

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asiaray Media Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**CONNECTED TRANSACTION
ISSUE OF PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES**

**Independent financial adviser to
the Independent Board Committee and Independent Shareholders of the Company**



A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 28 to 29 of this circular. A letter from Pelican Financial Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the issue of perpetual subordinated convertible securities and the transactions contemplated thereunder is set out on pages 30 to 54 of this circular.

A notice convening the EGM to be convened at 11:00 a.m. on Monday, 28 September, 2020 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please refer to page 1 of this circular for the measures to be implemented at the Extraordinary General Meeting by the Company against the epidemic to protect the attendees from the risk of infection of the Novel Coronavirus ("COVID-19"), including:

- compulsory body temperature check
- compulsory wearing of surgical face mask
- no distribution of corporate gifts and no serving of refreshments

Any person who does not comply with the precautionary measures may be denied entry into the Extraordinary General Meeting venue. The Company wishes to advise Shareholders that you may appoint the Chairman of the meeting as your proxy to vote on the relevant resolutions at the Extraordinary General Meeting as an alternative to attending the Extraordinary General Meeting in person.

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread (as per guidelines issued by the Hong Kong government at <https://www.chp.gov.hk/en/features/102742.html>), the Company will implement necessary preventive measures at the Extraordinary General Meeting to protect attending Shareholders, proxy and other attendees from the risk of infection, including:

- (i) Compulsory body temperature check will be conducted on every Shareholder, proxy and other attendees at the entrance of the Extraordinary General Meeting venue. Any person with a body temperature of over 37.2 degrees Celsius may be denied entry into the Extraordinary General Meeting venue or be required to leave the Extraordinary General Meeting venue.
- (ii) Attendees are required to prepare his/her own surgical face masks and wear the same inside the Extraordinary General Meeting venue at all times, and to maintain a safe distance between seats.
- (iii) No corporate gifts will be distributed and no refreshments will be served.

To the extent permitted under law, the Company reserves the right to deny entry into the Extraordinary General Meeting venue or require any person to leave the Extraordinary General Meeting venue in order to ensure the safety of the attendees at the Extraordinary General Meeting.

In the interest of all attendees' health and safety, the Company wishes to advise all Shareholders that physical attendance in person at the Extraordinary General Meeting is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions duly completed, Shareholders may appoint the Chairman of the Extraordinary General Meeting as their proxy to vote on the relevant resolutions at the Extraordinary General Meeting instead of attending the Extraordinary General Meeting in person.

The proxy form, which can also be downloaded from the Company's website (<https://www.asiaray.com>), is enclosed to this circular. If you are not a registered Shareholder (i.e., if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:

“Alternative Stock Exchange”	if at any time, the Shares are not at that time listed and traded on the Stock Exchange, such other internationally recognised stock exchange which is the primary stock exchange or securities market on which the Shares are then listed or quoted or dealt in
“Asiaray China”	Asiaray China Media Limited, a company established in Samoa with limited liability on 11 May 1999 and is wholly owned by Mr. Lam
“Asiaray Media”	Asiaray Media Limited, a company established in Hong Kong with limited liability on 6 March 2002 and an indirect wholly-owned subsidiary of the Company
“associates”	has the meaning ascribed thereto in the Listing Rules
“Beijing Asiaray”	北京雅仕維廣告有限公司 (Beijing Asiaray Advertising Company Limited*), a company established in the PRC with limited liability on 9 July 1998 and an indirect wholly owned subsidiary of the Company
“Billion China”	Billion China International Limited, a company established in Samoa with limited liability on 8 August 2005 and is wholly owned by Mr. Lam
“Board”	the board of Directors
“Business Day”	a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong
“Capital Distribution”	any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall not automatically be so deemed if it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for all financial periods after that ended 31 December as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each such financial period

DEFINITIONS

“Closing Price”	the closing price of the Shares for any Trading Day shall be the price published in the daily quotation sheet published by the Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day
“Current Market Price”	<p>on a particular date, the average of the Closing Prices for one Share (being a Share carrying full entitlement to dividend) for the 5 consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said 5 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:</p> <ul style="list-style-type: none">(i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; or(ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount, and provided further that if the Shares on each of the said 5 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share
“Chairman”	the chairman of the Company
“Company”	Asiaray Media Group Limited, 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

DEFINITIONS

“Completion”	completion of the subscription for and issue of the PSCS in the principal amount of HKD20,000,000 in accordance with the terms and conditions of the Subscription Agreement
“Conditions”	the terms and conditions of the PSCS
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	controlling shareholder(s) (which has the meaning ascribed to it under the Listing Rules) of the Company
“Conversion”	the exercise of the conversion rights attached to the PSCS and the issuance of the Conversion Shares accordingly
“Conversion Price”	the price at which each Conversion Share(s) will be issued upon Conversion, being HKD5.1 per Conversion Share initially, and subject to adjustments which may be made pursuant to the Conditions
“Conversion Share(s)”	the new Share(s) to be issued upon Conversion
“Director(s)”	the director(s) of the Company
“Distribution”	the right to receive distribution(s) conferred by the PSCS
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Subscription Agreement and the transactions contemplated thereunder
“Fair Market Value”	the fair market value of an asset, security, option, warrant or other right as determined by an Financial Adviser, the Financial Adviser is subjected to the following constraints determining the fair market value; (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Financial Adviser) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of 5 Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights are publicly traded

DEFINITIONS

“Financial Adviser”	an independent competent financial adviser with relevant licence to advise on corporate finance (acting as expert), selected by the Issuer and approved by the holders of at least a majority in aggregate principal amount of the Securities
“Genesis Printing”	Genesis Printing and Production Limited, a company incorporated in Hong Kong with limited liability on 8 October 2007 and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Asiaray”	Hong Kong Asiaray Advertising Limited, a company incorporated in Hong Kong with limited liability on 31 October 1995, and an indirect wholly owned subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Subscriber and its associates
“KMB License Agreement”	the licence agreement dated 19 November 2019 entered into between Asiaray Advertising Media Limited, a company incorporated in Hong Kong with limited liability on 5 August 1993 and an indirect wholly-owned subsidiary of the Company, and the Kowloon Motor Bus Company (1933) Limited, a company incorporated in Hong Kong with limited liability
“KMB Project”	the project commenced in July 2020 pursuant to the KMB License Agreement

DEFINITIONS

“Last Trading Date”	4 June 2020, being the last full trading day in the Shares immediately before the publication of the announcement dated 4 June 2020
“Latest Practicable Date”	3 September 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 October 2020 or such other date as may be agreed in writing between the Company and the Subscriber
“Mr. Lam”	Mr. Lam Tak Hing, Vincent, an executive Director and the controlling shareholder of the Company
“Parity Securities”	any instrument or security (including preference shares) issued, entered into or guaranteed by the Company which ranks or is expressed to rank pari passu with the PSCS
“Peaky”	Peaky Limited, a company incorporated in Hong Kong with limited liability on 29 March 2011 and is wholly owned by Mr. Lam
“Pelican Financial Limited” or “Independent Financial Adviser”	Pelican Financial Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advertising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PSCS”	the perpetual subordinated convertible securities in the principal amount of HKD20,000,000 to be issued by the Company to the Subscriber
“Relevant Cash Dividend”	any cash dividend specifically declared by the Issuer

DEFINITIONS

“Scrip Dividend”	any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Asiaray”	上海雅仕維廣告有限公司 (Shanghai Asiaray Advertising Company Limited*), a company established in the PRC with limited liability on 27 April 1999 and an indirect wholly owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HKD0.10 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Space Management Limited, a company incorporated under the laws of the British Virgin Islands, being a controlling shareholder of the Company holding 8.03% of the existing issued share capital of the Company as at the Latest Practicable Date
“Subscription”	the subscription of the PSCS by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 4 June 2020 entered into between the Company and the Subscriber in relation to the Subscription

DEFINITIONS

“Trading Day”	a day when the Stock Exchange or, as the case may be, an Alternative Stock Exchange, is open for the business of dealing in securities, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall not be counted for ascertaining any period of dealing days
“US\$”	means United States Dollars, the lawful currency of the United States of America
“Zhuhai Asiaray”	珠海雅仕維報業傳媒有限公司 (Zhuhai Asiaray Newspaper Media Company Limited*), a company established in the PRC with limited liability on 20 December 2017 and 60% of its equity interest is held by the Group
“%”	per cent

* For identification purpose only

For the purpose of illustration only, amounts denominated in RMB in this circular have been translated into HKD at the rate of RMB1 = HKD1.13. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Lam Tak Hing, Vincent (*Chairman*)

Mr. Lam Ka Po

Non-executive Directors:

Mr. Wong Chi Kin

Mr. Yang Peng

Independent non-executive Directors:

Mr. Ma Andrew Chiu Cheung

Mr. Ma Ho Fai *GBS JP*

Ms. Mak Ka Ling

Registered office:

Maples Corporate Services Limited

P.O. Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

16/F,

Kornhill Plaza – Office Tower,

1 Kornhill Road

Quarry Bay, Hong Kong

8 September 2020

To the Shareholders,

Dear Sirs,

CONNECTED TRANSACTION
ISSUE OF PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

INTRODUCTION

Reference is made to the announcement of the Company dated 4 June 2020 in relation to the Subscription by the Subscriber (being a connected person) of the PSCS in the principal amount of HKD20,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD5.1 per Conversion Share (subject to adjustments) at the face value of HKD20,000,000.

On 4 June 2020, the Company and the Subscriber entered into the Subscription Agreement in relation to the Subscription.

For the avoidance of doubt, the Distribution shall not lead to any adjustment of the Conversion Price. Assuming the exercise in full of the conversion rights attaching to the PSCS at the initial Conversion Price, a total of 3,921,568 Conversion Shares will be issued.

LETTER FROM THE BOARD

The Company had previously issued perpetual subordinated convertible securities to the Subscriber in the principal amount of HKD50,000,000 under the subscription agreement dated 7 September 2017 as amended by the supplemental agreement dated 10 November 2017 at the initial conversion price of HKD3.54 per conversion shares under general mandate in two tranches (the “**Previous PSCS**”). Upon redemption of the perpetual subordinated convertible securities in the future, the Company intends to redeem the PSCS which has a higher exercise price prior to redemption of the Previous PSCS (the “**Arrangement**”). For details of the Previous PSCS, please refer to the announcements dated 7 September 2017, 10 November 2017 and 7 May 2019, and circulars dated 30 November 2017 and 10 June 2019.

The Arrangement is based on a commercial decision. The PSCS provides financing with more favourable terms to the Company as compared to the Previous PSCS, i.e. a higher exercise price and lower rate of distribution. The Arrangement encourages the Subscriber to subscribe the PSCS, which will reflect a continuous commitment the Company has from the Controlling Shareholder without immediately diluting the Company’s Shares. In addition, the Company believes that the banks will find the financial profile of the Company has been enhanced by the issuance of the PSCS since the PSCS provides a cost efficient mean to raise funds under a competitive Rate of Distribution (as defined thereafter), allowing the Company to have a more flexible financial and cash management. Due to the abovementioned reasoning, the Company believes the Arrangement is in the interest of the Company and its Shareholders as a whole.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Subscription; (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Subscription; (iii) a letter from Pelican Financial Limited containing its advice to the Independent Board Committee and Independent Shareholders regarding the Subscription; and (iv) the notice of the EGM.

THE SUBSCRIPTION AGREEMENT

Date 4 June 2020

Parties

Issuer : the Company

Subscriber : Space Management Limited

The Subscriber is a company incorporated under the laws of the British Virgin Islands. It is an investment holding company, the sole investment of which is its interest in the Company. The sole ultimate beneficial owner of the Subscriber is Mr. Lam, who is an executive Director and one of the Controlling Shareholders of the Company.

The Subscriber, whose sole shareholder is Mr. Lam, is one of the Controlling Shareholders of the Company as disclosed in the prospectus of the Company dated 31 December 2014. The Subscriber holds 8.03% of the existing issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

Subscription

Subject to the fulfillment of the conditions set out below in the section headed "Conditions Precedent", the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the PSCS in the principal amount of HKD20,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD5.1 per Conversion Share (subject to adjustments) at the face value of HKD20,000,000. For the avoidance of doubt, the Distribution (as defined hereinafter) shall not lead to any adjustment of the Conversion Price.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber taking into account the average closing price of the Shares for the 5 trading days, 10 trading days, 30 trading days, 60 trading days and 90 trading days prior to the date of the Subscription Agreement. The Conversion Price represents:

- (i) a premium of approximately 15% over the closing price of HKD4.42 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 8% over the average of the closing prices of approximately HKD4.72 per Share for the 5 trading days of the Shares up to and including the Last Trading Day;
- (iii) a premium of approximately 6% over the average of the closing prices of approximately HKD4.81 per Share for the 10 trading days of the Shares up to and including the Last Trading Day;
- (iv) a premium of approximately 0.8% over the average of the closing prices of approximately HKD5.06 per Share for the 30 trading days of the Shares up to and including the Last Trading Day;
- (v) a discount of approximately 4.6% below the average of the closing prices of approximately HKD5.35 per Share for the 60 trading days of the Shares up to and including the Last Trading Day;
- (vi) a discount of approximately 7.6% below the average of the closing prices of approximately HKD5.52 per Share for the 90 trading days of the Shares up to and including the Last Trading Day;
- (vii) a premium of approximately 372% over the audited net asset value per Share of approximately HKD1.08, which is calculated based on the audited net asset value of the Company of approximately HKD513,280,000 as at 31 December 2019 as stated in its 2019 annual report divided by its total number of 475,675,676 issued Shares as at 31 December 2019.

Assuming the exercise in full of the conversion rights attaching to the PSCS at the initial Conversion Price, a total of 3,921,568 Conversion Shares may be issued, representing approximately 0.83% of the existing issued share capital of the Company and approximately 0.82% of the issued share capital of the Company as enlarged by the Conversion.

LETTER FROM THE BOARD

The Conversion Shares will be allotted and issued under the specific mandate to be obtained by the Directors by a resolution of the Shareholders passed at the Company's extraordinary general meeting held on 28 September 2020 pursuant to which the Directors were allowed to allot and issue up to 3,921,568 Shares upon exercise of the conversion rights attaching to the PSCS in accordance with the terms and condition of the Subscription Agreement.

Conditions Precedent

Completion is conditional upon the fulfillment of the following conditions before the Long Stop Date:

- A. the Independent Shareholders having approved the Subscription Agreement and the transaction contemplated therein in the EGM; and
- B. the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares.

If any of the above conditions precedent is not fulfilled on or before the Long Stop Date, the Subscription Agreement shall be terminated and become null and void and none of the parties shall have any claim against the other for any costs or losses (save for any antecedent breaches).

The Completion shall take place on the 7th Business Day following the date on which all the above conditions precedent (or such other date as may be agreed in writing between the Company and the Subscriber). The Subscriber shall pay the principal amount of HKD20,000,000 to the Company for the PSCS.

Warranties and Undertakings

The Company has given the following customary warranties and undertakings to the Subscriber under the Subscription Agreement:

- (a) it will observe and comply with the terms and conditions of the PSCS;
- (b) it will use its best endeavours to maintain a listing for all the issued Shares on the Stock Exchange, and to obtain and maintain a listing for all the Shares issued on the exercise of the conversion rights;
- (c) it shall ensure that all Shares delivered on conversion of the PSCS will be duly and validly issued as fully-paid; and
- (d) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares, provided always that the Company shall not be prohibited from purchasing its Shares to the extent permitted by law and regulations.

LETTER FROM THE BOARD

Termination

The Subscription Agreement shall terminate:

- A. if any of the conditions precedent has not been fulfilled by the Long Stop Date;
or
- B. by agreement between the Company and the Subscriber prior to the Completion.

PRINCIPLE TERMS OF THE PSCS

- Issue price : 100% of the principal amount of the PSCS
- Form : The PSCS will be issued in registered form
- Maturity Date : There is no maturity date
- Status and Subordination : The PSCS constitutes direct, unsecured and subordinated obligations of the Company and rank pari passu without any preference or priority among themselves.

In the event of the winding-up of the Company, the rights and claims of the holder(s) of the PSCS shall:

- (a) rank ahead of those persons whose claims are in respect of any class of share capital of the Company;
 - (b) be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Company; and
 - (c) pari passu with each other and with the claims of holders of Parity Securities
- Distribution : The PSCS confers a right to receive distribution(s) (the "**Distribution**") from and including the date of issue of the PSCS at the rate of distribution payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December each year (the "**Distribution Payment Date**"), subject to the terms of the PSCS. For the avoidance of doubt, no part of the Distribution shall be converted into Conversion Shares in lieu of payment

LETTER FROM THE BOARD

- Rate of Distribution : 4% per annum of any outstanding principal amount of PSCS (the “**Rate of Distribution**”), the Rate of Distribution is determined based on interest rate of perpetual convertible securities offered in the market. The Company consider the Rate of Distribution to be fair and reasonable to the Company
- Optional deferral of distributions : The Company may, at its sole discretion, elect to defer a Distribution pursuant to the terms of the PSCS. The deferred Distribution shall be non-interest bearing. The number of times of optional deferral of Distribution by the Company is not restricted
- Conversion Price : Initially HKD5.1 per Conversion Share, subject to adjustment as provided for in the terms of the PSCS, including but not limited to an alteration to the nominal amount of the Shares as a result of consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distributions, rights issues or issue of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares
- Adjustment to Conversion Price : The Conversion Price will be subject to adjustment as follows:

- (1) *Consolidation, Subdivision or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

LETTER FROM THE BOARD

(2) *Capitalisation of Profits or Reserves:*

- (i) If and whenever the Issuer shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including, Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue; and
- B is the aggregate nominal amount of the issued Shares immediately after such issue. Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

LETTER FROM THE BOARD

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate Current Market Price exceeds the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the aggregate nominal amount of Shares in issue immediately before such Scrip Dividend;
- B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividends and (ii) the denominator is the Current Market Price; and
- C is the aggregate nominal amount of Shares issued pursuant to such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

LETTER FROM THE BOARD

- (3) *Capital Distributions:* If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders (except to the extent the Conversion Price falls to be adjusted under (2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day immediately preceding the date on which the Capital Distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

LETTER FROM THE BOARD

- (4) *Rights Issues of Shares or Options over Shares:* If and whenever the Issuer shall issue Shares to all or substantially all Shareholders (i.e. all Shareholders except those Shareholder(s) who is in a place outside Hong Kong and whom the Directors consider it necessary or expedient not to offer the relevant rights on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than the Current Market Price per Share on the last Trading Date preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

LETTER FROM THE BOARD

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (5) *Issues at less than Current Market Price:* If and whenever the Issuer shall issue (otherwise than as mentioned in (4) above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for Shares) or shall issue or grant (otherwise than as mentioned in (4) above) wholly for cash any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day immediately preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

LETTER FROM THE BOARD

- B is the number of Shares which the aggregate consideration (including for the avoidance of doubt, in the case of the issue of options, warrants or other rights, the consideration receivable for the issue and exercise of such options, warrants or rights), if any, receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the Issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

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- (6) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph (6), if and whenever the Issuer shall issue (otherwise than as mentioned in (4) or (5)), any securities which by its terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent of the Current Market Price on the last Trading Day immediately preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

LETTER FROM THE BOARD

- Conversion Shares : 3,921,568 Conversion Shares will be allotted and issued by the Company upon full conversion of the PSCS at the initial Conversion Price
- Conversion period : Conversion of the PSCS into Conversion Shares may take place at any time after the date of issue of the PSCS, subject to the relevant terms as provided in the terms of the PSCS
- Restrictions on Conversion : No conversion right shall be exercised by the holder of the PSCS (or when it is exercised by virtue of a conversion notice having been given, the Company shall not be obliged to issue any Conversion Shares but may treat that conversion notice as invalid) if the Company will be in breach of the Listing Rules or The Codes on Takeovers and Mergers and Share Repurchases immediately following such Conversion
- Fractional Shares : Fractions of Shares will not be issued on Conversion and no cash adjustments will be made in respect thereof. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after the date of constitution of the PSCS, the Company will upon Conversion pay in cash a sum equal to such portion of the principal amount of the PSCS represented by the certificate deposited in connection with the exercise of conversion rights as corresponds to any fraction of a Share not issued as aforesaid if such sum exceeds HKD100
- Voting : The holder(s) of PSCS will not be entitled to receive notice of, attend or vote at general meetings of the Company by reason only of it being a PSCS holder
- Transferability : Subject to the terms of the PSCS, the PSCS may be transferred by delivery of the certificate issued in respect of those PSCS, with the form of transfer in the agreed form as set out in the terms of the PSCS duly completed and signed, to the registered office of the Company. No transfer of the PSCS will be valid unless and until (a) the Company has provided its written consent to the transfer (such consent shall not be unreasonably withheld); and (b) such transfer has been entered on the register of PSCS holder(s)

LETTER FROM THE BOARD

- Redemption rights : The PSCS may be redeemed at the option of the Company, at 100% or 50% of the principal amount of the PSCS each time, on any Distribution Payment Date at the face value of the outstanding principal amount of the PSCS to be redeemed plus 100% or 50% (as the case may be) of Distributions accrued to such date
- Listing : No application will be made for the listing of the PSCS on the Stock Exchange. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares

EFFECT ON THE SHAREHOLDING STRUCTURE

Assuming that there is no change in the issued share capital of the Company prior to the Conversion, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full Conversion by the Subscriber will be as follows:

	Shareholding as at the Latest Practicable Date		Shareholding upon full Conversion by the Subscriber		Shareholding upon full conversion of the Previous PSCS and the PSCS by the Subscriber	
	<i>Number of Shares</i>	<i>% (approx.)</i>	<i>Number of Shares</i>	<i>% (approx.)</i>	<i>Number of Shares</i>	<i>% (approx.)</i>
Media Cornerstone Limited ¹	254,921,500	53.59	254,921,500	53.15	254,921,500	51.63
The Subscriber ²	38,200,000	8.03	42,121,568	8.78	56,245,861	11.39
Public						
Public Shareholders	182,554,176	38.38	182,554,176	38.07	182,554,176	36.98
	<u>475,675,676</u>	<u>100.00</u>	<u>479,597,244</u>	<u>100.00</u>	<u>493,721,537</u>	<u>100.00</u>

Notes:

- Mr. Lam is the founder of the Shalom Trust (a discretionary trust established by Mr. Lam as settlor of which UBS Trustee (BVI) Limited acts as the trustee and beneficiaries of which are Mr. Lam, certain of his family members and persons who may be added from time to time) which indirectly holds the entire issued share capital of Media Cornerstone Limited, which holds 254,921,500 Shares. Mr. Lam is deemed to be interested in all the 254,921,500 Shares under the SFO.
- Mr. Lam is the sole shareholder of Space Management Limited, which holds 38,200,000 Shares and conversion rights of 14,124,293 Shares pursuant to the Previous PSCS. Mr. Lam has undertaken, he would procure the Subscriber to place down the Shares to maintain the public float of 25% in compliance with the Listing Rules.

LETTER FROM THE BOARD

Upon Completion, the Subscriber and Media Cornerstone Limited will be interested in an aggregate of 311,167,361 Shares and underlying Shares (approximately 63.02% of issued shares if the Previous PSCS and the PSCS has been fully converted by the Subscriber).

In compliance with the minimum public float requirement of 25% of the Listing Rules, the Company has set out the following arrangements:

- (a) perform monthly updates of its shareholding structure;
- (b) review shareholding structure whenever a potential event that will affect the public float occurs;
- (c) exercise redemption rights of the Company regarding the PSCS or the Previous PSCS to maintain the minimum public float requirement; and
- (d) procured Mr. Lam (the sole shareholder of the Subscriber and a Controlling Shareholder) to ensure the Subscriber will take appropriate steps to prevent the public float falling below 25%, including but not limited to placing down the shares of the Company.

USE OF PROCEEDS AND REASONS FOR THE SUBSCRIPTION

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.

The Group has solid financial position with sufficient financial resources for the operation of the Group. The net proceeds from the issue of the PSCS (after deduction of all related expenses) will be approximately HKD19,700,000, which is intended to be applied as general working capital of the Company for the upcoming projects to be commenced and additional capital reserve for potential business projects.

The Board is of the view that, since the PSCS is considered to be equity of the Company, the entering into of the Subscription Agreement could help control the corporate structure of the Company and represents an opportunity for the Company to raise immediate capital for the Company and to broaden the capital base of the Company. Besides, the issue of PSCS provides additional financial resources without an immediate dilution effect on the shareholding of the existing Shareholders. No conversion right shall be exercised by the holder of the PSCS if the Company will be in breach of the Listing Rules immediately following such Conversion. Mr. Lam has also undertakes that he will procure the Subscriber to place down the Shares to maintain the public flow of 25% in

LETTER FROM THE BOARD

compliance with the Listing Rules. Also, the issue of PSCS is a cost efficient means to raise funds as the Rate of Distribution is competitive when compared to the prevailing interest rate of bank financing while there is no instant material cash outflow pressure on the Group before the repayment of the PSCS since the PSCS has no maturity date. Furthermore, the Company may at its sole discretion elect to defer a Distribution pursuant to the terms of the PSCS, which makes the financial and cashflow management of the Group more flexible.

The Board considers it prudent to have additional capital reserves for the projects commencing this year. The Board anticipates a HKD40,000,000 in operating cost for the first 6 months of the coming KMB Project, the Company plans to reserve HKD10,000,000 from the proceeds of the PSCS as capital reserve for the KMB project and the rest of the proceeds for additional capital reserve for any business opportunity the Company may come across. The additional capital raised from the PSCS would enable the Company to capture valuable business opportunities by the provision of a broadened capital base with a competitive interest rate. The Company has been actively seeking for business opportunities, and when potential business projects presents itself to the Company, the Company will be able to consider such projects with less concerns on the immediate financial constraints, thus benefitting the Company and its shareholder as a whole.

The Directors (excluding the independent non-executive Directors who will form their view upon considering the advice of the Independent Financial Adviser) consider that the terms and conditions of the Subscription Agreement were negotiated on an arm's length basis, agreed on normal commercial terms between the Company and the Subscriber and the terms were fair and reasonable. The Subscription Agreement was entered into in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net Proceeds	Actual use of the net proceeds as at the date of the announcement
20 November 2019	Subscription of new shares under general mandate	HKD142,800,000	General working capital and for funding of projects in the PRC and Singapore	HKD77,000,000 was applied as proposed, the remaining proceeds are unutilized

For details, please refer to the Company's announcement dated 20 November 2020.

Save for the above, the Company had not conducted any fund raising exercise in the past twelve months immediately before the Latest Practicable Date.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

The Subscriber is the controlling shareholder of the Company holding 8.03% of the existing issued share capital of the Company and the sole ultimate beneficial owner of the Subscriber is Mr. Lam, who is an executive Director and the controlling shareholder of the Company. The Subscriber is therefore a connected person of the Company and the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement and Independent Shareholders' approval requirements.

Save for Mr. Lam, who has a material interest in the issue of the PSCS, has abstained from voting on the relevant board resolutions, no other Directors have a material interest in the transaction and have abstained from voting on the board resolutions.

Mr. Lam and his associates (beneficially interested in an aggregate of 293,121,500 Shares, representing approximately 61.62% of the entire issued share capital of the Company as at the Latest Practicable Date) shall abstain from voting on the proposed resolution to the subscription of the PSCS at the EGM.

An Independent Board Committee has been formed to advise the Independent Shareholders and Pelican Financial Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement.

EGM

An EGM to be held at 11:00 a.m. on Monday, 28 September, 2020 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong during which ordinary resolution will be proposed to approve Subscription and the transactions contemplated thereunder. The Subscriber and its associates are required to abstain from voting on the resolution to be proposed at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. Voting on the proposed resolution at the EGM will be taken by poll.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the recommendation of the Independent Board Committee and the letter of advice from Pelican Financial Limited, both contained in this circular regarding their respective advice on the Subscription. The Independent Shareholders are advised to read these letters before deciding how to vote on the resolution in the EGM.

The Board (excluding Mr. Lam who has material interest in the Subscription) considers that the proposed ordinary resolution in relation to the Subscription is in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



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)

8 September 2020

To the Independent Shareholders,

Dear Sirs,

CONNECTED TRANSACTION
ISSUE OF PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

We refer to the circular of the Company to the Shareholders dated 8 September 2020 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee to consider the Subscription and the transaction contemplated thereunder (including but not limited to the issue of the PSCS to the Subscriber and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the PSCS), to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the transactions contemplated thereunder, and to recommend how the Independent Shareholders should vote at the EGM. Pelican Financial Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholder in this regard.

We wish to draw your attention to the letter from the Board and letter from the Independent Financial Advisor set out on pages 9 to 27 and pages 30 to 54 of the Circular respectively, and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Subscription and the transactions contemplated thereunder and the principal factors and reasons considered by the Independent Financial Advisor, we concur with the view of the Independent Financial Advisor and consider that the terms of the Subscription and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution to be proposed at the EGM to approve the Subscription and the transactions contemplated thereunder.

Yours faithfully,

The Independent Board Committee

Mr. Ma Andrew Chiu Cheung

Mr. Ma Ho Fai *GBS JP*

Ms. Mak Ka Ling

Independent non-executive Directors



PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

8 September 2020

*To the Independent Board Committee and the Independent Shareholders of
Asiaray Media Group Limited*

Dear Sirs,

CONNECTED TRANSACTION ISSUE OF PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the issue of the PSCS, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 8 September 2020 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 4 June 2020 in relation to the Subscription Agreement. On 4 June 2020, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the PSCS in the principal amount of HKD20,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD5.1 per Conversion Share (subject to adjustments). For the avoidance of doubt, the Distribution shall not lead to any adjustment of the Conversion Price. The net proceeds from the issue of the PSCS (after deduction of related expenses) will be approximately HKD19,700,000, which is intended to be applied as general working capital of the Company for upcoming projects to be commenced and additional capital reserves for future business projects.

The Company had previously issued perpetual subordinated convertible securities to the Subscriber in the principal amount of HKD50,000,000 under the subscription agreement dated 7 September 2017 as amended by the supplemental agreement dated 10 November 2017 at the initial conversion price of HKD3.54 per conversion shares under general mandate in two tranches (the “**Previous PSCS**”). Upon redemption of the perpetual subordinated convertible securities in the future, the Company intends to

LETTER FROM INDEPENDENT FINANCIAL ADVISER

redeem the PSCS that has a higher exercise price prior to redemption of the Previous PSCS, which as stated in the Letter from the Board, is a result of commercial negotiation between the Company and the Subscriber. It is understood that by agreeing to redeem the PSCS prior to its redemption of the Previous PSCS, the Company has increased the Subscriber's willingness to subscribe for the PSCS, whose terms are more favourable to the Company than the Previous PSCS. The Company considers that in addition to its prudent financial profile, the Subscription serves as a demonstration of the commitment of the Subscriber, whose sole shareholder is also one of the Controlling Shareholders, to the Company, and that it represents a further alignment of the parties' interests. Accordingly, the Company believes that the arrangement regarding the redemption order of the PSCS and the Previous PSCS is in the interest of the Company and its Shareholders as a whole. For details of the Previous PSCS, please refer to the announcements dated 7 September 2017, 10 November 2017 and 7 May 2019, and the circulars dated 30 November 2017 and 10 June 2019.

As at the Latest Practicable Date, the Subscriber is a controlling shareholder of the Company holding approximately 8.03% of the existing issued share capital of the Company and the sole ultimate beneficial owner of the Subscriber is Mr. Lam, who is an executive Director and the controlling shareholder of the Company. The Subscriber is therefore a connected person of the Company and the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, and Independent Shareholders' approval requirements.

The Board currently comprises of two executive Directors, two non-executive Director and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, namely Mr. Ma Andrew Chiu Cheung, Mr. Ma Ho Fai *GBS JP* and Ms. Mak Ka Ling, has been established to advise the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

We are not connected with the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and we are not aware of any relationships or interests between us and the Group, the Subscriber or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to our independence. In the last two years, except for acting as the independent financial adviser to the Company in relation to the connected transaction as disclosed in the Company's circular dated 10 June 2019, there was no other engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Subscription Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business and on normal commercial terms and whether the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Subscription Agreement, the announcement of the Company dated 4 June 2020 in relation to the Subscription Agreement, the annual report of the Company for the financial year ended 31 December 2019 (the “**2019 Annual Report**”) and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of an in-depth investigation into the business and affairs or the future prospects of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Subscription Agreement and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Introduction

On 4 June 2020, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the PSCS in the principal amount of HKD20,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD5.1 per Conversion Share (subject to adjustments) at the face value of HKD20,000,000. For the avoidance of doubt, the Distribution shall not lead to any adjustment of the Conversion Price. The net proceeds from the issue of the PSCS (after deduction of related expenses) will be approximately HKD19,700,000, which is intended to be applied as general working capital of the Company for upcoming projects to be commenced and additional capital reserves for future business projects.

Assuming the exercise in full of the conversion rights attaching to the PSCS at the initial Conversion Price, a total of 3,921,568 Conversion Shares will be issued, representing approximately 0.83% of the existing issued share capital of the Company and approximately 0.82% of the issued share capital of the Company as enlarged by the Conversion.

2. Background and financial information of 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, mainly in the PRC, Hong Kong, Macau and Southeast Asia.

Set out below is a summary of the audited financial information of the Group for the two years ended 31 December 2019 as extracted from the 2019 Annual Report.

LETTER FROM INDEPENDENT FINANCIAL ADVISER
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	For the financial year ended	
	31 December	
	2019	2018
	(audited)	(audited)
	<i>HKD'000</i>	<i>HKD'000</i>
<i>Revenue by segment</i>		
Airports business	739,282	727,684
Metro and billboards business	919,309	974,917
Others	219,770	226,265
	1,878,361	1,928,866
Total revenue	1,878,361	1,928,866
Gross profit	397,804	484,120
Profit/(loss) for the year	(108,679)	126,715

According to the 2019 Annual Report, the Group recorded a revenue of approximately HKD1,878.4 million for the year ended 31 December 2019 as compared with approximately HKD1,928.9 million for the year ended 31 December 2018, representing a decrease of approximately 2.6%. Such drop in revenue was mainly attributable to the depreciation of Renminbi and the decrease in the revenue from the Group's metro and billboards business by approximately 5.7% as compared with that in the previous year, which was greatly contributed by the social unrest activities in Hong Kong in the second half of 2019, as well as a shortfall faced by the Shenzhen Metro Lines due to the negative impact brought by Sino-US trade war. As shown in the above table, the Group's metro and billboards business had contributed approximately 50% of its total revenue for the two years ended 31 December 2019, hence the drop in revenue from this segment had a major impact on the Group's financial performance.

Meanwhile, the Group recorded gross profit of approximately HKD397.8 million for the year ended 31 December 2019, representing a decrease of approximately 17.8% as compared with that of approximately HKD484.1 million in 2018, mainly due to (i) the initial cost of the new projects such as Haikou airport; and (ii) the revenue decrease in metro lines of Shenzhen and Beijing. For the same reason, for the two years ended 31 December 2019, the Group recorded a loss of approximately HKD108.7 million for the year ended 31 December 2019, compared to a profit of approximately HKD126.7 million for the year ended 31 December 2018.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The audited consolidated assets and liabilities of the Group as at 31 December 2018 and 2019 as extracted from the 2019 Annual Report are summarised as follows:

	As at 31 December 2019 (audited) HKD'000	As at 31 December 2018 (audited) HKD'000
Total assets		
– non-current assets	3,102,598	320,605
– current assets	1,310,629	1,278,851
 Total liabilities		
– non-current liabilities	2,555,244	80,580
– current liabilities	1,344,703	943,699
 Net current assets/(liabilities)	(34,074)	335,152
 Net assets	513,280	575,177
 Equity attributable to owners of the Company	<u>403,908</u>	<u>462,619</u>

As at 31 December 2019, non-current assets of the Group amounted to approximately HKD3,102.6 million, representing an increase of approximately 867.7% as compared with that in 2018, which mainly comprised of (i) right-of-use assets of approximately HKD2,763.4 million; and (ii) deferred income tax assets of approximately HKD153.6 million. As for current assets, it amounted to approximately HKD1,310.6 million as at 31 December 2019, mainly consisted of (i) trade and other receivables of approximately HKD863.8 million; and (ii) cash and cash equivalents of approximately HKD415.5 million.

As at 31 December 2019, non-current liabilities of the Group amounted to approximately HKD2,555.2 million, representing an increase of approximately 3071.1% as compared with that in 2018, which mainly comprised lease liabilities that were payable after one year of approximately HKD2,432.3 million. As for current liabilities, it amounted to approximately HKD1,344.7 million, mainly consisted of (i) lease liabilities that were payable in less than one year of approximately HKD779.2 million; and (ii) trade and other payables of approximately HKD275.9 million.

As at 31 December 2019, the Group remained its net cash position for the sixth consecutive year with its total cash and bank balances amounting to HKD445.0 million, indicating a strong financial position of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER
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3. Background of the Subscriber

The Subscriber is a company incorporated under the laws of the British Virgin Islands. It is an investment holding company, the sole investment of which is its interest in the Company. The sole ultimate beneficial owner of the Subscriber is Mr. Lam, who is an executive Director and one of the Controlling Shareholders.

The Subscriber, whose sole shareholder is Mr. Lam, holds 8.03% of the existing issued share capital of the Company as at the Latest Practicable Date.

4. Fund raising activity by the Company in the last 12 months

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net Proceeds	Actual use of the net proceeds as at the date of the announcement
20 November 2019	Subscription of new shares under general mandate	HKD142,800,000	General working capital and for funding of projects in the PRC and Singapore	HKD77,000,000 were applied as proposed, the remaining proceeds are unutilized

For details, please refer to the Company's announcement dated 20 November 2019.

Save for the above, the Company had not conducted any fund raising exercise in the past twelve months immediately before the Latest Practicable Date.

5. The Subscription Agreement

a) Principal terms of the Subscription Agreement

On 4 June 2020, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the PSCS in the principal amount of HKD20,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD5.1 per Conversion Share (subject to adjustments) at the face value of HKD20,000,000, subject to the fulfillment of the conditions as set out in the section headed "Conditions Precedent" in the Circular. For the avoidance of doubt, the Distribution shall not lead to any adjustment of the Conversion Price.

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The terms and conditions of the Subscription Agreement were arrived at after an arm's length negotiations between the Company and the Subscriber. In particular, the Conversion Price was arrived at after taking into account the average closing price of the Shares for the 5 trading days, 10 trading days, 30 trading days, 60 trading days and 90 trading days prior to the date of the Subscription Agreement. Set out below is the principal terms of the PSCS.

- Issue price** : 100% of the principal amount of the PSCS
- Form** : The PSCS will be issued in registered form
- Maturity Date** : There is no maturity date
- Distribution** : The PSCS confer the Distribution from and including the date of issue of the PSCS at the rate of distribution payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December each year (the "**Distribution Payment Date**"), subject to the terms of the PSCS. For the avoidance of doubt, no part of the Distribution shall be converted into Conversion Shares in lieu of payment
- Rate of Distribution** : 4% per annum of any outstanding principal amount of PSCS (the "**Rate of Distribution**"), which is determined based on interest rate of similar perpetual convertible securities offered in the market. The Company consider the Rate of Distribution to be fair and reasonable to the Company
- Optional deferral of distributions** : The Company may, at its sole discretion, elect to defer a Distribution pursuant to the terms of the PSCS. The deferred Distribution shall be non-interest bearing. The number of times of optional deferral of Distribution by the Company is not restricted
- Conversion Price** : Initially HKD5.1 per Conversion Share, subject to adjustment as provided for in the terms of the PSCS, including but not limited to an alteration to the nominal amount of the Shares as a result of consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distributions, rights issues or issue of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares

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- Adjustment to the Conversion Price** : The Conversion Price of the PSCS is subject to normal adjustment in certain events such as subdivision or consolidation of the Shares. An adjustment will be made to the Conversion Price of the PSCS in the event of: (a) consolidation, subdivision or reclassification of Shares; (b) capitalisation of profits or reserves; (c) Capital Distribution; (d) rights issues of Shares or options over Shares; (e) issues at less than Current Market Price; and (f) other issues at less than Current Market Price.
- Conversion Shares** : 3,921,568 Conversion Shares will be allotted and issued by the Company upon full conversion of the PSCS at the initial Conversion Price¹
- Redemption rights** : The PSCS may be redeemed at the option of the Company, at 100% or 50% of the principal amount of the PSCS each time, on any Distribution Payment Date at the face value of the outstanding principal amount of the PSCS to be redeemed plus 100% or 50% (as the case may be) of Distributions accrued to such date
- Listing** : No application will be made for the listing of the PSCS on the Stock Exchange. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares

Further details of the terms and conditions of the Subscription Agreement are set out in the Letter from the Board.

¹ The Conversion Shares will be allotted and issued under the specific mandate to be obtained by the Directors by a resolution of the Shareholders passed at the Company's extraordinary general meeting held on 28 September 2020 pursuant to which the Directors were allowed to allot and issue up to 3,921,568 Shares upon exercise of the conversion rights attaching to the PSCS in accordance with the terms and condition of the Subscription Agreement.

b) Use of proceeds and reasons for the Subscription

The net proceeds from the issue of the PSCS (after deduction of all related expenses) will be approximately HKD19,700,000, which is intended to be applied as general working capital of the Company for upcoming projects to be commenced and additional capital reserves for future business projects.

As set out in the section “Background and financial information of the Group” above, the Group’s revenue decreased slightly by approximately 2.6% for the year ended 31 December 2019 as compared with that for the year ended 31 December 2018, mainly as a result of the decrease in the revenue from the Group’s metro and billboards business by approximately 5.7%. Nevertheless, as mentioned in the 2019 Annual Report, the Group secured a number of new media resources in 2019, including Beijing Metro Line 14, Wenzhou Metro Line S1 and Hangzhou Metro Line 5, which has allowed the Group to strengthen its business presence in the key transportation hubs of the PRC. In 2019, the Group also secured an advertising concession right with LTA of Singapore for the Thomson-East Coast Line, which has commenced operation in January 2020 and become the Group’s first business foothold outside of Greater China. As stated in the 2019 Annual Report, the Group strives to leverage this geographical position as a springboard for expanding the Group’s footprint in Southeast Asia, by directing more resources to reinforce its presence in the Lion City and enhancing ties with other mass transit operators. In addition, the Board considers it prudent to have additional capital reserves for projects commencing this year. In particular, the Board anticipates an operating cost of approximately HKD40,000,000 for the first 6 months for the upcoming KMB Project, and hence the Company plans to reserve approximately HKD10,000,000 from the net proceeds of the PSCS as capital reserve for the KMB Project and the rest of the net proceeds as additional capital reserve for future business opportunities. Having considered the Group’s plan to further strengthen its business presence in Greater China and Southeast Asia, and more importantly, to reinforce its leadership in the out-of-home advertising industry in Hong Kong, we consider the net proceeds from the issue of the PSCS, which is intended to be applied as general working capital of the Company for projects commencing this year and future business projects, as supportive of the Group’s business expansion plan as it would allow the Group to capture opportunities in a timely manner when there arise.

As discussed with the management of the Company, the Directors have considered other fund-raising alternatives such as bank financing, rights issue and/or open offer and placing of new shares. The Company considered that assets pledge and other securities may be required for bank financing whilst such security is not required under the PSCS. Also, the Rate of Distribution is competitive when compared with the prevailing interest rates of bank financing options that are available the Company as discussed in the below sub-section headed “Comparison with other perpetual convertible securities” under the section headed “Analysis on the principal terms of the PSCS” of this letter, while the issue of PSCS poses no instant material cash outflow pressure on the Group as a result of the repayment of the principal amount of the PSCS since the PSCS has no maturity date. The

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Company has also considered a rights issue and/or an open offer. However, given the costly underwriting commission and the relatively long underwriting period associated with a rights issue and/or an open offer, in addition to the economic uncertainties arisen as a result of the COVID-19 pandemic, the Directors considered that the entering into of the Subscription Agreement represents an opportunity for the Company to raise immediate capital at a reasonable cost with relatively more certainty. Further, placing of new shares will result in an immediate shareholding dilution to the Shareholders whereas the issue of the PSCS will provide additional financial resources to the Company without an immediate dilution effect on the shareholding of the existing Shareholders.

In addition to the above, we also understand that the issue of the PSCS has the following benefits: (i) payments of Distributions can be deferred at the sole discretion of the Company, which makes the financial and cashflow management of the Group more flexible; (ii) there is no limit as to the number of times for the deferral of Distributions; (iii) the PSCS will be accounted for as equity in the financial statement of the Company which will strengthen the capital base of the Company, which in turn enhance the ability of the Group to obtain external financing with a lower cost in the future if it chooses to do so; and (iv) the additional capital raised from the PSCS would enable the Company to capture valuable business opportunities by the provision of a broadened capital base with less concerns on the immediate financial constraints and a competitive interest rate as further discussed in the sub-section headed “Rate of Distribution” of this letter.

In light of the above, we are of the view that the use of proceeds and the Subscription are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. Analysis on the principal terms of the PSCS

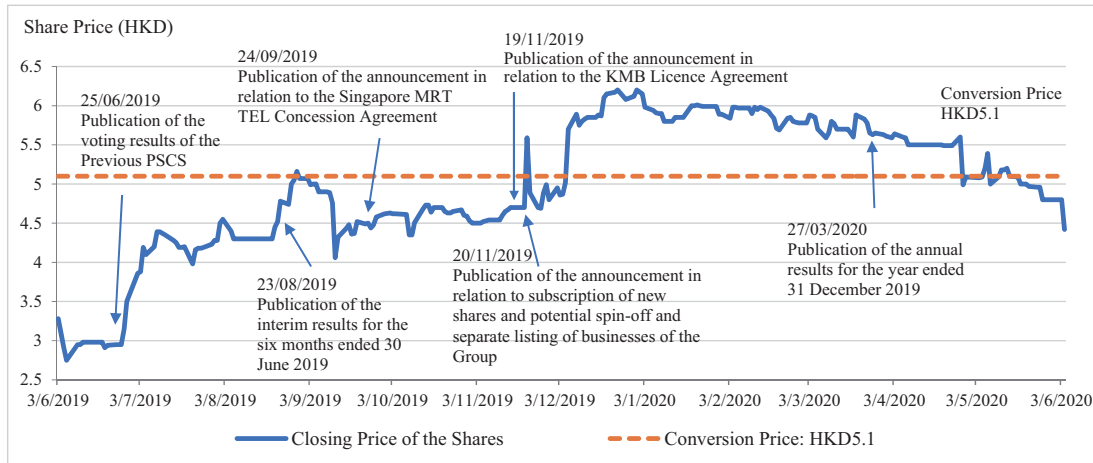
In assessing the fairness and reasonableness of the principal terms of the PSCS, we have taken into account (i) the daily closing price of the Shares as quoted on the Stock Exchange commencing on 1 June 2019 (being approximately a 12-month period prior to the date of the Subscription Agreement) up to and including the Last Trading Date (the “**Review Period**”); and (ii) the comparison of the recent issues of perpetual convertible securities by companies listed on the Main board of the Stock Exchange. We consider that a sampling period of approximately 12 months prior to the date of the Subscription Agreement is adequate as it would provide a general overview of the recent price performance of the Shares before the Last Trading Date for our analysis on the historical closing prices of the Shares and the Conversion Price.

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a) Share price movement during the Review Period

Set out below is the movement of the closing prices of the Shares during the Review Period in relation to the Conversion Price:

Chart: Historical closing prices of the Shares during the Review Period



Source: website of Stock Exchange

As illustrated in the chart above, during the Review Period, the closing prices of the Shares ranged from HKD2.75 per Share to HKD6.20 per Share, and the average closing price of the Shares was approximately HKD4.95. Therefore, the Conversion Price of HKD5.1 is within the range of the closing prices of the Shares and above the average closing price of the Shares during the Review Period, and represents a premium of approximately 15.4% over the closing price of HKD4.42 per Share as quoted on the Stock Exchange on the Last Trading Date.

We also noted that during the Review Period, the Shares prices had been on a volatile trend. After the Company published an announcement in relation to the approved voting results of the second tranche subscription of the Previous PSCS on 25 June 2019, the Share prices increased substantially from approximately HKD3.00 per Share in early July 2019 to approximately HKD4.35 per Share in mid-July 2019, which we consider as a market response to a favourable information because the Company had raised funds successfully for its business operations. However, after the Company published its interim results announcement for the six months ended 30 June 2019 on 23 August 2019, which showed that the Group recorded a loss for the period compared with a profit for the previous corresponding period, the Share prices fluctuated but later dropped to a lower point at HKD4.06 per Share on 12 September 2019. Since then, the Share prices gradually raised to approximately HKD4.70 per Share in mid-November 2019. We have reviewed announcements of the Company from mid-September 2019 to mid-November 2019 and did not notice any specific information possibly resulting in such Share price increase, save for an announcement in relation to the Singapore MRT TEL Concession Agreement dated 24 September 2019, pursuant to which a wholly-owned subsidiary of the Company

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was granted the exclusive right, licence and authority to operate and manage certain advertising resources located at a rail line in Singapore that would open between 2019 and 2024 and collect, receive and retain advertising revenue arising from the operation. The Company further announced on 19 November 2019 about its entering into of the KMB License Agreement, which would grant the Group the exclusive right, licence and authority to, among others, market, install, display and maintain advertisements on or at spaces for advertising in exterior and interior areas of the buses. The Company also announced on 20 November 2019 about the subscription of new shares and potential spin-off and separate listing of certain businesses of the Group.² We consider these two favourable news announced on 19 and 20 November 2019 as the possible causes for the Share price spike from HK\$4.7 on 20 November 2019 to HK\$5.59 on 21 November 2019, as well as the relatively high Share prices thereafter between December 2019 and April 2020, given that (i) The Kowloon Motor Bus Company (1933) Limited (“**KMB**”) is one of the biggest public transport service providers in Hong Kong and collaboration with such would allow the Group to grasp the market opportunities in the public transport advertising market; and (ii) a potential spin-off and separate listing of the Groups’ businesses would allow the Company and the spun-off companies to focus their resources on their core businesses and allow them to potentially create a greater return for their shareholders. Nonetheless, despite these two news had affected the Share prices positively and led to a Share price level higher than the Conversion Price between December 2019 and April 2020, such effect had become less relevant to the prevailing Share prices as it had later diminished as the Share prices gradually decreased starting from January 2020 toward the end of the Review Period, mainly due to (i) an overall bearish market atmosphere since March 2020 caused by the outbreak of the COVID-19 pandemic; and (ii) the publication of the annual results for the year ended 31 December 2019 of the Company on 27 March 2020, which showed that the Group recorded a loss for the year compared with a profit for the previous year.

While we noted that the Conversion Price had been lower than the closing prices of the Shares between December 2019 and April 2020, we consider that when determining the fairness and reasonableness of the Conversion Price, a comparison of the Conversion Price with the prevailing Share prices, particularly those during the period immediately before the entering of the Subscription Agreement, would provide a more relevant and meaningful analysis compared to a comparison of the Conversion Price with the historical Share prices over the past six to twelve months, given that the prevailing Share prices can more directly reflect the value of Shares under the prevailing market conditions as (i) the Share price performance had appeared to be relatively volatile during the Review Period; and (ii) the negative impact of the COVID-19 pandemic on the overall market as well as the Share prices has only kicked in since March 2020. Accordingly, we are of the view that the Conversion Price is fair and reasonable as it reflects the current market price of the Shares.

² We noted from our discussion with the Company that, as at the Latest Practicable Date, neither spin-off proposal nor listing application has been submitted to the Stock Exchange or other recognised stock exchange or other relevant regulatory authorities.

b) Comparison with other perpetual convertible securities

To further evaluate the fairness and reasonableness of the terms of the PSCS, we have made a comparison of perpetual convertible securities (transactions with put options granted to the investors/subscribers are excluded as the PSCS could only be redeemed at the option of the Company) issued by other companies listed on the Main Board of the Stock Exchange for fund raising purposes. We noted that while there are quite a number of convertible bonds/notes issued by companies listed on the Stock Exchange, they are not perpetual in nature and may not provide an insight to the major terms, in particular, the absence of maturity and fixed redemption date, of perpetual convertible securities. We are also aware that a large majority of perpetual convertible securities were issued by banks such as HSBC Holdings plc. (“**HSBC**”) and Standard Chartered plc. (“**SC**”), and we consider the facts and circumstances surrounding these issues as very different from those of the Company. By contrast with the PSCS which confers a right to the holders to convert any of their PSCS into Conversion Shares at any time after the issue date of the PSCS, holders of perpetual convertible securities issued by HSBC and SC do not have the right to convert their perpetual convertible securities in their own discretion, as these perpetual convertible securities issued by banks would be converted automatically upon the occurrence of a conversion trigger event, where the ratio of the bank’s core equity capital to its total risk-weighted assets is less than 7%. In addition, we noted that these perpetual convertible securities were usually issued by these banks at a significant discount to their respective last closing price of the shares on the Stock Exchange (at an average of above 30%) and had a relatively high interest rate of above 5%. Hence, we consider a comparison between these perpetual convertible securities issued by banks and the PSCS as not meaningful for analysing the fairness and reasonableness of the terms of the PSCS, although the inclusion of such would make the terms of the PSCS appear more favourable in comparison.³ As such, we have excluded them from our list of comparable issues and have only identified two comparable issues of perpetual convertible securities from 1 January 2017 up to and including the Last Trading Date (refer to collectively as the “**Comparable(s)**”).

³ HSBC did not issue any perpetual convertible securities in 2019. Below are the perpetual convertible securities issued by HSBC in 2017 and 2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0516/ltn20170516159.pdf>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0606/ltn20170606836.pdf>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0630/ltn20170630672.pdf>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0320/ltn20180320043.pdf>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0920/ltn20180920817.pdf>; and
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0921/ltn20180921065.pdf>

Below are the perpetual convertible securities issued by Standard Chartered plc. from 2017 to the Last Trading Day:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0112/ltn20170112683.pdf>; and
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0628/ltn201906281201.pdf>

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We confirm the list of Comparables is an exhaustive list. We also consider that the review period for these perpetual convertible securities is appropriate for capturing the relevant Comparables and their features which provide a general reference to market practices under the prevailing market conditions and sentiments. However, given the differences between the Comparables and the Group in terms of business nature, financial performance, market capitalisation, financial position as well as the reasons for the issue of the Comparables and their respective funding requirements, we consider that the Comparables might not constitute close and representative reference to the issue of the PSCS, but a fair market reference on general character and terms of the PSCS. In addition, given that there are only two Comparables for our analysis, we are of the view that such comparable analysis should only serve as an addition reference but not a principal factor in determining the fairness and reasonableness of the terms of the PSCS.

Table: Principal terms of the Comparables

Issuer (stock code)	Date of announcement	Initial conversion price	Premium over the closing price on the Last Trading Date/ date of agreement (%)	Premium over the average closing price for the last 5 trading days up to and including the last trading day/date of agreement (%)	Premium over the latest audited net asset value per share (%)	Initial annual distribution rate (%)	Distribution terms/ listing status	Perpetual convertible securities secured by assets	Redemption terms	Conversion terms
C&D International Investment Group Limited (1908) ("C&D")	2018/9/7	HKD8.50	28.98	28.21	73.12	4.25	Annually, deferrable/ conversion shares to be listed on the Stock Exchange	No	Optional redemption: Redemption in whole at the option of the issuer on the date falling the end of the third years from the issue date, or on any distribution payment date after three years from the issue date at the optional redemption price together with all outstanding distributions for redemption. Mandatory redemption: Upon the occurrence of an event of default, a holder can serve a notice on the issuer requiring the issuer to redeem the outstanding perpetual convertible securities held by such holder together with all outstanding distributions for redemption.	Perpetual convertible securities will be convertible by holders into shares, at any time within five years from the issue date. After five years from the issue date, a holder is deemed to have forfeited the conversion right thereunder. A holder may only convert such number of perpetual convertible securities as would not cause the issuer to not comply with the minimum public float requirement under the Listing Rules following the conversion.

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Issuer (stock code)	Date of announcement	Initial conversion price	Premium over the closing price on the Last Trading Date/ date of agreement (%)	Premium over the average closing price for the last 5 trading days up to and including the last trading day/date of agreement (%)	Premium over the latest audited net asset value per share (%)	Initial annual distribution rate (%)	Distribution terms/ listing status	Perpetual convertible securities secured by assets	Redemption terms	Conversion terms
Semiconductor Manufacturing International Corporation (981) ("Semiconductor")	2017/11/29	HKD 12.78	14.11	8.49	28.18	2	Annually/ conversion shares to be listed on the Singapore Exchange (Note 1)	No	Redemption for taxation reasons: Redemption at its option, at any time, on giving not less than 15 nor more than 30 days' notice to the holders, the trustee and the principal agent on the tax redemption date at a redemption price equal to the principal amount, subject to the relevant change or amendment to the taxation laws or regulations.	Perpetual convertible securities will be convertible by holders into shares, at any time on and after the date falling 40 days after the issue date and up to the close of business.
		Average	21.54	18.35	50.65	3.13				
		Maximum	28.98	28.21	73.12	4.25				
		Minimum	14.11	8.49	28.18	2.00				

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Issuer (stock code)	Date of announcement	Initial conversion price	Last Trading Date/ date of agreement (%)	Premium over the closing price on the Last Trading Date/ day/date of agreement (%)	Premium over the average closing price for the last 5 trading days up to and including the last trading day/date of agreement (%)	Premium over the latest audited net asset value per share (%)	Initial annual distribution rate (%)	Distribution terms/ listing status	Perpetual convertible securities secured by assets	Redemption terms	Conversion terms
The Company	2020/6/4	HKD5.1	15.4	8.1	372.2	4.00	Quarterly, deferrable/ Conversion Shares to be listed on the Stock Exchange	No	Redemption at the option of the Company, at 100% or 50% of the principal amount of the PSCS each time, on any Distribution Payment Date at the face value of the outstanding principal amount of the PSCS to be redeemed plus 100% or 50% (as the case may be) of Distributions accrued to such date	Redemption at the option of the Company, at 100% or 50% of the principal amount of the PSCS each time, on any Distribution Payment Date at the face value of the outstanding principal amount of the PSCS to be redeemed plus 100% or 50% (as the case may be) of Distributions accrued to such date	Holders shall have the right to convert any of their PSCS into Conversion Shares at any time after the issue date of the PSCS, subject to the relevant terms of the Subscription Agreement

Source: website of Stock Exchange

Notes:

1. *Since the relevant announcement of Semiconductor does not specify a payment period of the interest distribution, it is assumed that the interest payments are distributed on an annual basis.*
2. *According to the announcement of Wai Chun Group Holdings Limited (1013) dated 8 May 2020, its subscription agreement with the subscriber in relation to its proposed issue of perpetual convertible securities was cancelled in light of the changes in the market environment due to the COVID-19 outbreak. Therefore, we have excluded such transaction from our Comparables.*

(i) Conversion Price

As shown in the table above, the premium represented by the conversion prices of the Comparables over their respective closing price on the last trading date/date of agreement ranged from approximately 14.11% to approximately 28.98%, at an average of approximately 21.54%. Therefore, the premium of approximately 15.4% represented by the Conversion Price over the closing price of the Shares on the Last Trading Date is within the range of the premium represented by the conversion prices of the Comparables over their respective closing price on the last trading date/date of agreement. On the other hand, the premium represented by the conversion prices of the Comparables over their respective average closing price for the last 5 trading days up to and including the last trading day/date of agreement, ranged from approximately 8.49% to approximately 28.21%, at an average of approximately 18.35%. Accordingly, the premium of approximately 8.1%

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represented by the Conversion Price over the average closing price per Share for the 5 trading days of the Shares up to and including the Last Trading Date, is out of the range of the premium represented by the conversion prices of the Comparables.

On the other hand, the premium represented by the conversion prices of the Comparables over their respective latest audited net asset value per share ranged from approximately 28.18% to approximately 73.12%, at an average of approximately 50.65%. As such, the premium of approximately 372.2% represented by the Conversion Price over the latest audited net asset value per Share, is above the maximum premium represented by the conversion prices of the Comparables.

In addition, as mentioned in the previous sub-section headed "Share price movement during the Review Period", the Conversion Price is within the range of the closing prices of the Shares and above the average closing prices of the Shares during the Review Period, and that while the Conversion Price had been lower than the closing prices of the Shares between December 2019 and April 2020, we consider that the Conversion Price is fair and reasonable as it reflects the current market price of the Shares. Taking into these factors into account, we are therefore of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

As stated in the Letter from the Board, the Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber taking into account the average closing price of the Shares for the 5 trading days, 10 trading days, 30 trading days, 60 trading days and 90 trading days prior to the date of the Subscription Agreement. The Conversion Price represents:

- (i) a premium of approximately 15.4% over the closing price of HKD4.42 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 8.1% over the average of the closing prices of approximately HKD4.72 per Share for the 5 trading days of the Shares up to and including the Last Trading Date;
- (iii) a premium of approximately 6.0% over the average of the closing prices of approximately HKD4.81 per Share for the 10 trading days of the Shares up to and including the Last Trading Date;
- (iv) a premium of approximately 0.8% over the average of the closing prices of approximately HKD5.06 per Share for the 30 trading days of the Shares up to and including the Last Trading Date;
- (v) a discount of approximately 4.5% to the average of the closing prices of approximately HKD5.34 per Share for the 60 trading days of the Shares up to and including the Last Trading Date;

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- (vi) a discount of approximately 7.6% to the average of the closing prices of approximately HKD5.52 per Share for the 90 trading days of the Shares up to and including the Last Trading Date; and
- (vii) a premium of approximately 372.2% over the audited net asset value per Share of approximately HKD1.08, which is calculated based on the audited net asset value of the Company of approximately HKD513,280,000 as at 31 December 2019 as stated in the 2019 Annual Report divided by its total number of 475,675,676 issued Shares as at 31 December 2019.

As noted above, the Conversion Price represents a premium over the closing price of the Shares on the Last Trading Date, as well as to the average closing prices of the Shares for the 5, 10 and 30 trading days up to and including the Last Trading Date. In addition, the Conversion Price represents a substantial premium over the audited net asset value per Share as at 31 December 2019.

(ii) Rate of Distribution

The PSCS confer a right to its holder to receive the Distribution from and including the date of issue of the PSCS at a rate of 4% per annum, subject to the optional deferral of Distributions. As shown in the above table, the rates of distribution of the Comparables ranged from 2% to 4.25%, with an average rate of distribution of approximately 3.13%. The Rate of Distribution is therefore within the range of those of the Comparables.

On the other hand, one may notice that the annual distribution rate of Semiconductor's perpetual convertible securities is only 2%, which is half of the Rate of Distribution of 4%. In this regard, one should note that while the Subscription Agreement (as well as the subscription agreement of C&D) confers a right on the Company to, at its sole discretion, elect to defer a Distribution, no such deferral arrangement is mentioned in the announcement regarding the proposed issue of perpetual convertible securities by Semiconductor dated 29 November 2017. We are therefore of the view that Semiconductor does not enjoy such distribution deferral right and hence the distribution terms of the PSCS are more favourable to the Company in that sense. In addition, as discussed in the following sub-section, as the PSCS may be redeemed at the option of the Company on any Distribution Payment Date (i.e. quarterly) together with any outstanding Distributions, the Company could stop its Distribution and avoid the Subscriber's future conversion of the PSCS if it sees fit. Accordingly, we consider that while the distribution rate payable by Semiconductor is half of the Rate of Distribution, one should consider other terms, in particular their respective redemption terms, when assessing the fairness and reasonable of the PSCS.

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Further, we noted from the 2019 Annual Report that, the weighted average effective interest rates of the Group for non-current and current borrowings as at 31 December 2019 ranged between approximately 4.17% per annum and approximately 4.46% per annum respectively. Therefore, the Rate of Distribution of 4% per annum is in line with and more favorable than the interest rates currently incurred by the Group. We consider the weighted average effective interest rates of the Group serves as an additional reference for determining the fairness and reasonableness of the Rate of Distribution, given that both the weighted average effective interest rates of the Group and the Rate of Distribution are the costs of injecting capital into the Company, despite the formers are interest rates for debt financing while the latter is an interest rate for equity financing. In fact, we understand from our discussion with the Company and our review of the 2019 Annual Report that, the Group had bank borrowings as at 31 December 2019 in the sum of approximately HKD272.6 million, of which approximately HKD152.2 million was repayable within one year, while approximately HKD120.4 million was repayable after one year, and hence the Company prefers to preserve its current general working capital for the repayment of its bank borrowings and other debts. We also understand that the Company considers the interest rates for new bank borrowings would likely increase given the current market environment as impacted by the COVID-19 pandemic as well as its worsen financial performance as indicated by its loss for the year as disclosed in the 2019 Annual Report. Given the above considerations, the Company prefers to fundraise through the PSCS instead of further debt financing, especially after having taken into consideration the following additional benefits of the PSCS as the PSCS (i) does not have a maturity date; (ii) allows the Company to defer the Distributions at its sole discretion without restrictions; and (iii) does not require any collaterals.

In light that the Rate of Distribution of 4% (i) is within the range of those of the Comparables; and (ii) is in line with and more favorable than the interest rates currently incurred by the Group, we consider the Rate of Distribution is fair and reasonable so far as the Independent Shareholders are concerned.

(iii) Conversion and Redemption

The PSCS can be freely converted into Conversion Shares at any time after issue of the PSCS at the sole discretion of their holders. Therefore, it gives the holder an option and the flexibility to convert the PSCS into Conversion Shares based on the market situation and the holder's own preference. With reference to the terms of the Comparables above, we noted that all two Comparables were freely convertible by the holders. As such, the free conversion feature of the PSCS is in line with the market practice.

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Meanwhile, since the Company has the option, but not obligation, to redeem in whole or in part of the principal amount of the PSCS, there is no instant material cash outflow impact on the Group as a result of the repayment of the principal amount of the PSCS. Accordingly, we are of the view that such redemption rights are in the interests of the Company. Further, we note that the Comparables also shared the similar redemption rights.

While we noted that the conversion terms for C&D's perpetual convertible securities were subject to a specific timeframe unlike the PSCS's perpetual feature, we are of the view that such difference does not make the conversion terms for the PSCS less fair and reasonable, as one should also consider their respective redemption term, when the PSCS may be redeemed at the option of the Company on any Distribution Payment Date (i.e. quarterly) together with any outstanding Distributions, whereas the perpetual convertible securities issued by C&D can only be redeemed at its option of C&D on the date falling the end of the third year from the issue date of the perpetual convertible securities, or on any distribution payment date (i.e. presumably annually) after three years from the issue date of the perpetual convertible securities, together with all outstanding distributions for redemption. Hence, unlike the Company, C&D faces a lock-up redemption period of three-year and its right to redeem the perpetual convertible securities is relatively restricted. In this regard, we noted from our discussion with the Company that, the PSCS's perpetual conversion timeframe was determined together with its unrestricted redemption term, because the Company considers that such redemption term of the PSCS would enable it to protect its and the Shareholders' interest by allowing it to redeem the PSCS at its discretion, for example at times when it considers the future conversion of the PSCS by the Subscriber would be unfavourable to the Company and the Shareholders as a whole, although the Company considers such scenario as unlikely as the sole ultimate beneficial owner of the Subscriber is Mr. Lam, who is an executive Director and one of the Controlling Shareholders of the Company, and therefore the interest of the Company and Mr. Lam aligns. Nonetheless, we are given to understand that, the perpetual conversion term and the unrestricted redemption term of the PSCS were arrived at based on the commercial negotiation between the Company and the Subscriber, with a view to maximizing the value for each party while protecting their interest, which we consider as commercially reasonable.

As mentioned in the previous sub-section, we consider that the overall fairness and reasonable of the PSCS should be determined together with other terms. Regarding the PSCS's perpetual conversion timeframe, we are of the view that while it may pose uncertainties to the Company's interest as the Subscribers can convert the PSCS at anytime after their issue, one should take into consideration that (i) the Company has the right to redeem the PSCS quarterly at its discretion if it sees doing so as beneficial to its and the Shareholders' interest; and (ii) the sole ultimate beneficial owner of the Subscriber, Mr. Lam, is an executive Director and one of the Controlling Shareholders of the Company, and therefore the interest of the Company and

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Mr. Lam aligns and Mr. Lam would unlikely pursue actions which would negatively affect the Company's interest. Given these considerations and the fact that it is not uncommon to have a perpetual conversion timeframe as indicated by the conversion term of Semiconductor's perpetual convertible securities, we are of the view that the PSCS's perpetual conversion term is fair and reasonable.

(iv) Adjustment to Conversion Price

In addition to the above principal terms, we have compared the adjustment mechanisms which would be applied to the conversion prices of the Comparables and the PSCS in certain events pursuant to the respective subscription agreement. Upon our review, we noted that most of the Comparables' adjustment mechanisms are similar to those of the PSCS, in that adjustments would be made to their respective conversion price in the event of consolidation, subdivision or reclassification, capitalisation of profits or reserves, capital distributions, rights issues or options over shares, issue of securities at less than the current market price (as defined in the respective subscription agreement), etc. We are of the view that these adjustment mechanisms are customary anti-dilution measures and hence are fair and reasonable so far as the independent Shareholders are concerned and are on normal commercial terms.

(v) Other principal terms of the Subscription Agreement

We have also reviewed other principal terms (i.e. payment terms, conditions precedent, completion, etc.) of the Subscription Agreement and compared them to those of the Comparables and noted that similar principal terms were also adopted by the Comparables. Accordingly, we are of the view that other principal terms of the Subscription Agreement are in line with the market practice and we consider that they are fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

(vi) Section conclusion

Having considered that (i) the Conversion Price is priced within the range of the closing prices of the Shares during the Review Period; (ii) the Conversion Price is at a premium over the closing price of the Shares on the Last Trading Date as well as over the average closing prices of the Shares for the 5, 10 and 30 trading days up to and including the Last Trading Date; (iii) the premium of approximately 15.4% represented by the Conversion Price over the closing price of the Shares on the Last Trading Date is within the range of the premiums represented by the conversion prices of the Comparables over their respective closing price on the last trading date/date of agreement, and above the average premium thereof; (iv) the Rate of Distribution is within the range of those offered by the Comparables; (v) the Rate of Distribution is below the interest rate currently incurred by the Group;

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(vi) the free conversion feature of the PSCS is in line with market practice; (vii) the Company has the right to redeem the PSCS quarterly at its discretion if it sees fit; (viii) the adjustment mechanisms of the PSCS are in line with the general market practices; (ix) other principal terms (i.e. payment terms, conditions precedent, completion, etc.) of the Subscription Agreement are similar to those principal terms adopted by the Comparables; and (x) there is no instant material cash outflow impact on the Group as a result of the repayment of the principal amount of the PSCS as the PSCS has no maturity date, we are of the view that the terms of the PSCS are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

4. Potential dilution effect on the interests of public Shareholders

As at the Latest Practicable Date, the issued share capital of the Company is 475,675,676 Shares, of which the Subscriber is interested in 38,200,000 Shares (approximately 8.03% of the issued share capital of the Company)⁴ and Media Cornerstone Limited is interested in 254,921,500 Shares (approximately 53.59% of the issued share capital of the Company) whilst the remaining are held by the public Shareholders (approximately 38.38% of the issued share capital of the Company)⁵. Upon completion of the Subscription and assuming the full Conversion by the Subscriber to the extent allowed, 3,921,568 Conversion Shares will be allotted and issued. Under such a scenario, the total issued share capital of the Company will be 479,597,244 Shares and the Subscriber and the public Shareholders will hold approximately 8.78% and 38.07% of the issued share capital of the Company as enlarged by the Conversion respectively; meanwhile, Mr. Lam will be deemed to be interested in 61.94% of the issued share capital of the Company as enlarged by the Conversion under the SFO.

As the shareholding of the public Shareholders would decrease from approximately 38.38% to approximately 38.07% upon the full Conversion of the PSCS, the dilution effect of the issue of the PSCS is approximately 0.31 percentage points, which we consider as minimal. In addition, we noted that Mr. Lam has undertaken that upon the Conversion, he would procure the Subscriber to take appropriate steps, including but not limited to placing down the Shares to maintain the public float of 25% upon conversion of the PSCS into Conversion Shares in compliance with the Listing Rules.

⁴ Mr. Lam is the sole shareholder of Space Management Limited, which holds 38,200,000 Shares and conversion rights of 14,124,293 Shares pursuant to the Previous PSCS. Mr. Lam has undertaken that upon the Conversion, he would procure the Subscriber to place down the Shares to maintain the public float of 25% in compliance with the Listing Rules.

⁵ Mr. Lam is the founder of the Shalom Trust (a discretionary trust established by Mr. Lam as settlor of which UBS Trustee (BVI) Limited acts as the trustee and beneficiaries of which are Mr. Lam, certain of his family members and persons who may be added from time to time) which indirectly holds the entire issued share capital of Media Cornerstone Limited, which holds 254,921,500 Shares. Mr. Lam is deemed to be interested in all the 254,921,500 Shares under the SFO.

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Upon Completion, the Subscriber and Media Cornerstone Limited will be interested in an aggregate of 311,167,361 Shares (approximately 63.02% of issued Shares of the Company) which include the underlying Shares of the Previous PSCS. In compliance with the minimum public float requirement of 25% of the Listing Rules, the Company has set out the following arrangements:

- (a) perform monthly updates of its shareholding structure;
- (b) review shareholding structure whenever a potential event that will affect the public float occurs;
- (c) exercise redemption rights of the Company regarding the PSCS or the Previous PSCS to maintain the minimum public float requirement; and
- (d) procure Mr. Lam (the sole shareholder of the Subscriber and one of the Controlling Shareholders) to ensure the Subscriber will take appropriate steps to prevent the public float from falling below 25%, including but not limited to placing down the Shares of the Company.

As such, although any kind of dilution of shareholdings is not favourable to Independent Shareholders, taking into consideration the Company's arrangements to ensure its compliance with the minimum public float requirement, and the fact that the Company and the Shareholders will be benefited from the Subscription as a whole having considered (i) the intended use of proceeds as discussed above; (ii) the financing alternatives considered by the Directors; (iii) the benefits in issuing the PSCS (i.e., no maturity date, right to defer Distributions and the fact that the PSCS will be accounted for as equity in the financial statements of the Company); and (iv) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned as discussed above. In view of the above, we consider that the dilution effect is acceptable.

RECOMMENDATIONS

Having considered the principal factors discussed above and in particular the following:

- (i) the benefits in issuing the PSCS (i.e., no maturity date, right to defer Distributions and the fact that the PSCS will be accounted for as equity in the financial statements of the Company which will strengthen the capital base of the Company);
- (ii) the financing alternatives considered by the Directors;
- (iii) the terms of the Subscription Agreement (including the PSCS) were determined after arm's length negotiations;

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- (iv) the Conversion Price is priced within the range of the closing prices of the Shares and is above the average closing price of the Shares during the Review Period;
- (v) the Conversion Price represents premiums over the closing price of the Shares on the Last Trading Date and the average closing prices of the Shares for the 5, 10 and 30 trading days up to and including the Last Trading Date;
- (vi) the Rate of Distribution, as well as the conversion and redemption features of the PSCS, are in line with the market practice; and
- (vii) the dilution effect from the full Conversion of the PSCS is minimal,

we consider that while the Subscription Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

- (a) As at the Latest Practicable Date, the following directors of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange:

Long positions of the Directors' interests in the Shares and underlying Shares of the Company:

Name of Directors	Capacity/ Nature of interest	Number of Shares	Equity derivative (share options)	Total number of Shares and underlying Shares	Approximate percentage of issued share capital of the Company
Lam Tak Hing, Vincent	Founder of a discretionary trust and interest in a controlled corporation	307,245,793	Nil	307,245,793	64.59%

Notes:

Mr. Lam is the sole shareholder of Space Management Limited, which holds 38,200,000 Shares and conversion rights of 14,124,293 Shares pursuant to the Previous PSCS. In addition, Mr. Lam is the founder of the Shalom Trust (a discretionary trust established by Mr. Lam as settlor, of which UBS Trustee (BVI) Limited acts as the trustee and beneficiaries, of which Mr. Lam, certain of his family members and other persons who may be added from time to time) which indirectly holds the entire issued share capital of Media Cornerstone which holds 254,921,500 Shares. By virtue of the SFO, he is deemed to be interested in the Shares in which Space Management and Media Cornerstone are interested.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. ARRANGEMENTS AFFECTING DIRECTORS AND DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

Save for (i) the tenancy agreements between HK Asiaray, an indirect wholly-owned subsidiary of the Company, as tenant, and Asiaray China, as landlord, to lease the office in Shanghai for RMB114,000 (equivalent to approximately HKD128,820) per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive); and HK Asiaray, as tenant, and Billion China, as landlord, to lease the office in Beijing for RMB310,000 (equivalent to approximately HKD 350,300) per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive) as disclosed in the announcement of the Company dated 2 July 2020; and (ii) the tenancy agreements between Genesis Printing, an indirect wholly-owned subsidiary of the Company, as tenant, and Peaky, as landlord, to lease the warehouse and car parking space in Hong Kong for HKD38,000 per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive); and Asiaray Media, an indirect wholly-owned subsidiary of the Company, as tenant, and Peaky, as landlord, to lease the warehouse in Hong Kong for HKD10,000 per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive), as disclosed in the announcement of the Company dated 2 July 2020; and (iii) the tenancy agreement between Zhuhai Asiaray, a company with 60% of its equity interest held by the Group, as tenant, and Mr. Lam, as landlord, to lease an office in PRC for RMB39,000 per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive), as disclosed in the announcement of the Company dated 2 July 2020, all of which Mr. Lam was interested in.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

As the Latest Practicable Date, there is no contract or arrangement in which a Director is materially interested and which is significant in relation to the business of the Group.

4. QUALIFICATIONS AND CONSENT OF EXPERT

The following are the qualifications of the expert who has given its opinions and advice which are included in this circular:

Name	Qualification
Pelican Financial Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advertising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Pelican Financial Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter or reports and the references to its name in the form and context in which they respectively appear.

Pelican Financial Limited did not have any interests in any Shares or shares in any member of the Group, or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, Pelican Financial Limited did not have any direct or indirect interests in any assets which have since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to or by any member of the Group, or was proposed to be acquired or disposed of by or leased to or by any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest audited financial statements of the Group were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, which is not determinable by the relevant employing member of the Group within one year without payment of compensation (other than statutory compensation).

7. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group either directly or indirectly.

8. GENERAL

- (a) The registered office of the Company is Maples Corporate Services Limited, P.O. Box 309 Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (c) The secretary of the Company is Mr. Ip Pui Sum (“**Mr. Ip**”). Mr. Ip obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic University and a Master Degree of Business Administration from Henley Management College and Brunel University. Mr. Ip is a Certified Public Accountant (practising) in Hong Kong, a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Management Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company in Hong Kong at 16th Floor, Kornhill Plaza – Office Tower, 1 Kornhill Road, Quarry Bay, Hong Kong, Asiaray Media Group Limited, up to and including the date of the EGM:

- (a) the Subscription Agreement; and
- (b) this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Asiaray Media Group Limited (the “Company”) will be held at 11:00 a.m. on Monday, 28 September 2020 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution, which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the subscription agreement dated 4 June 2020 entered into between the Company and Space Management Limited (the “Subscriber”) (the “Subscription Agreement”) in relation to the issue of the perpetual subordinated convertible securities in the principal amount of HKD20,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD5.1 per Conversion Share (subject to adjustments) at the face value of HKD20,000,000 (a copy of the subscription agreement dated 4 June 2020 has been produced to the meeting and marked “A”, and initialed by the Chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company be and is hereby granted a specific mandate to allot and issue new shares of HK\$0.10 each in the share capital of the Company (the “Conversion Shares”) upon exercise of the conversion rights attaching to the PSCS and the issuance of the Conversion Shares in accordance with the terms and conditions of the Subscription Agreement; and
- (c) any one director of the Company be and is hereby authorized to execute on behalf of the Company all such documents (to affix the common seal thereon, if necessary), take such actions and do such things he deems necessary, desirable or expedient for the implementation of, giving effect to or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 8 September 2020

NOTICE OF EGM

Notes:

- (1) Any member of the Company entitled to attend and vote at the above meeting convened by this notice is entitled to appoint one or, if he/she is the holder of two or more shares of the Company, more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a shareholder of the Company.
- (2) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time for holding the above meeting or any adjournment thereof.
- (3) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) In the case of joint holders of a share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto to if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (5) For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from 23 September 2020 to 28 September 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 September 2020.