzhen Implementation Agreements, and determined based on the following pricing policy:
 - (i) with reference to the service fees of similar advertising services provided by independent third parties of the Group in the ordinary course of business in the proximity of the media resources; and
 - (ii) if (i) above is not applicable, with reference to the service fees of similar advertising services provided by Shenzhen Airport Asiaray to independent third parties of Shenzhen Airport Asiaray in the ordinary course of business.
- (b) Service fees payable to the Group for the advertising services provided by the Group to Shenzhen Airport Asiaray shall be agreed and set out in the Shenzhen Implementation Agreements, and determined based on the following pricing policy:
 - (i) with reference to the service fees of similar advertising services provided by the Group to independent third parties in the ordinary course of business in the proximity of the media resources; and
 - (ii) if (i) above is not applicable, with reference to the service fees of similar advertising services provided by independent third parties of Shenzhen Airport Asiaray to Shenzhen Airport Asiaray in the ordinary course of business.

In order to ensure that the service fees payable by the Group to Shenzhen Airport Asiaray and the service fees payable by Shenzhen Airport Asiaray to the Group will not be prejudicial to the interests of the Company and its minority Shareholders, regular reports regarding the service fees payable by, and to, the Group to, and from, Shenzhen Airport Asiaray and other relevant information will be provided to the independent non-executive Directors, who will conduct semi-annual review of the terms of the Shenzhen Implementation Agreements (including whether the service fees payable by the Group to Shenzhen Airport Asiaray and the service fees payable by Shenzhen Airport Asiaray to the Group are based on factors mentioned above) and the fairness of the Group's basis of entering into the Shenzhen Implementation Agreements.

Historical Transaction Amounts

The table below sets out the aggregate amount of service fees paid by the Group to Shenzhen Airport Asiaray and service fees paid by Shenzhen Airport Asiaray to the Group for the three financial years ended 31 December 2014, 2015 and 2016, respectively:

	For the financial year ended 31 December		
	2014 (RMB)	2015 (RMB)	2016 (RMB)
Service fees paid by the Group for the advertising services provided by Shenzhen Airport Asiaray	37.0 million	72.2 million	85.0 million
Service fees paid by Shenzhen Airport Asiaray for the advertising services provided by the Group	2.3 million	1.9 million	3.6 million

Proposed Annual Caps

(a) Advertising services provided by Shenzhen Airport Asiaray to the Group

The Directors estimate that the service fees payable by the Group to Shenzhen Airport Asiaray will continue to grow in the coming years mainly due to the continuous development of the Group's business in Terminal 3 of Shenzhen Bao'an International Airport.

Assuming that, in the ordinary course of the Group's business, the service fees payable by the Group to Shenzhen Airport Asiaray increase by an estimated rate of 10% annually, the aggregate amount of service fees payable by the Group to Shenzhen Airport Asiaray for providing advertising services to the Group in relation to the media resources in Terminal 3 of Shenzhen Bao'an International Airport under the Shenzhen Airport Asiaray Advertising Framework Agreement for the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed the proposed annual caps below:

For the financial year ending 31 December		
2017 (RMB)	2018 (RMB)	2019 (RMB)
110.5 million	121.6 million	133.8 million

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

- the contract amount payable by the Group to Shenzhen Airport Asiaray under the existing Shenzhen Implementation Agreements entered into between the Group and Shenzhen Airport Asiaray;
- the actual service fees paid by the Group to Shenzhen Airport Asiaray during the three financial years ended 31 December 2014, 2015 and 2016 and the anticipated future service fee amounts in the foreseeable coming years in light of any recent development;
- the Group's current and anticipated future capacity and needs;
- the business development of Shenzhen Bao'an International Airport, particularly in Terminal 3;
- the projected increase in the operating media resources that the Group will receive in the next three years; and
- the recent macroeconomic policies of the PRC government and the future development of the advertising industry.

(b) Advertising services provided by the Group to Shenzhen Airport Asiaray

The Directors estimate that the service fees payable by Shenzhen Airport Asiaray to the Group will continue to grow in the coming years mainly due to the anticipated increase in the Shenzhen Airport Asiaray's future needs in the advertising services provided by the Group.

Assuming that, in the ordinary course of the Group's business, the service fees payable by Shenzhen Airport Asiaray to the Group increase by an estimated rate of 10% annually, the aggregate amount of service fees payable by Shenzhen Airport Asiaray to the Group for providing advertising services to Shenzhen Airport Asiaray in relation to the media resources in locations other than Shenzhen Bao'an International Airport under the Shenzhen Airport Asiaray Advertising Framework Agreement for the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed the proposed annual caps below:

For the financial year ending 31 December		
2017 (RMB)	2018 (RMB)	2019 (RMB)
6.8 million	7.5 million	8.3 million

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

- the actual service fees paid by Shenzhen Airport Asiaray to the Group during the three financial years ended 31 December 2014, 2015 and 2016 and the anticipated future service fee amounts in the foreseeable coming years in light of any recent development;
- Shenzhen Airport Asiaray's current and anticipated future capacity and needs;
- the Group's business development in the media resources in locations other than Shenzhen Bao'an International Airport; and
- the recent macroeconomic policies of the PRC government and the future development of the advertising industry.

REASONS AND BENEFITS OF THE TRANSACTIONS

As Shenzhen Airport Asiaray has been granted the rights to operate the advertising and media resources in Terminal 3 of Shenzhen Bao'an International Airport, the transactions contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement enable the Group to maintain its presence in relation to the media resources in Terminal 3 of Shenzhen Bao'an International Airport and broaden the revenue base of the Group. The Directors believe that the transactions contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement promote continuous growth and operations of, and will generate advertising revenue for, the Group and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE COMPANY AND SHENZHEN AIRPORT ASIARAY

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.

Shenzhen Airport Asiaray

Shenzhen Airport Asiaray, a company established in the PRC with limited liability, and jointly established by Shanghai Asiaray and Shenzhen Airport Company, to exclusively operate mainstream media resources in Terminal 3 of Shenzhen Bao'an International Airport.

LISTING RULES IMPLICATIONS

Shenzhen Airport Asiaray is owned as to 49% by Shanghai Asiaray, an indirect wholly-owned subsidiary of the Company, and as to 51% by Shenzhen Airport Company. Shenzhen Airport Asiaray directly holds 55% equity interest in Shenzhen Yashi, the remaining 45% equity interest of which is held directly by Shanghai Asiaray. The Directors consider that

Shenzhen Yashi should be consolidated into the financial information of the Group as Shanghai Asiaray has the power to control the financial and operating policies of Shenzhen Yashi pursuant to its articles of association.

At the time when the Shenzhen Airport Asiaray Advertising Framework Agreement was entered into, Shenzhen Yashi was an insignificant subsidiary of the Company whose total assets, profits and revenue compared to those of the Group were less than 10% under the percentage ratios for each of the three financial years ended 31 December 2015. Therefore, Shenzhen Airport Asiaray was a substantial shareholder of an insignificant subsidiary of the Company, and the transactions between Asiaray Media Holdings and Shenzhen Airport Asiaray contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement did not constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

However, pursuant to the announcement of audited consolidated financial results of the Group for the year ended 31 December 2016 on 24 March 2017, Shenzhen Yashi is no longer an insignificant subsidiary as one or more of the applicable percentage ratios exceed 10% for the financial year ended 31 December 2016. Accordingly, the transactions between Asiaray Media Holdings and Shenzhen Airport Asiaray contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Shenzhen Airport Asiaray is a connected person of the Company at the subsidiary level, the transactions between Asiaray Media Holdings and Shenzhen Airport Asiaray contemplated under the Shenzhen Airport Asiaray Advertising Framework Agreement are continuing 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 Shenzhen Airport Asiaray Advertising Framework Agreement and confirm that (i) the terms of the Shenzhen Airport Asiaray Advertising Framework Agreement were negotiated on an arm's length basis; and (ii) the Shenzhen Airport Asiaray Advertising 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 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 Shenzhen Airport Asiaray Advertising 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 Shenzhen Airport Asiaray Advertising Framework Agreement and the transactions contemplated thereunder, and hence no Director has to abstain from voting on the relevant board resolutions approving the Shenzhen Airport Asiaray Advertising Framework Agreement (including the proposed annual caps) and the transactions contemplated thereunder.

Details of the Shenzhen Airport Asiaray Advertising Framework Agreement will be disclosed in the next published annual report 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 have the following meanings:

“Asiaray Media Holdings”	Asiaray Media Holdings Limited, a company incorporated in the British Virgin Islands as a limited liability company on 20 May 2014 and a direct wholly-owned subsidiary of the Company
“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 Boards of the Stock Exchange (stock code: 1993)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Asiaray”	Shanghai Asiaray Advertising Company Limited* (上海雅仕維廣告有限公司), a company incorporated in the PRC with limited liability on 27 April 1999 and an indirect wholly-owned subsidiary of the Company
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of nominal value of HK\$0.10 each in the share capital of the Company

“Shenzhen Airport Asiaray”	Shenzhen Airport Asiaray Media Company Limited* (深圳機場雅仕維傳媒有限公司), a company established in the PRC with limited liability on 29 September 2013 which is owned as to 49% by Shanghai Asiaray and 51% by Shenzhen Airport Co., Ltd.* (深圳市機場股份有限公司), respectively
“Shenzhen Airport Asiaray Advertising Framework Agreement”	the framework agreement dated 26 November 2016 entered into between Asiaray Media Holdings and Shenzhen Airport Asiaray in relation to the provision of advertising services to the Group in relation to the media resources in Terminal 3 of Shenzhen Bao’an International Airport
“Shenzhen Airport Company”	Shenzhen Airport Co., Ltd.* (深圳市機場股份有限公司), a PRC state-owned enterprise established on 10 April 1998, the shares of which are listed and traded on the Shenzhen Stock Exchange (stock code: 000089)
“Shenzhen 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 Shenzhen Airport Asiaray Advertising Framework Agreement
“Shenzhen Yashi”	Shenzhen Yashi Metro Advertising Company Limited*(深圳雅仕城鐵廣告有限公司), a company established in the PRC with limited liability on 3 November 2011 and an indirect subsidiary of our Company which is owned as to 45% by Shanghai Asiaray and 55% by Shenzhen Airport Asiaray, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 27 March 2017

As at the date of this announcement, the executive Directors are Mr. Lam Tak Hing, Vincent, Mr. So Chi Man and Mr. Lam Ka Po; the non-executive Directors are Mr. Yung Chung Man and Mr. Wong Chi Kin; and the independent non-executive directors are Mr. Ma Andrew Chiu Cheung, Mr. Ma Ho Fai SBS JP and Dr. Chan Chi Fai Andrew SBS JP.

* For identification purposes only