

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Asiaray Media Group Limited**, you should at once hand this circular 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of 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)**

**MAJOR TRANSACTION**  
**IN RELATION TO ADVERTISING SALES AGENCY SERVICE**  
**FOR MTR MALLS AND COMMERCIAL PREMISES**

---

Capitalised terms used in this cover page shall have the same respective meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 4 to 10 of this circular. The Contract and the transactions contemplated thereunder have been approved by written shareholder’s approval obtained from Media Cornerstone, a controlling Shareholder, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company and this circular is being despatched to the Shareholders for information only.

31 March 2023

# CONTENTS

	<i>Pages</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Appendix I — Financial Information of the Group</b> .....	I-1
<b>Appendix II — Unaudited Pro Forma Financial Information of the Group</b> .....	II-1
<b>Appendix III — General Information</b> .....	III-1
<b>Appendix IV — Valuation Report</b> .....	IV-1

## DEFINITIONS

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

“Annual Revenue”	the annual revenue generated by Asiaray Outdoor from operation, sales and marketing and management of the advertising media including advertising panels, outdoor billboard and LED display for MTR Malls and Commercial Premises under the Contract
“Asiaray Outdoor”	Asiaray Outdoor Media Limited, a company incorporated in Hong Kong with limited liability on 8 October 2007 and an indirect wholly-owned subsidiary of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong
“Chairman”	the chairman of the Board, namely Mr. Lam
“Company”	Asiaray Media Group Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed and traded on the Main Board of the Stock Exchange (stock code: 1993)
“Concession Fees”	concession fees payable by Asiaray Outdoor to the Corporation pursuant to the Contract
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contract”	the MTR Tender and the letter of acceptance of the Corporation dated 12 August 2022 (together with its appendixes) which has been acknowledged by Asiaray Outdoor on 24 October 2022
“Corporation”	MTR Corporation Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed and traded on the Main Board of the Stock Exchange (stock code: 66)
“Director(s)”	the director(s) of the Company

## DEFINITIONS

“Expected Annual Revenue”	the Annual Revenue for each year expected to be achieved by the Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKFRS 16”	Hong Kong Financial Reporting Standards 16 “Leases”
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	29 March 2023, 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
“Macau”	the Macau Special Administrative Region of the PRC
“Media Cornerstone”	Media Cornerstone Limited, a company incorporated under the laws of the British Virgin Islands, being a controlling Shareholder
“Mr. Lam”	Mr. Lam Tak Hing, Vincent, the Chairman, an executive Director and a controlling Shareholder
“MTR Malls”	the shopping malls managed by the Corporation, including but not limited to Telford Plaza, Maritime Square, Popcorn, Luk Yeung Galleria, Paradise Mall, The Lane, Citylink Plaza, Ocean Walk and The LOHAS
“MTR Tender”	the tender application submitted by Asiaray Outdoor on 11 May 2022 for the operation, sales and marketing and management of the advertising media including advertising panels, outdoor billboard and LED display for MTR Malls and Commercial Premises

## DEFINITIONS

“Percentage Ratio(s)”	the percentage ratio(s) as defined under Rule 14.07 of the Listing Rules applied for determining the classification of notifiable transactions under the Listing Rules
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“PSCS”	the perpetual subordinated convertible securities issued by the Company
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Space Management”	Space Management Limited, a company incorporated under the laws of the British Virgin Islands, being a controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	5 years commencing on 1 January 2023 and ending on 31 December 2027
“Valuation”	the valuation of the right-of-use assets under the Contract prepared by an independent valuer in the sum of HK\$127,592,000 (equivalent to approximately RMB113,047,000)
“%”	per cent

*For illustrative purpose of this circular and unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00=HK\$1.13, such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.*

LETTER FROM THE BOARD



**Asiaray Media Group Limited**

**雅仕維傳媒集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1993)**

*Executive Directors:*

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

Mr. Kwan Tat Cheong

*Non-executive Directors:*

Mr. Wong Chi Kin

Mr. Lam Ka Po

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

31 March 2023

*To the Shareholders,*

Dear Sirs,

**MAJOR TRANSACTION  
IN RELATION TO ADVERTISING SALES AGENCY SERVICE  
FOR MTR MALLS AND COMMERCIAL PREMISES**

**INTRODUCTION**

The Board is pleased to announce that on 24 October 2022, Asiaray Outdoor, an indirect wholly-owned subsidiary of the Company, and the Corporation entered into the Contract, pursuant to which Asiaray Outdoor shall undertake the operation, sales and marketing and management of the advertising media including advertising panels, outdoor billboard and LED display for MTR Malls and Commercial Premises for a period of 5 years commencing on 1 January 2023 and ending on 31 December 2027.

## LETTER FROM THE BOARD

### THE CONTRACT

Principal terms of the Contract are set out below:

- Date : 24 October 2022
- Parties : (i) Asiaray Outdoor  
(ii) The Corporation
- Subject Matter : Asiaray Outdoor shall undertake the operation, sales and marketing and management of the advertising media including advertising panels, outdoor billboard and LED display for MTR Malls and Commercial Premises.
- Term : 5 years commencing on 1 January 2023 and ending on 31 December 2027.
- Concession Fees : The Concession Fees for the Term payable to the Corporation will not be more than HK\$200,000,000 (equivalent to approximately RMB177,200,000)\* which is determined based on the Expected Annual Revenue, subject to additional revenue Concession Fees calculated based on the Annual Revenue.

The Concession Fees will be satisfied by internal resources of the Group on a monthly basis, which shall be paid to the Corporation in advance by means of the autopay services. Besides, any additional revenue Concession Fee shall be paid by the Group to the Corporation within sixty (60) calendar days after submission of the audited accounts of the Group for the preceding year.

\* *As disclosed in the announcement of the Company dated 24 October 2022, the Concession Fees for the Term payable to the Corporation will not be more than HK\$185,430,000 (equivalent to approximately RMB164,291,000) which is determined based on the Expected Annual Revenue. However after taking into account the full resumption of normal travel between Hong Kong and Mainland China starting on 6 February 2023, the Company considers that the Concession Fees for the Term payable to the Corporation should be upward adjusted accordingly.*

## LETTER FROM THE BOARD

Basis of Concession Fees : The Concession Fees under the Contract was determined by way of the MTR Tender and had been prepared by the Group by reference to the indicators such as the expected revenue to be received by the Group from its existing and target customers.

The fee structure of the Concession Fees basically consists of target revenue, service fee percentage (i.e. a fixed portion of the Annual Revenue to which the Group is entitled under the Contract, while the major portion of the Annual Revenue is attributable to the Corporation), annual minimum guarantee (i.e. fixed minimum payment) and additional incentive service fee percentage.

The total Concession Fees of HK\$200,000,000 (equivalent to approximately RMB177,200,000) payable to the Corporation is projected based on the following calculation:

$$\text{Total Concession Fees} = A \times B$$

*where:*

*A = the expected total Annual Revenue throughout the Term*

*B = the major portion of the Annual Revenue (in percentage) to which the Corporation is entitled under the Contract*

## LETTER FROM THE BOARD

The expected total Annual Revenue had been projected based on the number of concession spaces under the Contract as well as the projected income to be generated from each of the concession spaces.

As demonstrated above, the Corporation will be entitled to the major portion of the Annual Revenue under the Contract as the Concession Fees. The remaining portion of the Annual Revenue (i.e. the service fee percentage) will be attributable to the Group as its profits under the Contract. The service fee percentage had been determined with reference to the previous tenders invited by the Corporation after taking into account the estimated administration costs (such as the labour costs of supporting staff) and, if any, finance costs of the concession spaces under the MTR Tender, which is comparable to the Group's other tenders subject to adjustment after taking into consideration various factors such as project size and locations of concession spaces as well as target customers.

Bond and Guarantee : Asiaray Outdoor shall submit to the Corporation a refundable bond in the sum of HK\$18,850,000 (equivalent to approximately RMB16,701,000) and a guarantee issued by the Company in favour of the Corporation for the due and faithful performance of the Contract.

## LETTER FROM THE BOARD

### INFORMATION OF THE CORPORATION

The Corporation is principally engaged in the following core businesses: railway design, construction, operation, maintenance and investment in Hong Kong, Macau, Mainland China and a number of overseas cities; project management in relation to railway and property development businesses in Hong Kong and Mainland China; station commercial business including leasing of station retail space, leasing of advertising space inside trains and stations, and enabling of telecommunication services on the railway system in Hong Kong; property business including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and Mainland China.

The Corporation was incorporated in Hong Kong whose shares are listed and traded on the Main Board of the Stock Exchange with stock code 66. To the best knowledge of the Directors, the largest shareholder of the Corporation is The Financial Secretary Incorporated holding 4,634,173,932 shares (representing approximately 74.72% of the entire issued share capital of the Corporation), which holds in trust on behalf of The Government of Hong Kong.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Corporation and its beneficial owners are third parties independent of the Company and its connected persons under the Listing Rules.

### INFORMATION OF THE GROUP

#### **The Company**

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

#### **Asiaray Outdoor**

Asiaray Outdoor was incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. Asiaray Outdoor is principally engaged in out-of-home advertising media service in Hong Kong.

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT

Placing an advertisement is one of the effective ways to raise the awareness of one's product and promote one's business. The Board considers that advertisements placed in the MTR Malls and Commercial Premises would attract a wide variety of viewers, from visitors and occupants to road users and pedestrians. As a result, the transactions contemplated under the Contract could bring stable income to the Company.

In compliance with HKFRS 16, the Valuation of the right-of-use assets in the sum of HK\$127,592,000 (equivalent to approximately RMB113,047,000) would be recognised as assets being the fixed portions of the Company's future payments, while the additional revenue Concession Fees (if any) would be booked as operating expenses, leaving the value of the right-of-use asset unaffected. Therefore, the Company believes that the Valuation is an appropriate value for recognising the right-of-use asset.

In view of the above, the Directors consider that the terms of the Contract and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

### LISTING RULES IMPLICATION

Upon the implementation of HKFRS 16, the entering into of the Contract will require the Group to recognise the exclusive rights as right-of-use asset in the consolidated financial statements of the Group according to HKFRS 16. As such, the entering into of the Contract will be regarded as an acquisition of asset by the Group under Chapter 14 of the Listing Rules.

As the highest applicable Percentage Ratio of the transactions contemplated under the Contract is higher than 25% but lower than 100%, the entering into of the Contract constitutes a major transaction of the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for such approval. Media Cornerstone, being a controlling Shareholder holding 254,921,500 Shares, representing approximately 53.59% of the issued Shares as at the Latest Practicable Date, has given its written approval for the Contract and the transactions contemplated thereunder and such written approval can be accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting of the Company will be convened for the purpose of approving the Contract pursuant to Rule 14.44 of the Listing Rules.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, Media Cornerstone is interested in 254,921,500 Shares, representing approximately 53.59% of the entire issued share capital of the Company. The issued share capital of Media Cornerstone is wholly-owned by Shalom Family Holding Limited, which is in turn wholly-owned by the Shalom Trust, a discretionary trust established by Mr. Lam as settlor with UBS Trustees (B.V.I.) Limited as the trustee thereof.

Further, according to Rule 14.66(10) and Paragraph 43(2)(c) of Appendix 1B of the Listing Rules, among the others, a circular relating to a major transaction must contain the information regarding documents on display and any contracts pertaining to the transaction must be published on the Stock Exchange's website and the issuer's own website for a period of not less than 14 days. However as the Company considers that full disclosure of the terms and conditions of the Contract will materially prejudice the business relationship between the Corporation and the Company as well as rendering the Company uncompetitive in future tender applications, the Company has sought and been granted a waiver from the Stock Exchange to waive the Rule 14.66(10) and Paragraph 43(2)(c) of Appendix 1B of the Listing Rules regarding documents on display by permitting the Company to redact certain sensitive information in the Contract in relation to the basis of the Concession Fees.

### RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Contract and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and are on normal commercial terms which are made on an arm's length basis and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Company has obtained from Media Cornerstone a written approval for the Contract and the transactions contemplated thereunder in lieu of holding a general meeting of the Company, and hence, no general meeting of the Company will be convened to approve the Contract and the transactions contemplated thereunder.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the four years ended 31 December 2022, 2021, 2020 and 2019 are disclosed in the following documents which have been published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<https://www.asiaray.com/en/home/>), and can be accessible by the links as follows:

- unaudited annual results announcement of the Company for the year ended 31 December 2022 (pages 1 to 18)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0328/2023032800103.pdf>
- annual report of the Company for the year ended 31 December 2021 (pages 81 to 234)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700796.pdf>
- annual report of the Company for the year ended 31 December 2020 (pages 89 to 238)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042600958.pdf>
- annual report of the Company for the year ended 31 December 2019 (pages 81 to 230)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042300544.pdf>

## 2. STATEMENT OF INDEBTEDNESS

### **Borrowings**

As at 28 February 2023, which was the latest practicable date for the purpose of determining the amount of indebtedness, the Group had outstanding interest-bearing unsecured bank borrowings of approximately RMB339,327,000. As at the Latest Practicable Date, the Group had unutilised banking facilities of approximately RMB42,720,000.

### **Lease Liabilities**

As at 28 February 2023, which was the latest practicable date for the purpose of determining the amount of indebtedness, the Group had current lease liabilities of approximately RMB693,606,000 and non-current lease liabilities of approximately RMB1,366,429,000.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 28 February 2023, the Group did not have any other outstanding borrowings, loan capital, bank overdrafts, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

### 3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the present available resources, banking facilities available to the Group and the internally generated funds, the Group will have sufficient working capital to satisfy its requirements for at least next 12 months following the date of this circular.

### 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the development and operations of out-of-home advertising media, including advertising in airports, metro lines, billboards and building solutions in the PRC and Hong Kong, Macau and Southeast Asia.

Looking ahead, the outlook for the global economy is expected to continue to be filled with unfavourable factors such as the global spreading of the COVID-19. Although facing many challenges in the external environment, the Group will continue to explore new business models to cope with the change in the market. In term of costs control, the Group will put in additional effort with a view to identifying all feasible solutions or approach that could reduce operating costs. The Board does not expect to have a significant adverse impact on the Group's overall operations and cash flows.

As disclosed in the section headed "REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACT" in the Letter from the Board, the Concession Fees payable to the Corporation under the Contract was determined by way of tender which was submitted to the Corporation on 11 May 2022 and had been prepared by the Group by reference to the indicators such as the expected revenue to be received by the Group from its existing and target customers. The Board considers that bidding for the Contract would at least bring stable income to the Group.

The Board believes that our business performance should progressively improve as the COVID-19 pandemic gradually subside and that there should not be any significant adverse impact on the Group's overall operations and cash flows.

## A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma consolidated statement of assets and liabilities of the Group has been prepared based on the unaudited consolidated balance sheet of the Group as at 31 December 2022 and adjusted for the effects of the Contract to illustrate how the Contract might have affected the financial position of the Group as if the Contract had taken place on 31 December 2022. The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Contract been completed as at 31 December 2022 or at any future date. The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

	Unaudited consolidated statement of assets and liabilities of the Group as at 31 December 2022 RMB'000 (Note 1)	Pro forma adjustment RMB'000 (Note 2)	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2022 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	157,876	–	157,876
Right-of-use assets	1,418,362	113,047	1,531,409
Investment properties	94,924	–	94,924
Intangible assets	13,306	–	13,306
Investments accounted for using equity method	76,465	–	76,465
Financial assets at fair value through profit or loss	8,833	–	8,833
Financial assets at fair value through other comprehensive income	5,452	–	5,452
Deferred income tax assets	193,537	–	193,537
Other receivables and deposits	9,455	–	9,455
	1,978,210	113,047	2,091,257
<b>Current assets</b>			
Inventories	22,902	–	22,902
Trade and other receivables	786,779	–	786,779
Restricted cash	31,797	–	31,797
Cash and cash equivalents	333,320	–	333,320
	1,174,798	–	1,174,798
<b>Total assets</b>	3,153,008	113,047	3,266,055

	Unaudited consolidated statement of assets and liabilities of the Group as at 31 December 2022 RMB'000 (Note 1)	Pro forma adjustment RMB'000 (Note 2)	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2022 RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	177,408	–	177,408
Lease liabilities	1,173,285	95,977	1,269,262
Deferred income tax liabilities	1,827	–	1,827
	1,352,520	95,977	1,448,497
<b>Current liabilities</b>			
Trade and other payables	348,958	–	348,958
Contract liabilities	98,203	–	98,203
Borrowings	146,348	–	146,348
Current income tax liabilities	5,677	–	5,677
Lease liabilities	929,154	17,070	946,224
	1,528,340	17,070	1,545,410
<b>Total liabilities</b>	<b>2,880,860</b>	<b>113,047</b>	<b>2,993,907</b>

*Notes:*

- The unaudited consolidated statement of assets and liabilities of the Group as at 31 December 2022 is extracted from the Group's published unaudited consolidated financial statements for the year ended 31 December 2022 dated 27 March 2023.
- For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the right-of-use assets had been recognised and the respective media resources under MTR Malls and Commercial Premises ("Target Asset") had commenced on 31 December 2022. The adjustment represented the recognition of the right-of-use asset and lease liabilities amounting to approximately HK\$127,592,000 (equivalent to RMB113,047,000) and HK\$127,592,000 (equivalent to RMB113,047,000), respectively. In accordance with the Group's accounting policies, right-of-use assets and lease liabilities are measured at aggregated present value of the fixed lease payments discounted by the Group's incremental borrowing rate. The applicable incremental borrowing rate is approximately 6.24%, based on the valuation date on 1 January 2023. The variable lease payment, which are not depend on an index or a rate, are not recognised as at the commencement date.
- No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON  
THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL  
INFORMATION****To the Directors of Asiaray Media Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Asiaray Media Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), taking into consideration the proposed acquisition of the exclusive concession rights on providing advertising sales agency service for MTR malls and commercial premises (the "**Target Asset**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2022 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's circular dated 31 March 2023, in connection with the proposed acquisition of the Target Asset (the "**Transaction**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2022 as if the Transaction had taken place at 31 December 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended 31 December 2022 set out in the unaudited annual results announcement of the Company for the year ended 31 December 2022 dated 27 March 2023, on which no audit or review report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 31 March 2023

## 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 Company. 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 EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors or, the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Name of Director	Capacity/Nature of interest	Total number of Shares and underlying Shares	Approximate percentage of issued share capital of the Company <sup>(2)</sup>
Mr. Lam	Founder of a discretionary trust, interest in a controlled corporation and beneficial owner	396,361,089 <sup>(1)</sup>	83.33%

*Notes:*

1. The 396,361,089 Shares include (i) 254,921,500 Shares beneficially held by Media Cornerstone; (ii) 38,200,000 Shares and the conversion rights attaching to the PSCS convertible into 44,988,490 Shares in aggregate beneficially held by Space Management; and (iii) the conversion rights attaching to the PSCS convertible into 58,251,099 Shares beneficially held by Mr. Lam. As Mr. Lam is the sole shareholder of Space Management and the founder of the Shalom Trust which indirectly holds the entire issued share capital of Media Cornerstone, Mr. Lam is deemed to be interested in all the interest beneficially held by Media Cornerstone and Space Management under the SFO.
2. As at the Latest Practicable Date, the issued share capital of the Company was 475,675,676 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

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

## 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name of Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company <sup>(7)</sup>
Media Cornerstone	Beneficial owner	254,921,500(L) <sup>(1)</sup>	53.59%
Shalom Family Holding Limited	Interest in a controlled corporation	254,921,500(L) <sup>(1)</sup>	53.59%
UBS Trustees (B.V.I.) Limited	Trustee of Shalom Trust	254,921,500(L) <sup>(1)</sup>	53.59%
Space Management	Beneficial owner	83,188,490(L) <sup>(2)</sup>	17.49%
Antfin (Hong Kong) Holding Limited	Beneficial owner	35,675,676(L) <sup>(3)</sup>	7.5%
杭州雲鏞企業管理諮詢有限公司 (Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd.*)	Interest in a controlled corporation	35,675,676(L) <sup>(3)</sup>	7.5%
螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.*)	Interest in a controlled corporation	35,675,676(L) <sup>(3)</sup>	7.5%
杭州雲鏞投資諮詢有限公司 (Hangzhou Yunbo Investment Consultancy Co., Ltd.*)	Interest in a controlled corporation	35,675,676(L) <sup>(4) (5)</sup>	7.5%
馬雲 Ma Yun	A concert party to an agreement to buy shares described in s.317(1)(a)	35,675,676(L) <sup>(4) (5)</sup>	7.5%
井賢棟 Eric Xiandong Jing	A concert party to an agreement to buy shares described in s.317(1)(a)	35,675,676(L) <sup>(4) (5)</sup>	7.5%

\* For identification purpose only

Name of Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company <sup>(7)</sup>
蔣芳 Fang Jiang	A concert party to an agreement to buy shares described in s.317(1)(a)	35,675,676(L) <sup>(4) (5)</sup>	7.5%
胡曉明 Simon Xiaoming Hu	A concert party to an agreement to buy shares described in s.317(1)(a)	35,675,676(L) <sup>(4) (5)</sup>	7.5%

*Notes:*

- Media Cornerstone is wholly-owned by Shalom Family Holding Limited, which is in turn wholly-owned by the Shalom Trust, a discretionary trust established by Mr. Lam as settlor with UBS Trustees (B.V.I.) Limited as the trustee thereof.
- Such interest includes (i) 38,200,000 Shares; and (ii) the conversion rights attaching to the PSCS convertible into 44,988,490 Shares in aggregate. Space Management is beneficially wholly-owned by Mr. Lam.
- The 35,675,676 Shares are held by Antfin (Hong Kong) Holding Limited which is wholly-owned by 杭州雲鏘企業管理諮詢有限公司 (Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd.\*), which is in turn wholly-owned by 螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.\*) (“**Ant Group**”). Hangzhou Junhan Equity Investment Partnership (Limited Partnership) (“**Junhan**”) and Hangzhou Junao Equity Investment Partnership (Limited Partnership) (“**Junao**”) hold 31.04% and 22.42% of the total issued shares of Ant Group respectively.
- Hangzhou Yunbo Investment Consultancy Co., Ltd.\* (“**Yunbo**”) is the general partner of both Junhan and Junao, and is owned as to 34%, 22%, 22% and 22% by Mr. Ma Yun, Mr. Eric Xiandong Jing, Ms. Fang Jiang, and Mr. Simon Xiaoming Hu respectively. Pursuant to an agreement (the “**Concert Party Agreement**”) dated 21 August 2020 and entered into between Mr. Ma Yun, Mr. Eric Xiandong Jing, Ms. Fang Jiang, and Mr. Simon Xiaoming Hu, they have agreed on certain arrangements pertaining to their shareholdings in Yunbo. Pursuant to the SFO, since each of Mr. Ma Yun, Mr. Eric Xiandong Jing, Ms. Fang Jiang, and Mr. Simon Xiaoming Hu is a party to the Concert Party Agreement, each of them is deemed to be interested in the Shares in which the other parties to the Concert Party Agreement are interested.
- Pursuant to certain agreements dated 7 January 2023, subject to certain conditions (including obtaining regulatory approvals) being satisfied, among other things, the Concert Party Agreement among Mr. Ma Yun, Mr. Eric Xiandong Jing, Ms. Fang Jiang and Mr. Simon Xiaoming Hu will be terminated, Yunbo will cease to be the general partner of Junhan, Mr. Ma Yun will cease to hold any interests in Yunbo but will hold 20% of the new general partner of Junhan. When these steps are effected, each of Mr. Ma Yun, Mr. Eric Xiandong Jing, Ms. Fang Jiang, Mr. Simon Xiaoming Hu, and Yunbo will cease to have a notifiable interest.
- Abbreviations: “L” stands for long position.
- As at the Latest Practicable Date, the issued share capital of the Company was 475,675,676 Shares.

\* For identification purpose only

Save as disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, there was no other person, other than the Directors or chief executive of the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Mr. Lam is currently a director of both Space Management and Media Cornerstone. As at the Latest Practicable Date, save as disclosed above, so far as is known to the Directors, none of the Directors held offices in the substantial Shareholders.

#### 4. ARRANGEMENTS AFFECTING DIRECTORS AND DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

Save for the following transactions, no contract or arrangement subsisting at the date of this circular in which a Director is materially interested and which is significant in relation to the business of the Group:

- (i) the agreement entered into between Mr. Lam as vendor and the Company as purchaser in respect of the proposed acquisition of Rooms 2901, 2902, 2903 & 2904, Yuhai World Financial Centre, No. 1009 Jiu Zhou Da Dao Zhong, Xiangzhou District, Zhuhai, the PRC at the consideration of RMB30,400,000 (the "**Sale and Purchase Agreement**");
- (ii) the tenancy agreement entered into between Hong Kong Asiaray Advertising Limited ("**HK Asiaray Advertising**"), an indirect wholly-owned subsidiary of the Company, as tenant and Asiaray China Media Limited ("**Asiaray China**"), a company wholly-owned by Mr. Lam, as landlord dated 30 June 2022 in respect of the premises situate at Units 2102-2104, No. 1027 Changning Road, Shanghai, PRC (the "**Shanghai Office**");
- (iii) the tenancy agreement entered into between Genesis Printing and Production Limited ("**Genesis Printing**"), an indirect wholly-owned subsidiary of the Company, as tenant and Peaky Limited ("**Peaky**"), a company wholly-owned by Mr. Lam, as landlord dated 30 June 2022 in respect of the premises situate at Workshop A on 9/F, and Car Parking Space C4 on G/F, Supreme Industrial Building, Nos. 15-17 Shan Mei Street, Shatin, New Territories, Hong Kong (the "**Hong Kong Warehouse A**"); and

- (iv) the tenancy agreement entered into between Asiaray Media Limited (“**Asiaray Media**”), an indirect wholly-owned subsidiary of the Company, as tenant and Peaky, a company wholly-owned by Mr. Lam, as landlord dated 30 June 2022 in respect of the premises situate at Area B, Workshop 4G, Superluck Industrial Centre (Phase 2), No. 57 Sha Tsui Road and Nos. 30-38 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong (the “**Hong Kong Warehouse B**”).

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2021 (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.

#### 5. COMPETING INTEREST

As at the Latest Practicable Date, 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.

#### 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

#### 7. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

#### 8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

1. The tenancy agreement dated 30 June 2022 with total consideration of RMB2,736,000, entered into between HK Asiaray Advertising, an indirect wholly-owned subsidiary of the Company, as tenant and Asiaray China, as landlord to lease the Shanghai Office from 1 July 2022 to 30 June 2024;
2. The tenancy agreement dated 30 June 2022 with total consideration of HK\$912,000 (equivalent to approximately RMB808,000), entered into between Genesis Printing, an indirect wholly-owned subsidiary of the Company, as tenant and Peaky, as landlord to lease the Hong Kong Warehouse A from 1 July 2022 to 30 June 2024;
3. The tenancy agreement dated 30 June 2022 with total consideration of HK\$240,000 (equivalent to approximately RMB213,000), entered into between Asiaray Media, an indirect wholly-owned subsidiary of the Company, as tenant and Peaky, as landlord to lease the Hong Kong Warehouse B from 1 July 2022 to 30 June 2024;
4. The Sale and Purchase Agreement;
5. The subscription agreement dated 13 December 2021 entered into between the Company and Mr. Lam in relation to the subscription of the PSCS in the principal amount of HK\$37,500,000 (equivalent to approximately RMB33,225,000) convertible into Shares at the initial conversion price of HK\$1.4 per Share (subject to adjustments); and
6. The subscription agreement dated 16 July 2021 entered into between Space Management and the Company for subscription of PSCS in the principal amount of HK\$75,000,000 (equivalent to approximately RMB66,450,000) convertible into Shares at the initial conversion price of HK\$2.43 per Share (subject to adjustments).

**10. 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 company 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) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

**11. QUALIFICATIONS AND CONSENTS OF EXPERTS**

The following sets out the qualifications of the experts who have given opinion or advice which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
PricewaterhouseCoopers	Certified Public Accountants and Registered Public Interest Entity Auditor
Flagship Appraisals and Consulting Limited	Independent Professional Valuer

Each of the above-mentioned experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice and/or report and references to its name and its letter, advice and/or report in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above-mentioned experts did not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above-mentioned experts did not have any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

## 12. 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 Contract (with certain information redacted);
- (b) The report on unaudited pro forma financial information of the Group;
- (c) The Valuation report; and
- (d) The written consents referred to in the paragraph headed "QUALIFICATIONS AND CONSENTS OF EXPERT" in this Appendix.

*The following is the text of a report set out on pages IV-4 to IV-11, received from an independent professional valuer, Flagship Appraisals and Consulting Limited, for the purpose of incorporation in this circular.*

## LETTER OF OPINION

31 March 2023

The Board of Directors  
Asiaray Media Group Limited  
16/F, Kornhill Plaza – Office Tower  
1 Kornhill Road  
Quarry Bay, Hong Kong

Dear Sirs/Madams,

### Re: Valuation of Right-Of-Use Asset

In accordance with the instructions from Asiaray Media Group Limited (the “**Company**”) and Asiaray Outdoor Media Limited (the “**Lessee**”), we are engaged to measure the right-of-use asset of a tenancy agreement (the “**Lease**”) on 1 January 2023 (the “**Valuation Date**”):

Lease Detail	Date of Commence
Outdoor Billboard of Admiralty Centre (Site West and Site East), Hung Hom Carpark (Western Façade – Site A, Northern Façade – Site C), and World Wide House. Shopping Mall PopCorn, Paradise Mall, and Citylink.	1 January 2023

Our analysis and conclusions, which are to be used only in their entirety, are for the use of the Company’s management (the “**Management**”) for internal reference only and might be partially referenced in the Client’s announcements. They are not to be used for any other purposes or by any other party for any purpose, without our express written consent. None should rely on our analysis and conclusion as a substitute for their own judgment or due diligence.

This valuation engagement is conducted in accordance with the International Valuation Standards. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, as described in this valuation report, the right-of-use asset of the Lease as at the Valuation Date was **HK\$127,592,000 (HONG KONG DOLLAR ONE HUNDRED TWENTY-SEVEN MILLION FIVE HUNDRED AND NINETY-TWO THOUSAND ONLY)**.

This conclusion is subject to the assumptions, the Limiting Conditions and the Statement of General Services Conditions described in this report. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Yours faithfully,

For and on behalf of

**FLAGSHIP APPRAISALS AND CONSULTING LIMITED**

**Ferry S.F. Choy**

*MSc. Fin, CFA, ICVS, MRICS*

*Managing Director*

**CONTENT**

1.	EXECUTIVE SUMMARY .....	IV-4
2.	INTRODUCTION .....	IV-4
3.	SCOPE OF SERVICES .....	IV-4
4.	BASIS OF VALUE .....	IV-5
5.	SOURCES OF INFORMATION .....	IV-5
6.	KEY TERMS OF THE LEASE .....	IV-6
7.	VALUATION METHODOLOGY .....	IV-6
8.	MAJOR ASSUMPTIONS .....	IV-7
9.	LIMITING CONDITIONS .....	IV-7
10.	CONCLUSION .....	IV-8
<b>EXHIBIT A</b>	<b>— STATEMENT OF GENERAL SERVICES CONDITIONS ..</b>	<b>IV-9</b>
<b>EXHIBIT B</b>	<b>— INVOLVED STAFF BIOGRAPHIES .....</b>	<b>IV-10</b>
<b>EXHIBIT C</b>	<b>— INCREMENTAL BORROWING RATE DERIVATION ...</b>	<b>IV-11</b>

**1. EXECUTIVE SUMMARY**

Governing Standard:	International Valuation Standards HKFRS 16 Lease
Purpose:	Internal reference
Standard of Value:	Right-of-use asset
Client Name:	Asiaray Media Group Limited and Asiaray Outdoor Media Limited
Asset Valued:	Outdoor Billboard of Admiralty Centre (Site West and Site East), Hung Hom Carpark (Western Façade – Site A, Northern Façade – Site C), and World Wide House. Shopping Mall PopCorn, Paradise Mall, and Citylink
Valuation Methodology:	Income Approach
Valuation Date:	1 January 2023
Report Date:	31 March 2023
Conclusion of Value:	HK\$127,592,000

**2. INTRODUCTION**

In accordance with the Company's instructions, we estimated the right-of-use asset of the Lease according to the requirement under HKFRS 16 Lease ("HKFRS 16") to facilitate the Management to assess the impact on its financial statement.

**3. SCOPE OF SERVICES**

The Management engages us in performing an independent assessment of the right-of-use asset of the Lease as at the Valuation Date for internal reference.

#### 4. BASIS OF VALUE

The right-of-use asset of the Lease according to HKFRS 16, should meet the following criteria:

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise the following:

- (i) The amount of the initial measurement of the lease liability;
- (ii) Any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) Any initial direct costs incurred by the lessee; and
- (iv) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying assets during a particular period.

#### 5. SOURCES OF INFORMATION

Sources of data utilized in our analysis include but are not limited to the following:

- The Lease;
- Moody's research; and
- Bloomberg.

We also relied upon publicly available information from sources on capital markets, including industry reports, various databases of publicly traded companies and news. We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided by others. We assume that the financial and other information provided is accurate and complete, and we have relied upon this information in our assessment.

## 6. KEY TERMS OF THE LEASE

Lessor	MTR Corporation Limited
Lessee	Asiaray Outdoor Media Limited
Premises	Outdoor billboard of Admiralty Centre (Site West and Site East), Hung Hom Carpark (Western Façade – Site A, Northern Façade – Site C), and World Wide House; Shopping Mall PopCorn, Paradise Mall, and Citylink
License Fee	The license fee would be charged on a revenue-sharing basis with an annual minimum guarantee every year. Additional incentive service fees would be charged given the target revenue has been met.

For the purpose of estimating the right-of-use asset, according to the requirements in HKFRS 16, only the fixed portion, i.e. the annual minimum guarantee, would be considered.

## 7. VALUATION METHODOLOGY

According to HKFRS 16, a lessee shall measure the right-of-use asset at cost at the commencement date. The cost of the right-of-use asset shall comprise the criteria listed in Section 4 Basis of Value of this Report.

Based on these requirements, the cost of the right-of-use asset is a stream of future payments. Therefore, the income approach is adopted in this valuation to measure the right-of-use asset.

**Income Approach:** The value of an asset is the sum of the present value of future economic benefits streams. In this case, the future economic benefits streams refer to the future payments under the Lease.

## 8. MAJOR ASSUMPTIONS

We have adopted the following assumptions in our valuation.

- (i) The cash flows are derived based on the Lease; and
- (ii) The incremental borrowing rate of 6.24% for the Lease reflects the risks associated with the Lease and the time value of money. Exhibit C sets out the details of the incremental borrowing rate derivation.

## 9. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company.

The opinion expressed in this report has been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the Management. Readers of this report should perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decisions or actions resulting from them.

This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

**10. CONCLUSION**

In conclusion, as described in this valuation report, the right-of-use asset of the Lease as at the Valuation Date was **HK\$127,592,000 (HONG KONG DOLLAR ONE HUNDRED TWENTY-SEVEN MILLION FIVE HUNDRED AND NINETY-TWO THOUSAND ONLY)**.

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

Yours faithfully,

For and on behalf of

**FLAGSHIP APPRAISALS AND CONSULTING LIMITED**

**Ferry S.F. Choy**

*MSc. Fin, CFA, ICVS, MRICS*

*Managing Director*

**EXHIBIT A — STATEMENT OF GENERAL SERVICES CONDITIONS**

The service(s) provided by Flagship Appraisals and Consulting Limited will be performed in accordance with professional valuation standards. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after the completion of the engagement.

Our report is to be used only for the specific purpose stated herein, and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. None should rely on our report as a substitute for their own due diligence or judgment. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Flagship Appraisals and Consulting Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of the legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to a legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

**EXHIBIT B — INVOLVED STAFF BIOGRAPHIES**

**Ferry S.F. Choy**, *MSc. Fin, CFA, ICVS, MRICS*

**Managing Director**

Mr. Choy is the Managing Director of Flagship Appraisals and Consulting Limited. He has worked in the accounting and valuation profession for 15 years. Mr. Choy has served many listed companies in Hong Kong, China, Malaysia and Singapore. Mr. Choy's experience included management advice, project evaluation, public listings, M&A and valuation of different assets.

Mr. Choy is a Charterholder of Chartered Financial Analyst (CFA), an International Certified Valuation Specialist (ICVS) – a professional credential in business valuation issued by the International Association of Certified Valuation Specialists (IACVS) and a Member of the Royal Institution of Chartered Surveyors (MRICS). He served on the Continuous Education Committee of the IACVS Hong Kong Chapter, providing business valuation training courses to its members. He also conducts seminars in different professional bodies, including HKICPA and CPA Australia.

Mr. Choy has acted as a valuation specialist in listed companies' transactions. He has also provided support in different Family law assignments involving business valuations, asset tracking and recovery, expenditure analysis and Duxbury calculations and advising on business, partnership and shareholder disputes.

**John T.H. Poon**

**Senior Analyst**

Mr. Poon holds a Master of Science degree in Economics from the Chinese University of Hong Kong. He currently holds the position of Senior Analyst of Flagship Appraisals and Consulting Limited and assists in various valuation assessments for transaction and financial reporting purposes.

## EXHIBIT C — INCREMENTAL BORROWING RATE DERIVATION

**Determination of Incremental Borrowing Rate**

The discount rate is a function of the risk-free rate, credit rating, credit risk premium, and country risk premium.

- (a) Risk-free rate: we refer to the yield to maturity of the Hong Kong Government Bond with a similar term as of the Valuation Date;
- (b) Credit rating: as the lease is guaranteed by the Company; the lease payment should have been considered this factor. As a result, we have performed a financial ratio analysis to estimate the credit rating of the Company based on Moody's research;
- (c) Credit risk premium: we search for comparable bonds with similar credit ratings to estimate the credit spread; and
- (d) Country risk premium: we have made reference to Aswath Damodaran's research. We calculated the spread between Hong Kong and the US and considered it as the country risk premium.

The incremental borrowing rate for the Lease is calculated below:

Risk-free Rate	4.17%
Credit Risk Premium	1.52%
Country Risk Premium	0.55%
	<hr/>
<b>Incremental Borrowing Rate</b>	<b>6.24%</b>
	<hr/> <hr/>