THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Asiaray Media Group
雅仕維傳媒集團

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)

CONNECTED TRANSACTION
ISSUE OF PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

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

PELICAN FINANCIAL
百利勤金融

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 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 61 of this circular.

A notice convening the EGM to be convened at 11:00 a.m. on Tuesday, 19 October 2021 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.

27 September 2021

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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.

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

"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
"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 (Stock Code: 1993)
"Completion"	completion of the subscription for and issue of the PSCS in the principal amount of HKD75,000,000 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 HKD2.43 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
"EGM"	the extraordinary general meeting of the Company to be convened to approve the Subscription Agreement and the transactions contemplated thereunder
"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 Advertising"	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
"Last Trading Date"	16 July 2021, being the last full trading day in the Shares immediately before the publication of the announcement dated 16 July 2021
"Latest Practicable Date"	23 September 2021, 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"	31 December 2021 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 one of the controlling shareholders 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 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 announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Previous PSCS"	the perpetual subordinated convertible securities previously issued to Space Management Limited in the principle amount of HKD70,000,000 in total convertible into 18,045,861 Shares under the subscription agreement dated 7 September 2017 as amended by the supplemental agreement dated 10 November 2017 and the subscription agreement signed on 4 June 2020; and to Mr. Lam in the principle amount of approximately HKD122,700,000 in total convertible into 31,465,385 Shares as consideration pursuant to the acquisition agreement signed on 22 January 2021
"PSCS"	the perpetual subordinated convertible securities in the principal amount of HKD75,000,000 to be issued by the Company to the Subscriber
"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 one of the controlling shareholders of the Company holding approximately 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 16 July 2021 entered into between the Company and the Subscriber in relation to the Subscription
"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*

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

27 September 2021

To the Shareholders,

Dear Sirs,

CONNECTED TRANSACTION ISSUE OF PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

INTRODUCTION

Reference is made to the announcements of the Company dated 16 July 2021 in relation to the Subscription by the Subscriber (being a connected person) of the PSCS in the principal amount of HKD75,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD2.43 per Conversion Share (subject to adjustments) at the face value of HKD75,000,000.

On 16 July 2021, 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 30,864,197 Conversion Shares will be issued.

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 the Independent Financial Adviser 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

16 July 2021

Parties

Issuer:	the Company
Subscriber:	Space Management Limited

The Subscriber is one of the controlling shareholder of the Company holding approximately 8.03% of the existing issued share capital of the Company and the conversion rights of 18,045,861 Shares pursuant to the Previous PSCS of the Company as at the Latest Practicable Date.

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.

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 HKD75,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD2.43 per Conversion Share (subject to adjustments) at the face value of HKD75,000,000. For the avoidance of doubt, the Distribution 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 25.3% to the closing price of HKD1.94 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 22.1% to the average of the closing prices of approximately HKD1.99 per Share for the 5 trading days of the Shares up to and including the Last Trading Day;

(iii) a premium of approximately 22.1% to the average of the closing prices of approximately HKD1.99 per Share for the 10 trading days of the Shares up to and including the Last Trading Day;

(iv) a premium of approximately 20.3% to the average of the closing prices of approximately HKD2.02 per Share for the 30 trading days of the Shares up to and including the Last Trading Day;

(v) a premium of approximately 3.0% to the average of the closing prices of approximately HKD2.36 per Share for the 60 trading days of the Shares up to and including the Last Trading Day;

(vi) a discount of approximately 7.3% to the average of the closing prices of approximately HKD2.62 per Share for the 90 trading days of the Shares up to and including the Last Trading Day;

(vii) a premium of approximately 207.6% to the audited net asset value per Share of approximately HKD0.79, which is calculated based on the audited net asset value of the Company of approximately HKD374,800,000 as at 31 December 2020 as stated in its 2020 annual report divided by its total number of 475,675,676 issued Shares as at 31 December 2020.

Assuming the exercise in full of the conversion rights attaching to the PSCS at the initial Conversion Price, a total of 30,864,197 Conversion Shares may be issued, representing approximately 6.5% of the existing issued share capital of the Company and approximately 6.1% of the issued share capital of the Company as enlarged by the Conversion.

A specific mandate for the allotment and issuance of the Conversion Shares will be sought by the Company from the Independent Shareholders by way of Shareholders' resolution(s) to be put forward at the EGM.

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 thereunder 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 HKD75,000,000 to the Company for the PSCS.

Warranties and Undertakings

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

(A) the Company will observe and comply with the Conditions of the PSCS;

(B) the Company 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 attaching to the PSCS on the Stock Exchange;

(C) the Company will reserve, free from any other pre-emptive or other similar rights, out of its authorized but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the PSCS from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the PSCS will be duly and validly issued as fully-paid; and

(D) the Company 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.

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
Rate of Distribution	:	4% per annum of any outstanding principal amount of PSCS (the "**Rate of Distribution**") The Rate of Distribution is determined by arm's length negotiations between the Company and the Subscriber based on the market situation
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 HKD2.43 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.

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.

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.

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.

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.

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;

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.

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.

Conversion Shares :	30,864,197 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)
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 issuance of the PSCS will be as follows:

	Shareholding as at the Latest Practicable Date		**Shareholding upon issuance of PSCS**	
	Number of Shares	*% (approx.)*	*Number of Shares*	*% (approx.)*
Substantial Shareholders				
Mr. Lam[1, 2]	31,465,385	5.99	31,465,385	5.66
Media Cornerstone Limited[1]	254,921,500	48.54	254,921,500	45.84
Space Management Limited[2]	56,245,861	10.71	87,110,058	15.67
Public				
Public Shareholders	182,554,176	34.76	182,554,176	32.83
	525,186,922[3]	100.00	556,051,119[3]	100.00

Notes:

1. 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.

2. Mr. Lam is the sole shareholder of Space Management Limited and deemed to be interested in all the 38,200,000 Shares and 49,511,246 Previous PSCS under the SFO. Mr. Lam has undertaken that upon Conversion, he would procure the Subscriber to place down the Shares to maintain the public flow of 25% in compliance with the Listing Rules As provided by the terms of the PSCS, 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. Therefore, no conversion right may be exercised if the Company will be in breach of minimum public float requirement following such Conversion.

3. Since the PSCS and the Previous PSCS is considered as an equity instrument of the Company under prevailing accounting principles upon issuance, they are included in the calculation of the total shareholdings upon issuance. For the avoidance of doubt the Previous PSCS has been included in the calculation of public float of the Company but excluded in shareholding held by the public, and the PSCS will be included in the calculation of public float of the Company upon issuance but excluded in shareholding held by the public. As at the Latest Practicable Date, the number of Shares issued is 475,675,676.

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 net proceeds from the issue of the Previous PSCS has been fully utilised during the first half of 2021. As such, the Company considers that the Subscription would provide the Group with timely capital resources which would be supportive of its business development plan. The Group plans to seize opportunities arising from the rebound of economy in Mainland China to expand its media coverage. Also, the Group will continue to increase market penetration in Hong Kong with new media resources. The Group will continue to invest in technologies, including those for expediting digitization, so as to enhance both the user experience and engagement as well as create opportunities for expanding its revenue streams. To capture the market trend that people have gradually grown accustomed to their new lifestyle due in part to greater engagement with the online media since the outbreak of the COVID-19 pandemic, the Group will have ongoing investments in relevant technologies to deliver impactful outdoor online new media strategy to enhance audience engagement.

The net proceeds from the issue of the PSCS (after deduction of all related expenses) will be approximately HKD74,700,000, which is intended to be utilised to settle the licensing fees/rent payable to licensors/lessors such as Kowloon Motor Bus Co., Long Win Bus Company Limited, and 深圳市地鐵集團有限公司 (Shenzhen Metro Group Co., Ltd.*) for their advertising places and/or media resources of approximately HKD25 million per month for the coming two to three months. The Group is optimistic about its business development in Greater China in view of the fast economic recovery in Mainland China, The Company considers that the allocation of the net proceeds from the issue of the PSCS to settle its upcoming payments to licensors/lessors can allow the Group to have more flexibility in its capital managing and be more responsive to business opportunities as they arise.

As at 31 December 2020, the Group had cash and cash equivalents and restricted cash of approximately HKD412,262,000, it also had current liabilities of approximately HKD1,743 million, which is more than three times the amount of the Group's cash and cash equivalents and restricted cash. The Board considers the Group's financial resources as sound and capable of fulfilling its obligations. Also, the Board has considered the fact that the Group had recorded an increased loss for the year between 2019 and 2020 and that apart from capital for its current operations, it would require additional capital for its business development plan. Therefore, the Board considers that a fundraising exercise would ease the Group's financial burden while enabling it to implement its business development plan and regain its business traction. Save for the issue of the PSCS, as at the Latest Practicable Date, the Company does not have plan to conduct fund raising activities in the next 12 months.

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 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. As provided by the terms of the PSCS, 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. Therefore, no conversion right may be exercised if the Company will be in breach of minimum public float requirement following such Conversion.Despite that the price of the Share maintained at a level of over HKD4 in 2020 and dropped to around HKD2 in mid-2021, the Board considers that the price drop of the Shares, which could be driven by many factors including the market condition and the issue of the PSCS are two different, should not be a factor that deters the Company from its fundraising activities. The Board is of the view that the timing of the fund raising should be mainly determined by the capital requirements of the Company. Given the Group's business development plan and the benefits of the issue of the PSCS, the Board considers that the Subscription is in the interest of the Company and its existing Shareholders, also taking into account the dilution impact upon exercise of the conversion right by the holder of the PSCS in the future is acceptable. Mr. Lam has also undertakes that upon Conversion, he will procure the Subscriber to place down the Shares to maintain the public flow of 25% in 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.

There is no maturity date of the PSCS. Despite that, the Company can decide when to redeem the PSCS according to the terms of the PSCS. Therefore, the Company considers that such term is on normal commercial terms, fair and reasonable, and in the interest of the Company and its shareholders.

The Company has considered other fund-raising alternatives such as debt financing, rights issue open offer and/or placing of new shares. The Company considered that assets pledge and other securities may be required for debt financing whilst such security is not required under the PSCS. Besides, although the Company was at a net cash position as at 31 December 2020, additional borrowings may deteriorate the gearing position of the Group. Also, given that in January 2021, the Company has already entered into a facility agreement with certain licensed banks in Hong Kong for a committed term loan facility in the principal amount of up to HKD200 million in aggregate as disclosed in the announcement of the Company dated 8 January 2021, the Share price had experienced a sharp decline on the day when the Company made the relevant announcement, the Group is reluctant when it comes to additional debt financing. Besides, as a result of the COVID-19 pandemic and the adoption of Hong Kong Financial Reporting Standard 16 Leases that has been implemented since 2019, the Group has been suffering losses for a few years which has adversely affected the net asset value of the Group. In this connection, regarding the current banking facilities owed by the Group, it is noted that the relevant banking facility agreements contain various covenants, such as maintaining a certain level of debt-to-equity ratio and/or net asset value. Given that additional debt financing would also increase the debt-to-equity ratio whereas the PSCS will be accounted for as equity and hence increase the net asset value of the Group, the Directors are of the view that additional debt financing is a less favourable fund-raising option compared to the Subscription. In addition, the Company has been making enquiries to certain licensed banks regarding the terms of additional facilities but is to the understanding that the interest payment plus the handling fees would be high. After considering (i) the interest payment, which will potentially increase during the term of the facilities given that the US, or global interest rate is generally expected by the market to rise in the near future (while the interest rate for banking facilities are usually determined based on HIBOR); and

(ii) the potentially huge amount of handling fees and the fact that unlike the payment of the Distribution, the finance costs of debt financing could unlikely be deferred without incurring additional interests, the Group considers that fundraising through the PSCS is a more prudent option currently for the Group. The Rate of Distribution is 4%, which was determined by arm's length negotiations between the Company and the Subscriber based on the aforementioned market situation. The Board is of the view that such rate is on normal commercial terms, fair and reasonable and in the interest of the Company.

The Company has also considered rights issue, open offer and/or placing of new shares. However, the Board believes that the time cost would be higher for the Company to conduct these types of equity financing as compared to the issue of the PSCS, as the Company will need additional time to procure underwriter(s) and a placing agent, and the finance institutions will also need time to identify potential placees. Besides, the Board believes that rights issue or open offer typically runs for a longer period due to the need for the issuer to issue a prospectus and close the register of members for the purpose of determining the entitlement of shareholders. Although the Company has not yet reached out to any potential underwriter(s) or placing agent to discuss about the underwriting fee/placing commission, the Company considers that even if the underwriting fee/placing commission would be lower than the Rate of Distribution, the PSCS would still offer the Company with greater flexibility in its cash flow management because the Distribution can be deferred without incurring additional interest and the number of times of optional deferral of the Distribution by the Company is not restricted.

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

The Company had not conducted any fund raising exercise in the past twelve months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATION

The Subscriber is one of the controlling shareholders 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 one of the controlling shareholders 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 342,632,746 Shares, representing approximately 65.24% of the entire issued share capital of the Company (after taking into account the Previous PSCS) 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 Tuesday, 19 October 2021 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.

RECOMMENDATIONS

Your attention is drawn to the recommendation of the Independent Board Committee and the letter of advice from the Independent Financial Adviser, 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

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 雅仕維傳媒集團

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)

27 September 2021

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 27 September 2021 (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 Adviser set out on pages 7 to 27 and pages 30 to 61 of the Circular respectively, and the additional information set out in the appendices to the Circular.

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 Adviser, we concur with the view of the Independent Financial Adviser 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

The following is the letter of advice from Pelican Financial Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

PELICAN FINANCIAL
百利勤金融

PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

27 September 2021

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

Dear Sirs/Madams,

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 regarding the Subscription, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 27 September 2021 (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 announcements of the Company dated 16 July 2021 in relation to the Subscription by the Subscriber (being a connected person) of the PSCS in the principal amount of HKD75,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD2.43 per Conversion Share (subject to adjustments) at the face value of HKD75,000,000.

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 30,864,197 Conversion Shares will be issued.

The Subscriber is one of the controlling shareholders of the Company holding approximately 10.71% of the entire issued share capital of the Company (after taking into account the Previous PSCS) and 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, which is deemed to be interested in 65.24% of the entire issued share capital of the Company (after taking into account the Previous PSCS) as at the Latest Practicable Date. 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 two executive Directors, two non-executive Directors 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. 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's Independent Board Committee and Independent Shareholders in relation to the Company's connected transaction regarding the issue of perpetual subordinated convertible securities for fundraising purposes (as disclosed in the Company's circulars dated 8 September 2020), and its connected transaction regarding the acquisition of the entire equity interest in the target company involving the issue of perpetual subordinated convertible securities (as disclosed in the Company's circular dated 31 March 2021), there was no other engagement between the Company and us. Given that the aforementioned two connected transactions both involved the issue of perpetual subordinated convertible securities, we consider that the Subscription is neither materially different nor would pose any conflict of interest for the Company and us. In addition, given that in the last two years, we were appointed to advise the Independent Board Committee and the Independent Shareholders but not the Company on the relevant transactions, and no circumstances as set out in Rule 13.84 have existed, we consider we are independent from the Company. Apart from normal professional fees payable to us in connection with this appointment of us as the 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.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Subscription is in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) whether the terms of the Subscription are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) on the Subscription 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 16 July 2021 in relation to the Subscription, the annual report of the Company for the financial year ended 31 December 2020 (the "**2020 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 prospects of the Group.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

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

1. 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 in the PRC and Hong Kong.

Set out below is a summary of the audited financial information of the Group for the two years ended 31 December 2020 as extracted from the 2020 Annual Report.

Table 1: Summarised financial information of the Group

	For the financial year ended 31 December	
	2020	**2019**
	(audited)	(audited)
	HKD'000	*HKD'000*
Revenue by segment		
Airports business	692,980	739,282
Metro and billboards business	596,047	919,309
Others	268,076	219,770
Total revenue	**1,557,103**	**1,878,361**
Gross profit	**347,521**	**397,804**
Loss for the year	**141,409**	**108,679**

According to the 2020 Annual Report, the Group recorded a revenue of approximately HKD1,557.1 million for the year ended 31 December 2020 as compared with approximately HKD1,878.4 million for the year ended 31 December 2019, representing a decrease of approximately 6.3%. Such drop in revenue was mainly attributable to the decrease in the revenue from the Group's metro and billboards business by approximately 35.2% as compared with that in the previous year, which was greatly caused by the COVID-19 pandemic that had impacted patronage of all metro lines. As shown in the above table, the Group's metro and billboards business had contributed approximately 48.9% and 38.3% of its total revenue for the years ended 31 December 2019 and 2020 respectively, hence the drop in the revenue from this segment had a major impact on the Group's financial performance.

As a result of the revenue decrease from its metro and billboards business and airports business in Hong Kong, the Group recorded a gross profit of approximately HKD347.5 million for the year ended 31 December 2020, representing a decrease of approximately 12.6% as compared with that in 2019. With the decrease in its gross profit, the Group's loss for the year increased from approximately HKD108.7 million for the year ended 31 December 2019, to approximately HKD141.4 million for the year ended 31 December 2020.

Meanwhile, the audited consolidated assets and liabilities of the Group as at 31 December 2019 and 2020 as extracted from the 2020 Annual Report are summarised as follows:

Table 2: Summarised financial position of the Group

	As at 31 December 2020 (audited) *HKD'000*	**As at 31 December 2019** (audited) *HKD'000*
Total assets		
– non-current assets	3,849,815	3,102,598
– current assets	1,427,468	1,310,629
Total liabilities		
– non-current liabilities	3,160,000	2,555,244
– current liabilities	1,742,531	1,344,703
Net current liabilities	**315,063**	**34,074**
Net assets	**374,752**	**513,280**
Equity attributable to owners of the Company	**295,021**	**403,908**

As at 31 December 2020, non-current assets of the Group amounted to approximately HKD3,849.8 million, representing an increase of approximately 24.1% as compared with that in 2019. As at the same date, the Group's non-current assets were mainly comprised of (i) right-of-use assets of approximately HKD3,469.7 million; and (ii) deferred income tax assets of approximately HKD197.0 million. As at 31 December 2020, the Group's current assets amounted to approximately HKD1,427.5 million, which mainly consisted of (i) trade and other receivables of approximately HKD1,011.2 million; and (ii) cash and cash equivalents and restricted cash of approximately HKD412.3 million.

As at 31 December 2020, non-current liabilities of the Group amounted to approximately HKD3,160.0 million, representing an increase of approximately 23.7% as compared with that in 2019. As at the same date, the Group's non-current liabilities mainly comprised lease liabilities that were payable after one year of approximately HKD3,077.0 million. As at 31 December 2020, the Group's current liabilities amounted to approximately HKD1,742.5 million, which were mainly consisted of (i) lease liabilities that were payable in less than one year of approximately HKD1,079.8 million; and (ii) trade and other payables of approximately HKD291.5 million.

2. 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, which is deemed to be interested in 65.24% of the entire issued share capital of the Company (after taking into account the Previous PSCS) as at the Latest Practicable Date.

As at the Latest Practicable Date, the Subscriber was one of the controlling Shareholders of the Company holding approximately 10.71% of the entire issued share capital of the Company, taking into account the conversion rights of 18,045,861 Shares under the Previous PSCS of the Company.

3. Fundraising activity by the Company in the last 12 months

The Company had not conducted any fundraising exercise in the past twelve months immediately preceding the Latest Practicable Date.

4. The Subscription Agreement

On 16 July 2021, 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 HKD75,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD2.43 per Conversion Share (subject to adjustments) at the face value of HKD75,000,000, subject to the fulfillment of the conditions as set out in the below sub-section headed "Conditions Precedent". For the avoidance of doubt, the Distribution shall not lead to any adjustment of the Conversion Price.

4.1. 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 ranks 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

Rate of Distribution	:	4% per annum of any outstanding principal amount of PSCS (the "**Rate of Distribution**"), determined by arm's length negotiations between the Company and the Subscriber based on the market situation
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 HKD2.43 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 the Conversion Price	:	The Conversion Price will be subject to adjustment 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 the current market price; and (f) other issues at less than current market price
Conversion Shares	:	30,864,197 Conversion Shares will be allotted and issued by the Company upon full conversion of the PSCS at the initial Conversion Price

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.

4.2. 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 25.3% over the closing price of HKD1.94 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 22.1% over the average of the closing prices of approximately HKD1.99 per Share for the 5 trading days of the Shares up to and including the Last Trading Day;

(iii) a premium of approximately 22.1% over the average of the closing prices of approximately HKD1.99 per Share for the 10 trading days of the Shares up to and including the Last Trading Day;

(iv) a premium of approximately 20.3% over the average of the closing prices of approximately HKD2.02 per Share for the 30 trading days of the Shares up to and including the Last Trading Day;

(v) a premium of approximately 3.0% over the average of the closing prices of approximately HKD2.36 per Share for the 60 trading days of the Shares up to and including the Last Trading Day;

(vi) a discount of approximately 7.3% to the average of the closing prices of approximately HKD2.62 per Share for the 90 trading days of the Shares up to and including the Last Trading Day;

(vii) a premium of approximately 207.6% over the audited net asset value per Share of approximately HKD0.79, which is calculated based on the audited net asset value of the Company of approximately HKD374,800,000 as at 31 December 2020 as stated in its 2020 annual report divided by its total number of 475,675,676 issued Shares as at 31 December 2020.

Assuming the exercise in full of the conversion rights attaching to the PSCS at the initial Conversion Price, a total of 30,864,197 Conversion Shares may be issued, representing approximately 6.5% of the existing issued share capital of the Company and approximately 6.1% of the issued share capital of the Company as enlarged by the Conversion.

A specific mandate for the allotment and issuance of the Conversion Shares will be sought by the Company from the Independent Shareholders by way of Shareholders' resolution(s) to be put forward at the EGM.

4.3. 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 thereunder 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 HKD75,000,000 to the Company for the PSCS.

5. Use of proceeds and reasons for the Subscription

As stated in the Board Letter, the net proceeds from the issue of the Previous PSCS has been fully utilised during the first half of 2021. As such, the Company considers that the Subscription would provide the Group with timely capital resources which would be supportive of its business development plan, in particular it would entail expanding its media coverage by seizing opportunities arising from the rebound of economy in Mainland China, as well as increasing market penetration in Hong Kong with new media resources. The Group will continue to invest in technologies, including those for expediting digitisation, so as to enhance both the user experience and engagement as well as create opportunities for expanding its revenue streams. To capture the market trend that people have gradually grown accustomed to their new lifestyle due in part to greater engagement with the online media since the outbreak of the COVID-19 pandemic, the Group will have ongoing investments in relevant technologies to deliver impactful outdoor online new media strategy to enhance audience engagement.

The net proceeds from the issue of the PSCS (after deduction of all related expenses) will be approximately HKD74,700,000, which is intended to be utilised to settle the licensing fees/rent payable to licensors/lessors such as Kowloon Motor Bus Co., Long Win Bus Company Limited, and 深圳市地鐵集團有限公司 (Shenzhen Metro Group Co., Ltd.[#]) for their advertising places and/or media resources of approximately HKD25 million per month for the coming two to three months.

[#] *For identification purposes only*

In assessing the Group's financial resources and capital requirements, we have reviewed the 2020 Annual Report and understand that although as at 31 December 2020, the Group had cash and cash equivalents and restricted cash of approximately HKD412.3 million, it also had current liabilities of approximately HKD1742.5 million, which is more than four times the amount of the Group's cash and cash equivalents and restricted cash. We have discussed with the Company and understand that while the Company considers the Group's financial resources as sound and capable of fulfilling its obligations, it also has considered the fact that the Group had recorded an increased loss for the year between 2019 and 2020 and that besides capital for its current operations, it would require additional capital for its business development plan as further discussed below. Hence, the Company considers that a fundraising exercise would ease the Group's financial burden while enabling it to implement its business development plan and regain its business traction.

As set out in the section headed "Background and financial information of the Group" above, as a result of the revenue decrease from its metro and billboards business and airports business in Hong Kong, the Group's gross profit decreased by approximately 12.6% as compared with that in 2019, resulting in the increase in its loss for the year by approximately 30.1% between the two years. Nevertheless, as mentioned in the 2020 Annual Report, despite the challenging operating environment, the Group had made a breakthrough in 2020 by redefining its pioneering O&O strategy from "Offline and Online" to "Out-of-home ("**OOH**") and Online ("**O&O**")", which has been well received by its customers and thus allowed the Group to further increase its market penetration and expand its client profile.

According to the 2020 Annual Report, in view of the fast economic recovery in Mainland China, the Group is optimistic about its business development in the country and will continue to secure media resources in high-speed rail, metro lines and airports with its already extensive network in the country. On the other hand, although the market sentiment has deteriorated in recent years, the Group remains optimistic about its long-term prospects in Hong Kong and will further explore opportunities for both expanding revenue streams and deepening market penetration.

Given the Group's plan to further strengthen its business presence in Greater China, which will be backed by its O&O new media strategy, we consider that it is fair and reasonable for the Company to allocate the net proceeds from the issue of the PSCS, to settle its upcoming payments to licensors/lessors, so that the Group can have more flexibility in its capital managing and be more responsive to business opportunities as they arise.

On the other hand, despite that the price of the Share maintained at a level of over HKD4.0 in 2020 and dropped to around HKD2.0 in mid-2021, we agree with the Board that the price drop of the Share, which could be driven by many factors including the market condition, should not a factor that deters the Group from conducting its fund-raising activities, as the timing of such should be mainly determined by the Group's capital requirements. Considering the Group's business development plan as discussed above and the benefits of the issue of the PSCS as further discussed below, the Board considers, we concur, that the dilution impact upon exercise of the conversion right by the holder of the PSCS in the future is acceptable, and that the Subscription is in the interest of the Company and its existing Shareholders as a whole.

As discussed with the management of the Company, the Directors have considered other fund-raising alternatives such as debt financing, rights issue, open offer and/or placing of new shares. The Company considered that assets pledge and other securities may be required for debt financing whilst such security is not required under the PSCS. Besides, although the Company was at a net cash position as at 31 December 2020, additional borrowings may deteriorate the gearing position of the Group. Also, given that in January 2021, the Company has already entered into a facility agreement with certain licensed banks in Hong Kong for a committed term loan facility in the principal amount of up to HKD200 million in aggregate (details of which can be referred to the announcement of the Company dated 8 January 2021), and that as further discussed in the below section, the Share price had experienced a sharp decline on the day when the Company made the relevant announcement, the Group is reluctant when it comes to additional debt financing. In addition, as discussed with the Company, we noted that as a result of the COVID-19 pandemic and the adoption of Hong Kong Financial Reporting Standard 16 Leases that has been implemented since 2019, the Group has been suffering losses for a few years which has adversely affected the net asset value of the Group. In this connection, regarding the current banking facilities owed by the Group, it is noted that the relevant banking facility agreements contain various covenants, such as the requirement for the Group to maintain a certain level of debt-to-equity ratio and/or net asset value. Given that additional debt financing would increase the debt-to-equity ratio of the Group, whereas the PSCS will be accounted for as equity and hence increase the net asset value of the Group, the Directors are of the view that additional debt financing is a less favourable fund-raising option compared to the Subscription.

We also understand that the Company has been making enquiries to certain licensed banks regarding the terms of additional facilities but considered that if taking into account (i) the interest payment, which will potentially increase during the term of the facilities given that the US, or global, interest rate is generally expected by the market to rise in the near future[1] (while the interest rate for banking facilities are usually determined based on HIBOR); and (ii) the potentially high handling fee, the overall cost of further debt financing would be high. In this regard, we have reviewed copies of historical banking facility agreements of the Group and confirmed that besides the aforementioned covenants regarding the Group's debt-to-equity ratio and/or net asset value, various handling fees were also included on top on interest payments. We understand from the Company that, after considering the potentially huge amount of handling fees and the fact that, and that unlike the payment of the Distribution, the finance costs of debt financing could unlikely be deferred without incurring additional interests, the Group consider that fundraising through the PSCS is a more prudent option currently for the Group.

The Company has also considered pre-emptive fund-raising such as a rights issue, an open offer and/or placing of new shares. However, it is believed that the time cost would be higher for the Company to conduct these types of equity financing as compared to the issue of the PSCS, as the Company will need additional time to procure underwriter(s) and a placing agent, and the finance institutions will also need time to identify potential placees. Besides, a rights issue or an open offer typically runs for a longer period due to the need for the issuer to issue a prospectus and close the register of members for the purpose of determining the entitlement of shareholders. A rights issue or an open offer is also subject to underwriting uncertainty and market risk and the underwriting fee/placing commission could be costly. In this regard, although the Company have yet reached out to any potential underwriter(s) or placing agent to discuss about the underwriting fee/placing commission, the Company considers that even if the underwriting fee/placing commission would be lower than the Rate of Distribution, the PSCS would still offer the Company with greater flexibility in its cash flow management because the Distribution can be deferred without incurring additional interest and the number of times of optional deferral of the Distribution by the Company is not restricted. On the other hand, the administrative costs associated with a rights issue or an open offer would likely be higher than those associated with the issue of the PSCS, given that the time and resources required for preparing the prospectus and the relevant application forms, and hence the fees to professional parties, would likely be higher. In light of the above, these pre-emptive fund-raising alternatives have not been adopted and 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.

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[1] Please refer to: https://www.ft.com/content/0a7a4edd-b656-4d6a-b608-454241d0288e

In addition to the above, we also understand that the issue of the PSCS has the following benefits: (i) 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; (ii) 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; (iii) there is no limit as to the number of times for the deferral of Distributions; (iv) the deferred Distribution shall be non-interest bearing; (v) the PSCS will be accounted for as equity in the financial statement of the Group which will strengthen the capital base of the Group and in turn enhance its ability to obtain external financing with a lower cost in the future if it chooses to do so; and (vi) the additional capital raised from the PSCS would enable the Group to capture valuable business opportunities by the provision of a broadened capital base with fewer concerns on the immediate financial constraints.

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 in the interests of the Company and the Shareholders as a whole.

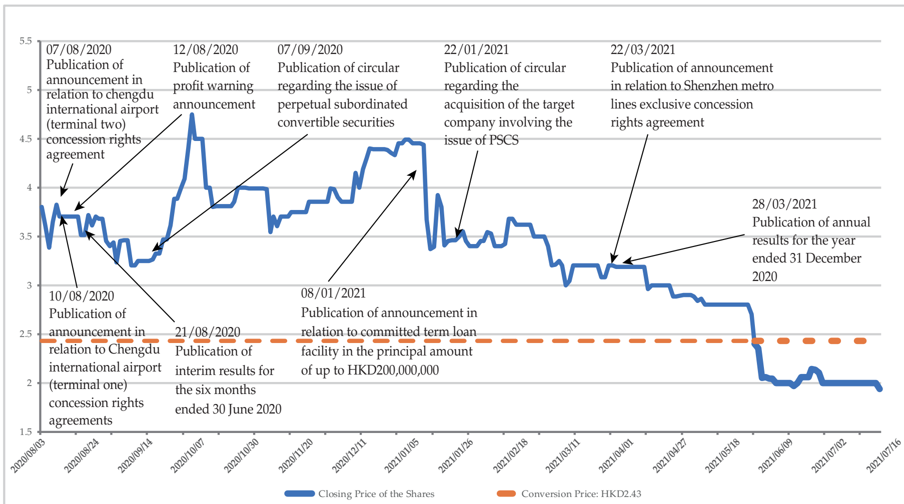
6. Analysis of the principal terms of the PSCS

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 August 2020 (being approximately 12 months before 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 before 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.

6.1. 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 HKD1.94 to HKD4.75 per Share, and the average closing price of the Shares was approximately HKD3.33 per Share. Therefore, the Conversion Price of HKD2.43 per Share is within the range of the closing prices of the Shares and represents a premium of approximately 25.3% over the closing price of HKD1.94 per Share as quoted on the Stock Exchange on the Last Trading Date.

We also noted that during the Review Period, the Share's prices had been on a volatile trend and also had been on a downward trend since January 2021. On 8 September 2020, after the Company published its circular regarding its fundraising activity through its issue of perpetual subordinated convertible securities, the Share price started to increase and reached HKD4.75 per Share on 30 September 2020, being the highest closing Share price in the Review Period, which we consider as a market response to favourable information because the Company aimed to raise funds for its business operations. However, likely because there was no positive news to support the new high Share price, the Share price dropped again in October 2020 and only witnessed a small increase in November 2020. The Share price rebounded on 9 December 2020 after the Company announced its obtainment of concession rights to use and operate its advertising and media resources in

Kunming Metro Line 3 operated by Kunming Railway. However, all of the Share price growth in December 2020 was cancelled after the Share price dropped to HKD3.67 per Share on 8 January 2021, when the Company announced its commitment to a term loan facility in the principal amount of up to HKD200 million. The Share price continued to drop, especially after the publication of the annual results of the Group for the year ended 31 December 2020, which showed the Group's increased loss for the year. The Share price reached HKD1.94 per Share on the Last Trading Date, being the lower closing Share price in the Review Period.

Having considered that the reasons for the movements in Share's prices and that the Conversion Price is at a premium over (i) the closing prices of the Share on the Last Trading Day and the Latest Practicable Date; and (ii) the average closing prices of the Shares for the 5, 10, 30 and 60 trading days up to and including the Last Trading Day, we are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned as it is more favourable than the current market price of the Shares.

6.2. 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 fundraising 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 and may not provide an insight into 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. While the PSCS confers a right to the Subscriber to convert any of its 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 at their 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 the conversion prices of these perpetual convertible securities were usually at a significant discount to their respective last closing price of the issuers' shares on the Stock Exchange (ten of them at an average of above 30%) and had a relatively high interest rate of above 5.00%, except for the one issued by HSBC in 2020 with an interest rate of 4.60%, and another one issued by SC in 2021 with an interest rate of 4.75%. 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.[2] 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)**").

We confirm that the list of Comparables is exhaustive. 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 a 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 additional reference but not a principal factor in determining the fairness and reasonableness of the terms of the PSCS.

[2] HSBC did not issue any perpetual convertible securities in 2019. Below are the perpetual convertible securities issued by HSBC in 2017, 2018 and 2020:
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;
https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0921/ltn20180921065.pdf; and
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1211/2020121100035.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;
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0628/ltn201906281201.pdf;
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0703/ltn201907031730.pdf;
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0618/2020061800045.pdf; and
https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0106/2021010600055.pdf

Table 3: 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 reported 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	141.83 *(Note 3)*	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 year 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.

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 reported 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	HKD12.78	14.11	8.49	27.06 *(Note 4)*	2	Annually/ conversion shares to be listed on the Singapore Exchange *(Note 1)*	No	Optional redemption: Redemption at the option of the issuer in whole, but not in part, on giving not more than 60 nor less than 30/45 days' irrevocable notice to the trustee and the principal agent in writing and to the holders of the perpetual convertible securities at their principal amount at any time following the occurrence of a triggering event. On the expiry of such notice, the issuer shall be bound to redeem the perpetual convertible securities on the relevant call date or the date fixed for redemption at their principal amount. For details on the triggering events, please refer to the announcement of Semiconductor dated 29 November 2017.	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.

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 reported net asset value per share (%)	Initial annual distribution rate (%)	Distribution terms/ listing status	Perpetual convertible securities secured by assets	Redemption terms	Conversion terms
		Average	**21.54**	**18.35**	**84.45**	**3.13**				
		Maximum	**28.98**	**28.21**	**141.83**	**4.25**				
		Minimum	**14.11**	**8.49**	**27.06**	**2.00**				
The Company	2021/7/16	HKD2.43	25.3	22.1	207.6	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	The holder 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 PSCS

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.*

3. *Calculated based on the 734,864,745 shares of C&D in issue and the unaudited net asset value attributable to the equity holders of C&D as at 30 June 2018 of approximately RMB2,284,665,000.*

4. *Calculated based on the 4,651,624,748 shares of Semiconductor in issue and the unaudited net asset value attributable to the equity holders of Semiconductor as at 30 September 2017 of approximately USD5,990,538,000.*

(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 25.3% represented by the Conversion Price over the closing price of the Shares on the Last Trading Date falls 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 the agreement and is at the higher end of such range.

When comparing with their respective average closing price for the last 5 trading days up to and including the last trading day/date of the agreement, the conversion prices of the Comparables represent a premium ranging from approximately 8.49% to approximately 28.21%, at an average of approximately 18.35%. Accordingly, the premium of approximately 22.1% 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 also not only within the range of the premium represented by the conversion prices of the Comparables, but also at the higher end of such range.

On the other hand, the premium represented by the conversion prices of the Comparables over their respective latest reported net asset value per share ranged from approximately 27.06% to approximately 141.83%, at an average of approximately 84.45%. As such, the premium of approximately 207.6% represented by the Conversion Price over the latest net asset value per Share, is about 1.5 times the maximum premium represented by the conversion prices of the Comparables over their respective latest reported net asset value per share.

Finally, we noted that the two other Comparables were all profitable businesses at the time when their perpetual convertible securities were issued, whereas the Company had been loss-making for the latest financial year ended 31 December 2020. As such, we consider the premium represented by the Conversion Price over the recent closing prices of the Shares as a favourable pricing term to the Company.

Given that (i) the premium represented by the Conversion Price over the closing price of the Shares on the Last Trading Date, as well as the premium represented by the Conversion Price over average closing price per Share for the 5 trading days of the Shares up to and including the Last Trading Date, both fall within the ranges of the premium represented by the conversion prices of the Comparables and is at the higher end of such ranges; (ii) the premium represented by the Conversion Price over the latest net asset value per Share is about 1.5 times the maximum premium represented by the conversion prices of the Comparables over their respective latest reported net asset value per share; and (iii) contrary to C&D and Semiconductor which were profit-making companies at the time when their perpetual convertible securities were issued, the Company had been loss-making for the latest financial year ended 31 December 2020, we are of the view that, the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(ii) 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 4.00% per annum, subject to the optional deferral of Distributions. As shown in the above table, the rates of distribution of the Comparables ranged from 2.00% to 4.25%, with an average rate of distribution of approximately 3.13%. The Rate of Distribution therefore falls within the range represented by the Comparables.

As shown in Table 3 above, the annual distribution rate of Semiconductor's perpetual convertible securities is only 2.00%, which is half of the Rate of Distribution of 4.00%. In this regard, we noted that while the terms of the PSCS (as well as the subscription agreement of C&D) confers a right to the Company to, at its sole discretion, 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 term of the PSCS is more favourable to the Company in that sense. In addition, as discussed in the following sub-section, the PSCS may be redeemed at the option of the Company on any Distribution Payment Date (i.e. quarterly), in whole or in part of the principal amount of the PSCS, together with any outstanding Distributions, allowing the Company to stop its Distribution and avoid the holder(s)'s future conversion of the PSCS if it sees fit. In contrast, C&D and Semiconductor are only allowed to redeem in whole, but not in part of, the principal amount of their perpetual convertible securities after three years from the issue date of the perpetual convertible securities (as in the case of C&D), or under certain predefined circumstances (as in the case of Semiconductor), respectively, reflecting that the redemption right attaching to the PSCS is more favourable to the issuer (i.e. the Company) than those attached to the Comparables. Accordingly, we consider that while the distribution rate payable by Semiconductor is half of the Rate of Distribution, one should also consider other terms, in particular the Comparables' respective distribution and redemption terms, when assessing the fairness and reasonableness of the terms of the PSCS.

On the other hand, as discussed in the above section headed "Use of proceeds and reasons for the Subscription" of this letter, the Company has been making enquiries to certain licensed banks regarding the terms of additional facilities but considered that if taking into account the interest payment and the handling fee, the overall cost would be high. We have reviewed copies of historical banking facility agreements of the Group and confirmed that various handling fees were included on top on interest payments. Hence, we concur with the Company that if the potentially huge amount of handling fees is taken into consideration, the potential finance cost would likely be high. Accordingly, we consider that the Rate of Distribution is on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

(iii) Conversion and Redemption

The PSCS can be freely converted into Conversion Shares at any time after the issue of the PSCS at the sole discretion of the Subscriber. Therefore, it gives the Subscriber an option and the flexibility to convert the PSCS into Conversion Shares based on the market situation and its preference. Concerning 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 general market practices.

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 pressure 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. We note that the Comparables also shared a similar redemption right, but the scope of such right is relatively restricted.

While we noted that the conversion term of C&D's perpetual convertible securities was subject to a specific timeframe unlike the PSCS's perpetual feature, we are of the view that such difference does not make the conversion term of the PSCS less fair and reasonable, as one should also consider their respective redemption terms. In particular, 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 C&D's option 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.

Similarly, contrary to the redemption term of the PSCS which allows the Company to redeem in whole or in part of the principal amount of the PSCS quarterly, Semiconductor is only allowed to redeem in whole, but not in part of, the principal amount of its perpetual convertible securities under certain predefined circumstances under its subscription agreement. Accordingly, the redemption term of the PSCS is more flexible than that of the perpetual convertible securities issued by Semiconductor.

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, Mr. Lam, is an executive Director and one of the controlling Shareholders of the Company, and hence his interest aligns with that of the Company). We are given to understand that the perpetual conversion term and the unrestricted redemption term of the PSCS were arrived at based on commercial negotiations 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 reasonableness 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 Subscriber can convert the PSCS at any time after the issue thereof, one should take into consideration that the Company has the right to redeem the PSCS quarterly at its discretion. Given these considerations and the precedent of a perpetual conversion timeframe on the market 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 acceptable given the benefits of the PSCS (in particular, the absence of a maturity date, right to defer Distributions, unrestricted redemption by the Company and etc.).

(iv) Adjustment to Conversion Price

We have also compared the adjustment mechanisms applicable to the conversion prices of the Comparables and the Conversion Price in certain events under the respective underlying 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 underlying 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 on normal commercial terms.

(v) Conditions precedent

Apart from the above principle terms, we have also reviewed the terms regarding the conditions precedent of the Comparables and those of the PSCS. We noted that while the subscription agreements of the Comparables contain conditions precedent that were tailored for the parties involved (e.g., in the case of Semiconductor, the conditions precedent in its subscription agreement includes the delivery of the auditors' letter and legal opinions to the subscribers on or before the closing date of the perpetual convertible securities), the conditions precedent of the Comparables and the PSCS both include the requirement for having the Stock Exchange granted the listing of and permission to deal in the conversion shares upon the conversion of the respective perpetual convertible securities.

In addition, given that same as the case of C&D, a specific mandate would need to be sought by the Company for the allotment and issuance of the PSCS, the conditions precedent in C&D's and the Company's subscription agreements both include the requirement for having the independent shareholders approved the subscription agreement and the transaction contemplated thereunder at the general meeting.

In light of the above, we are of the view that the PSCS's term on conditions precedent is similar to those of the Comparables and in line with the general market practices.

(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 and the Latest Practicable Date, as well as over the average closing prices of the Shares for the 5, 10, 30 and 60 trading days up to and including the Last Trading Date; (iii) the premium represented by the Conversion Price over the closing price of the Shares on the Last Trading Date, as well as the premium represented by the Conversion Price over average closing price per Share for the 5 trading days of the Shares up to and including the Last Trading Date, both fall within the ranges of the premium represented by the conversion prices of the Comparables and are at the higher end of such ranges; (iv) the premium represented by the Conversion Price over the latest net asset value per Share is about 1.5 times the maximum premium represented by the conversion prices of the Comparables over their respective latest reported net asset value per share; (v) the Rate of Distribution is within the range of those offered by the Comparables; (vi) if the potentially huge amount of handling fees is taken into consideration, the potential finance cost would likely be high; (vii) the terms of the PSCS not only do not impose any repayment obligation on the Company, but also entitle the Company to, at its sole discretion, defer a Distribution without restrictions and pay no interest on the deferred Distribution, the latter of which are rights not granted under the terms of the Comparables; (viii) there is no instant material cash outflow pressure on the Group as a result of the repayment of the principal amount of the PSCS as the PSCS has no maturity date; (ix) the Company has the right to redeem the PSCS quarterly at its discretion if it sees fit; (x) the free conversion feature of the PSCS is in line with the general market practices; and (xi) the adjustment mechanisms and term on conditions precedent of the PSCS are in line with the general market practices, we are of the view that the terms of the PSCS are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

7. Potential dilution effect on the interests of public Shareholders

As at the Latest Practicable Date, the entire issued share capital of the Company (including the Previous PSCS) was 525,186,922 Shares, of which the Subscriber was interested in 56,245,861 Shares (approximately 10.71% of the entire issued share capital of the Company)[3] and Media Cornerstone Limited was interested in 254,921,500 Shares (approximately 48.54% of the entire issued share capital of the Company)[4] whilst the remaining were held by the public Shareholders (approximately 34.76% of the entire issued share capital of the Company). Upon completion of the Subscription and assuming the full Conversion by the Subscriber to the extent allowed, 30,864,197 Conversion Shares will be allotted and issued. Under such a scenario, the total issued share capital of the Company will be 556,051,119 Shares and the Subscriber and the public Shareholders will hold approximately 15.67% and 32.83% of the issued share capital of the Company as enlarged by the Conversion respectively; meanwhile, Mr. Lam will be deemed to be interested in 67.17% of the issued share capital of the Company as enlarged by the Conversion.

As the shareholding of the public Shareholders would decrease from approximately 34.76% to approximately 32.83% upon the full Conversion of the PSCS, the dilution effect of the issue of the PSCS is approximately 1.93 percentage points. We also 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% in compliance with the Listing Rules.

3 Mr. Lam is the sole shareholder of Space Management Limited and deemed to be interested in all the 38,200,000 Shares and 49,511,246 Previous PSCS under the SFO. Mr. Lam has undertaken that upon Conversion, he would procure the Subscriber to place down the Shares to maintain the public flow of 25% in compliance with the Listing Rules. As provided by the terms of the PSCS, 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.

4 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.

As such, although any kind of dilution of shareholdings is not favourable to the 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 net proceeds from the issue of the PSCS, which is intended to be applied as general working capital of the Company, would support the Group's business expansion plan; (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 PSCS are fair and reasonable so far as the Independent Shareholders are concerned as discussed 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, unrestricted redemption by the Company, 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;

(iv) the Conversion Price is priced within the range of the closing prices 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 Latest Practicable Date, as well as the average closing prices of the Shares for the 5, 10, 30, 60 trading days up to and including the Last Trading Date;

(vi) the Rate of Distribution, the conversion and redemption features, the price adjustment mechanisms and the term on conditions precedent of the PSCS are in line with the general market practices; and

(vii) the dilution effect from the full Conversion of the PSCS is acceptable,

we consider that while the Subscription is not in the ordinary and usual course of business of the Group (as the Group is principally engaged in the development and operations of out-of-home advertising media), it is on normal commercial terms and the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned and 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 at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the Subscription 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, interest in a controlled corporation and beneficial owner	342,632,746	Nil	342,632,746 [(1)]	72.03

Note:

1. Mr. Lam is the sole shareholder of Space Management Limited ("**Space Management**") which holds 38,200,000 Shares and conversion rights of 18,045,861 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 are 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 Limited ("**Media Cornerstone**") which holds 254,921,500 Shares. Mr. Lam is also the beneficial owner of conversion rights of 31,465,385 Shares by subscription of the Previous PSCS. 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, and save that Yang Peng was a vice president of 螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.*)(formerly known as 浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.*)) (a shareholder deemed to be interested in 35,675,676 Shares as at the Latest Practicable Date),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 the following transactions, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly:

(i) the tenancy agreement between Hong Kong Asiaray Advertising, an indirect wholly-owned subsidiary of the Company, as tenant, and Asiaray China, a company established in Samoa with limited liability and is wholly owned by Mr. Lam, as landlord, to lease the office in Shanghai for RMB114,000 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;

(ii) the tenancy agreement 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) as disclosed in the announcement of the Company dated 2 July 2020;

(iii) the tenancy agreement between 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

(iv) 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.

As at the date of the Circular, save as the acquisition of the entire equity interest of Billion China from Mr. Lam, as disclosed in the announcement and circular of the Company at 22 January 2021 and 31 March 2021 respectively, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2020 (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.

Save as disclosed above, as at the date of the Circular, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company.

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 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 2020 (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 2020, 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.

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 Tuesday, 19 October 2021 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 16 July 2021 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 HKD75,000,000 convertible into Conversion Shares at the initial Conversion Price of HKD2.43 per Conversion Share (subject to adjustments) at the face value of HKD75,000,000 (a copy of the subscription agreement dated 16 July 2021 have 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; and

(b) 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, 27 September 2021

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 13 October 2021 to 19 October 2021, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 12 October 2021.