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鳳凰衛視

PHOENIX MEDIA INVESTMENT (HOLDINGS) LIMITED

鳳凰衛視投資(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02008)

**CONTINUING CONNECTED TRANSACTIONS
PMM CCT WITH CMCC GROUP**

The PMM Group has been conducting sale of advertising airtime on the LED Panels operated by or licensed to the PMM Group in the PRC with CMCC Group for promoting CMCC Group, and the Company expects that the PMM Group will, in the ordinary and usual course of business in the foreseeable future, continue to engage in the PMM CCT with members of the CMCC Group. With the growth of the outdoor media businesses, the PMM CCT are expected to grow in the three years from 1 January 2018 to 31 December 2020. Such PMM CCT would constitute non-exempt continuing connected transactions of the Company under the Listing Rules.

As CMHKG is a substantial shareholder of the Company holding approximately 19.69% of the issued share capital of the Company through CMHKG's wholly-owned subsidiary Extra Step Investments Limited, members of the CMCC Group are regarded as connected persons of the Company under the Listing Rules. Given that the highest applicable percentage ratio (as defined in the Listing Rules) of the proposed Annual Caps under the PMM CCT is more than 0.1% but less than 5%, the PMM CCT for the three years ending 31 December 2020 will be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board (including the independent non-executive Directors) has approved the waiver of the Company from strict compliance with Rule 14A.34 and Rule 14A.51 of the Listing Rules.

INTRODUCTION

The Group is a satellite television operator and, through its subsidiaries, is a leading satellite television operator broadcasting in the PRC as well as worldwide. Apart from satellite television broadcasting, the Group now has a diversified business portfolio covering internet media, outdoor media, animated comics, games, digital technologies, creative cultural, cloud technology services, education, exhibitions and other fields.

The CMCC Group is a leading telecommunications services provider in the PRC, providing full communication services in all 31 provinces, autonomous regions and directly-administered municipalities in the PRC and in Hong Kong. CMHKC, a wholly-owned subsidiary of CMCC, is the substantial shareholder of China Mobile Limited, the ordinary shares of which are listed on the Stock Exchange and its American depositary shares are listed on the New York Stock Exchange. The Group has been conducting business with the CMCC Group for several years.

CMHKG is a substantial shareholder of the Company holding approximately 19.69% of the issued share capital of the Company through CMHKG's wholly-owned subsidiary Extra Step Investments Limited. Members of the CMCC Group are therefore connected persons of the Company under the Listing Rules.

The PMM Group sells advertising airtime on the outdoor LED Panels operated by or licensed to them in their usual and ordinary course of business. Income generated from the sale of advertising airtime forms the major part of their turnovers. PMM is also developing a new digital interactive business. In the past, the PMM Group has been conducting sale of advertising airtime on the LED Panels operated by or licensed to the PMM Group in the PRC with CMCC Group for promoting CMCC Group, and the Company expects that the PMM Group will, in the ordinary and usual course of business in the foreseeable future, continue to engage in the PMM CCT with members of the CMCC Group. With the growth of the outdoor media businesses, the PMM CCT are expected to grow in the three years from 1 January 2018 to 31 December 2020. Such PMM CCT would constitute non-exempt continuing connected transactions of the Company under the Listing Rules.

REASONS FOR THE WAIVER

Under Chapter 14A of the Listing Rules, the Company needs to enter into a written framework agreement for continuing connected transactions in accordance with Rule 14A.34 and Rule 14A.51 of the Listing Rules.

Despite the Company's efforts and requests for entering into a 3-year written framework agreement in respect of the PMM CCT with the CMCC Group, due to the reasons below, no such written framework agreement has been or is expected to be entered into:

- (1) The number of CMCC Group companies engaged in the PMM CCT is huge, each having its own budget and transaction requirements (e.g. with different requirements for geographical locations, different product demands, different display durations). Each transaction also involves different specific terms for each relevant year (e.g. price and frequency). It is impracticable to cover all transactions with a large number of CMCC Group entities with one standardized framework agreement for a 3-year period.
- (2) The CMCC Group generally enters into yearly contracts through a tendering process in confirming the pricing and discount for individual transactions for the relevant year, making it impracticable to predict the same for a 3-year period. In addition, in bidding for such contracts, the PMM Group has been and will continue to be using both self-owned outdoor LED Panels and those owned by independent third party and licensed to them. The self-owned outdoor LED Panels are not sufficient in meeting the transaction volume demanded by the CMCC Group. As the need to use outdoor LED Panels owned by independent third parties and licensed to the PMM Group involves commercial uncertainties, it is impracticable to confirm the number and location of outdoor LED Panels for a 3-year period by way of a framework agreement with the CMCC Group.

The Directors consider that the transactions between the PMM Group and the CMCC Group constitute an important and integral part of the business alliance. The Company expects that transactions between the PMM Group and the CMCC Group will continue in the years to come as the Company aims to maintain its cooperation with the CMCC Group. If the Company shall be required to comply with the applicable announcement requirement under the Listing Rules each and every time it enters into a PMM CCT due to the inability to enter into a 3-year framework agreement with CMCC Group, it will be unduly burdensome for the Company and detrimental to the interests of the Company and its Shareholders as a whole.

In this connection, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 14A.34 and Rule 14A.51 to enter into a written framework agreement with the CMCC Group at the outset covering all PMM CCT for the three years from 1 January 2018 to 31 December 2020.

The Board (including the independent non-executive Directors) has approved the waiver of the Company from strict compliance with Rule 14A.34 and Rule 14A.51 of the Listing Rules. The Directors (including the independent non-executive Directors) consider that the PMM CCT for the three years ending 31 December 2020, conducted on the basis of the framework disclosed in this announcement, will be in the ordinary and usual course of business of the Group, on normal commercial terms or better, fair and reasonable and in the interests of the Shareholders as a whole.

Two of the Directors, namely Mr. SHA Yuejia and Mr. XIA Bing, have abstained from voting on the Board resolutions approving the PMM CCT due to the fact that they are nominated by a member of the CMCC Group. Save as disclosed above, none of the Directors has a material interest in the PMM CCT.

THE PMM CCT

The PMM Group has entered into various agreements relating to the sale of advertising airtime on the LED Panels operated by or licensed to the PMM Group in the PRC with CMCC Group for promoting the CMCC Group covering various periods. Details of the PMM CCT from 1 January 2015 to the date of this announcement that are subject to announcement requirement under the Listing Rules have been disclosed in the Company's announcements dated 19 March 2018, 26 September 2017, 6 July 2017, 18 May 2017, 21 March 2017, 25 January 2017, 26 April 2016 and 20 July 2015.

The PMM Group expects to continue entering into the PMM CCT with the CMCC Group for the three years ending 31 December 2020.

PARTIES

Each existing PMM CCT is governed by a separate written contract and entered into by the relevant member(s) of the PMM Group with the relevant member(s) of the CMCC Group, depending on the nature of the transaction and geographical location.

So far as the Company is aware, each of the existing contracts for the PMM CCT was separately negotiated on an arm's length basis with the relevant member of the CMCC Group, subject to and in compliance with the terms of CMCC's annual tender including discount and pricing policy. The PMM CCT for the three years ending 31 December 2020 will be negotiated similarly.

PRICING BASES

For the PMM CCT for the three years from 1 January 2018 to 31 December 2020, transaction consideration will be determined through the relevant bidding and tendering process, based on (i) the prevailing price quoted by the PMM Group on the market and the contract price with the CMCC Group for the previous year, and with reference to (ii) the budget and demand of the CMCC Group for outdoor advertising and the bidding prices from other competitors in the relevant year.

The pricing terms cannot be fixed in advance for all PMM CCT for the three years ending 31 December 2020 as each PMM CCT is subject to the CMCC Group's yearly tendering process and based on the prevailing market conditions, without any government regulated pricing guidelines for the transactions concerned.

Typically, the advertising fee of each advertisement will be negotiated and agreed separately between PMM and the relevant member of the CMCC Group with reference to the rate card published by PMM from time to time which contains the pricing structure of the sale of advertising airtime on the outdoor LED panels.

In any event, the Group will ensure that the pricing terms of future PMM CCT will be on normal commercial terms or better as required under the Listing Rules, through the internal control measures set out below. In ensuring the above, the Group will take into account the historical and prospective length of relationship with the customer, the transaction volume and expected future business, the prevailing market condition as well as other strategic considerations, in determining the giving of any discount and the extent thereof with reference to the rate card published by the Group from time to time.

TERM

Each of the PMM CCT to be entered into by the PMM Group up to 31 December 2020 shall be for a term not exceeding three years in compliance with Rule 14A.52.

INTERNAL CONTROL POLICY AND PROCEDURES

The Company and the PMM Group have an established internal control system for connected transactions to monitor the execution and implementation of connected transactions, including a specific internal control policy regarding control over the terms of and Annual Caps for the PMM CCT. The Company's connected transaction policy has been circulated to the relevant staff in the PMM Group and each subsidiary thereof has been required to have in place a system to give effect to the policy.

The principal features of this system in respect of the PMM CCT are as follows:

1. In respect of each PMM CCT, the relevant contract is subject to review by PMM, and cannot be entered into unless with the prior approval of PMM. PMM will review the terms (including pricing basis) of each of the PMM CCT, with a view to their compliance with the Listing Rules and the terms as disclosed in this announcement.
2. In order to ensure the pricing basis of each PMM CCT will be strictly followed:
 - (i) where the PMM Group is selling products or providing services, PMM will have regard (through a review of at least two contemporaneous or recent transactions) to the prevailing prices offered by the PMM Group to independent third parties or ascertain, through publicly available information from sources such as websites, the prevailing prices offered by independent third parties for such products or services, and ensure that the relevant terms offered by the PMM Group to the CMCC Group will not be more favorable to the CMCC Group than comparable terms offered by the PMM Group to independent third parties; and

- (ii) where comparable ongoing PMM CCT exist, PMM will have regard to the relevant terms of at least two such transactions and, where the terms differ, PMM will compare the differences, taking into account current market terms and industry standards, and ensure that all terms comply with the pricing policy set out in this announcement.
3. PMM will monitor the value of each PMM CCT and the accrued value for such transactions over the course of each relevant year, and produce internal monthly reports. Such information will be consolidated for reporting to the Board on a regular basis.
 4. In addition, PMM has established a “warning” system whereby once the accrued value of the PMM CCT in any relevant year reaches 80% of the relevant annual cap, PMM will notify the Board with a view to avoiding the carrying on of the transactions in excess of the annual cap.

REASONS FOR ENTERING INTO THE PMM CCT

The CMCC Group is a leading telecommunications services provider in the PRC. The Group has been conducting business with the CMCC Group for several years, and the PMM Group has been conducting sale of advertising airtime on the LED Panels operated by or licensed to the PMM Group in the PRC with CMCC Group for promoting CMCC Group. The Company expects that the PMM Group will, in the ordinary and usual course of business in the foreseeable future, continue to engage in the PMM CCT with members of the CMCC Group. With the growth of the outdoor media businesses, the PMM CCT are expected to grow in the three years from 1 January 2018 to 31 December 2020.

Transactions between the Group and the CMCC constitute an important and integral part of the business alliance between them. The operation of advertising airtime and placing of advertisement on the outdoor LED Panels services in the PRC would strengthen the Group’s competitive position in the market.

LISTING RULE IMPLICATIONS

As described above, the Company expects that the PMM Group will, in the ordinary and usual course of business in the foreseeable future, continue to enter into the PMM CCT, which will constitute non-exempt continuing connected transactions of the Company.

Rule 14A.34 and Rule 14A.51 of the Listing Rules require that the Company enter into written agreement(s) with the CMCC Group beforehand, setting out the basis of the calculation of the payments to be made. However, for the reasons set out in the section headed “Reasons for the Waiver” in this announcement, the Company considers that it is impracticable for the Company to strictly comply with the requirement of Rule 14A.34 and Rule 14A.51 to enter into a 3-year written framework agreement at the outset to cover all future PMM CCT with the CMCC Group.

Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 14A.34 and Rule 14A.51 to enter into a written framework agreement with the CMCC Group at the outset covering all PMM CCT for the three years from 1 January 2018 to 31 December 2020, subject to the following conditions:

1. the waiver will only apply to the PMM CCT for the three years from 1 January 2018 to 31 December 2020;
2. a separate written agreement will be entered into for each such transaction, for a term not exceeding three years;
3. each such transaction will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and which are fair and reasonable and in the interests of the Shareholders as a whole;
4. the pricing basis will be as set out in the section headed “Pricing Bases” in this announcement;
5. the waiver, if granted, will be subject to the approval of the Board and confirmation of the independent non-executive Directors; and
6. all other applicable disclosure and reporting requirements under Chapter 14A of the Listing Rules will be complied with.

The Company will comply with the requirements under Chapter 14A of the Listing Rules for any specific transaction entered into between any member of the PMM Group and the CMCC Group under terms that are outside the scope of, or pricing bases for, the PMM CCT.

As CMHKG is a substantial shareholder of the Company holding approximately 19.69% of the issued share capital of the Company through CMHKG’s wholly-owned subsidiary Extra Step Investments Limited, members of the CMCC Group are regarded as connected persons of the Company under the Listing Rules. Given that the highest applicable percentage ratio (as defined in the Listing Rules) of the proposed Annual Caps under the PMM CCT is more than 0.1% but less than 5%, the PMM CCT for the three years ending 31 December 2020 will be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

HISTORICAL AMOUNTS AND ANNUAL CAPS

In the past, from different transactions, PMM has agreed to provide CMCC Group with a discount of around 90% to 91% off the rate card published by PMM after taking into account of the actual local market condition and the advertising budget of the relevant CMCC Group entity. PMM expects that for future transactions with CMCC Group it will continue to charge based on its standard rate card (which applies to transactions with all customers) coupled with possible discount, but such discount (if any) and the rate thereof will be subject to negotiation and agreement for separate future transactions with reference to the particular commercial circumstances and requirements of such transactions and cannot be predetermined generally for all future transactions at the date of this announcement.

The tables below set out the historical transaction amounts in respect of the continuing connected transactions with the CMCC Group in respect of the PMM CCT for the three years ended 31 December 2017 and the proposed Annual Caps in respect of the PMM CCT for the three years ending 31 December 2020:

	For the year ended 31 December		
	2015	2016	2017
	<i>(RMB)</i>		
Historical transaction amounts	19,784,623 (approximately HK\$24,683,296)	19,025,245 (approximately HK\$23,735,896)	30,665,073 (approximately HK\$38,257,745)

	For the year ending 31 December		
	2018	2019	2020
	<i>(RMB million)</i>		
Proposed Annual Caps for the PMM CCT	40 (approximately HK\$49.90 million)	45 (approximately HK\$56.14 million)	50 (approximately HK\$62.38 million)

In arriving at the Annual Caps for the PMM CCT, the Directors have considered (i) the prevailing price quoted on the market in relation to advertising by the CMCC Group on the outdoor LED Panels; (ii) the different time periods for advertising; (iii) the frequency of advertising; (iv) the duration of advertising and (v) the discount. The Directors have also taken into account the following:

1. the business plan of the PMM Group to continue developing its outdoor media businesses;

2. the CMCC Group will continue to grow in the near future and is expected to further promote its 5G, internet-of-things, artificial intelligence, “all cloud” transformation, digital services, smart home products and internet fitness products businesses, and is therefore expected to engage the PMM Group further in respect of the PMM CCT; and
3. with the outdoor LED Panels operated by the PMM Group becoming more established, and with the increased cooperation between the CMCC Group and the PMM Group in respect of the PMM CCT, the PMM Group expects that the CMCC Group will increase its budget for engaging the PMM Group for the provision of advertising services.

The Directors (including the independent non-executive Directors) consider that the Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Annual Caps”	the proposed annual cap amounts for the PMM CCT for the three years ending 31 December 2020, as set out in the section headed “Historical Amounts and Annual Caps” in this announcement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CMCC”	中國移動通信集團公司 (China Mobile Communications Corporation), a State-owned company established under the laws of the PRC
“CMCC Group”	the group of companies comprising CMCC and its associates
“CMHKG”	China Mobile (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability which is a subsidiary of CMCC
“Company”	Phoenix Media Investment (Holdings) Limited (鳳凰衛視投資(控股)有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange

“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“LED Panels”	Giant-sized light-emitting diode panels
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“normal commercial terms or better”	has the meaning ascribed to it under the Listing Rules
“PMM CCT”	the continuing connected transactions entered or to be entered into by the PMM Group and the CMCC Group in relation to the purchase of advertising airtime and placing of advertisement by the CMCC Group on the outdoor LED Panels operated by or licensed to PMM Group in the PRC
“PMM”	Phoenix Metropolis Media Technology Company Limited*, 鳳凰都市傳媒科技股份有限公司 (formerly known as Phoenix Metropolis Media (Beijing) Company Limited*, 鳳凰都市(北京)廣告傳播有限公司, a company incorporated in the PRC with limited liability and is 45.54% indirectly held by the Company. As the Group is able to govern the financial and operating policies of PMM by virtue of de-facto control, PMM is this regarded as a subsidiary of the Company
“PMM Group”	PMM and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* For identification only

In this announcement, unless otherwise specified, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1 to HK\$1.2476. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By Order of the Board
Phoenix Media Investment (Holdings) Limited
LIU Changle
Chairman

Hong Kong, 28 May 2018

As at the date of this announcement, the board of directors of the Company comprises:

Executive Directors

*Mr. LIU Changle (Chairman) (also an alternate director to Mr. CHUI Keung);
Mr. CHUI Keung (also an alternate director to Mr. LIU Changle); Mr. WANG Ji Yan
(also an alternate director to Mr. LIU Changle and Mr. CHUI Keung)*

Non-executive Directors

Mr. SHA Yuejia; Mr. XIA Bing; Mr. GONG Jianzhong; Mr. SUN Yanjun

Independent Non-executive Directors

Mr. LEUNG Hok Lim; Mr. Thaddeus Thomas BECZAK; Mr. FANG Finglei and Mr. HE Di

Alternate Directors

Mr. LAU Wai Kei, Ricky (alternate director to Mr. SUN Yanjun)