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

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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)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
(1) ACQUISITION OF PROPERTIES
AND
(2) ISSUE OF PERPETUAL SUBORDINATED
CONVERTIBLE SECURITIES**

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be convened at 11:00 a.m. on Wednesday, 9 March 2022 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 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 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.

18 February 2022

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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

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

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

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

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

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Target Properties pursuant to the terms and conditions of the Agreement
“Agreement”	the agreement dated 13 December 2021 entered into among the Vendor as vendor and the Company as purchaser in respect of the Acquisition
“applicable laws”	in respect of any person, any laws, rules, regulations, directives, decrees, treaties, or orders of any authority (including but not limited to the Listing Rules), that are applicable to and binding on such person
“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
“associates”	has the meaning ascribed thereto in the Listing Rules
“Billion China”	Billion China International Limited, a company established in Samoa with limited liability on 8 August 2005 and a direct wholly-owned subsidiary of the Company
“Board”	board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted or a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business
“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)

DEFINITIONS

“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date on which Completion takes place, i.e. the seventh (7) Business Days after the fulfilment or waiver (as the case may be) of the Conditions or such later date as may be agreed between the Vendor and the Company
“Conditions”	the conditions precedent of the Agreement as set out in the section headed “Conditions Precedent” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB30,400,000 (equivalent to approximately HK\$37,500,000), the consideration for the Acquisition
“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 HKD1.4 per Conversion Share initially, and subject to adjustments which may be made pursuant to the Deed Poll
“Conversion Rights”	the conversion rights attaching to the PSCS to convert the principal amount or a part thereof into the Conversion Shares
“Conversion Share(s)”	the new Share(s) to be issued upon the exercise of the Conversion Rights
“Deed Poll”	the deed poll to be executed by the Company in relation to the PSCS upon PSCS Completion
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened to approve the Agreement and 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
“HK 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
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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 Acquisition and the Subscription
“Independent Shareholders”	shareholder(s) who are entitled to vote and not required to abstain from voting on the resolution at the EGM for approving the Agreement and the Subscription Agreement and the transactions contemplated thereunder, shareholders other than Mr. Lam and his associates
“Last Trading Day”	13 December 2021, being the last full trading day in the Shares immediately before the publication of the announcement dated 13 December 2021

DEFINITIONS

“Latest Practicable Date”	14 February 2022, 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
“Mortgages”	the mortgages granted by the Vendor in favour of Zhuhai Rural Commercial Bank Company Limited in respect of the Target Properties
“Mr. Lam”	Mr. Lam Tak Hing, Vincent, an executive Director and one of the Controlling Shareholders
“Parity Securities”	any instrument or security (including preference Shares) issued, entered into or guaranteed by the Issuer 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 Agreement and the Subscription Agreement
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Previous PSCS”	the perpetual subordinated convertible securities previously issued to Space Management Limited in the principal amount of HK\$145,000,000 in total convertible into 48,910,058 Shares under the subscription agreement dated 7 September 2017 as amended by the supplemental agreement dated 10 November 2017 and the subscription agreements signed on 4 June 2020 and 16 July 2021; and to Mr. Lam in the principal amount of approximately HK\$122,700,000 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 HK\$37,500,000 to be issued by the Company to the Vendor
“PSCS Completion”	completion of the subscription of the PSCS
“PSCS Long Stop Date”	30 September 2022, or such other date as may be agreed in writing between Mr. Lam and the Company
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with par value of HKD0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the PSCS by the Vendor pursuant to the terms of the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the subscription agreement dated 13 December 2021 entered into between the Company and Mr. Lam in relation to the Subscription
“Target Properties”	office Rooms 2901, 2902, 2903 & 2904, Yuhai World Financial Centre, No. 1009 Jiu Zhou Da Dao Zhong, Xiangzhou District, Zhuhai, the PRC
“Vendor”	Mr. Lam
“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 49% 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

18 February 2022

To the Shareholders,

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO**

(1) ACQUISITION OF PROPERTIES

AND

**(2) ISSUE OF PERPETUAL SUBORDINATED
CONVERTIBLE SECURITIES**

INTRODUCTION

Reference is made to the announcement of the Company dated 13 December 2021 in relation to (i) the Acquisition by the Company as purchaser and Mr. Lam (an executive Director and the Controlling Shareholder) as Vendor; and (ii) the Subscription by Mr. Lam (being a connected person) of the PSCS in the principal amount of HKD37,500,000 convertible into Conversion Shares at the initial Conversion Price of HKD1.4 per Conversion Share (subject to adjustments) at the face value of HKD37,500,000.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information of the Acquisition and the Subscription; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Subscription; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Subscription; and (iv) a notice of the EGM.

(1) THE ACQUISITION

On 13 December 2021 (after trading hours), the Company and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Target Properties at the Consideration of RMB30,400,000 (equivalent to approximately HK\$37,500,000). The Consideration will be satisfied by paying a sum of RMB30,400,000 (equivalent to approximately HK\$37,500,000) to the Vendor and the Vendor shall transfer the Target Properties to the Company and/or its nominee upon Completion.

PRINCIPAL TERMS OF THE AGREEMENT

Date

13 December 2021 (after trading hours)

Parties

- (i) Mr. Lam as the vendor of the Target Properties;
- (ii) The Company as the purchaser of the Target Properties; and

Mr. Lam is the Controlling Shareholder holding 67.17% of the existing issued share capital (after taking into account the Previous PSCS) of the Company as at the Latest Practicable Date.

The Target Properties are owned as to 100% by Mr. Lam.

Assets to be acquired

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase the Target Properties. The Target Properties are situated at Rooms 2901, 2902, 2903 & 2904, Yuhai World Financial Centre, No. 1009 Jiu Zhou Da Dao Zhong, Xiangzhou District, Zhuhai, the PRC, which are currently subject to Mortgages and will be released on or before Completion.

LETTER FROM THE BOARD

Consideration

The consideration for the Target Properties is RMB30,400,000 (equivalent to approximately HK\$37,500,000), which shall be settled by paying a sum of RMB30,400,000 (equivalent to approximately HK\$37,500,000) to the Vendor and the Vendor shall transfer the Target Properties to the Company or its nominee upon Completion.

The Consideration was determined by the Company and the Vendor on arm's length negotiations by reference to the preliminary valuation of the Target Properties of RMB30,400,000 (equivalent to approximately HK\$37,500,000) prepared by an independent valuer based on market approach.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Conditions Precedent

Completion is subject to the fulfillment of the following Conditions on or before the expiration of 180 days after the signing of the Agreement:

- (1) the passing of resolutions of the Board approving this Agreement and the transactions contemplated thereunder including the issue of the PSCS and allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights attaching to the PSCS;
- (2) the Company having informed the Vendor or its solicitors in writing that the Company is satisfied with the results of the due diligence on all aspects of and relating to the Target Properties;
- (3) the Company having received a valuation report issued by an independent valuer approved by the Company showing the value of the Target Properties being not less than RMB30,400,000 (equivalent to approximately HK\$37,500,000) based on methodology, assumptions, criteria and other terms as may be accepted by the Company;
- (4) the Mortgages against the Target Properties having been discharged in full;
- (5) the Independent Shareholders having approved the Agreement and the transaction contemplated thereunder at the EGM;

LETTER FROM THE BOARD

- (6) this Agreement and the transactions contemplated thereunder having been complied with the articles of association of the Company and the requirements under the applicable laws, rules and regulations (including the Listing Rules);
- (7) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the Conversion Rights attached to the PSCS;
- (8) the representations, warranties and undertakings given by the Vendor have remained materially true and accurate at Completion as if repeated at Completion and at all times between the date of the Agreement and the Completion Date; and
- (9) the Vendor has signed the Subscription Agreement to subscribe for HK\$37,500,000 PSCS.

As at the Latest Practicable Date, conditions precedent (1), (2), (3) and (9) have been fulfilled. Save as the aforesaid, no condition precedent has been fulfilled or waived. The Company may waive the condition precedent (8) at its discretion. The Company may waive any or all of the conditions precedent above except conditions (5), (6) and (7) at any time by notice in writing to the Vendor. As at the Latest Practical Date, the Company has no intention to waive any conditions precedent. In the event that all the conditions precedent above shall not have been fulfilled or waived on or before the expiration of 180 days after the signing of the Agreement, the Agreement shall cease and determine and none of the parties shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Subject to the Conditions, Completion shall take place on the Completion Date on or before 30 September 2022, or such other date as may be agreed in writing between the Vendor and the Company. At Completion, the Vendor shall deliver to the Company, amongst others, (i) all such documents relating to the Target Properties; and (ii) all such other documents as may be reasonably required to enable the Company or its nominee to be registered as the owner of the Target Properties and be vested with the beneficial ownership of the Target Properties free from any encumbrances. At Completion, the Company shall pay RMB30,400,000 (equivalent to approximately HK\$37,500,000) to the Vendor.

LETTER FROM THE BOARD

Conditions Subsequent

In the event that the subscription of the PSCS is not completed on or before the PSCS Long Stop Date:

- (a) the Target Properties shall be transferred back to the Vendor and the Vendor shall return the RMB30,400,000 (equivalent to approximately HK\$37,500,000) to the Company in full without interest. The Vendor shall bear all the costs and expenses arising from and incidental to the transfer of the Target Properties;
- (b) the subscription of the PSCS shall be terminated; and
- (c) the 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).

(2) ISSUE OF PSCS

As one of the conditions precedent for Completion, on 13 December 2021 (after trading hours), the Company entered into the Subscription Agreement with the Vendor pursuant to which the Company has conditionally agreed to issue, and the Vendor has conditionally agreed to subscribe for, the PSCS in the principal amount of HK\$37,500,000 convertible into Conversion Shares at the initial Conversion Price of HK\$1.4 per Conversion Share (subject to adjustments).

THE SUBSCRIPTION AGREEMENT

Date: 13 December 2021

Parties

Issuer: the Company

Subscriber: Mr. Lam

Mr. Lam is one of the Controlling Shareholders holding 61.62% of the existing issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

Subscription

Subject to the fulfillment of the conditions set out below in the section headed “Conditions Precedent of the Subscription Agreement”, the Company has agreed to issue, and Mr. Lam has agreed to subscribe for, the PSCS in the principal amount of HK\$37,500,000 convertible into Conversion Shares at the initial Conversion Price of HK\$1.4 per Conversion Share (subject to adjustments) at the face value of HK\$37,500,000. 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 Mr. Lam 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 7.7% to the closing price of HKD1.30 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 7.7% to the average of the closing prices of approximately HKD1.30 per Share for the 5 trading days of the Shares up to and including the Last Trading Day;
- (iii) a premium of approximately 8.5% to the average of the closing prices of approximately HKD1.29 per Share for the 10 trading days of the Shares up to and including the Last Trading Day;
- (iv) a premium of approximately 7.7% to the average of the closing prices of approximately HKD1.30 per Share for the 30 trading days of the Shares up to and including the Last Trading Day;
- (v) a premium of approximately 6.0% to the average of the closing prices of approximately HKD1.32 per Share for the 60 trading days of the Shares up to and including the Last Trading Day;
- (vi) a premium of approximately 3.7% to the average of the closing prices of approximately HKD1.35 per Share for the 90 trading days of the Shares up to and including the Last Trading Day; and

LETTER FROM THE BOARD

- (vii) a premium of approximately 68.7% to the unaudited net asset value per Share of approximately HKD0.83, which is calculated based on the unaudited net asset value of the Company of approximately HKD397,000,000 as at 30 June 2021 as stated in its 2021 interim report divided by its total number of 475,675,676 issued Shares as at 30 June 2021.

Assuming the exercise in full of the Conversion Rights attaching to the PSCS at the initial Conversion Price, a total of 26,785,714 Conversion Shares may be issued, representing approximately 5.6% of the existing issued share capital of the Company and approximately 5.3% 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 of the Subscription Agreement

The PSCS Completion is conditional upon the fulfillment of the following conditions on or before 30 September 2022 (or such other date as the Company and Mr. Lam may agree):

- (a) the Independent Shareholders having approved the Subscription Agreement and the transactions contemplated thereunder in the EGM;
- (b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares; and
- (c) the Completion of the Agreement.

If any of the above conditions precedent is not fulfilled on or before 30 September 2022 (or such other date as the Company and Mr. Lam may agree), 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).

LETTER FROM THE BOARD

The PSCS Completion shall take place on or before 30 September 2022 when all the above conditions precedent (or such other date as may be agreed in writing between the Company and Mr. Lam) are fulfilled. Mr. Lam shall pay the principal amount of HK\$37,500,000 to Company for the PSCS. Taking into account that the Completion is one of the conditions precedent for the PSCS Completion and the conditions precedent for the Completion shall be fulfilled on or before the expiration of 180 days (i.e. about 6 months) after the signing of the Agreement, the Company considered that it is reasonable and practical to agree on the long stop date of 30 September 2022 for the Subscription Agreement.

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 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.

LETTER FROM THE BOARD

Termination

The Subscription Agreement shall terminate:

- A. if any of the conditions precedent has not been fulfilled by 30 September 2022 (or such other date as the Company and Mr. Lam may agree); or
- B. by agreement between the Company and Mr. Lam prior to the Completion.

PRINCIPAL TERMS OF THE PSCS

Issue price	:	100% of the principal amount of the PSCS
Form	:	The PSCS will be issued in registered form
Maturity Date	:	There is no maturity date
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

LETTER FROM THE BOARD

- 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 : 3.5% per annum of any outstanding principal amount of PSCS (the “**Rate of Distribution**”)
- 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 HKD1.4 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

LETTER FROM THE BOARD

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:

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

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

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

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

LETTER FROM THE BOARD

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

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

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

where:

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

LETTER FROM THE BOARD

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

C is the number of Shares in issue immediately after the Issue of such additional Shares.

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

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

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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 : 26,785,714 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

LETTER FROM THE BOARD

- 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

Application of Listing

The Conversion Shares will be allotted and issued under the specific mandate to be approved by the Independent Shareholders at the EGM.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

No listing of the PSCS will be sought from the Stock Exchange or any other stock exchange.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION AND USE OF PROCEEDS OF 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, Hong Kong, Macau and Southeast Asia.

Since December 2018, the Group has been leasing the Target Properties as its office premises in Zhuhai, the PRC. Taking into account the Group's business scale, the leasing of such properties is essential to the operations of the Group. Upon Completion, the Target Properties will be transferred to the Company and/or its nominee, 上海雅仕維廣告有限公司 (Shanghai Asiaray Advertising Company Limited*), a company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company, and the Group would no longer need to pay monthly rental expenses to the Vendor.

In addition, given that the Vendor will subscribe for HK\$37,500,000 PSCS, which has no maturity date, the Group will not face any immediate cash outflow as a result of the Acquisition, and hence would make positive impact on the Group's asset and can utilise the fund on the general working capital of the Group. The net proceeds from the issue of the PSCS (after deduction of all related expenses) will be approximately HK\$37,000,000.

As at 30 June 2021, the Group had cash and cash equivalents of approximately HK\$325.3 million and lease liabilities payable in less than one year of approximately HK\$1,320.4 million. Therefore, the Company prefers to preserve its current general working capital for its operation and the repayment of its liabilities to ensure it has a sufficient reserve of cash resources to fulfil its financial obligations and fund its operating activities for at least coming 12 months.

In addition, since the PSCS will be considered as equity instruments of the Company under the prevailing accounting principles as reserves of the Company, the issue of PSCS would improve the corporate structure of the Company by lowering the debt to equity ratio/broadening the Shareholder base and the capital base of the Company. The Company's debt to equity ratio before and upon issue of the PSCS is 0.68 and 0.62 respectively. Given the Group's financial resources and the benefits of the issue of the PSCS, the Board considers that the Acquisition, financed by the Subscription, is in the interest of the Company and its existing Shareholders as a whole. As stated in the below section headed "Effect on the shareholding structure", the dilution of public shareholding upon Conversion will only be approximately 1.51%, which the Board considered acceptable. 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 principal amount of the PSCS since the PSCS has no maturity date.

LETTER FROM THE BOARD

The Company had considered the implication on the issue of PSCS to the public float of the Company. The Board is of the view that sufficient measures are taken to restrict conversion 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. Mr. Lam has also undertaken that upon Conversion, he will, and will procure the nominee(s) to, place down the Shares to maintain the public float of 25% in compliance with the Listing Rules. Furthermore, the Company may at its sole discretion elect to defer a Distribution pursuant to the terms of the PSCS, which makes the financial and cashflow management of the Group more flexible.

The Company has made enquiries to certain licensed banks regarding the terms of additional facilities. It is the understanding of the Company that (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); (ii) the effect on the Group's debt to equity ratio and/or net asset value upon taking up additional facilities, which may violate certain covenants in existing banking facility agreements of the Group; and (iii) the potentially high handling fees, the finances cost of further debt financing would be high and the implications would be negative to the Group. In view of the potentially huge amount of interest payments and 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 Company considered that debt financing is currently an unfavorable option for the Group.

The Company has also considered other equity fundraising such as rights issue, open offer and placing of new shares. However, it is believed that the processing time and costs would be much higher than the issue of the PSCS. It is estimated by the Company that, excluding the time required for preparing the necessary documents, it would take at least a few months to look for a placing agent or an underwriter to rights issue or open offer and there is no guarantee that the Company would be able to secure an underwriter or placing agent given the current unfavourable market condition. Besides, it is very likely that, if the Company could secure a placing agent, the placing of shares by the placing agent would only be on a best effort basis. If such placing agent is unable to secure any places, the Company would be required to spend additional time to appoint another

LETTER FROM THE BOARD

placing agent. 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, which may require additional time to obtain legal opinion(s) if such prospectus is to be despatched to any overseas 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 be much 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 equity fundraising alternatives are not adopted and the Directors considered that the PSCS would allow the Company to raise immediate capital at a reasonable cost with relatively more certainty. The Board is also of the view that, if the Company were to conduct equity fundraising which often involves the issue of new shares, dilution of public shareholding would also be inevitable.

The Directors consider that the transactions contemplated under the Agreement and the Subscription Agreement would (i) benefit the Group's operating position by reducing its rental expenses and support the Group's strategic expansion in the PRC advertising marketing; (ii) expand the Group's assets portfolio, in view that while the Target Properties will be accounted for assets of the Company, the PSCS will be accounted for as equity instruments under the prevailing accounting principles of the Company and hence no financial liabilities will be recorded, and (iii) allow the Group to manage its financial and cashflow position more flexibly, as well as to utilise its existing fund to support the operation of the Group or capture investment opportunities as there will be no immediate cash outflow faced by the Company as the Consideration payable shall be offset by the subscription fee for the PSCS receivable from the Vendor. Therefore, 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 Agreement and the Subscription Agreement were negotiated on an arm's length basis, agreed on normal commercial terms between the Company and Mr. Lam and the terms were fair and reasonable. The Agreement and the Subscription Agreement were entered into in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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 as Consideration will be as follows:

	Shareholding as at the Latest Practicable Date		Shareholding upon issuance of the PSCS	
	<i>Number of Shares</i>	<i>%</i> <i>(approx.)</i>	<i>Number of Shares</i>	<i>%</i> <i>(approx.)</i>
Substantial Shareholders				
Mr. Lam	31,465,385 ¹	5.66	58,251,099 ²	9.99
Media Cornerstone Limited	254,921,500 ³	45.84	254,921,500 ³	43.74
Space Management Limited	87,110,058 ⁴	15.67	87,110,058 ⁴	14.95
Public				
Public Shareholders	182,554,176	32.83	182,554,176	31.32
	556,051,119 ⁵	100.00	582,836,833 ⁵	100.00

Notes:

1. These interests represent the Previous PSCS personally held by Mr. Lam convertible into 31,465,385 Shares.
2. These interests represent the Previous PSCS personally held by Mr. Lam convertible into 31,465,385 Shares and the PSCS personally held by Mr. Lam convertible into 26,785,714 Shares.
3. 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. Mr. Lam is deemed to be interested in all the 254,921,500 Shares under the SFO.
4. These interests include (i) 38,200,000 Shares; and (ii) the Previous PSCS convertible into 48,910,058 Shares. Mr. Lam is the sole shareholder of Space Management Limited and deemed to be interested in all the Shares and the Previous PSCS held by Space Management Limited under the SFO. Mr. Lam has undertaken that upon Conversion, he would place down the Shares to maintain the public float of 25% in compliance with the Listing Rules.
5. 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.

LETTER FROM THE BOARD

EQUITY FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the fundraising activity mentioned below, the Company has not conducted any equity fundraising activities in the past twelve months immediately preceding the Latest Practicable Date.

Date of announcement	Fundraising activity	Net proceeds	Proposed use of the net proceeds	Whether the proceeds are to be used according to the intention previously disclosed
16 July 2021	Issue of perpetual subordinated convertible securities	Approximately HK\$74,700,000	General working capital of the Group	Yes (Unutilised amount approximately HK\$50,000,000)

INFORMATION OF THE PARTIES

The Company

The Company was incorporated in the Cayman Islands with limited liability. The Company is an investment holding company and its subsidiaries are principally engaged in the development and operations of out-of-home advertising media, including advertising in airports, metro lines, billboards and building solutions in the PRC, Hong Kong, Macau and Southeast Asia.

Mr. Lam

Mr. Lam is the executive Director, chairman, chief executive officer and controlling shareholder of the Company.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Agreement will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules as the highest applicable percentage ratio of the transactions is higher than 5% but lower than 25%, the entering into of the Agreement constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Mr. Lam is an executive Director and one of the Controlling Shareholders holding 61.62% of the existing issued share capital of the Company. Mr. Lam is therefore a connected person of the Company and each of the Acquisition 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.

An Independent Board Committee has been formed to advise the Independent Shareholders and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Subscription.

Save for Mr. Lam, who has a material interest in the Acquisition and the Subscription, has abstained from voting on the relevant board resolutions, no other Directors have a material interest in the transactions and have abstained from voting on the board resolutions.

Mr. Lam and his associates (beneficially interested in an aggregate of 373,496,943 Shares, representing approximately 67.17% of the entire issued share capital (after taking into account the Previous PSCS) of the Company as at the Latest Practicable Date) shall abstain from voting on the proposed resolution to the Acquisition and the Subscription at the EGM.

EGM

An EGM to be held at 11:00 a.m. on Wednesday, 9 March 2022 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong during which ordinary resolution will be proposed to approve the Acquisition and the Subscription and the transactions contemplated thereunder. Mr. Lam and his associates are required to abstain from voting on the resolution to be proposed at the EGM.

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

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the recommendation of the Independent Board Committee and the letter of advice from the Independent Financial Adviser, both contained in this circular regarding their respective advice on the Acquisition and 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 Acquisition and the Subscription) considers that the proposed ordinary resolution in relation to the Acquisition and 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

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



Asiaray Media Group Limited
雅仕維傳媒集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1993)

18 February 2022

To the Independent Shareholders,

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
(1) ACQUISITION OF PROPERTIES
AND
(2) ISSUE OF PERPETUAL SUBORDINATED
CONVERTIBLE SECURITIES**

We refer to the circular of the Company to the Shareholders dated 18 February 2022 (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 Acquisition and the Subscription and the transactions contemplated thereunder (including but not limited to the purchase of Target Properties, the issue of the PSCS to the Vendor 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 Agreement and 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 8 to 33 and pages 36 to 84 of the Circular respectively, and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Acquisition and 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 Acquisition and 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 Acquisition and 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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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 LIMITED

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

18 February 2022

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

Dear Sirs/Madams,

CONNECTED TRANSACTION IN RELATION TO (1) ACQUISITION OF PROPERTIES AND (2) ISSUE OF PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 18 February 2022 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 13 December 2021 in relation to among other things, the Acquisition by the Company as purchaser and Mr. Lam (an executive Director and the Controlling Shareholder of the Company) as Vendor. On 13 December 2021 (after trading hours), the Company and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Target Properties at the Consideration of RMB30.4 million (equivalent to HK\$37.5 million). The Consideration will be satisfied by paying a sum of RMB30.4 million (equivalent to HK\$37.5 million) in cash to the Vendor and the Vendor shall transfer the Target Properties to the Company and/or its nominee upon Completion.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As one of the conditions precedents for Completion, on 13 December 2021 (after trading hours), the Company entered into the Subscription Agreement with the Vendor pursuant to which the Company has conditionally agreed to issue, and the Vendor has conditionally agreed to subscribe for, the PSCS in the principal amount of HK\$37.5 million convertible into Conversion Shares at the initial Conversion Price of HK\$1.4 per Conversion Share (subject to adjustments). 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 26,785,714 Conversion Shares will be issued, representing approximately 5.6% of the existing issued share capital of the Company and approximately 5.3% of the issued share capital of the Company as enlarged by the Conversion. The net proceeds from the issue of the PSCS (after deduction of related expenses) will be approximately HK\$37,000,000 which is intended to be applied as general working capital of the Company. The PSCS will be considered as equity instruments under the prevailing accounting principles of the Company and be treated as a reserve.

As the highest applicable percentage ratio of the transactions contemplated thereunder is higher than 5% but lower than 25%, the entering into of the Agreement constitutes a disclosable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Target Properties were owned as to 100% by Mr. Lam. Mr. Lam is an executive Director and one of the Controlling Shareholders of the Company holding 67.17% of the existing issued share capital (after taking into account of the Previous PSCS) of the Company. Accordingly, Mr. Lam is a connected person of the Company and each of the Acquisition 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 consists of two executive directors, two non-executive director and three independent non-executive directors. The Independent Board Committee, comprising Mr. Ma Andrew Chiu Cheung, Mr. Ma Ho Fai *GBS JP* and Ms. Mak Ka Ling, has been established to advise the Independent Shareholders as to whether the terms of the Acquisition and the Subscription are fair and reasonable so far as the Independent Shareholders are concerned, and to make a recommendation to the Independent Shareholders as to whether to vote in favour of or against the relevant resolution(s) to be proposed at the EGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on these matters.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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 Vendor 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 acquisition of the entire equity interest in the target company involving the issue of perpetual subordinated convertible securities (as disclosed in the Company's circulars dated 31 March 2021), and its connected transaction regarding the issue of perpetual subordinated convertible securities for fundraising purposes (as disclosed in the Company's circulars dated 27 September 2021), there was no other engagement between the Company and us. 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 of 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 we 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 Acquisition and the Subscription.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Acquisition and the Subscription are in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) whether the terms of the Agreement and the Subscription Agreement 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 (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) on the Acquisition and the Subscription at the EGM.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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 Agreement, the Subscription Agreement, the announcement of the Company dated 13 December 2021 in relation to the Acquisition and the Subscription, the annual report of the Company for the financial year ended 31 December 2020 (the “**2020 Annual Report**”), the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), the valuation report prepared by an independent property valuer (the “**Valuer**”) on the valuation of the Target Properties (the “**Valuation Report**”), and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

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

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

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In arriving at our opinion and recommendation with regard to the Acquisition and the Subscription, we have taken into account the principal factors and reasons set out below:

1. Background of the Acquisition

On 13 December 2021 (after trading hours), the Company and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Target Properties at the Consideration of RMB30.4 million (equivalent to HK\$37.5 million). The Consideration will be satisfied by paying a sum of RMB30.4 million (equivalent to HK\$37.5 million) in cash to the Vendor and the Vendor shall transfer the Target Properties to the Company and/or its nominee upon Completion.

2. Background and financial information of the Group

The Company was incorporated in the Cayman Islands with limited liability. The Company is an investment holding company and its subsidiaries are principally engaged in the development and operations of out-of-home advertising media, including advertising in airports, metro lines, billboards and building solutions in the PRC, Hong Kong, Macau and Southeast Asia.

Set out below is a summary of the audited financial information of the Group for the two years ended 31 December 2020 and for the six months ended 30 June 2020 and 30 June 2021 as extracted from the 2020 Annual Report and 2021 Interim Report.

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Table 1: Summarised financial information of the Group

	For the six months ended 30 June		For the financial year ended 31 December	
	2021	2020	2020	2019
	(unaudited)	(unaudited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue by segment</i>				
Airports business	379,877	346,901	692,980	739,282
Metro and billboards business	353,737	222,595	596,047	919,309
Bus and others	250,035	74,167	268,076	219,770
Total revenue	983,649	643,663	1,557,103	1,878,361
Gross profit	156,474	188,736	347,521	397,804
Loss for the period/year	113,667	47,836	141,409	108,679

According to the 2020 Annual Report, the Group recorded a revenue of approximately HK\$1,557.1 million for the year ended 31 December 2020 as compared with approximately HK\$1,878.4 million for the year ended 31 December 2019, representing a decrease of approximately 17.1%. 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 the 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.

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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 HK\$347.5 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 HK\$108.7 million for the year ended 31 December 2019 to approximately HK\$141.4 million for the year ended 31 December 2020.

Meanwhile, according to the 2021 Interim Report, the total revenue of the Group increased by approximately 52.8% from approximately HK\$643.7 million for the six months ended 30 June 2020 to approximately HK\$983.6 million for the six months ended 30 June 2021, which was mainly due to the impact of economy rebounds in the PRC and the reductions in lockdowns and passenger restrictions therein during the six months ended 30 June 2021. Among the sources of the Group's revenue increase, (i) the bus and other segments had increased by approximately 236.9% to approximately HK\$250.0 million due to the partnership with KMB which extended the Group's advertisement coverage to bus shelters; and (ii) the metro and billboards segment had increased by approximately 58.9% to HK\$353.7 million due to the increase in metro lines and billboards in the PRC. However, the gross profit for the six months ended 30 June 2021 decreased by approximately HK\$32.2 million, or approximately 17.1%, from the six months ended 30 June 2020 due to the concession fees paid for new projects such as those partnerships with KMB and Shenzhen Metro during the six months ended 30 June 2021. The loss for the six months ended 30 June 2021 also increased to approximately HK\$113.7 million from approximately HK\$47.8 million for the six months ended 30 June 2020 due to the increase in selling and marketing expenses, administrative expenses and finance costs.

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Meanwhile, the consolidated assets and liabilities of the Group as at 31 December 2020 and 30 June 2021 as extracted from the 2020 Annual Report and 2021 Interim Report are summarised as follows:

Table 2: Summarised financial position of the Group

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Total assets		
– non-current assets	4,803,128	3,849,815
– current assets	1,338,565	1,427,468
Total liabilities		
– non-current liabilities	3,864,772	3,160,000
– current liabilities	1,879,547	1,742,531
Net current liabilities	540,982	315,063
Net assets	397,374	374,752
Equity attributable to owners of the Company	<u>310,117</u>	<u>295,021</u>

As at 30 June 2021, non-current assets of the Group amounted to approximately HK\$4,803.1 million, representing an increase of approximately 24.8% as compared with that as at 31 December 2020. As at the same date, the Group's non-current assets were mainly comprised of (i) right-of-use assets of approximately HK\$4,258.7 million; and (ii) deferred income tax assets of approximately HK\$243.4 million. As at 30 June 2021, the Group's current assets amounted to approximately HK\$1,338.6 million, which mainly consisted of (i) trade and other receivables of approximately HK\$972.1 million; and (ii) cash and cash equivalents and restricted cash of approximately HK\$360.4 million.

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As at 30 June 2021, non-current liabilities of the Group amounted to approximately HK\$3,864.8 million, representing an increase of approximately 22.3% as compared with that in 2020. As at the same date, the Group's non-current liabilities mainly comprised lease liabilities that were payable after one year of approximately HK\$3,729.2 million. As at 30 June 2021, the Group's current liabilities amounted to approximately HK\$1,879.5 million, which mainly consisted of (i) lease liabilities that were payable in less than one year of approximately HK\$1,320.4 million; and (ii) trade and other payables of approximately HK\$253.0 million.

3. Background of the Target Properties and the Vendor

As at the Latest Practicable Date, the Target Properties were owned as to 100% by the Vendor, Mr. Lam. Mr. Lam is an executive Director and one of the Controlling Shareholders of the Company holding 67.17% of the existing issued share capital (after taking into account the Previous PSCS) of the Company.

The Target Properties are situated at Rooms 2901, 2902, 2903 & 2904, Yuhai World Financial Centre, No. 1009 Jiu Zhou Da Dao Zhong, Xiangzhou District, Zhuhai, the PRC, which are currently subject to Mortgages and will be released on or before Completion.

According to the Valuation Report, the Target Properties had a value of RMB30.4 million (equivalent to HK\$37.5 million) as at 30 November 2021.

4. Reasons for and benefits of the Acquisition

4.1. The Group's development plans

As set out in the section headed "Reasons for and benefits of the Acquisition and the Subscription and use of proceeds of the Subscription" in the Board Letter, since December 2018, the Group has been leasing the Target Properties as its office premises in Zhuhai, the PRC. Taking into account the Group's business scale, the leasing of such properties is essential to the operations of the Group. Upon Completion, the Group would no longer need to pay the Vendor monthly rental fee for the Target Properties, the Group would be able to save RMB0.94 million per year going forward, assuming the rental fee would remain the same if the parties renewed their tenancy agreement.

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From our review of the Company's 2020 Annual Report and 2021 Interim Report, we noted that the Group has a diversified and strong business network in the PRC, covering not only metro lines, but also international and domestic airports. For example, in the first half of 2021, the Group was granted the exclusive concession rights to use and operate its advertising and media resources in certain Shenzhen and Beijing metro lines. To support the Group's further expansion in the PRC advertising market, we understand that the Group considers acquiring a long-term office in Zhuihai would enable it to enhance its profit and presence in the PRC. Meanwhile, the Group would be able to save its rental expenses for the Target Properties in the future and allocate such amount of capital to investment opportunities that can generate more returns for the Shareholders.

4.2. The Group's financial resources

On the other hand, we noted that from our review of the 2021 Interim Report that, despite the Group had cash and cash equivalents of approximately HK\$325.3 million as at 30 June 2021, it also had lease liabilities that were payable in less than one year of approximately HK\$1,320.4 million. Hence, we understand that the Company prefers to preserve its current general working capital for its operation as well as the repayment of its liabilities. To ensure it has a sufficient reserve of cash resources to fulfil its financial obligations and fund its operating activities for at least coming 12 months, we therefore consider the entering into of the Agreement and the Subscription Agreement, which are part and parcel of one another, as fair and reasonable as there will be no immediate cash outflow from the Group before the repayment of the PSCS, which has no maturity date. Meanwhile, given that pursuant to the terms of the PSCS, the Company may, at its sole discretion, elect to defer a Distribution, the Distribution would unlikely post any cash outflow pressure on the Group and hence the Group would be able to manage its cash resources more flexibly.

4.3. Timing of the transactions

As illustrated in the sub-section headed “Share price movement during the Review Period” under the section headed “Assessment of the principal terms of the PSCS” of this letter, the Share price was at the trough among the Review Period, meaning that the Conversion Shares, of which the Conversion Price was determined based on the recent closing prices of the Shares, would allow Mr. Lam to further acquire 5.3% of the Shares at a relative low price as recorded during the Review Period. We have enquired the Directors regarding the timing of the Acquisition and the Subscription, and noted that the Directors are not aware of any particular explanation for the Share price drop during the Review Period, particularly from May to August 2021. Because of this, we compared the Share price movement with that of the Hang Seng Index during the Review Period. We noticed they both show a similar pattern with a downward trend throughout 2021. Accordingly, we are of the view that the Share price performance during the Review Period was largely a reflection of the negative trend in the overall market, which the Company cannot control and should not deter the Company from making business decisions that serves its needs. We also noted that, although the Directors have considered the implications of the Acquisition and the Subscription under recent lower Share prices, the Acquisition and the Subscription were mainly entered into for the Group’s development plans and financial resources, not in response to the Share prices. In addition, as discussed in the below sections headed “Other fundraising/financing alternatives” and “Possible shareholding dilution effects from the exercise of the PSCS”, the Subscription is currently the most favorable option for the Company which can indirectly financing the Acquisition compared to other fundraising/financing options.

In view of the loss-making position of the Company for the latest financial years and the continuous economic impact of COVID-19 and its variants, as well as the fact that future Share price performance is unpredictable, we are also of the view that it is difficult to wait for, or determine, a “good” timing for the Acquisition and the Subscription which will lead to a lower dilution of public shareholding upon Conversion. Accordingly, we consider that the Acquisition and the Subscription, which was entered into based on the Company’s current development plans and financial resources, is commercially reasonable regardless of the Share price performance in the future.

4.4. Section conclusion

Given that the transactions contemplated under the Agreement and the Subscription Agreement would (i) support the Group's strategic expansion in the PRC advertising marketing; (ii) benefit the Group's operating position by reducing its rental expenses; (iii) expand the Group's assets portfolio, in view that while the Target Properties will be accounted for assets of the Company, the PSCS will be accounted for as equity instruments under the prevailing accounting principles of the Company and hence no financial liabilities will be recorded, and (iv) allow the Group to manage its financial and cashflow position more flexibly, as well as to utilise its existing fund to support the operation of the Group or capture investment opportunities, where appropriate, as there will be the no immediate cash outflow faced by the Company as the Consideration payable shall be offset by the subscription fee for the PSCS receivable from the Vendor, coupled with the fact that the Acquisition and the Subscription, which was entered into based on the Company's current development plans and financial resources, is commercially reasonable regardless of the Share price performance in the future, we consider that the entering into of the Agreement and the Subscription Agreement 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.

5. The Agreement

5.1. Subject matter

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase the Target Properties, which are currently subject to Mortgages and will be released on or before Completion.

5.2. Consideration

The consideration for the Target Properties is RMB30.4 million (equivalent to HK\$37.5 million), which shall be settled by paying a sum of RMB30.4 million (equivalent to HK\$37.5 million) in cash to the Vendor and the Vendor shall transfer the Target Properties to the Company or its nominee upon Completion.

The Consideration was determined by the Company and Vendor on arm's length negotiations by reference to the preliminary valuation of the Target Properties of RMB30.4 million (equivalent to HK\$37.5 million) as at 30 November 2021 prepared by the Valuer based on market approach.

5.3. *Conditions Precedent*

Completion is subject to the fulfillment of the following Conditions on or before the expiration of 180 days after the signing of the Agreement:

- (1) the passing of resolutions of the Board approving the Agreement and the transactions contemplated thereunder including the issue of the PSCS and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights attaching to the PSCS;
- (2) the Company having informed the Vendor or its solicitors in writing that the Company is satisfied with the results of the due diligence on all aspects of and relating to the Target Properties;
- (3) the Company having received a valuation report issued by an independent valuer approved by the Company showing the value of the Target Properties being not less than RMB30.4 million (equivalent to HK\$37.5 million) based on methodology, assumptions, criteria and other terms as may be accepted by the Company;
- (4) the Mortgages against the Target Properties having been discharged in full;
- (5) the Independent Shareholders having approved the Agreement and the transaction contemplated thereunder at the EGM;
- (6) this Agreement and the transactions contemplated thereunder having been complied with the articles of association of the Company and the requirements under the applicable laws, rules and regulations (including the Listing Rules);
- (7) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the Conversion Rights attached to the PSCS;
- (8) the representations, warranties and undertakings given by the Vendor have remained materially true and accurate at Completion as if repeated at Completion and at all times between the date of the Agreement and the Completion Date; and

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- (9) the Vendor has signed the Subscription Agreement to subscribe for HK\$37.5 million PSCS.

The Company may waive any or all of the conditions precedent above except conditions (5), (6) and (7) at any time by notice in writing to the Vendor. In the event that all the conditions precedent above shall not have been fulfilled or waived on or before the expiration of 180 days after the signing of the Agreement, the Agreement shall cease and determine and none of the parties shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

6. Assessment of the principal terms of the Agreement

6.1. Consideration

To assess the fairness and reasonableness of the Consideration, we have reviewed and considered the preliminary valuation of the Target Properties of RMB30.4 million (equivalent to HK\$37.5 million) as at 30 November 2021, which is equivalent to the Consideration.

We have performed the works as required under Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included (i) assessment of the Valuer's experience in valuing properties similar to the Target Properties; (ii) obtaining information on the Valuer's track records on other properties valuations; (iii) inquiry on the Valuer's current and prior relationship with the Group and the Vendor; (iv) review of the terms of the Valuer's engagement, in particular its scope of work, for the assessment of the valuation of the Target Properties; and (v) discussion with the Valuer regarding the bases, methodology and assumptions adopted in the Valuation Report.

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(i) *Valuers*

In assessing the fairness and reasonableness of the valuation of the Target Properties, we have reviewed the Valuation Report prepared by the Valuer. We understand that Mr. Man C.M. Lam (“**Mr. Man Lam**”), the consultant of the Valuer and the signor of the Valuation Report, has over 15 years of experience in the valuation of properties in Hong Kong, the PRC and the Asia-Pacific region. Mr. C.M. Lam, among others, is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, and an associate member and Certified Practising Valuer of Australian Property Institute. We have obtained information on the Valuer’s track records on other property valuations and noted that the Valuer had been the valuer for similar properties in the PRC. As such, we are of the view that the Valuer and Mr. Man Lam are qualified, experienced and competent in performing property valuations and providing a reliable opinion in respect of the valuation of the Target Properties.

We have also enquired with the Valuer as to their independence from the Group and the Parties and were given to understand that the Valuer is an independent third party of the Group and its connected persons. The Valuer also confirmed to us that they were not aware of any relationship or interest between themselves and the Group or any other parties that would reasonably be considered to affect their independence to act as the independent valuers for the Company. The Valuer confirmed to us that apart from normal professional fees payable to them in connection with their engagement for the valuations, no arrangements exist whereby they will receive any fee or benefit from the Group and its associates.

Furthermore, we noted from the engagement letter entered into between the Company and the Valuer that, the scope of work was appropriate for the Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report.

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(ii) Valuation basis

We have reviewed the Valuation Report and understand that the Valuation Report was prepared based on market value and in accordance with the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards (“IVS”) published by International Valuation Standards Council.

According to the Valuation Report, market value is defined as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. Since no unusual matters had come to our attention that led us to believe that the Valuation Report was not prepared on a reasonable basis, we believe that the valuation fairly represents the market value of the Target Properties and forms a fair and reasonable basis for our further assessment on the Consideration.

(iii) Valuation methodology

We have discussed with the Valuer on the methodology adopted in valuing the Target Properties as at 30 November 2021 and noted it had adopted the market approach which assumes sale in its existing state with the benefit of vacant possession and by making reference to comparable sales information available in the relevant market. Appropriate adjustments have also been made to account for the differences between the property and the comparable properties in terms of floor level as further discussed below.

Based on our interview with the Valuer, we understand that given data on comparable properties in the PRC property market are mostly publicly available, the Valuer considered the adoption of the market approach as the most appropriate as it would provide a more objective result. Market approach is a widely used property valuation method in mature markets because it is generally considered that the best evidence of value is the price paid for similar properties.

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The valuation of the Target Properties was conducted on a desktop basis. From our interview with the Valuer, we note that when valuing the Target Properties using the market approach, it had identified and analysed various comparable sales information, and added adjustments to allow for any qualitative and quantitative differences that may affect the prices likely to be achieved by the Target Properties given the heterogeneous nature of real estate properties. Through our discussion with the Valuer, we understand that data and information about the comparable sales information were mostly obtained from various property agent websites, with the following selection criteria: (i) the comparable properties should be in the same building (i.e., Yuhai World Financial Centre in Xiangzhou District, Zhuhai, the PRC) and represent the same development environment; and (ii) the date of availability of the public sales information should be within one year of the valuation day. From our review, we noted that the Valuer identified five comparable properties (the “**Comparable Properties**”), among which, four of them are located on mid-floors (i.e., 13th—24th floor), while one of them on a higher floor (i.e., 25th—36th floor) like the Target Properties (i.e., 29th floor). As confirmed with the Valuer, the Comparable Properties represent an exhaustive list to the best of its knowledge, given that the use of sales information of other properties in the same building dated within a year is a common practice. Since the Target Properties are located on the 29th floor (i.e., higher floor), and as confirmed by the Valuer, the Comparable Property on the higher floor has a higher unit rate than those on lower floors, we also noted that the Valuer has added a premium to the Comparable Properties on lower floors for appropriate adjustments to account for the differences between the Target Properties and the Comparable Properties in terms of floor level. We consider such adjustment as fair and reasonable given that properties on higher floors generally worth more in comparison to lower floors because they provide better views.

In view that (i) the PRC has an active and well-publicised property market; (ii) the Comparable Properties are located in the same building as the Target Properties; and (iii) their sales information is recent and do not deviate much from other, we consider that the selection and the number of the Comparable Properties are fair and reasonable and sufficient to provide good and objective benchmarks for valuing the Target Properties, and that the market approach is appropriate for such valuation.

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In addition, we noted that the Comparable Properties not only are located in the same building as the Target Properties, but also share similar conditions with the Target Properties given that they all have similar floor plans. From our review, the Comparable Properties' adjusted unit rates ranged from approximately RMB29,500 to RMB31,200 per square meter. We further conducted independent research on the general sales price of properties (regardless of the floors) in Yuhai World Financial Centre, and noted that the unit rate of the building as at 16 December 2021 was approximately RMB31,000 per square meter¹, which is close to the unit rate of approximately RMB30,800 per square meter as adopted by the Valuer in valuing the Target Properties. Accordingly, we consider that it is fair and reasonable for the Valuer to multiply such analysed unit rate for the Target Properties with their respective size of area, and reached the aggregate appraised value of the Target Properties of RMB30.4 million (equivalent to approximately HK\$37.5 million) as at 30 November 2021.

(iv) Valuation assumptions

According to the Valuation Report, the valuation of the Target Properties was made on the assumption that the Target Properties are sold on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which could serve to affect the value of the Target Properties. In addition, the Valuer made no allowance for any charges, mortgages or amounts neither owing on the Target Properties valued nor for any expenses or taxation which may be incurred in effecting a sale or purchase. Unless otherwise stated, the Valuer also assumed that the Target Properties are free from encumbrances, restrictions and outgoings, which could affect the value of the Target Properties. We noted from the Valuer that these assumptions are commonly adopted in the valuation of properties. Given that we consider it objective and appropriate to appraise the Target Properties the same way as other similar properties on the open market, and that nothing material has come to our attention, we are of the view that these valuation assumptions are fair and reasonable.

¹ Please refer to NetEase website at <http://zh.house.163.com/21/1216/08/GRAT7DVE022198ES.html>

On the other hand, since as at 30 November 2021, the Valuer continued to be faced with an unprecedented set of circumstances caused by COVID-19, the Valuer had conducted the inspection of the Target Properties in November 2021 via real time video communication. The Valuer did not note any serious defect and assumed the Target Properties were in good structural condition at the valuation date. As advised by the Valuer, the property markets are mostly functioning again under the impact of COVID-19 as at the valuation date, however the valuation should be kept under frequent review with a high degree of caution. From our discussion with the Valuer, we understand while the Valuer does not intend to provide an opinion of the market value of the Target Properties as at any date after 30 November 2021, they consider that the Valuation Report remains an appropriate reference to the market value of the Target Properties as at 30 November 2021.

Since nothing material has come to our attention that the underlying assumptions and factors have changed as at the Latest Practicable Date, we maintain our opinion that the Valuation Report, as well as the underlying bases, methodologies and assumptions are appropriate and that the Valuation Report is appropriate reference for determining the value of the Target Properties.

(v) Section conclusion

Given that the Consideration is equivalent to the sum of the preliminary valuation of the Target Properties of approximately HK\$37.5 million as at 30 November 2021 in the Valuation Report, we consider that the Consideration is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6.2. Assessment of the Agreement

In assessing whether the other terms of the Agreement (including but not limited to conditions precedent, completion and warranties) are fair and reasonable, we have compared them with acquisition transactions conducted by other companies listed on the Stock Exchange. Upon our review, we are of the view that these remaining terms of the Agreement are standard terms of a normal sale and purchase agreement.

Given that the terms and conditions of the Agreement were negotiated on an arm's length basis, agreed on normal commercial terms between the Company and the Vendor, we consider and concur with the Directors that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

7. The Subscription Agreement

7.1. Subject matter

Subject to the fulfilment of the conditions set out below in the section headed “Conditions of the Subscription Agreement”, the Company has agreed to issue, and Mr. Lam has agreed to subscribe for, the PSCS in the principal amount of HK\$37.5 million convertible into Conversion Shares at the initial Conversion Price of HK\$1.4 per Conversion Share (subject to adjustments) at the face value of HK\$37.5 million. 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 Mr. Lam 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 7.7% over the closing price of HK\$1.30 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 7.7% over the average of the closing prices of approximately HK\$1.30 per Share for the 5 trading days of the Shares up to and including the Last Trading Day;
- (iii) a premium of approximately 8.5% over the average of the closing prices of approximately HK\$1.29 per Share for the 10 trading days of the Shares up to and including the Last Trading Day;
- (iv) a premium of approximately 7.7% over the average of the closing prices of approximately HK\$1.30 per Share for the 30 trading days of the Shares up to and including the Last Trading Day;
- (v) a premium of approximately 6.0% over the average of the closing prices of approximately HK\$1.32 per Share for the 60 trading days of the Shares up to and including the Last Trading Day;
- (vi) a premium of approximately 3.7% over the average of the closing prices of approximately HK\$1.35 per Share for the 90 trading days of the Shares up to and including the Last Trading Day;

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(vii) a premium of approximately 68.7% over the unaudited net asset value per Share (“NAV per Share”) of approximately HK\$0.83, which is calculated based on the unaudited net asset value of the Company of approximately HK\$397,000,000 as at 30 June 2021 as stated in the 2021 Interim Report divided by its total number of 475,675,676 issued Shares as at 30 June 2021; and

(viii) a discount of approximately 20.0% over the closing price of HK\$1.75 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Assuming full exercise of the conversion rights attaching to the PSCS at the initial Conversion Price, a total of 26,785,714 Conversion Shares may be issued, representing approximately 5.6% of the existing issued share capital of the Company and approximately 5.3% of the issued share capital of the Company as enlarged by the Conversion.

A specific mandate for the allotment and issue 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.

7.2. Conditions of the Subscription Agreement

Completion is conditional upon the fulfilment of the following conditions on or before 30 September 2022 (or such other date as the Company and Mr. Lam may agree):

- (a) the Independent Shareholders having approved the Subscription Agreement and the transactions contemplated thereunder in the EGM;
- (b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares; and
- (c) the completion of the Agreement.

If any of the above conditions precedent is not fulfilled on or before 30 September 2022 (or such other date as the Company and Mr. Lam may agree), 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).

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The Completion shall take place on or before 30 September 2022 when all the above conditions precedent (or such other date as may be agreed in writing between the Company and Mr. Lam) are fulfilled. Mr. Lam shall pay the principal amount of HK\$37.5 million to Company for the PSCS.

7.3. Warranties and Undertakings

The Company has given customary warranties and undertakings to Mr. Lam under the Subscription Agreement. Details of which can be found in the section headed “Warranties and Undertakings” in the Board Letter.

7.4. Principal terms of the PSCS

Principal terms of the PSCS are arrived at after arm’s length negotiations between the Company and Mr. Lam and are summarised as follows:

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:

- (1) rank ahead of those persons whose claims are in respect of any class of share capital of the Company;
- (2) be subordinated in right of payment to the claims of all other present and future senior and subordinated creditors of the Company; and
- (3) pari passu with each other and with the claims of holders of Parity Securities.

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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 : 3.5% per annum of any outstanding principal amount of PSCS (the “**Rate of Distribution**”)

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 HK\$1.4 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.

Conversion Shares : 26,785,714 Conversion Shares will be allotted and issued by the Company upon full conversion of the PSCS at the initial Conversion Price.

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- 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 HK\$100.
- 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.

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- 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.

8. Assessment of the principal terms of the PSCS

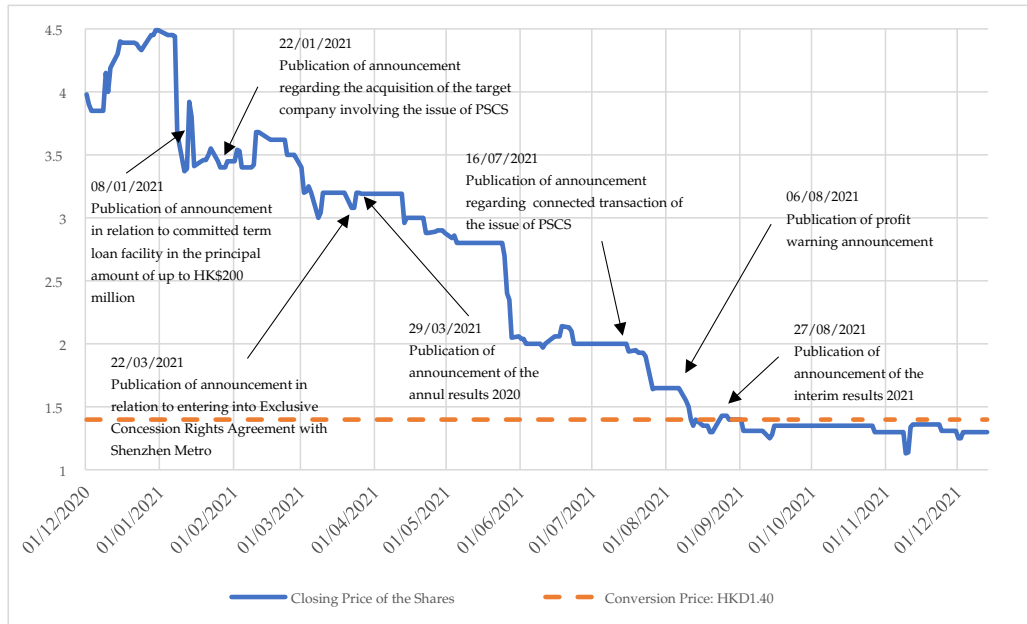
In assessing the fairness and reasonableness of the principal terms of the PSCS, we have taken into account (i) the daily closing price of the Shares as quoted on the Stock Exchange commencing on 1 December 2020 (being approximately 12 months before the date of the Subscription Agreement) up to and including the Last Trading Day (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 Day for our analysis on the historical closing prices of the Shares and the Conversion Price.

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8.1. 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 HK\$1.13 to HK\$4.49 per Share, and the average closing price of the Shares was approximately HK\$2.43 per Share. Therefore, the Conversion Price of HK\$1.40 per Share is within the range of the closing prices of the Shares but represents a discount of approximately 42.4% to the average closing price of the Shares during the Review Period. On the other hand, the Conversion Price represents a premium of approximately 7.7% over the closing price of HK\$1.30 per Share as quoted on the Stock Exchange on the Last Trading Day.

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We are aware that the discount of approximately 42.4% as represented by the Conversion Price to the average closing price of the Shares during the Review Period is relatively large, yet we consider such comparison as inadequate in illustrating the full picture. Given that as shown in the above chart, the Share prices had dropped substantially during the Review Period. In this regard, we noted that 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, the Share price started to increase from HK\$4.15 per Share on 9 December 2020 to HK\$4.49 on 30 December 2021, being the highest closing Share price in the Review Period. However, likely because there was no positive news to support the new high Share price, the Share price dropped since January 2021 and dropped to HK\$3.67 per Share on 8 January 2021, when the Company announced its commitment to a term loan facility in the principal amount of up to HK\$200 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 and the publication of profit warning announcement on 8 August 2021, which showed the Group's increased loss for the year. The Share price reached HK\$1.30 per Share on 19 August 2021 and fluctuates at the same level until the Last Trading Day.

We believe it is more relevant to compare the recent closing prices of the Shares with the Conversion Price, given the drastic drop in Share prices during the Review Period. If we were to divide the Review Period into four periods (i.e., from 1 December 2020 to 28 February 2021; from 1 March 2021 to 31 May 2021; from 1 June 2021 to 31 August 2021; and from 1 September 2021 to the Last Trading Day), the average closing prices of the Shares during the first, second, third and fourth periods would be HK\$3.84, HK\$2.97, HK\$1.79 and HK\$1.32 respectively. Accordingly, despite representing a discount to the average closing prices of the Shares during the earlier Review Period, the Conversion Price represents a premium of approximately 6.06% over the average closing price of the Shares for the approximate three-month period prior to the Last Trading Day.

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Having considered that the Conversion Price is at a premium over (i) the closing prices of the Share on the Last Trading Day; and (ii) the average closing prices of the Shares for the 5, 10, 30, 60 and 90 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.

8.2. 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 the PSCS and 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) that were issued by other companies listed on the Main Board of the Stock Exchange during the period from 1 January 2017 up to and including the Last Trading Day. 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. More importantly, given that the PSCS will be accounted for as equity instruments under the prevailing accounting principles of the Company, while convertible bonds/notes are mostly accounted for as financial liabilities, we consider it inappropriate to compare the two.

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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 7.0%. In addition, we noted that the conversion prices of these perpetual convertible securities were usually issued at a significant discount to the respective issuers’ last closing prices on the Stock Exchange (thirteen of them at an average discount of above 30%). Accordingly, 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 After having excluded them from our list of comparable issues, we have identified four comparable issues of perpetual convertible securities (collectively refer to as the “**Comparable(s)**”).

² HSBC did not issue any perpetual convertible securities in 2019. Below are the perpetual convertible securities issued by HSBC in 2017, 2018, 2020 and 2021:

<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>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1211/2020121100035.pdf>; and
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0303/2021030300043.pdf>

Below are the perpetual convertible securities issued by Standard Chartered plc. from 2017 to the Last Trading Date:

<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>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0106/2021010600055.pdf>; and
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0811/2021081100057.pdf>

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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 should 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 position and performance, market capitalisation, as well as the reasons for the issue of the perpetual convertible securities and funding requirements, we consider that the Comparables might not constitute a close and representative reference to the PSCS, despite that they remain fair market references on general terms and conditions of perpetual convertible securities. In addition, given that there are only four 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.

Table 3: Principal terms of the Comparables

Issuer (stock code)	Date of announcement	Initial conversion price	Premium/ (discount) over the closing price on the last trading day/date of agreement (%)	Premium/ (discount) over the closing price for the last 5 trading days up to and including the last trading day/date of agreement (%)	Premium/ (discount) 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
FSE Services Group Limited (331) ("FSE")	2019/11/14	HK\$3.226	(0.12)	0.00	87.56	6.00	Quarterly, deferrable/ conversion shares not to be listed on the Stock Exchange	No	Optional redemption: Redemption at the option of the issuer in whole or in part of the convertible securities, at any time after 10 years following the issue date, on giving not less than 10 days' prior written notice to the holders of the convertible securities.	Perpetual convertible securities will be convertible by holders into shares, at any time within ten years from the issue date to convert the convertible securities

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Issuer (stock code)	Date of announcement	Initial conversion price	Premium/ (discount) over the closing price on the last trading day/date of agreement (%)	Premium/ (discount) over the average closing price for the last 5 trading days up to and including the last trading day/date of agreement (%)	Premium/ (discount) 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	HK\$8.50	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.	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.
									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.	

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<p>Premium/ (discount) over the average closing price for the last 5 trading days up to and including the last trading day/date of agreement (%) (1.90)</p> <p>Premium/ (discount) over the closing price on the last trading day/date of agreement (%) (7.20)</p> <p>Premium/ (discount) over the latest reported net asset value per share (%) (269.00 (Note 4))</p> <p>Initial annual distribution rate (%) (2.00 (for the first five years and no interest thereafter))</p> <p>Distribution terms/ listing status (Annually, deferrable for a maximum of 10 years/ conversion shares to be listed on the Stock Exchange)</p> <p>Perpetual convertible securities secured by assets (No)</p>	<p>Perpetual convertible securities secured by assets (No)</p> <p>Optional redemption: Redemption at the option of the issuer in whole or in part, on giving not less than 10 days' prior written notice on the holder of the convertible securities with the total amount proposed to be redeemed specified therein, redeem the convertible securities (in whole or in part) at 100% of the principal amount of such convertible securities.</p> <p>Perpetual convertible securities will be convertible by holders into shares, at any time within ten years from the issue date to convert the whole or part of the outstanding principal amount of the convertible securities.</p>
<p>Issuer (stock code) LT Commercial Real Estate Limited (112) ("LT")</p> <p>Date of announcement 2018/3/20</p> <p>Initial conversion price HK\$4.50</p>	<p>Redemption terms</p> <p>Conversion terms</p>

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Issuer (stock code)	Date of announcement	Initial conversion price	Premium/ (discount) over the closing price on the last trading day/date of agreement (%)	Premium/ (discount) over the closing price for the last 5 trading days up to and including the last trading day/date of agreement (%)	Premium/ (discount) 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	HK\$12.78	14.11	8.49	27.06 (Note 5)	2.00	Annually/conversion shares to be listed on the Singapore Exchange (Note 6)	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.	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.
									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.	

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Issuer (stock code)	Date of announcement	Initial conversion price	Premium/ (discount) over the closing price on the last trading day/date of agreement (%)	Premium/ (discount) over the average closing price for the last 5 trading days up to and including the last trading day/date of agreement (%)	Premium/ (discount) 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
The Company	2021/7/16	HK\$1.40	8.94	8.70	131.36	3.56	3.50 Quarterly, defferable/ 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.
		Average	8.94	8.70	131.36	3.56				
		Maximum	28.98	28.21	269.00	6.00				
		Minimum	(7.20)	(1.90)	27.06	2.00				

Source: website of Stock Exchange

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Notes:

1. 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 list of Comparables.
2. According to the announcement of Apex Ace Holding Limited (6036) dated 21 October 2021, the group intended to acquire a property from a connected person and satisfy the consideration using perpetual subordinated convertible securities. Given that as at the Last Trading Day, a circular containing the details thereof had not yet been issued and hence a general meeting cannot yet be held, the perpetual subordinated convertible securities have not been issued. Accordingly, we have excluded such transaction from our list of 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 net asset value per share attributable to the shareholders of LT of approximately HK\$1.22 as at 31 December 2017 as disclosed in the announcement of LT dated 20 March 2018.
5. 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.
6. 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.

(vi) Conversion Price

As shown in the table above, the premiums/discounts represented by the conversion prices of the Comparables over their respective closing price on the last trading day/date of agreement range from a discount of approximately 7.20% to a premium of approximately 28.98%, at an average premium of approximately 8.94%. Therefore, the premium of approximately 7.70% represented by the Conversion Price over the closing price of the Shares on the Last Trading Day falls within the range of the premiums represented by the conversion prices of the Comparables over their respective closing price on the last trading day/date of the agreement but is lower than the average premium represented by the Comparables by 1.24 percentage points.

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On the other hand, the premiums represented by the conversion prices of the Comparables over their respective latest reported net asset value per share range from approximately 27.06% to approximately 269.00%, at an average premium of approximately 131.36%. As such, the premium of approximately 68.70% represented by the Conversion Price over the latest net asset value per Share is within the range of the premiums represented by the conversion prices of the Comparables.

We acknowledge that the Conversion Price might not be as appealing as some of the Comparables'. However, we consider that in assessing the fairness and reasonableness of these terms, one should also consider the attractiveness of the Company's business/investment profile compared to those of the Comparables. In this respect, we noted that all of the Comparables were profitable businesses at the time when their perpetual convertible securities were issued, whereas the Company had been loss-making for the six-month ended 30 June 2021 as well as the two financial years ended 31 December 2019 and 2020. In view that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor (i.e., Mr. Lam) 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, we consider the lower premium represented by the Conversion Price over the recent closing prices of the Shares to be commercially reasonable, given that it shall increase the attractiveness of the PSCS and hence the likelihood that Mr. Lam will subscribe.

Given that (i) the premiums represented by the Conversion Price over (a) the closing price of the Shares on the Last Trading Day, (b) the average closing price per Share for the 5 trading days of the Shares up to and including the Last Trading Day, and (c) the latest net asset value per Share, all fall within the ranges of the premiums represented by the conversion prices of the Comparables; and (ii) contrary to the Comparables which were profit-making companies at the time when their perpetual convertible securities were issued, the Company had been loss-making, we are of the view that it is commercially reasonable for the Conversion Price to represent a lower premium compared to some of the Comparables', especially considering that the Conversion Price was arrived at after arm's length negotiations between the Company and Mr. Lam, and 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.

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(vii) 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 3.50% per annum, subject to the optional deferral of Distributions by the Company (the deferred Distribution shall be non-interest bearing). As shown in the above table, the rates of distribution of the Comparables range from 2.00% to 6.00%, with an average rate of distribution of approximately 3.56%. The Rate of Distribution therefore falls within the range represented by the Comparables and is lower than the average rate thereof.

As shown in Table 3 above, two of the Comparables, namely LT and Semiconductor, each has an annual distribution rate of 2.00% which is lower than the Rate of Distribution of 3.50%. In this regard, we noted that while the terms of the PSCS (as well as the subscription agreements of FSE, C&D and LT) confer a right to the Company to, at its sole discretion, defer a Distribution, no such deferral arrangement is mentioned in the announcement of 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. On the other hand, although LT also enjoys the right to defer distributions, such deferral right is only limited to a 10-year period, whereas the Company can enjoy the same deferral right unrestricted by time. One should also note that the conversion price of LT represents a discount to the closing price of LT's shares on the respective last trading day as well as the average closing price per LT's share for the 5 trading days of LT's shares up to and including the respective last trading day, which shows that LT's lower rate of distribution may have been arrived at to compensate for the lower conversion price.

With the above factors taken into consideration, we consider that the Rate of Distribution and Distribution term 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.

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(viii) 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 Mr. Lam an option and the flexibility to convert the PSCS into Conversion Shares based on the market situation and his preference. Concerning the terms of the Comparables above, we noted that all four Comparables were freely convertible by the holders. As such, the free conversion feature of the PSCS is in line with the general market practices.

While we noted that the conversion terms of FSE, LT and C&D's perpetual convertible securities are subject to a specific timeframe unlike the PSCS's perpetual feature, we are of the view that such difference does not make the principal terms 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 the option of issuer 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, or in the case of FSE, at any time after ten years following the issue date. Hence, unlike the Company, C&D and FSE face a lock-up redemption period of three/ten-year and their right to redeem the perpetual convertible securities is relatively restricted.

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Meanwhile, since the Company has the option, but not obligation, to redeem in whole or in part of the principal amount of the PSCS, there is no immediate cash outflow pressure on the Group as a result of the repayment of the principal amount of the PSCS. In contrast, C&D and Semiconductor are only allowed to redeem in whole, but not in part, of their perpetual convertible securities after three years from the issue date thereof (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) in that sense. In respect of FSE and LT, although the respective issuers also enjoy the right to redeem the perpetual convertible securities in whole or in part, as discussed above, FSE can only exercise such redemption right after ten years following the issue date, whereas LT can exercise such redemption right at any time but, in return, faces a lower conversion price on their perpetual convertible securities. Taking the above factors into consideration, we are of the view that the redemption right attaching to the PSCS is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

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 Mr. Lam would be unfavourable to the Company and the Shareholders as a whole. We are also 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 Mr. Lam, with a view to maximizing the value for each party while protecting their interests, which we consider as commercially reasonable.

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Although the principal terms of the PSCS are discussed by sections, we consider that they should be assessed collectively. Regarding the PSCS's perpetual conversion timeframe, we are of the view that while it may pose uncertainties to the Company's interest as Mr. Lam 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 in whole or in part and defer Distribution at its sole discretion and pay no interest on the deferred Distribution(s), as well as the fact that the PSCS has no maturity date and therefore there will no immediate cash outflow pressure on the Group. Given these considerations and the precedent of a perpetual conversion timeframe on the market as indicated Semiconductor, we are of the view that the PSCS's perpetual conversion term is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

(ix) Conditions precedent

Apart from the above principal 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 are 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 cases of the majority of the Comparables (except Semiconductor), a specific mandate would need to be sought by the Company for the allotment and issue of the PSCS, the conditions precedent in these Comparables' and the Company's subscription agreements both include the requirement for having the independent shareholders approved the subscription agreement and the transaction(s) contemplated thereunder at a general meeting.

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

8.3. *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 (a) the closing price of the Shares on the Last Trading Day, (b) the average closing prices of the Shares for the 5, 10, 30, 60 and 90 trading days up to and including the Last Trading Day, and (c) the latest net asset value per Share;
- (iii) the premium represented by the Conversion Price over (a) the closing price of the Shares on the Last Trading Day, (b) the average closing price per Share for the 5 trading days of the Shares up to and including the Last Trading Day, and (c) the latest net asset value per Share, both fall within the ranges of the premium represented by the conversion prices of the Comparables;
- (iv) the Conversion Price was arrived at after arm's length negotiations between the Company and Mr. Lam;
- (v) the Rate of Distribution is within the range of those offered by the Comparables;
- (vi) there is no immediate cash outflow pressure on the Group as (a) the Company has the right to, at its sole discretion, defer a Distribution without restrictions and pay no interest on the deferred Distribution(s), when such right is not often offered by the Comparables, or in the cases when such right is offered, there are usually less appealing terms in place to "offset" that, and (b) the PSCS has no maturity date and hence repayment of the principal amount of the PSCS is not immediate;
- (vii) the Company has the right to redeem the PSCS in whole or in part quarterly at its discretion if it sees fit;
- (viii) the free conversion feature of the PSCS is in line with the general market practices; and

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (ix) 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.

9. Other fundraising/financing alternatives

Although the Consideration will be settled by the cash, the entering into of the Agreement and the Subscription Agreement are part and parcel of one another and hence it could be understood that the Acquisition will be financed by the Subscription.

In this regard, we have discussed with the Company the possibility of other ways of financing/financing such as debt financing and equity fundraising.

In respect of debt financing, we understand that the Company made 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 future³ (while the interest rate for banking facilities are usually determined based on HIBOR); (ii) the effect on the Group's debt-to-equity ratio and/or net asset value upon taking up additional facilities, which may violate certain covenants in existing banking facility agreements of the Group; and (iii) the potentially high handling fees, the finances cost of further debt financing would be high and the implications would be negative to the Group. 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 of interest payments. We understand from the Company that, after considering the potentially huge amount of interest payments and 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, debt financing is currently an unfavorable option for the Group.

³ Please refer to: <https://www.theguardian.com/business/2022/jan/10/global-financial-markets-hit-by-potential-us-interest-rate-rise-concerns>

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Company has also considered other equity fundraising such as a rights issue, an open offer and placing of new shares. However, it is believed that the processing time and costs of these equity financing exercises would be much higher than the issue of the PSCS, given that it is estimated by the Company that, excluding the time required for preparing the necessary documents, it would take at least a few months to look for a placing agent or an underwriter to a rights issue or an open offer, and there is no guarantee that the Company would be able to procure one given the current unfavourable market condition and recent Share price performance. Besides, it is very likely that, even if the Company could secure a placing agent, the placing of Shares by the placing agent would only be on a best effort basis. If such placing agent is unable to secure any places, the Company would be required to spend additional time to appoint another placing agent. 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 additional time to obtain legal opinion(s) would also be required if such prospectus were to be despatched to any overseas 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 equity fundraising alternatives are not adopted and the Directors considered that the PSCS would allow the Company to raise immediate capital at a reasonable cost with relatively more certainty.

In addition to the above, as discussed in the above section headed “Assessment of the principal terms of the PSCS”, the Subscription also 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; and (v) the PSCS will be accounted for as equity instruments in the financial statements 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.

In light of the above, we are of the view that the Subscription is currently the most favorable option for the Company which can indirectly financing the Acquisition.

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10. Possible shareholding dilution effects from the exercise of the PSCS

As at the Latest Practicable Date, the issued share capital of the Company was 556,051,119 Shares (assuming the Previous PSCS has been converted), of which Mr. Lam was deemed to be interested in 373,496,943 Shares (approximately 67.17% of the entire issued share capital of the Company) through his shareholding in Media Cornerstone Limited⁴ and Space Management Limited⁵ and after taking into account the Previous PSCS, while the remaining Shares were held by the public Shareholders (approximately 32.83% of the issued share capital of the Company)⁶.

Upon Conversion, 26,785,714 Conversion Shares underlying the PSCS will be accounted for as equity instruments under the prevailing accounting principles of the Company. Accordingly, the total issued share capital of the Company will be enlarged to 582,836,833 Shares (the “**Enlarged Group**”). Under such scenario, Mr. Lam will be deemed to be interested in approximately 68.68% of the issued share capital of the Company as enlarged by the issue of the PSCS, while the public Shareholders will hold approximately 31.32% of such enlarged issued share capital of the Company. Accordingly, upon Conversion, the shareholding interest of the public Shareholders will be diluted by approximately 1.51%, which in our view is not material.

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.

⁵ Mr. Lam is the sole shareholder of Space Management Limited and deemed to be interested in all the 38,200,000 Shares and 80,375,443 Previous PSCS under the SFO. Mr. Lam has undertaken that upon Conversion, he would place down the Shares to maintain the public float of 25% in compliance with the Listing Rules.

⁶ Since the PSCS and the Previous PSCS are considered as an equity instrument of the Company under prevailing accounting principles upon issue, they are included in the calculation of the total shareholdings upon issue. For the avoidance of doubt, the Previous PSCS has been included in the calculation of the public float of the Company, and the PSCS will be included in the calculation of public float of the Company upon issuance. As at the Latest Practicable Date, the number of Shares issued is 475,675,676.

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In addition, as discussed in the above section headed “Other financing alternatives”, debt financing is currently an unfavorable option for the Company, especially given the limitation posed by the covenants regarding the Group’s debt-to-equity ratio and/or net asset value in its existing banking facility agreements. The Board is also of the view that, if the Company were to conduct equity fundraising which often involves the issue of new shares, dilution of public shareholding would also be inevitable. In view of the benefits of the PSCS over various equity fundraising alternatives as discussed above, we therefore concur with the Board that the Subscription is currently the most favorable fundraising/financing option despite its dilution impact on public shareholding, which as discussed above, is immaterial in our view.

Having considered (i) the reasons for and the benefits of the Acquisition and the Subscription as discussed in the above section headed “Reasons for and benefits of the Acquisition”; (ii) that the terms of the Agreement and the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned as discussed in the above section headed “Assessment of the principal terms of the PSCS”; and (iii) the Subscription is currently the most favorable fundraising/financing option available to the Company as discussed in the above section headed “Other financing alternatives”, we concur with the Directors that the dilution effect on the shareholding of the public Shareholders is acceptable.

11. Financial effects of the Acquisition

The financial effects of the Acquisition on the Enlarged Group’s earnings, working capital and net asset value are set out below. It should be noted that the analysis below is for illustrative purposes only and does not purport to represent how the financial position of the Enlarged Group would be upon Completion.

11.1. Earnings

As stated in the Board Letter, the Group has been leasing the Target Properties as its office premises in Zhuhai, the PRC. Accordingly, upon Completion, the financial position of the Enlarged Group is expected to improve as there will be no further rental payments payable by the Group for the Target Properties upon Completion.

11.2. Working capital

Since the cash payable by the Company for the Consideration will be offset by its cash receivable from Mr. Lam for his subscription for the PSCS, the working capital position of the Group is expected to remain the same immediately upon Completion.

11.3. Net asset value

Given that the Target Properties will be accounted for as assets of the Company, while the PSCS will be accounted for as equity instruments under the prevailing accounting principles of the Company and hence no financial liabilities will be recorded, it is expected that upon Completion, the net asset value of the Enlarged Group will increase by approximately HK\$37.5 million, being the value of the Target Properties as at 30 November 2021.

Based on the above analysis, we noted that the Acquisition is expected to have a positive effect on the Enlarged Group's earnings and net asset value positions, and no effect on its working capital position.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, our views are summarised below:

- (i) the Acquisition is in-line with the Group's strategic expansion in the PRC advertising marketing, and the Group would be able to enhance its profit and presence in the PRC by acquiring a long-term office in Beijing, which is at the heart of China;
- (ii) as the Acquisition would entail acquiring the Target Properties, which is currently being rent to the Group by Mr. Lam, the Group would be able to save its rental expense for the Office in the future and allocate such amount of capital to investment opportunities that can generate more returns for the Shareholders;
- (iii) the Consideration, as well as the Conversion Price, were arrived at after arm's length negotiations between the Company and Mr. Lam;
- (iv) the Consideration is equivalent to the sum of the preliminary valuation of the Target Properties of approximately RMB30,400,000 as at 30 November 2021 as stated in the Valuation Report;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (v) the Valuation Report, as well as the underlying bases, methodologies and assumptions are appropriate, and that the Valuation Report is appropriate references for determining the valuation of the Target Properties;
- (vi) the Conversion Price is priced within the range of the closing prices of the Shares during the Review Period;
- (vii) the Conversion Price is at a premium over (a) the closing price of the Shares on the Last Trading Day, (b) the average closing prices of the Shares for the 5, 10, 30, 60 and 90 trading days up to and including the Last Trading Day, and (c) the latest net asset value per Share;
- (viii) the Conversion Price was arrived at after arm's length negotiations between the Company and Mr. Lam;
- (ix) there is no immediate cash outflow pressure on the Group as (a) the Company has the right to, at its sole discretion, defer a Distribution without restrictions and pay no interest on the deferred Distribution(s), and (b) the PSCS has no maturity date and hence repayment of the principal amount of the PSCS is not immediate;
- (x) the other terms of the Agreement (including but not limited to conditions precedent, completion and warranties) are standard terms of a normal sale and purchase agreement;
- (xi) the Subscription is currently the most favorable fundraising/financing option for the Company in view of the benefits of the PSCS over various equity fundraising alternatives;
- (xii) upon Conversion, the shareholding interest of the public Shareholders will be diluted by approximately 1.51%, which in our view is not material; and
- (xiii) the Acquisition and Subscription is expected to have a positive effect on the Enlarged Group's net asset value position.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Accordingly, we are of the opinion that, despite the Acquisition and the Subscription are not in the ordinary and usual course of business of the Group, they 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 advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Acquisition and the Subscription at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution relating to the Acquisition and the Subscription at the EGM.

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

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

1. RESPONSIBILITY STATEMENT

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

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

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

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

Name of Directors	Capacity/ Nature of interest	Number of Shares	Equity derivative (share options)	Total number of Shares and underlying Shares	Approximate percentage of issued share capital of the Company
Lam Tak Hing, Vincent	Founder of a discretionary trust and interest in a controlled corporation and beneficial owner	373,496,943	Nil	373,496,943	67.17%

Note:

1. Mr. Lam is the sole shareholder of Space Management Limited (“**Space Management**”) which holds 38,200,000 Shares and conversion rights of 48,910,058 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 HK 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 Limited, 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 this circular, save for 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 this 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
Flagship Appraisals and Consulting Limited	Professional valuer

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.

Flagship Appraisals and Consulting 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 branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 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 Chartered Governance Institute (formerly the Institute of Chartered Secretaries and Administrators) and the Hong Kong Chartered Governance Institute (formerly 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 ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.asiaray.com/en/home>) for a period of 14 days from the date of this circular:

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

* *For identification purpose only*

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Flagship Appraisals and Consulting Limited, an independent valuer, in connection with its valuation as at 30 November 2021 of the property located in the People's Republic of China.



18 February 2022

The Directors

Asiaray Media Group Ltd.

16/F, Kornhill Plaza – Office Tower

1 Kornhill Road

Quarry Bay

Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Asiaray Media Group Ltd. (the “**Company**”) for us to value the property contracted to be acquired by the Company and/ or its subsidiaries (together referred to as the “**Group**”) located in the People’s Republic of China (the “**PRC**”). We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 November 2021 (the “**valuation date**”).

BASIS OF VALUATION

The valuation is our opinion of Market Value which we would define as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

In valuing the property, we have adopted the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales information as available in the relevant market. Appropriate adjustments have been made to account for the differences between the property and the comparables in terms of time, location, accessibility and other relevant factors.

TITLE INVESTIGATION

We have been provided with copies of title & legal documents and have been advised by the Company that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copy handed to us. In the course of our valuation, we have relied upon the advice and information given by the Company's PRC legal advisor – King & Wood Mallesons regarding the title of the property located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property is sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the property. In addition, no account has been taken of any option or right of pre-emption concerning or effecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

In valuing the property, we have assumed that the property owner has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual Government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

Due to the outbreak of COVID-19, inspection of the property has been conducted in November 2021 by Mr. Man Lam (MHKIS) via real time video communication. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are not able to report as to whether the property is free from rot, infestation or any other structural defect. No test has been carried out to any of the services. We have assumed in our valuation that the property is in good structural condition at the valuation date.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, floor areas, identifications of the property and all other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the property but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your advice that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

Our valuation has been prepared in accordance with the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

Our valuation has been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020 has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, “lockdowns” have been applied to varying degrees and to reflect further “waves” of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again. However, we remain cautious due to uncertainty for the pace of the economic recovery, therefore, we recommended that the valuation of the property should be under frequent review.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowance has been made for any exchange transfers.

The summary of value and the valuation certificate are attached herewith.

Yours faithfully,

For and on behalf of

FLAGSHIP APPRAISALS AND CONSULTING LIMITED

Man C.M. Lam

MHKIS, RPS(G.P.), MRICS

Consultant

Note: Mr Man C.M. Lam is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 15 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUE

Property	Market Value in existing state as at 30 November 2021 RMB
Unit Nos. 2901 to 2904, Yuhai World Financial Centre, Middle Jiuzhou Avenue, Xiangzhou District, Zhuhai City, Guangdong Province, The PRC 中國廣東省珠海市香洲區九洲大道中 鈺海環球金融中心2901至2904室	<u>30,400,000</u>
Total:	<u><u>30,400,000</u></u>

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 November 2021 RMB
Unit Nos. 2901 to 2904, Yuhai World Financial Centre, Middle Jiuzhou Avenue, Xiangzhou District, Zhuhai City, Guangdong Province, The PRC 中國廣東省珠海市香洲區 九洲大道中鈺海環球金融中心 2901至2904室	<p>The property comprises 4 office units on Level 29 of a high-rise office building completed in 2013.</p> <p>The total gross floor area (“GFA”) of the property is approximately 985.02 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 8 June 2060 for commercial and office use.</p>	<p>As at the valuation date, Unit Nos. 2901 and 2902 of the property were rented to a connected party for a term expiring on 30 June 2022 at a total annual rent of RMB936,000 exclusive of relevant expenses.</p>	30,400,000

Notes:

1. The property is located in Xiangzhou District of Zhuhai City, which is about 10 minutes’ driving distance to Zhuhai Jiuzhou Port. The immediate locality is a composite residential/commercial area.
2. Pursuant to 4 Sale and Purchase Agreements dated 13 December 2017, the property was contracted to be purchased by Mr. Lam Tak Hing (林德興先生) at a total consideration of RMB31,400,000.
3. Pursuant to 4 Fixed Asset Rights Certificates, Yue (2018) Zhu Hai Fixed Asset Rights Di Nos. 0012753, 0012754, 0012194 and 0012298, the land use rights of the property have been granted to Mr. Lam Tak Hing for a term expiring on 8 June 2060 for commercial and office use and the building ownership rights of the property are legally owned by Mr. Lam Tak Hing.
4. The property is subject to a mortgage in favour of Zhuhai Rural Commercial Bank Company Limited (珠海農村商業銀行) for a loan period expiring on 6 January 2025.
5. The opinion of the PRC legal advisor to the Group contains, inter alia, the following:
 - (a) Mr. Lam Tak Hing has obtained the title certificate of the property; and
 - (b) Mr. Lam Tak Hing is entitled to transfer, mortgage and dispose of the property in the market.

NOTICE OF EGM



Asiaray Media Group Limited 雅仕維傳媒集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1993)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Asiaray Media Group Limited (the “Company”) will be held at 11:00 a.m. on Wednesday, 9 March 2022 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 form and substance of the acquisition agreement dated 13 December 2021 entered into between the Company and Mr. Lam Tak Hing (“Mr. Lam”) (the “Agreement”) in relation to the acquisition of the Target Properties at the Consideration of RMB30,400,000 (equivalent to approximately HK\$37,500,000) and the subscription agreement dated 13 December 2021 entered into between the Company and Mr. Lam (the “Subscription Agreement”) in relation to the issue of the perpetual subordinated convertible securities (the “PSCS”) in the principal amount of HKD37,500,000 convertible into Conversion Shares at the initial Conversion Price of HKD1.4 per Conversion Share (subject to adjustments) at the face value of HKD37,500,000 (copies of the Agreement marked “A” has been produced to the meeting and the Subscription Agreement marked “B” has been produced to the meeting, both are initialed by the Chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company be and is hereby granted a specific mandate to allot and issue new shares of HK\$0.10 each in the share capital of the Company (the “Conversion Shares”) upon exercise of the conversion rights attaching to the PSCS and the issuance of the Conversion Shares in accordance with the terms and conditions of the Subscription Agreement; and

NOTICE OF EGM

- (c) any one director of the Company be and is hereby authorized to execute on behalf of the Company all such documents (to affix the common seal thereon, if necessary), take such actions and do such things he deems necessary, desirable or expedient for the implementation of, giving effect to or otherwise in connection with the Agreement and the Subscription Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 18 February 2022

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 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 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 was solely entitled thereto. 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 4 March 2022 to 9 March 2022, 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 3 March 2022.