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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 Asiarray 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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**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY
INTEREST IN THE TARGET COMPANY INVOLVING
THE ISSUE OF PSCS**

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



A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 27 to 28 of this circular. A letter from Pelican Financial Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the issue of perpetual subordinated convertible securities and the transactions contemplated thereunder is set out on pages 29 to 66 of this circular.

A notice convening the EGM to be convened at 11:30 a.m. on Friday, 23 April 2021 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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

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

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

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PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

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

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

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

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

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

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share and the Sale Loan pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 22 January 2021 entered into among others, the Purchaser and the Vendor in relation to 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
“Board”	the board of Directors
“Business Day”	a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong
“Chairman”	the chairman of the Company
“Company”	Asiaray Media Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Conditions”	the terms and conditions of the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	controlling shareholder(s) (which has the meaning ascribed to it under the Listing Rules) of the Company

DEFINITIONS

“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 HKD3.9 per Conversion Share initially, and subject to adjustments which may be made pursuant to the Conditions
“Conversion Share(s)”	the new Share(s) to be issued upon Conversion
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Acquisition Agreement and the transactions contemplated thereunder
“Genesis Printing”	Genesis Printing and Production Limited, a company incorporated in Hong Kong with limited liability on 8 October 2007 and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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
“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 Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Lam and his associates
“Last Trading Date”	22 January 2021, being the last full trading day in the Shares immediately before the publication of the announcement dated 22 January 2021

DEFINITIONS

“Latest Practicable Date”	25 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2021 or such other date as may be agreed in writing between the Company and the Subscriber
“Mr. Lam”	Mr. Lam Tak Hing, Vincent, an executive Director and the controlling shareholder of the Company
“Office”	part of an office premise on the Properties
“Parity Securities”	any instrument or security (including preference shares) issued, entered into or guaranteed by the Company which ranks or is expressed to rank pari passu with the PSCS
“Peak”	Peak Limited, a company incorporated in Hong Kong with limited liability on 29 March 2011 and is wholly owned by Mr. Lam
“Pelican Financial Limited” or “Independent Financial Adviser”	Pelican Financial Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advertising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition 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
“Previous PSCS”	The perpetual subordinated convertible securities previously issued to Space Management Limited in the principle amount of HKD70,000,000 in total convertible into 18,045,861 Shares under the subscription agreement dated 7 September 2017 as amended by the supplemental agreement dated 10 November 2017 and the subscription agreement signed on 4 June 2020

DEFINITIONS

“Properties”	office Units 3101 to 3110 on level 31, carparking spaces C49-1, C49-2, B12-1, B12-2, B13-1, B13-2, C50 & C51 on basement level 3 and carparking spaces F04, F05 & F06 on basement level 4 of Central International Trade Center, No. Jia 6 Jianguomenwai Avenue, Chaoyang District, Beijing, the PRC
“PSCS”	the perpetual subordinated convertible securities in the principal amount of HKD122,700,000 to be issued by the Company to Mr. Lam or his nominee(s) as consideration of the Acquisition pursuant to the Acquisition Agreement
“Sale Loan”	the shareholder’s loan in the sum of approximately HKD38,200,000 which the Target Company is indebted to Mr. Lam
“Sale Share”	1 ordinary share of the Target Company, representing 100% of the issued share capital of the Target Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HKD0.10 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Billion China International Limited, a company established in Samoa with limited liability on 8 August 2005 and is wholly owned by Mr. Lam
“US\$”	means United States Dollars, the lawful currency of the United States of America
“Zhuhai Asiaray”	珠海雅仕維報業傳媒有限公司 (Zhuhai Asiaray Newspaper Media Company Limited*), a company established in the PRC with limited liability on 20 December 2017 and 60% of its equity interest is held by the Group
“%”	per cent

* For identification purpose only



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

31 March 2021

To the Shareholders,

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
THE TARGET COMPANY INVOLVING THE ISSUE OF PSCS**

INTRODUCTION

Reference is made to the announcement of the Company dated 22 January 2021 in relation to the Acquisition by the Company as purchaser and Mr. Lam (an executive Director and the controlling shareholder of the Company) as Vendor. On 22 January 2021 (after trading hours), the Company, the Target Company and Mr. Lam entered into the Acquisition Agreement, pursuant to which, the Company has conditionally agreed to acquire and Mr. Lam has conditionally agreed to sell (i) the Sale Share, representing 100% of the issued share capital of the Target Company; and (ii) the Sale Loan in the sum of approximately HKD38,200,000 at the Consideration of approximately HKD122,700,000. The Consideration will be satisfied by the issuance of PSCS by the Company to Mr. Lam or his nominee(s). The PSCS will be considered as equity instruments under the prevailing accounting principles, an equity-linked instrument in its legal form and treated as a reserve of the Company. Upon redemption of the perpetual subordinated convertible securities in the future, the Company intends to redeem the perpetual subordination convertible securities in the order of with higher exercise price in priority.

LETTER FROM THE BOARD

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

PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

Date

22 January 2021 (after trading hours)

Parties

- (i) Mr. Lam as the vendor of the Target Company;
- (ii) The Company as the purchaser of the Target Company and issuer of PSCS; and
- (iii) Target Company as the target company

Mr. Lam is the executive Director, chairman, chief executive officer and controlling shareholder of the Company holding 63.02% of the existing issued share capital (after taking into account the Previous PSCS) of the Company as at the Latest Practicable Date.

The Target Company is owned as to 100% by Mr. Lam. The Target Company is principally engaged in the investment of properties and holds the Properties.

Assets acquired

Pursuant to the Acquisition Agreement, the Company would acquire (i) the Sale Share, representing 100% of the issued share capital of the Target Company; and (ii) the Sale Loan in the sum of approximately HKD38,200,000 from Mr. Lam at Completion. The Target Company is the holder of the Properties which include the Office.

Consideration

Pursuant to the Acquisition Agreement, the Consideration of approximately HKD122,700,000 shall be paid and satisfied upon Completion by issuance of the PSCS by the Company to Mr. Lam or his nominee(s).

Further details of the PSCS are set out in the section headed "Principal Terms of the PSCS" below.

LETTER FROM THE BOARD

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Company and Mr. Lam and was determined with reference to among others, (i) the preliminary valuation of 100% equity interest of the Target Company of approximately HKD84,500,000 as at 31 December 2020 (the "Valuation") prepared by an independent valuer based on cost approach; (ii) the shareholder's loan owed by the Target Company to Mr. Lam of approximately HKD38,200,000 as at 31 December 2020; (iii) the profit-making financial and operating performance of the Target Company for the three years ended 31 December 2018, 2019 and 2020; (iv) the business development and future prospects of the Target Company; and (v) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below.

The Consideration is equivalent to the appraised value of the 100% equity interest of the Target Company plus the amount of shareholder's loan owned by the Target Company to Mr. Lam.

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

Conditions Precedent

Completion shall be conditional upon and subject to:

- (a) the Acquisition Agreement and the sale and purchase of the Sale Share and Sale Loan contemplated thereunder having been approved by the Independent Shareholders at the EGM in accordance with the Applicable Laws; and
- (b) the representations, warranties and undertakings provided by Mr. Lam set out in the Acquisition Agreement remaining true, accurate and not misleading in any respect at Completion as if repeated at Completion and at all times between the date of the Acquisition Agreement and Completion.

As at the Latest Practicable Date, no condition precedent has been fulfilled or waived. The Company may waive the conditions precedent (b) at its discretion. If the conditions precedent have not been satisfied (or, as the case may be, waived by the Company) on or before the Long Stop Date, the Company shall not be bound to proceed with the purchase of the Sale Share and the Sale Loan under the Acquisition Agreement. The Acquisition Agreement (other than the survival clause(s)) shall from the Long Stop Date, become void and of no further effect and, save in respect of any antecedent breaches, all liabilities and obligations of the parties shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties thereto which shall have accrued prior to such termination.

LETTER FROM THE BOARD

Completion

Completion shall take place on the Completion Date after all the conditions of the Acquisition Agreement have been fulfilled (or waived as the case may be) or such date as Mr. Lam and the Company may agree in writing.

As at the Latest Practicable Date, the Target Company is owned as to 100% by Mr. Lam. Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, the financial results of the Target Company will be consolidated into the accounts of the Company.

PRINCIPLE TERMS OF THE PSCS

Issue price	:	100% of the principal amount of the PSCS
Form	:	The PSCS will be issued in registered form
Maturity Date	:	There is no maturity date
Consideration	:	Mr. Lam shall transfer 1 share of the Target Company, representing the entire issued share capital of the Target Company, to the Company. The value of the Sale Share is valued approximately at HKD84,500,000 by an independent professional valuer.
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 : 4.5% 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 HKD3.9 per Conversion Share, subject to adjustment as provided for in the terms of the PSCS, including but not limited to an alteration to the nominal amount of the Shares as a result of consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distributions, rights issues or issue of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares
- Adjustment to Conversion Price : The Conversion Price will be subject to adjustment as follows:
1. Consolidation, subdivision or reclassification: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

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

LETTER FROM THE BOARD

where:

- A is the nominal amount of one Share immediately after such alteration; and
- B is the nominal amount of one Share immediately before such alteration. Such adjustment shall become effective on the date the alteration takes effect.

2. Capitalisation of profits or reserves:

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

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

where:

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

LETTER FROM THE BOARD

- ii. In the case of an issue of Shares by way of a scrip dividend where the aggregate current market price exceeds the relevant cash dividend or the relevant part thereof and which would not have constituted a capital distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

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

where:

- A is the aggregate nominal amount of Shares in issue immediately before such scrip dividend;
- B is the aggregate nominal amount of Shares issued by way of such scrip dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the relevant cash dividends and (ii) the denominator is the current market price; and
- C is the aggregate nominal amount of Shares issued pursuant to such scrip dividend.

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

LETTER FROM THE BOARD

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

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

where:

- A is the current market price of one Share on the Last Trading Date 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 Date 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 Date immediately preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

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

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

LETTER FROM THE BOARD

- Conversion Shares : 31,465,385 Conversion Shares will be allotted and issued by the Company upon full conversion of the PSCS at the initial Conversion Price
- Conversion period : Conversion of the PSCS into Conversion Shares may take place at any time after the date of issue of the PSCS, subject to the relevant terms as provided in the terms of the PSCS
- Restrictions on Conversion : No conversion right shall be exercised by the holder of the PSCS (or when it is exercised by virtue of a conversion notice having been given, the Company shall not be obliged to issue any Conversion Shares but may treat that conversion notice as invalid) if the Company will be in breach of the Listing Rules or The Codes on Takeovers and Mergers and Share Repurchases immediately following such Conversion
- Fractional Shares : Fractions of Shares will not be issued on Conversion and no cash adjustments will be made in respect thereof. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after the date of constitution of the PSCS, the Company will upon Conversion pay in cash a sum equal to such portion of the principal amount of the PSCS represented by the certificate deposited in connection with the exercise of conversion rights as corresponds to any fraction of a Share not issued as aforesaid if such sum exceeds HKD100
- Voting : The holder(s) of PSCS will not be entitled to receive notice of, attend or vote at general meetings of the Company by reason only of it being a PSCS holder

LETTER FROM THE BOARD

- 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

Conversion Price

Subject to the fulfillment of the conditions set out above in the section headed “Conditions Precedent”, the Company has agreed to issue the PSCS in the principal amount of HKD122,700,000, convertible into Conversion Shares at the initial Conversion Price of HKD3.9 per Conversion Share (subject to adjustments) at the face value of HKD122,700,000 to Mr. Lam or his nominee(s) to satisfy the Consideration. 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 Acquisition Agreement. The Conversion Price represents:

- (i) a premium of approximately 9.9% over the closing price of HKD3.55 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 12.06% over the average of the closing prices of approximately HKD3.48 per Share for the 5 trading days of the Shares up to and including the Last Trading Date;

LETTER FROM THE BOARD

- (iii) a premium of approximately 10.5% over the average of the closing prices of approximately HKD3.53 per Share for the 10 trading days of the Shares up to and including the Last Trading Date;
- (iv) a discount of approximately 4.2% to the average of the closing prices of approximately HKD4.07 per Share for the 30 trading days of the Shares up to and including the Last Trading Date;
- (v) a discount of approximately 1.5% to the average of the closing prices of approximately HKD3.96 per Share for the 60 trading days of the Shares up to and including the Last Trading Date;
- (vi) a discount of approximately 0.8% to the average of the closing prices of approximately HKD3.93 per Share for the 90 trading days of the Shares up to and including the Last Trading Date;
- (vii) a premium of approximately 364% over the unaudited net asset value per Share of approximately HKD0.84, which is calculated based on the unaudited net asset value of the Company of approximately HKD399,557,000 as at 30 June 2020 as stated in its 2020 interim report divided by its total number of 475,675,676 issued Shares as at 30 June 2020; and
- (viii) a premium of approximately 21.88% to the closing prices of approximately HKD3.20 per Share of the Latest Practicable Date.

Assuming the exercise in full of the conversion rights attaching to the PSCS at the initial Conversion Price, a total of 31,465,385 Conversion Shares may be issued, representing approximately 6.62% of the existing issued share capital of the Company and approximately 6.21% of the issued share capital of the Company as enlarged by the Conversion.

The Conversion Shares will be allotted and issued under the specific mandate to be obtained by the Directors by a resolution of the Shareholders passed at the Company's extraordinary general meeting held on 23 April 2021 pursuant to which the Directors were allowed to allot and issue up to 31,465,385 Shares upon exercise of the conversion rights attaching to the PSCS.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is a summary of the key financial data of the Target Company, extracted from its unaudited financial statements for the two financial years ended 31 December 2019 and 31 December 2020:

	For the year ended 31 December 2020 (unaudited) HKD'000	For the year ended 31 December 2019 (unaudited) HKD'000
Revenue	4,461	4,644
Net profit before taxation	4,163	4,639
Net profit after taxation	4,163	4,639

According to the unaudited consolidated financial statements of the Target Company, it recorded net assets of approximately HKD84,500,000 as at 31 December 2020.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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.

The Target Company is a wholly-owned company of Mr. Lam. The Target Company is principally engaged in investment in properties, including the Office leased to HK Asiaray Advertising, an indirect wholly-owned subsidiary of the Company, as tenant. The Group has been leasing the Office from the Target Company since 2017 as their office premise in Beijing, the PRC. Upon Completion, the Group would no longer need to pay the Target Company monthly rental expense.

Having considered the business needs of the Group, the Board is of the view that by the acquisition of a long term office in Beijing would make a positive impact on the Group's profit and simultaneously secure a permanent premise for the Office where demand for office facilities is rising. For details of the lease, please refer to the announcement of the Company dated 2 July 2020.

LETTER FROM THE BOARD

The Board is also of the view that, by satisfying the Consideration with PSCS, the Company would be able to acquire valuable resource without burdening the Company's financial resources since the issuance of PSCS would not cause instant material cash outflow pressure on the Group, and the PSCS does not have a maturity date, the repayment of the PSCS is flexible to meet the Company liquidity situation.

In addition, since the PSCS will be and considered as equity instruments of the Company under the prevailing accounting principles as reserves of the Company, the issuance of PSCS as Consideration would improve the gearing ratio of the Company and broaden the capital base of the Company.

The Company had considered the implication on the issuance of PSCS to the public float of the Company. For the avoidance of doubt, the PSCS will be included in the calculation of public float of the Company upon issuance. 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. Meanwhile, since the Rate of Distribution of 4.5%, which was determined by arm's length negotiations between the Company and Mr. Lam, aligns the weighted average effective interest rate of the Group for current borrowings as at 31 December 2019 of 4.46% per annum, the Company considers that fair and reasonable, especially when 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 and the number of times of optional deferral of a Distribution by the Company is not restricted, which makes the financial and cashflow management of the Group more flexible.

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 Acquisition 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 Acquisition Agreement was 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 PSCS	
	<i>Number of Shares</i>	<i>% (approx.)</i>	<i>Number of Shares</i>	<i>% (approx.)</i>
Substantial Shareholders				
Mr. Lam ^{1, 2}	–	–	31,465,385	6.00
Media Cornerstone Limited ¹	254,921,500	51.63	254,921,500	48.53
Space Management Limited ²	56,245,861	11.39	56,245,861	10.71
Public				
Public Shareholders	182,554,176	36.98	182,554,176	34.76
	<u>493,721,537³</u>	<u>100.00</u>	<u>525,186,922³</u>	<u>100.00</u>

Notes:

1. Mr. Lam is the founder of the Shalom Trust (a discretionary trust established by Mr. Lam as settlor of which UBS Trustee (BVI) Limited acts as the trustee and beneficiaries of which are Mr. Lam, certain of his family members and persons who may be added from time to time) which indirectly holds the entire issued share capital of Media Cornerstone Limited, which holds 254,921,500 Shares. Mr. Lam is deemed to be interested in all the 254,921,500 Shares under the SFO.
2. Mr. Lam is the sole shareholder of Space Management Limited and deemed to be interested in all the 38,200,000 Shares and 18,045,861 Previous PSCS under the SFO. Mr. Lam has undertaken that upon Conversion, he would, and would procure his nominee(s) to place down the Shares to maintain the public float of 25% in compliance with the Listing Rules.
3. Since the PSCS and the Previous PSCS is considered as an equity instrument of the Company under prevailing accounting principles upon issuance, they are included in the calculation of the total shareholdings upon issuance. For the avoidance of doubt the Previous PSCS has been included in the calculation of public float of the Company, 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.

LETTER FROM THE BOARD

Upon issuance of PSCS as Consideration, the Mr. Lam, Media Cornerstone Limited and Space Management Limited would be interested in an aggregate of 342,632,746 Shares and underlying Shares (approximately 65.24% of issued shares if the Previous PSCS and the PSCS has been fully converted). In compliance with the minimum public float requirement of 25% of the Listing Rules, the Company has set out the following arrangements:

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

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.

Target Company

The Target Company was incorporated in Samoa with limited liability and is wholly owned by Mr. Lam. The Target Company is principally engaged in investment in properties.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

Mr. Lam is an executive Director and the controlling shareholder of the Company holding 61.62% of the existing share capital of the Company. Mr. Lam is therefore a connected person of the Company and the Acquisition 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.

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

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.

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

Mr. Lam and his associates (beneficially interested in an aggregate of 311,167,361 Shares, representing approximately 63.02% of the entire issued share capital of the Company (after taking into account the Previous PSCS) as at the Latest Practicable Date) shall abstain from voting on the proposed resolution to the Acquisition at the EGM.

EGM

An EGM to be held at 11:30 a.m. on Friday, 23 April 2021 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong during which ordinary resolution will be proposed to approve Acquisition and the transactions contemplated thereunder. The 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. 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) considers that the proposed ordinary resolution in relation to the Acquisition is in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



Asiaray Media Group Limited

雅仕維傳媒集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1993)

31 March 2021

To the Independent Shareholders,

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY INVOLVING THE ISSUE OF PSCS

We refer to the circular of the Company to the Shareholders dated 31 March 2021 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

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

We wish to draw your attention to the letter from the Board and letter from the Independent Financial Advisor set out on pages 6 to 26 and pages 29 to 66 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 transactions contemplated thereunder and the principal factors and reasons considered by the Independent Financial Advisor, we concur with the view of the Independent Financial Advisor and consider that the terms of the Acquisition 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 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

31 March 2021

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY INVOLVING THE ISSUE OF PSCS

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, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 March 2021 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 22 January 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 22 January 2021 (after trading hours), the Company, the Target Company and Mr. Lam entered into the Acquisition Agreement, pursuant to which, the Company has conditionally agreed to acquire and Mr. Lam has conditionally agreed to sell (i) the Sale Share, representing the 100% of the issued share capital of the Target Company; and (ii) the Sale Loan in the sum of approximately HKD38.2 million at the Consideration of approximately HKD122.7 million. The Consideration will be satisfied by the issue of PSCS by the Company to Mr. Lam or his nominee(s). The PSCS will be considered as equity instruments under the prevailing accounting principles of the Company and be treated as a reserve. Upon redemption of the perpetual subordinated convertible securities in the future, the Company intends to redeem the perpetual subordination convertible securities with higher exercise prices in priority.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As the highest applicable percentage ratio for the Company regarding the Acquisition is higher than 5% but lower than 25%, the entering into of the Acquisition Agreement constitutes a discloseable 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 Company is owned as to 100% by Mr. Lam. Mr. Lam is the executive Director, chairman, chief executive officer and controlling shareholder of the Company holding 63.02% of the existing share capital of the Company (after taking into account the Previous PSCS). Accordingly, Mr. Lam is a connected person of the Company and the Acquisition 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 Agreement 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.

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 Target Company or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to our independence. In the last two years, except for acting as the independent financial adviser to the Company in relation to its two connected transactions as disclosed in the Company's circulars dated 10 June 2019 and 8 September 2020, there was no other engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Acquisition.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Independent Shareholders should vote in favour of or against the relevant resolution(s) to be proposed at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Acquisition Agreement (which included the deed poll constituting PSCS), the announcement of the Company dated 22 January 2021 in relation to the Acquisition, the annual report of the Company for the financial year ended 31 December 2019 (the “**2019 Annual Report**”), the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”), the valuation report prepared by an independent business valuer (the “**Business Valuer**”) on the valuation of the entire issued share capital of the Target Company (the “**Valuation Report**”), the valuation report prepared by an independent property valuer (the “**Property Valuer**”, together with the Business Valuer, the “**Valuers**”) on the valuation of the Properties (the “**Property 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

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

1. Background of the Acquisition

On 22 January 2021 (after trading hours), the Company, the Target Company and Mr. Lam entered into the Acquisition Agreement, pursuant to which, the Company has conditionally agreed to acquire and Mr. Lam has conditionally agreed to sell (i) the Sale Share, representing the 100% of the issued share capital of the Target Company; and (ii) the Sale Loan in the sum of approximately HKD38.2 million at the Consideration of approximately HKD122.7 million. The Consideration will be satisfied by the issue of PSCS by the Company to Mr. Lam or his nominee(s).

2. Background and financial information of the Group

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

Set out below is a summary of the audited financial information of the Group for the two years ended 31 December 2019 and the six months ended 30 June 2019 and 2020 as extracted from the 2019 Annual Report and the 2020 Interim Report, respectively.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Table 1: Summarised financial results of the Group

	For the six months ended 30 June		For the financial year ended 31 December	
	2020 (unaudited) HKD'000	2019 (unaudited) HKD'000	2019 (audited) HKD'000	2018 (audited) HKD'000
<i>Revenue</i>				
Airports business	346,901	347,924	739,282	727,684
Metro and billboards business	222,595	450,318	919,309	974,917
Others	74,167	102,822	219,770	226,265
Total Revenue	643,663	901,064	1,878,361	1,928,866
Gross profit	188,736	215,295	397,804	484,120
Profit/(loss) for the period/year	(47,836)	(21,805)	(108,679)	126,715

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

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As set out in the 2020 Interim Report, for the six months ended 30 June 2020, the Group recorded a total revenue of approximately HKD643.7 million, representing decrease of approximately 28.6% compare to same period in 2019, which was mainly attributed to the decrease in metro and billboard business of approximately HKD227.7 million. The gross profit of the Group amounted to approximately HKD188.7 million for the six months ended 30 June 2020, representing a decrease of approximately 12.3% compare to same period in 2019 of approximately HKD215.3 million, which was mainly because (i) the Group's new projects were still at a ramp-up stage; and (ii) the Hong Kong market was being hit by the COVID-19 coronavirus pandemic. For the same reason, the loss of the Group increased to approximately HKD47.8 million for the six months ended 30 June 2020, from approximately HKD21.8 million for the six months ended 30 June 2019.

The consolidated assets and liabilities of the Group as at 31 December 2019 and 30 June 2020 as extracted from the 2019 Annual Report and 2020 Interim Report respectively are summarised as follows:

Table 2: Summarised financial position of the Group

	As at 30 June 2020 (unaudited) HKD'000	As at 31 December 2019 (audited) HKD'000
Total assets		
– non-current assets	3,444,484	3,102,598
– current assets	1,065,408	1,310,629
Total liabilities		
– non-current liabilities	2,814,643	2,555,244
– current liabilities	1,295,692	1,344,703
Net current liabilities	(230,284)	(34,074)
Net assets	399,557	513,280
Equity attributable to owners of the Company	318,926	403,908

As at 31 December 2019, the Group's total assets amounted to approximately HKD4,413.2 million, which mainly included (i) right-of-use assets of approximately HKD2,763.4 million; (ii) deferred income tax assets of approximately HKD153.6 million; (iii) trade and other receivables of approximately HKD863.8 million; and (iv) cash and cash equivalents of approximately HKD415.5 million. As at 31 December 2019, the Group had total liabilities of approximately HKD3,899.9 million, which mainly consisted (i) lease liabilities that were payable after one year of approximately HKD2,432.3 million; (ii) lease liabilities that were payable in less than one year of approximately HKD779.2 million; and (iii) trade and other payables of approximately HKD275.9 million.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As at 30 June 2020, the Group's total assets amounted to approximately HKD4,509.9 million, which mainly included (i) right-of-use assets of approximately HKD3,107.2 million; (ii) deferred income tax assets of approximately HKD165.1 million; (iii) trade and other receivables of approximately HKD746.9 million; and (iv) cash and cash equivalents of approximately HKD291.4 million. As at 30 June 2020, the Group had total liabilities of approximately HKD4,110.3 million, which mainly included (i) lease liabilities that were payable after one year of approximately HKD2,661.2 million; (ii) lease liabilities that were payable in less than one year of approximately HKD844.9 million; and (iii) trade and other payables of approximately HKD245.5 million. The consolidated equity attributable to owners of the Company decreased from approximately HKD403.9 million as at 31 December 2019 to approximately HKD318.9 million as at 30 June 2020.

3. Background and financial information of the Target Company

The Target Company was incorporated in Samoa with limited liability and is wholly owned by Mr. Lam. The Target Company is principally engaged in investment in properties.

Set out below is a summary of the key financial data of the Target Company, as extracted from its unaudited financial statements for the two financial years ended 31 December 2019 and 31 December 2020:

Table 3: Summarised financial information of the Target Company

	For the year ended 31 December 2020 (unaudited) HKD'000	For the year ended 31 December 2019 (unaudited) HKD'000
Revenue	4,461	4,644
Net profit before taxation	4,163	4,639
Net profit after taxation	4,163	4,639

According to the unaudited consolidated financial statements of the Target Company, it recorded net assets of approximately HKD84.5 million as at 31 December 2020.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

4. Background information of Mr. Lam

Mr. Lam is the executive Director, chairman, chief executive officer and controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Lam held 63.02% of the existing share capital of the Company (after taking into account the Previous PSCS).

5. Principal terms of the Acquisition Agreements

5.1. *Subject matter*

Pursuant to the Acquisition Agreement, the Company would acquire (i) the Sale Share, representing 100% of the issued share capital of the Target Company; and (ii) the Sale Loan in the sum of approximately HKD38.2 million from Mr. Lam at Completion. The Target Company is the holder of the Properties which include the Office.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Company.

5.2. *Consideration*

Pursuant to the Acquisition Agreement, the Consideration of approximately HKD122.7 million shall be paid and satisfied upon Completion by the issue of the PSCS by the Company to Mr. Lam or his nominee(s).

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Company and Mr. Lam and was determined with reference to among others, (i) the preliminary valuation of 100% equity interest of the Target Company of approximately HKD84.5 million as at 31 December 2020 prepared by the Business Valuer; (ii) the shareholder's loan owed by the Target Company to Mr. Lam of approximately HKD38.2 million as at 31 December 2020; (iii) the profit-making financial and operating performance of the Target Company for the three years ended 31 December 2018, 2019 and 2020; (iv) the business development and future prospects of the Target Company; and (v) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" in the Board Letter and as further discussed in the below section of this letter.

The Consideration is equivalent to the appraised value of the Sale Share plus the amount of Sale Loan.

5.3. *Conditions Precedent*

Completion shall be conditional upon and subject to:

- (a) the Acquisition Agreement and the sale and purchase of the Sale Share and Sale Loan contemplated thereunder having been approved by the Independent Shareholders at the EGM in accordance with the Applicable Laws; and
- (b) the representations, warranties and undertakings provided by Mr. Lam set out in the Acquisition Agreement remaining true, accurate and not misleading in any respect at Completion as if repeated at Completion and at all times between the date of the Acquisition Agreement and Completion.

As at the Latest Practicable Date, no condition precedent has been fulfilled or waived. The Company may waive the conditions precedent (b) at its discretion. If the conditions precedent have not been satisfied (or, as the case may be, waived by the Company) on or before the Long Stop Date, the Company shall not be bound to proceed with the purchase of the Sale Share and the Sale Loan under the Acquisition Agreement. The Acquisition Agreement (other than the survival clause(s)) shall from the Long Stop Date, become void and of no further effect and, save in respect of any antecedent breaches, all liabilities and obligations of the parties shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties thereto which shall have accrued prior to such termination.

5.4. *Principal terms of the PSCS*

Set out below are the principal terms of the PSCS pursuant to the deed poll which forms a part of the Acquisition Agreement:

- | | | |
|----------------------|---|---|
| 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. |

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Consideration : Mr. Lam shall transfer 1 share of the Target Company, representing the entire issued share capital of the Target Company, to the Company.

The Consideration of approximately HKD122.7 million is equivalent to the value of the Sale Share of approximately HKD84.5 million as appraised by the Business Valuer, plus the amount of Sale Loan of approximately HKD38.2 million.

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:

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

Distribution : The PSCS confers a right to receive distribution(s) (the “**Distribution**”) from and including the date of issue of the PSCS at the rate of distribution payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December each year (the “**Distribution Payment Date**”), subject to the terms of the PSCS. For the avoidance of doubt, no part of the Distribution shall be converted into Conversion Shares in lieu of payment.

Rate of Distribution : 4.5% per annum of any outstanding principal amount of PSCS (the “**Rate of Distribution**”).

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- | | | |
|---|---|--|
| 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 HKD3.9 per Conversion Share, subject to adjustment as provided for in the terms of the PSCS, including but not limited to an alteration to the nominal amount of the Shares as a result of consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distributions, rights issues or issue of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares. |
| Adjustment to
the
Conversion
Price | : | An adjustment will be made to the Conversion Price of the PSCS in the event of: (a) consolidation, subdivision or reclassification of Shares; (b) capitalisation of profits or reserves; (c) capital distribution; (d) rights issues of Shares or options over Shares; (e) issues at less than current market price; and (f) other issues at less than current market price. |
| Conversion
Shares | : | 31,465,385 Conversion Shares will be allotted and issued by the Company upon full conversion of the PSCS at the initial Conversion Price ¹ . |
| 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. |

¹ 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.

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- Fractional Shares** : Fractions of Shares will not be issued on Conversion and no cash adjustments will be made in respect thereof. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after the date of constitution of the PSCS, the Company will upon Conversion pay in cash a sum equal to such portion of the principal amount of the PSCS represented by the certificate deposited in connection with the exercise of conversion rights as corresponds to any fraction of a Share not issued as aforesaid if such sum exceeds HKD100.
- Voting** : The holder(s) of PSCS will not be entitled to receive notice of, attend or vote at general meetings of the Company by reason only of it being a PSCS holder.
- Transferability** : Subject to the terms of the PSCS, the PSCS may be transferred by delivery of the certificate issued in respect of those PSCS, with the form of transfer in the agreed form as set out in the terms of the PSCS duly completed and signed, to the registered office of the Company. No transfer of the PSCS will be valid unless and until (a) the Company has provided its written consent to the transfer (such consent shall not be unreasonably withheld); and (b) such transfer has been entered on the register of PSCS holder(s).
- Redemption rights** : The PSCS may be redeemed at the option of the Company, at 100% or 50% of the principal amount of the PSCS each time, on any Distribution Payment Date at the face value of the outstanding principal amount of the PSCS to be redeemed plus 100% or 50% (as the case may be) of Distributions accrued to such date.
- Listing** : No application will be made for the listing of the PSCS on the Stock Exchange. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

5.4.1. Conversion Price

Subject to the fulfillment of the conditions set out above in the section headed “Conditions Precedent”, the Company has agreed to issue the PSCS in the principal amount of HKD122.7 million, convertible into Conversion Shares at the initial Conversion Price of HKD3.9 per Conversion Share (subject to adjustments) at the face value of HKD122.7 million to Mr. Lam or his nominee(s) to satisfy the Consideration. For the avoidance of doubt, the Distribution shall not lead to any adjustment of the Conversion Price.

The Conversion Price of HKD3.9 per Conversion Share was arrived at after arm’s length negotiations between the Company and Mr. Lam taking into account the average closing prices 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 Acquisition Agreement. The Conversion Price represents:

- (i) a premium of approximately 9.9% over the closing price of HKD3.55 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 12.06% over the average of the closing prices of approximately HKD3.48 per Share for the 5 trading days of the Shares up to and including the Last Trading Date;
- (iii) a premium of approximately 10.5% over the average of the closing prices of approximately HKD3.53 per Share for the 10 trading days of the Shares up to and including the Last Trading Date;
- (iv) a discount of approximately 4.2% to the average of the closing prices of approximately HKD4.07 per Share for the 30 trading days of the Shares up to and including the Last Trading Date;
- (v) a discount of approximately 1.5% to the average of the closing prices of approximately HKD3.96 per Share for the 60 trading days of the Shares up to and including the Last Trading Date;
- (vi) a discount of approximately 0.8% to the average of the closing prices of approximately HKD3.93 per Share for the 90 trading days of the Shares up to and including the Last Trading Date;

(vii) a premium of approximately 364.3% over the unaudited net asset value per Share (“NAV per Share”) of approximately HKD0.84, which is calculated based on the unaudited net asset value of the Company of approximately HKD399,557,000 as at 30 June 2020 as stated in the 2020 Interim Report divided by its total number of 475,675,676 issued Shares as at 30 June 2020.

(viii) a premium of approximately 21.9% over the closing price of HK\$3.20 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 31,465,385 Conversion Shares may be issued, representing approximately 6.62% of the existing issued share capital of the Company and approximately 6.21% of the issued share capital of the Company as enlarged by the Conversion.

6. Assessment of the Consideration

To assess the fairness and reasonableness of the Consideration, we have reviewed and considered the Valuation Report which states that the preliminary valuation of the Sale Share was approximately HKD84.5 million as at 31 December 2020, and we noted that the Consideration is equivalent to the appraised value of the Sale Share of HKD84.5 million plus the Sale Loan of approximately HKD38.2 million as at 31 December 2020.

Meanwhile, given that the Business Valuer had engaged the Property Valuer to conduct a desktop valuation of the Properties as at 31 December 2020 because the Properties represented the major asset held by the Target Company as at the same date, we have also reviewed and considered the Property Valuation Report. Based on the Property Valuation Report, the market value of the Properties was RMB90.0 million (equivalent to approximately HKD106.8 million) as at 31 December 2020.

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 Valuers’ experiences in valuing entities similar to the Target Company; (ii) obtaining information on the Valuers’ track records on other business valuations; (iii) inquiry on the Valuers’ current and prior relationship with the Group and other parties to the Acquisition Agreement; (iv) review of the terms of the Valuers’ engagement, in particular its scope of work, for the assessment of the valuation of the Target Company; and (v) discussion with the Valuers regarding the bases, methodology and assumptions adopted in the Valuation Report.

6.1. Valuers

We understand that Mr. Anson Lau ("**Mr. Lau**"), the director of the Business Valuer and the signor of the Valuation Report, has over eight years of experience in business valuations. Mr. Lau, among others, is a Chartered Financial Analyst (CFA), and he holds a Financial Risk Manager (FRM) designation issued by the Global Association of Risk Professionals (GARP). We have obtained information on the Business Valuer's track records on other business valuations and noted that the Business Valuer had been the valuer for a wide range of companies listed on the Stock Exchange. As such, we are of the view that the Business Valuer and Mr. Lau are qualified, experienced and competent in performing business valuations and providing a reliable opinion in respect of the valuation of the Target Company.

As stated in the Valuation Report, for the valuation of the Properties owned by the Target Company, the Business Valuer had engaged the Property Valuer to provide them with the market value of the Properties. Hence, in assessing the fairness and reasonableness of the valuation of the Properties, we have reviewed the property valuation report prepared by the Property Valuer. We understand that Mr. Vincent Cheung ("**Mr. Cheung**"), the managing director of the Property Valuer and the signor of the Property Valuation Report, has over 23 years of experience in the valuation of properties. Mr. Cheung, 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 a member of China Institute of Real Estate Appraisers and Agents. We have obtained information on the Property Valuer's track records on other property valuations and noted that the Property Valuer had been the valuer for similar properties in the PRC. As such, we are of the view that the Property Valuer and Mr. Cheung are qualified, experienced and competent in performing property valuations and providing a reliable opinion in respect of the valuation of the Properties.

We have also enquired with the Valuers as to their independence from the Group and the Parties and were given to understand that the Valuers are independent third parties of the Group and its connected persons. The Valuers 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 Valuers 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 also noted from the engagement letter entered into between the Company and the Business Valuer, as well as the engagement letter entered into between the Business Valuer and the Property Valuer that, the scope of work was appropriate for the Valuers 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 Valuers in the Valuation Report.

6.2. Valuation basis

We have reviewed the Valuation Report and understand that the Valuation Report was prepared based on a going concern premise and in accordance with the International Valuation Standards (“IVS”) on business valuation published by International Valuation Standards Council.

According to IVS, 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 Sale Share and forms a fair and reasonable basis for our further assessment on the Consideration.

6.3. Valuation methodologies

We have discussed with the Business Valuer on the methodology adopted in valuing the Sale Share as at 31 December 2020 and noted they had considered the three generally accepted valuation approaches, namely the cost approach, the market approach and the income approach.

As stated in the Valuation Report,

1. The cost approach determines the value of a business “by using one or more methods based on the value of the net asset. Value is established based on the principle of substitution. It means the value of a business ownership interest depends on the cost of reproducing or replacing the net asset after considering depreciation from physical deterioration as well as functional and economic obsolescence, if present and measurable.”
2. The market approach determines the value of a business “by using one or more methods that compare the subject to similar business ownership interests that have been sold. Value is established based on the principle of competition. It means if a business is similar to another business and can replace for the other, then they should be equal in value”; and
3. The income approach determines the value of a business “by using one or more methods that convert anticipated benefits into a present value amount. Value is established based on the principle of anticipation. It means the value of a business ownership interest is the sum of the present value of future economic benefit streams.”

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According to the Business Valuer, the Properties represented the major asset held by the Target Company as at 31 December 2020. Besides the rental income generated from the Properties, the Target Company did not have any other income and the value of the Target Company primarily resided in its underlying assets, i.e., the Properties. According to the Business Valuer, given that on the company level there were no comparable companies holding the same properties as the Target Company, the market approach is not suitable for valuing the Sale Share. On the other hand, although the income approach may be suitable for the valuation, it requires a cash flow forecast which in itself is a less effective and direct approach of reflecting the value of the Target Company. Accordingly, the adjusted net asset value method under the cost approach, which directly reflects the value of the underlying assets of the Target Company, is adopted in valuing the Sale Share.

According to the Valuation Report, under the adjusted net asset value method, the values of the assets and liabilities of the Target Company were assessed. Given that as at the 31 December 2020, the major asset of the Target Company were the Properties, the application of adjusted net asset value method involves the following procedures:

1. Estimate the values of the Properties;
2. Assess if adjustments were needed for other assets and liabilities of the Target Company; and
3. Determine if valuation adjustment was required for the valuation of the Sale Share.

Procedure 1 was performed by the Property Valuer while procedures 2 and 3 were performed by the Business Valuer.

Based on our interview with the Property Valuer, we understand that given data on comparable properties, i.e., office premises and carparking spaces, in the PRC property market are mostly publicly available, the Property Valuer considered the adoption of the market method as the most appropriate as it would provide a more objective result. As stated in the Property Valuation Report, market approach *“is universally considered as the most accepted valuation approach for valuing most forms of property,”* which involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Market approach is the most 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 Properties was conducted on a desktop basis. From our interview with the Property Valuer, we note that when valuing the Properties using the market approach, it had identified and analysed various comparable office premises and carparking spaces, and added adjustments to allow for any qualitative and quantitative differences that may affect the prices likely to be achieved by the Properties given the heterogeneous nature of real estate properties. Through our discussion with the Property Valuer, we understand that data and information about the comparable office premises and carparking spaces were mostly obtained from various property agent websites. As confirmed by the Property Valuer, these comparable properties represent an exhaustive list to the best of their knowledge, and accordingly, we considered the selection of these comparable properties used in the valuation of the Properties as fair and reasonable.

From our review of the samples, the selected comparable office premises and carparking spaces were located in the same district of the Properties with similar conditions and facilities, and their achievable unit rates ranged from RMB60,000 to RMB66,000 per square meter for comparable office premises, and RMB320,000 to RMB390,000 per space for comparable carparking spaces. After appropriate adjustments and analysis were considered given the differences in location, size and other characteristics between the comparable office premises and carparking spaces and the Properties, we understand that the Property Valuer had multiplied the respective analysed unit rate for the Properties with their respective size of area, and reached the aggregate appraised value of the Properties of RMB90.0 million (equivalent to approximately HKD106.8 million) as at 31 December 2020.

Given that the PRC has an active and well-publicised property market and that from our review of the samples, there already exists a sufficient amount of comparable office premises and carparking spaces available for analysis, we are of the view that these comparable properties provide good and objective benchmarks for valuing the Properties, and that the market approach was appropriate for such valuation.

We also noted from the Valuation Report that, after having obtained the valuation of the Properties of RMB90.0 million (equivalent to approximately HKD106.8 million) as at 31 December 2020, the Business Valuer had added to such value the amount of the Target Company's cash of approximately HKD28,000 and other assets of approximately HKD15.9 million, and reached the valuation of the total assets of the Target Company of approximately HKD122.7 million. According to the Business Valuer, these other assets refer to the rent receivable from the Company for renting the Office.

Finally, given that the Target Company owed a shareholder's loan to Mr. Lam of approximately HKD38.2 million as at 31 December 2020, the Business Valuer had deducted such amount from the value of the total assets of the Target Company of approximately HKD122.7 million, and reached the valuation of the Sale Share of approximately HKD84.5 million.

6.4. Valuation adjustment

As discussed above, after the valuation of the Properties was conducted, the Business Valuer had to assess if adjustments were needed for other assets and liabilities of the Target Company, and to determine if valuation adjustment was required for the valuation of the Sale Share. Based on the Property Valuation Report, the market value of the Properties was RMB90.0 million (equivalent to approximately HKD106.8 million) as at 31 December 2020.

In this regard, we note from the Valuation Report that, the Business Valuer considered valuation adjustments, which are usually adopted through applying the discount for lack of marketability (“**DLOM**”), as not applicable to its valuation of the Sale Share, given that (i) the primary asset of the Target Company was the Properties and hence acquiring the Sale Share is essentially equal to acquiring the Properties; and (ii) the valuation of the Properties was made reference to the transaction prices of comparable properties, which in our view, are good and objective benchmarks.

According to the Valuation Report, marketability refers to *“the liquidity of equity interests, that is, when the owner of the equity interests intends to sell, how quickly, costly and easily the equity interests can be liquidated. For a closely held private company, lack of marketability means that there is no ready market for the equity holders to transact. In contrast to their publicly listed peers, ownerships in closely-held companies are typically not readily marketable. An identical share of equity in a privately-held company is theoretically worth less than an otherwise comparable share in a publicly-held company.”* In other words, marketability is defined as the ability to convert an investment into cash quickly at a known price at a minimal cost, and a DLOM is a downward valuation adjustment which is used to reflect an investment’s reduced level of marketability.

From our interview with the Business Valuer, we understand that while a lack of marketability is often associated with private companies, the Business Valuer considered that the Target Company is essentially selling the Properties, which are relatively easy to be sold in the open market compared to the equity interest of other private companies. The Business Valuer’s view is agreed by the availability of transactions of comparable properties on the market and we concur that further valuation adjustment is not required.

6.5. Valuation assumptions

According to the Property Valuation Report, the valuation of the Properties was made on the assumption that the Mr. Lam sells the Properties 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 Properties. In addition, the Property Valuer made no allowance for any charges, mortgages or amounts neither owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, the Property Valuer also assumed that the Properties are free from encumbrances, restrictions and outgoings, which could affect the value of the Properties. We noted from the Property Valuer that these assumptions are commonly adopted in the valuation of properties. Given that we consider it objective and appropriate to appraise the 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.

On the other hand, since as at 31 December 2020, the Property Valuer continued to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base its judgements, the Property Valuer had reported the valuation of the Properties on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. As advised by the Property Valuer, the basis of “material valuation uncertainty” does not suggest the valuation is not reliable or cannot be relied upon, rather it serves to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared, as well as a reminder that the valuation should be kept under frequent review with a high degree of caution. From our discussion with the Property Valuer, we understand while the Property Valuer does not intend to provide an opinion of the market value of the Properties as at any date after 31 December 2020, they consider that the Property Valuation Report remains an appropriate reference to the market value of the Properties as at 31 December 2020.

Regarding the Valuation Report, we noted that the Business Valuer has made various assumptions for the valuation of the Sale Share. We have discussed with the Business Valuer and reviewed the assumptions made and nothing has come to our attention which would lead us to doubt the fairness and reasonableness of the assumptions adopted in the Valuation Report.

Similarly, as stated in the Valuation Report, since at the time of compiling the Valuation Report, the world was in the midst of the coronavirus COVID-19 outbreak, the Business Valuer was of the view that the impact of the global pandemic on the Target Company's business was not completely known yet. However, the Business Valuer assumed that the pandemic would not have a permanent effect on the Properties.

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 Property Valuation Report and the Valuation Report, as well as the underlying bases, methodologies and assumptions are appropriate and that the Property Valuation Report and the Valuation Report are appropriate references for determining the valuation of the Properties and the Sale Share respectively.

6.6. *Section conclusion*

Given that the Consideration is equivalent to the sum of the preliminary valuation of the Sale Share of approximately HKD84.5 million as at 31 December 2020 in the Valuation Report, and the Sale Loan of approximately HKD38.2 million as at 31 December 2020, we consider that the Consideration is on normal commercial terms, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. *Assessment of the principal terms of the Acquisition Agreement and the PSCS*

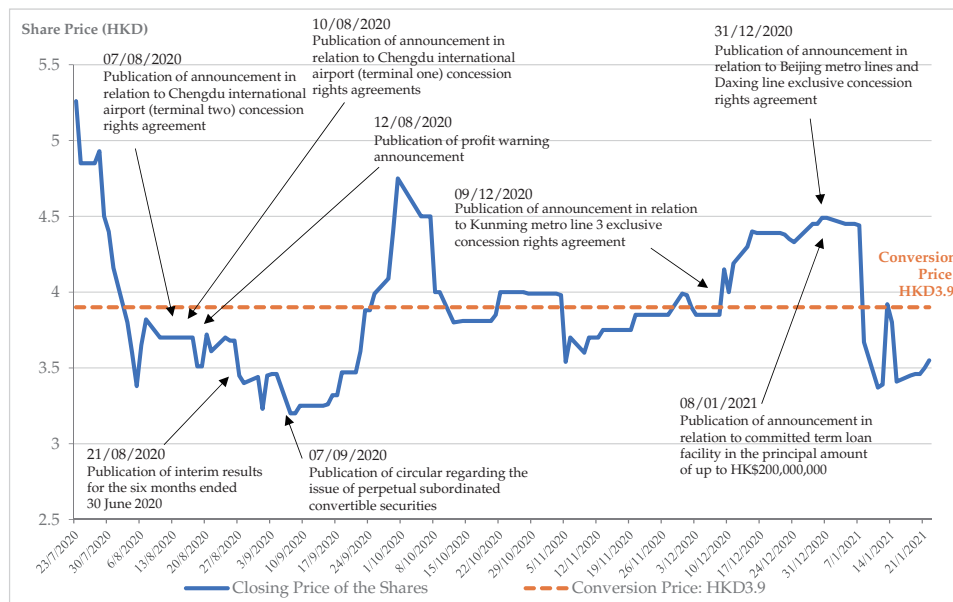
7.1. *Historical closing prices of the Shares*

In assessing the fairness and reasonableness of the Conversion Price, we have taken into account (i) the daily closing price of the Shares as quoted on the Stock Exchange commencing on 23 July 2020 (being approximately a 6-month period prior to the date of the Acquisition Agreement) up to and including the Last Trading Date (the "**Review Period**"); and (ii) the comparison of the recent issues of perpetual convertible securities by companies listed on the Main board of the Stock Exchange. We consider a sampling period of approximately half year prior to the date of the Acquisition Agreement as more relevant and meaningful than a sampling period of one year or longer, because recent Share prices can more directly reflect the value of Shares under the prevailing market conditions, especially when the stock market in Hong Kong had been relatively volatile mainly due to the COVID-19 coronavirus pandemic.

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

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



Source: the website of the Stock Exchange

As illustrated in the chart above, during the Review Period, the closing prices of the Shares ranged from HKD3.20 per Share to HKD5.26 per Share, and the average closing price of the Shares was approximately HKD3.88. Therefore, the Conversion Price of HKD3.9 is within the range of the closing prices of the Shares and slightly above the average closing price of the Shares during the Review Period.

We also noted that during the Review Period, the Shares prices had been on a volatile trend. Although the Share price was at its highest point of HKD5.26 per Share at the beginning of the Review Period on 23 July 2020, after the Company published its profit warning announcement regarding its financial results for the six months ended 30 June 2020 on 12 August 2020, the Share prices started to drop again and reached HKD3.2 per Share on 8 September 2020, despite the Company's positive announcements regarding its obtainment of concession rights to use and operate its advertising and media resources at the Chengdu International Airport in the previous month.

However, after the Company published its circular regarding its fundraising activity through its issue of perpetual subordinated convertible securities on 8 September 2020, the Share price started to increase again and reached HKD4.75 per Share on 30 September 2020, which we consider as a market response to a favourable information because the Company aimed to raise funds for its business operations. However, likely because there was no positive news to support the new high Share price, the Share price dropped again in October 2020 and only witnessed small increase in November 2020. The Share price rebounded on 9 December 2020 after the Company announced its obtainment of concession rights to use and operate its advertising and media resources in Kunming Metro Line 3 operated by Kunming Railway. However, all of the Share price growth in December 2020 was cancelled after the Share price dropped to HKD3.67 per Share on 8 January 2021, when the Company announced its commitment to a term loan facility in the principal amount of up to HKD200 million. The Share price dropped to HKD3.37 per Share on 11 January 2021 and was at HKD3.55 per Share as at the Last Trading Date.

Finally, we also noted that among the 126 trading days during the Review Period, there were 77 trading days when the Conversion Price was above the closing Share prices, spanning across more than half of the Review Period. Taking this into consideration and the fact that the Conversion Price is at a premium over (i) the closing prices of the Share on the Last Trading Date and the Latest Practicable Date; and (ii) the average closing prices of the Shares for the 5 trading days and 10 trading days prior to the date of the Acquisition Agreement, we are of the view that the Conversion Price is fair and reasonable as it is more favourable than the current market price of the Shares.

7.2. Comparison with other perpetual convertible securities

To further evaluate the fairness and reasonableness of the terms of the PSCS, we have made a comparison of perpetual convertible securities (transactions with put options granted to the investors/subscribers are excluded as the PSCS could only be redeemed at the option of the Company) issued by other companies listed on the Main Board of the Stock Exchange for fund raising purposes. We noted that while there are quite a number of convertible bonds/notes issued by companies listed on the Stock Exchange, they are not perpetual in nature and may not provide an insight to the major terms, in particular, the absence of maturity and fixed redemption date, of perpetual convertible securities.

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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 Mr. Lam or his nominee(s) to convert any of their PSCS into Conversion Shares at any time after the issue date of the PSCS, holders of perpetual convertible securities issued by HSBC and SC do not have the right to convert their perpetual convertible securities at their own discretion, as these perpetual convertible securities issued by banks would be converted automatically upon the occurrence of a conversion trigger event, where the ratio of the bank’s core equity capital to its total risk-weighted assets is less than 7%. In addition, we noted that the conversion prices of these perpetual convertible securities were usually at a significant discount to their respective last closing price of the issuers’ shares on the Stock Exchange (ten of them at an average of above 30%) and had a relatively high interest rate of above 5%, except for the one issued by HSBC in 2020 with an interest rate of 4.6%, and another one issued by SC in 2021 with an interest rate of 4.75%. Hence, we consider a comparison between these perpetual convertible securities issued by banks and the PSCS as not meaningful for analysing the fairness and reasonableness of the terms of the PSCS, although the inclusion of such would make the terms of the PSCS appear more favourable in comparison.² As such, we have excluded them from our list of comparable issues and have only identified two comparable issues of perpetual convertible securities from 1 January 2017 up to and including the Last Trading Date (refer to collectively as the “**Comparable(s)**”).

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

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0516/ltn20170516159.pdf>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0606/ltn20170606836.pdf>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0630/ltn20170630672.pdf>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0320/ltn20180320043.pdf>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0920/ltn20180920817.pdf>;
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0921/ltn20180921065.pdf>; and
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1211/2020121100035.pdf>

Below are the perpetual convertible securities issued by Standard Chartered plc. from 2017 to the Last Trading 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>; and
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0106/2021010600055.pdf>

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

Table: Principal terms of the Comparables

Issuer (stock code)	Date of announcement	Initial conversion price	Premium over the closing price on the Last Trading Date/date of agreement (%)	Premium over the average closing price for the last 5 trading days up to and including the last trading day/date of agreement (%)	Premium over the latest reported net asset value per share (%)	Initial annual distribution rate (%)	Distribution terms/ listing status	Perpetual convertible securities secured by assets	Redemption terms	Conversion terms
C&D International Investment Group Limited (1908) ("C&D")	2018/9/7	HKD8.50	28.98	28.21	141.83 (Note 3)	4.25	Annually, deferrable/ conversion shares to be listed on the Stock Exchange	No	Optional redemption: Redemption in whole at the option of the issuer on the date falling the end of the third years from the issue date, or on any distribution payment date after three years from the issue date at the optional redemption price together with all outstanding distributions for redemption. Mandatory redemption: Upon the occurrence of an event of default, a holder can serve a notice on the issuer requiring the issuer to redeem the outstanding perpetual convertible securities held by such holder together with all outstanding distributions for redemption.	Perpetual convertible securities will be convertible by holders into shares, at any time within five years from the issue date. After five years from the issue date, a holder is deemed to have forfeited the conversion right thereunder. A holder may only convert such number of perpetual convertible securities as would not cause the issuer to not comply with the minimum public float requirement under the Listing Rules following the conversion.

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Issuer (stock code)	Date of announcement	Initial conversion price	Premium over the closing price on the Last Trading Date/date of agreement (%)	Premium over the average closing price for the last 5 trading days up to and including the last trading day/date of agreement (%)	Premium over the latest reported net asset value per share (%)	Initial annual distribution rate (%)	Distribution terms/ listing status	Perpetual convertible securities secured by assets	Redemption terms	Conversion terms
Semiconductor Manufacturing International Corporation (981) ("Semiconductor")	2017/11/29	HKD12.78	14.11	8.49	27.06 (Note 4)	2	Annually/ conversion shares to be listed on the Singapore Exchange (Note 1)	No	Optional redemption: Redemption at the option of the issuer in whole, but not in part, on giving not more than 60 nor less than 30/45 days' irrevocable notice to the trustee and the principal agent in writing and to the holders of the perpetual convertible securities at their principal amount at any time following the occurrence of a triggering event. On expiry of such notice, the issuer shall be bound to redeem the perpetual convertible securities on the relevant call date or the date fixed for redemption at their principal amount. For details on the triggering events, please refer to the announcement of Semiconductor dated 29 November 2017	Perpetual convertible securities will be convertible by holders into shares, at any time on and after the date falling 40 days after the issue date and up to the close of business.
		Average	21.54	18.35	84.45	3.13				
		Maximum	28.98	28.21	141.83	4.25				
		Minimum	14.11	8.49	27.06%	2.00				
The Company	2021/1/22	HKD3.9	9.9	12.06	364.3	4.5	Quarterly, deferrable/ Conversion Shares to be listed on the Stock Exchange	No	Redemption at the option of the Company, at 100% or 50% of the principal amount of the PSCS each time, on any Distribution Payment Date at the face value of the outstanding principal amount of the PSCS to be redeemed plus 100% or 50% (as the case may be) of Distributions accrued to such date.	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.

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Source: *website of Stock Exchange*

Notes:

1. *Since the relevant announcement of Semiconductor does not specify a payment period of the interest distribution, it is assumed that the interest payments are distributed on an annual basis.*
2. *According to the announcement of Wai Chun Group Holdings Limited (1013) dated 8 May 2020, its subscription agreement with the subscriber in relation to its proposed issue of perpetual convertible securities was cancelled in light of the changes in the market environment due to the COVID-19 outbreak. Therefore, we have excluded such transaction from our Comparables.*
3. *Calculated based on the 734,864,745 shares of C&D in issue and the unaudited net asset value attributable to the equity holders of C&D as at 30 June 2018 of approximately RMB2,284,665,000.*
4. *Calculated based on the 4,651,624,748 shares of Semiconductor in issue and the unaudited net asset value attributable to the equity holders of Semiconductor as at 30 September 2017 of approximately USD5,990,538,000.*

(i) Conversion Price

As shown in the table above, the premium represented by the conversion prices of the Comparables over their respective closing price on the last trading date/date of agreement ranged from approximately 14.11% to approximately 28.98%, at an average of approximately 21.54%. Therefore, the premium of approximately 9.9% represented by the Conversion Price over the closing price of the Shares on the Last Trading Date falls slightly outside of the range of the premium represented by the conversion prices of the Comparables over their respective closing price on the last trading date/date of agreement. While such observation presents an unfavorable view of the Conversion Price, we consider that when evaluating the fairness and reasonableness of the Conversion Price against those of the Comparables, we should also take into consideration (i) the premium represented by the Conversion Price over the recent average closing price of the Shares, as well as over the latest NAV per Share; and (ii) the profitability of the Company. Our analysis is presented below.

When comparing with their respective average closing price for the last 5 trading days up to and including the last trading day/date of agreement, the conversion prices of the Comparables represent a premium ranging from approximately 8.49% to approximately 28.21%, at an average of approximately 18.35%. Accordingly, the premium of approximately 12.06% represented by the Conversion Price over the average closing price per Share for the 5 trading days of the Shares up to and including the Last Trading Date, is within the range of the premium represented by the conversion prices of the Comparables. As mentioned in the previous sub-section headed "Historical closing prices of the Shares", the Conversion Price is also within the range of the closing prices of the Shares and above the average closing prices of the Shares during the Review Period, and that among the 126 trading days during the Review Period, there were 77 trading days when the Conversion Price was above the closing Share prices, spanning across more than half of the Review Period.

On the other hand, the premium represented by the conversion prices of the Comparables over their respective latest reported net asset value per share ranged from approximately 27.06% to approximately 141.83%, at an average of approximately 84.45%. As such, the premium of approximately 364.3% represented by the Conversion Price over the latest NAV per Share, is more than twice the maximum premium represented by the conversion prices of the Comparables over their respective latest reported net asset value per share.

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Finally, we also noted that, the two other Comparables were all profitable businesses at the time when their perpetual convertible securities were issued, whereas the Company had been loss-making for the latest financial year ended 31 December 2019 and the six-month ended 30 June 2020. Given that the Conversion Price was arrived at after arm's length negotiations between the Company and Mr. Lam, we consider it commercially reasonable that the premium represented by the Conversion Price over the recent closing prices of the Shares is not as high as the premium represented by the conversion prices of the Comparables over the subject company's recent closing prices.

Given that (i) the premium represented by the Conversion Price over the average closing price per Share for the 5 trading days of the Shares up to and including the Last Trading Date is within the range of the premium represented by the conversion prices of the Comparables; (ii) the Conversion Price was above the closing Share prices for more than half of the Review Period; (iii) the premium represented by the Conversion Price over the latest NAV per Share is more than twice the maximum premium represented by the conversion prices of the Comparables over their respective latest reported net asset value per share; and (iv) contrary to C&D and Semiconductor which were profit-making companies at the time when their perpetual convertible securities were issued, the Company had been loss-making for the latest financial year ended 31 December 2019 and the six-month ended 30 June 2020, we are of the view that, despite the premium represented by the Conversion Price over the closing price of the Shares on the Last Trading Date falls slightly outside of the range of the premium represented by the conversion prices of the Comparables, the Conversion Price remains fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

(ii) Rate of Distribution

The PSCS confer a right to its holder to receive the Distribution from and including the date of issue of the PSCS at a rate of 4.5% per annum, subject to the optional deferral of Distributions. As shown in the above table, the rates of distribution of the Comparables ranged from 2% to 4.25%, with an average rate of distribution of approximately 3.13%. The Rate of Distribution therefore falls slightly outside the range represented by the Comparables.

On the other hand, one may notice that the annual distribution rate of Semiconductor's perpetual convertible securities is only 2%, which is less than half of the Rate of Distribution of 4.5%. In this regard, one should note that while the terms of the PSCS (as well as the subscription agreement of C&D) confers a right to the Company to, at its sole discretion, defer a Distribution, no such deferral arrangement is mentioned in the announcement regarding the proposed issue of perpetual convertible securities by Semiconductor dated 29 November 2017. We are therefore of the view that Semiconductor does not enjoy such distribution deferral right and hence the distribution terms of the PSCS are more favourable to the Company in that sense. In addition, as discussed in the following sub-section, the PSCS may be redeemed at the option of the Company on any Distribution Payment Date (i.e. quarterly), in whole or in part of the principal amount of the PSCS, together with any outstanding Distributions, allowing the Company to stop its Distribution and avoid the holder(s)'s future conversion of the PSCS if it sees fit. In contrast, C&D and Semiconductor are only allowed to redeem in whole, but not in part of, the principal amount of their perpetual convertible securities after three years from the issue date of the perpetual convertible securities (as in the case of C&D), or under certain predefined circumstances (as in the case of Semiconductor), respectively, reflecting that the redemption right attaching to the PSCS is more favorable to the issuer (i.e. the Company) than those attaching to the Comparables. Accordingly, we consider that while the distribution rate payable by Semiconductor is less than half of the Rate of Distribution, one should also consider other terms, in particular the Comparables' respective distribution and redemption terms, when assessing the fairness and reasonable of the PSCS.

Further, we noted from the 2019 Annual Report that, the weighted average effective interest rates of the Group for non-current and current borrowings as at 31 December 2019 ranged between approximately 4.17% per annum and approximately 4.46% per annum respectively. Therefore, the Rate of Distribution of 4.5% per annum is in line with but slightly higher than the interest rates currently incurred by the Group.³ Nonetheless, we consider the PSCS as more favourable to the Company than typical loan facilities because there is no repayment obligation on the Company's part and that as discussed above, pursuant to the terms of the PSCS, the Company may, at its sole discretion, elect to defer a Distribution. It should also be mentioned that the deferred Distribution shall be non-interest bearing and the number of times of optional deferral of a Distribution by the Company is not restricted. It means that the more times the Company chooses to defer a Distribution, the more the Company would gain from inflation because the same repayment amount would worth less in terms of purchasing power in the future. In light of the above, we consider the Rate of Distribution is fair and reasonable so far as the Independent Shareholders are concerned.

³ We consider the weighted average effective interest rates of the Group serves as an additional reference for determining the fairness and reasonableness of the Rate of Distribution, given that both the weighted average effective interest rates of the Group and the Rate of Distribution are the costs of injecting capital into the Company, despite the formers are interest rates for debt financing while the latter is an interest rate for equity financing.

(iii) Conversion and Redemption

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

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

While we noted that the conversion terms for C&D's perpetual convertible securities were subject to a specific timeframe unlike the PSCS's perpetual feature, we are of the view that such difference does not make the conversion terms for the PSCS less fair and reasonable, as one should also consider their respective redemption terms. In particular, the PSCS may be redeemed at the option of the Company on any Distribution Payment Date (i.e. quarterly) together with any outstanding Distributions, whereas the perpetual convertible securities issued by C&D can only be redeemed at C&D's option on the date falling the end of the third year from the issue date of the perpetual convertible securities, or on any distribution payment date (i.e. presumably annually) after three years from the issue date of the perpetual convertible securities, together with all outstanding distributions for redemption. Hence, unlike the Company, C&D faces a lock-up redemption period of three-year and its right to redeem the perpetual convertible securities is relatively restricted.

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

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In this regard, we noted from our discussion with the Company that, the PSCS's perpetual conversion timeframe was determined together with its unrestricted redemption term, because the Company considers that such redemption term of the PSCS would enable it to protect its and the Shareholders' interest by allowing it to redeem the PSCS at its discretion, for example at times when it considers the future conversion of the PSCS by Mr. Lam or his nominee(s) would be unfavourable to the Company and the Shareholders as a whole (although the Company considers such scenario as unlikely as the Vendor, Mr. Lam, is an executive Director and one of the Controlling Shareholders of the Company, and hence his interest aligns with that of the Company). We are given to understand that, the perpetual conversion term and the unrestricted redemption term of the PSCS were arrived at based on the commercial negotiation between the Company and Mr. Lam, with a view to maximizing the value for each party while protecting their interest, which we consider as commercially reasonable.

As mentioned in the previous sub-section, we consider that the overall fairness and reasonable of the PSCS should be determined together with other terms. Regarding the PSCS's perpetual conversion timeframe, we are of the view that while it may pose uncertainties to the Company's interest as Mr. Lam or his nominee(s) can convert the PSCS at anytime after their issue, one should take into consideration that (i) the Company has the right to redeem the PSCS quarterly at its discretion if it sees doing so as beneficial to its and the Shareholders' interest; and (ii) Mr. Lam, who is an executive Director and one of the Controlling Shareholders of the Company, would unlikely pursue actions which would negatively affect the Company's interest. Given these considerations and the fact that it is not uncommon to have a perpetual conversion timeframe as indicated by the conversion term of Semiconductor's perpetual convertible securities, we are of the view that the PSCS's perpetual conversion term is fair and reasonable.

(iv) Adjustment to Conversion Price

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

(v) *Section conclusion*

Having considered that (i) the Conversion Price is at a premium over the closing price of the Shares on the Last Trading Date as well as over the average closing prices of the Shares for the 5 and 10 trading days up to and including the Last Trading Date; (ii) the premium represented by the Conversion Price over the latest NAV per Share is more than twice the maximum premium represented by the conversion prices of the Comparables over their respective latest reported net asset value per share; (iii) among the 126 trading days during the Review Period, there were 77 trading days when the Conversion Price was above the closing Share prices, spanning across more than half of the Review Period; (iv) despite being slightly higher than the rates of distribution of the Comparables and the Company's latest weighted average effective interest rates, the terms of the PSCS not only do not impose any repayment obligation on the Company, but also entitle the Company to, at its sole discretion, defer a Distribution without restrictions and pay no interest on the deferred Distribution, the latter of which are rights not granted under the terms of the Comparables and of the loan facilities of the Company; (v) the free conversion feature of the PSCS is in line with market practice; (vi) the Company has the right to redeem the PSCS quarterly at its discretion if it sees fit; (vii) Mr. Lam, who is an executive Director and one of the Controlling Shareholders of the Company, would unlikely pursue actions which would negatively affect the Company's interest; (viii) the adjustment mechanisms of the PSCS are in line with the general market practices; and (ix) there is no instant material cash outflow impact on the Group as a result of the repayment of the principal amount of the PSCS as the PSCS has no maturity date, we are of the view that the terms of the PSCS are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

7.3. *Other terms of the Acquisition Agreement*

We have reviewed other terms of the Acquisition Agreement (including but not limited to conditions precedent, completion and warranties). In order to review whether the aforesaid other terms of the Acquisition Agreement 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 Acquisition Agreement are standard terms of a normal sale and purchase agreement. Accordingly, we consider and concur with the management of the Company that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

8. Reasons for and benefits of the Acquisition

As set out in the section headed “Reasons for and benefits of the Acquisition” in the Board Letter, the Target Company, a wholly-owned company of Mr. Lam, is principally engaged in investment in properties, including the Office. HK Asiaray Advertising, an indirect wholly owned subsidiary of the Company, has been leasing the Office from the Target Company since 2017 as their office premise in Beijing, the PRC. Upon Completion, the Group would no longer need to pay the Target Company monthly rental expense.

From our review of the Company’s announcements during the Review Period, we noted that the Group has been actively strengthening its marketing share in the metro advertising market in the PRC, especially in Shenzhen and Beijing. In particular, the Group was granted the exclusive rights to use and operate its advertising and media resources in several metro lines operated by the 北京京港地鐵有限公司 (Beijing MTR Corporation Limited⁴) and its subsidiaries (the “**Beijing MTR Group**”), with concession fees payable to the Beijing MTR Group.

According to the 2020 Interim Report, 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 second half of 2020, the Group has been granted the concession rights to operate its media resources at Terminal 1 and Terminal 2 of the new Chengdu Tianfu International Airport, the construction of which has recently been completed and the airport is scheduled to commence operation in mid-2021. Given that the existing Shuangliu International Airport in Chengdu is already one of the busiest airports in the PRC, the Group expects that upon the commencement of operation of the Chengdu Tianfu International Airport, Chengdu, being the third city in the country with two international airports, will gain even more international presence and thus allow the Group to capture the enormous growth in passenger throughput, especially from the expected transportation boom following the COVID-19 pandemic.

On the other hand, we have reviewed the announcement of the Company dated 2 July 2020 in relation to HK Asiaray Advertising’s entering into of the Beijing Office Tenancy Agreement as tenant, and the Target Company as landlord, to lease the Office for RMB310,000 per month, or RMB3.72 million per year, from 1 July 2020 to 30 June 2022. Given that upon Completion, the Group would no longer need to pay the Target Company monthly rental fee for the Office, the Group would be able to save RMB3.72 million per year going forward, assuming the rental fee would remain the same if the parties renewed their tenancy agreement.

⁴ For identification purpose.

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Given the above accounts regarding the Group's strategic expansion across the PRC metro lines and airport lines, we agree with the Board that by acquiring a long-term office in Beijing, which is at the heart of China, the Group would be able to enhance its profit and presence in the PRC. Meanwhile, as the Acquisition would entail acquiring the Properties and hence the Office, 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.

In respect of satisfying the Consideration with the PSCS instead of cash, we noted that from our review of the 2020 Interim Report that, despite the Group had cash and cash equivalents of approximately HKD291.4 million as at 30 June 2020, it also had lease liabilities that were payable in less than one year of approximately HKD844.9 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 to fulfil its financial obligations and fund its operating activities in at least coming 12 months, we therefore find it reasonable that the Board considers satisfying the Consideration with the PSCS as more appropriate as there is no instant material cash outflow pressure on the Group before the repayment of the PSCS, which has no maturity date. Meanwhile, as discussed in the previous section, the Company may, at its sole discretion, elect to defer a Distribution. Accordingly, the Distribution would unlikely post any cash outflow pressure on the Group and the PSCS as a whole would allow the Group to maintain a higher net asset position.

In view that the Company will not face any immediate cash outflow for the Consideration and the Company may at its sole discretion elect to defer a Distribution pursuant to the terms of the PSCS, we are of the view that satisfying the Consideration with the PSCS would allow the Group to manage more flexibly its financial and cashflow position, as well as to utilise its existing fund to support the operation of the Group or capture investment opportunities, where appropriate.

In light of the above and that the Acquisition is in-line with the Group's strategic expansion in the PRC advertising marketing, we concur with the Directors that, although the Acquisition is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and its Shareholders as a whole.

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

As at the Latest Practicable Date, the issued share capital of the Company was 493,721,537 Shares, of which Mr. Lam was deemed to be interested in 311,167,361 Shares (approximately 63.02% of the issued share capital of the Company) under the SFO through his shareholding in Media Cornerstone Limited⁵ and Space Management Limited⁶ and after taking into account the Previous PSCS, while the remaining Shares were held by the public Shareholders (approximately 36.98% of the issued share capital of the Company).

Upon Completion, 31,465,385 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 525,186,922 Shares. Under such scenario, Mr. Lam will be deemed to be interested in approximately 65.24% of the issued share capital of the Company as enlarged by the issue of the PSCS, while the public Shareholders will hold approximately 34.76% of such enlarged issued share capital of the Company. Accordingly, upon Completion, the shareholding interest of the public Shareholders will be diluted by approximately 2.22%, which in our view is not material.

Nonetheless, having considered that (i) the Consideration is fair and reasonable and that the PSCS, which will be used to settle all of the Consideration, would enable the Group to reserve its working capital; (ii) the reasons for and the possible benefits of the Acquisition as discussed in the above section headed "Reasons for and benefits of the Acquisition" of this letter; and (iii) the terms of the Acquisition Agreement being fair and reasonable, we concur with the Directors' view that the dilution effect on the shareholding of the public Shareholders is acceptable.

⁵ Mr. Lam is the founder of the Shalom Trust (a discretionary trust established by Mr. Lam as the settlor of which UBS Trustee (BVI) Limited acts as the trustee and the 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. Accordingly, Mr. Lam is deemed to be interested in all the 254,921,500 Shares under the SFO.

⁶ Mr. Lam is the sole shareholder of Space Management Limited and deemed to be interested in all the 56,245,861 Shares under the SFO. Mr. Lam has undertaken that upon Conversion, he would, and would procure his nominee(s) to place down the Shares to maintain the public flow of 25% in compliance with the Listing Rules.

10. Financial effects of the Acquisition

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and hence its financial results will be consolidated into the financial statements of the Enlarged Group. 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.

10.1. Earnings

From our discussion with the Company, we understand that all of the net profit and revenue of the Target Company had been derived from renting the Office to the Group. Accordingly, upon Completion, the financial position of the Enlarged Group is not expected to change as no further rental transactions will occur between the Company and the Target Company.

10.2. Working capital

Since the Consideration will be satisfied by the issue of PSCS by the Company to Mr. Lam or his nominee(s). The working capital position of the Group is expected to remain the same immediately upon Completion.

10.3. Net asset value

Given that the PSCS will be accounted for as equity instruments under the prevailing accounting principles of the Company, it is expected the net asset value of the Enlarged Group will increase by the principal amount of the PSCS of approximately HKD122.7 million upon Completion.

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

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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 Properties and hence the Office, 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 Sale Share of approximately HKD84.5 million as at 31 December 2020 in the Valuation Report, plus the Sale Loan of approximately HKD38.2 million as at 31 December 2020;
- (v) the Property Valuation Report and the Valuation Report, as well as the underlying bases, methodologies and assumptions are appropriate, and that the Property Valuation Report and the Valuation Report are appropriate references for determining the valuation of the Properties and the Sale Share respectively;
- (vi) the Conversion Price is at a premium over (i) the closing prices of the Share on the Last Trading Date and the Latest Practicable Date; (ii) the average closing prices of the Shares for the 5 trading days and 10 trading days prior to the date of the Acquisition Agreement; and (iii) the NAV per Share as at 30 June 2020;
- (vii) the premium represented by the Conversion Price over the NAV per Share is more than twice the maximum premium represented by the conversion prices of the Comparables over their respective latest reported net asset value per share;

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- (viii) despite being slightly higher than the rates of distribution of the Comparables and the Company's latest weighted average effective interest rates, the terms of the PSCS not only do not impose any repayment obligation on the Company, but also entitle the Company to, at its sole discretion, defer a Distribution without restrictions and pay no interest on the deferred Distribution, the latter of which are rights not granted under the terms of the Comparables and of the loan facilities of the Company;
- (ix) the free conversion feature and the adjustment mechanisms of the PSCS are in line with market practice, and the Company has the right to redeem the PSCS quarterly at its discretion if it sees fit;
- (x) there is no instant material cash outflow impact on the Group as a result of the repayment of the principal amount of the PSCS as the PSCS has no maturity date, and accordingly, the PSCS as a whole would allow the Group to maintain a higher net asset value position;
- (xi) the other terms of the Acquisition Agreement (including but not limited to conditions precedent, completion and warranties) are standard terms of a normal sale and purchase agreement;
- (xii) upon Completion, the shareholding interest of the public Shareholders will be diluted by approximately 2.22%, which in our view is not material; and
- (xiii) the Acquisition is expected to have a positive effect on the Enlarged Group's net asset value position.

Accordingly, we are of the opinion that, despite the Acquisition is not in the ordinary and usual course of business of the Group, it is on normal commercial terms, is fair and reasonable 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 at the EGM. We also recommend the Independent Shareholders to vote in favour of the resolution relating to the Acquisition 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	311,167,361	Nil	311,167,361	65.42

Note:

1. Mr. Lam is the sole shareholder of Space Management Limited ("**Space Management**") which holds 38,200,000 Shares and conversion rights of 18,045,861 Shares pursuant to the Previous PSCS. In addition, Mr. Lam is the founder of the Shalom Trust (a discretionary trust established by Mr. Lam as settlor of which UBS Trustee (BVI) Limited acts as the trustee and beneficiaries of which are Mr. Lam, certain of his family members and other persons who may be added from time to time) which indirectly holds the entire issued share capital of Media Cornerstone Limited ("**Media Cornerstone**") which holds 254,921,500 Shares. By virtue of the SFO, he is deemed to be interested in the Shares in which Space Management and Media Cornerstone are interested.

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

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

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

Save for the following, (i) Genesis Printing, an indirect wholly-owned subsidiary of the Company, as tenant with Peaky, as landlord, to lease the ware house premise and car parking space in Hong Kong from 1 July 2020 to 30 June 2022; (ii) Asiaray Media, an indirect wholly-owned subsidiary of the Company, as tenant, with Peaky, as landlord, to lease the warehouse from 1 July 2020 to 30 June 2022; (iii) HK Asiaray Advertising, an indirect wholly-owned subsidiary of the Company, as tenant, with the Target Company, as landlord, to lease the Office from 1 July 2020 to 30 June 2022; (iv) HK Asiaray Advertising, an indirect wholly-owned subsidiary of the Company, as tenant, with Asiaray China, as landlord, to lease the office premise in Shanghai from 1 July 2020 to 30 June 2022; and (v) Zhuhai Asiaray, a company with 60% of its equity interest held by the Group, as tenant, with Mr. Lam, as landlord, to lease the office premise in Zhuhai from 1 July 2020 to 30 June 2022, as disclosed in the announcement of the Company dated 2 July 2020, all of which Mr. Lam was interested in, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 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.

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

4. QUALIFICATIONS AND CONSENT OF EXPERT

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

Name	Qualification
Pelican Financial Limited	a licensed corporation to carry out Type 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 2019 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to or by any member of the Group, or was proposed to be acquired or disposed of by or leased to or by any member of the Group.

5. MATERIAL ADVERSE CHANGE

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

6. SERVICE CONTRACTS

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

7. COMPETING INTEREST

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

8. GENERAL

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

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Acquisition Agreement;
- (b) this circular;
- (c) the business valuation report set out in Appendix II to this Circular; and
- (d) the written consents referred to in the section headed “Qualifications and consent of Experts” in this appendix.

The following is the text of a report set out on pages II-1 to II-13, received from an independent professional valuer, Flagship Appraisals and Consulting Limited, for the purpose of incorporation in this circular.

31 March 2021

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 Equity Interests in Billion China International Limited

In accordance with the instructions from Asiaray Media Group Limited (“**Asiaray** or the “**Client**”), we are engaged to estimate the market value of the entire equity interest (the “**Equity**”) in Billion China International Limited (“**Billion China**” or the “**Target**”) as at 31 December 2020 (the “**Valuation Date**”) for the Client’s internal reference purpose.

Our analysis and result, which are to be used only in their entirety, are for the use of the Client’s internal reference purpose only and might form part of the Client’s circular. We understand that this report, our analysis, and result may form part of the Client’s announcement and/or circular submitted to the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). They are not to be used for any other purposes or by any other party, without our express written consent. None should rely on our analysis and results as a substitute for their own judgement or due diligence. The following report summarizes the result and findings based on our analysis.

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

Based on our analysis as described in this report, the market value of the Equity, on a controlling, non-marketable basis, as at the Valuation Date was:

31 December 2020

The Equity	HKD84,528,000
Shareholder’s loan	HKD38,187,000
Total	HKD122,715,000

These results are 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 result 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

Anson W.K. Lau
CFA, FRM
Director

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1. EXECUTIVE SUMMARY

Governing Standard:	International Valuation Standards	
Purpose:	Internal reference	
Standard of Value:	Market Value	
Premise of Value:	Value as a going concern	
Level of Value:	Controlling, non-marketable interest	
Client Name:	Asiaray Media Group Limited	
Target:	Billion China International Limited	
Type of Entity:	Private Company	
Valuation Date:	31 December 2020	
Report Date:	12 January 2021	
Methodology:	Cost approach – net asset value method	
Valuation Results:	The Equity	HKD84,528,000
	Shareholder's loan	HKD38,187,000
	Total	HKD122,715,000

2. INTRODUCTION

According to our discussion with Asiaray, we understand that the Client wishes to appoint a valuation specialist to value the equity interest of Billion China International Limited which is an investment holding company. It is our understanding that our analysis and result, which are to be used only in their entirety, will be used by the Client for internal reference purpose only and might form part of the Client's circular. We understand that this report, our analysis, and result may form part of the Client's announcement and/or circular submitted to the Stock Exchange.

Our analysis was conducted for the above purpose and this report should be used for no other purpose without our express written consent. None should rely on our analysis and conclusion as a substitute for their own judgement or due diligence.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective.

Our work was performed subject to the assumptions, the Limiting Conditions and the Statement of General Services Conditions described in this report.

3. SCOPE OF SERVICES

The scope of service includes the valuation of the Equity as at the Valuation Date.

4. BASIS OF VALUE

The basis of value for this valuation is Market Value. According to International Valuation Standard, Market Value is defined 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.”*

5. PREMISE OF VALUE

Premise of value means an assumption regarding the most likely set of transactional circumstances that may be applicable to a valuation. In general, there are two types of premises: 1) going concern and 2) liquidation.

- 1) Going concern: a business is expected to continue operation without intention or threat of liquidation; and
- 2) Liquidation: a business is clearly going to cease operation in the near future. It can be further classified into orderly liquidation or forced liquidation.

For this valuation, the premise of value is going concern. Going concern value is defined as *“the value of a business enterprise that is expected to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained workforce, an operational plant, and the necessary licenses, systems, and procedures in place.”*

6. LEVEL OF VALUE

The control characteristics and marketability characteristics significantly affect the value of an equity interest. The combination of these characteristics commonly refers to the level of value. There are four basic levels of value: 1) controlling, marketable interest value, 2) controlling, non-marketable interest value, 3) non-controlling, marketable interest value, and 4) non-controlling, non-marketable interest value.

For this valuation, the level of value is controlling, non-marketable interest value.

7. SOURCES OF INFORMATION

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

- Unaudited management accounts of the Target for the years ended, 31 December 2018, 31 December 2019 and 31 December 2020;
- Legal due diligence report about the Properties, dated 13 January 2021; and
- List of properties held by the Target as at the Valuation Date

In the course of this valuation, we have also relied upon publicly available information from sources on capital markets, including industry reports, various databases of publicly traded companies and news.

For the valuation of the properties owned by the Target, we have engaged Vincorn Consulting and Appraisal Limited (the “**Property Valuer**”) to provide us with the Market Value of the Properties (as defined below).

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information to perform our assessment.

8. COMPANY OVERVIEW

The Target, incorporated in Hong Kong in 2001, is an investment holding company. The Target’s revenue comes from rental income generation from the properties located in Beijing, China. As at the Valuation Date, the Target held 10 office units and 11 parking lots of the office building, Zhong Huan Shimao Zhong Xin (“**ZH Shimao**”) (collectively the “**Properties**”). ZH Shimao office building is located in Chaoyang District in Beijing.

8.1. Financial information of the Target

The table below summarizes the assets and liabilities of the Target as at the Valuation Date.

HKD’000	31 Dec 2020
Investment properties at cost	38,127
Cash	28
Other assets	15,857
Shareholder’s loan	(38,187)
Net Asset	15,825

Source: Billion China

As shown in the balance sheet, the major asset of the Target is the Properties. The book values of the Properties represented the collective purchase cost of the Properties. According to the Target, the Target acquired the Properties in July 2006. The book values have not changed since then.

The table below sets out the summary of the profit and loss accounts of the Target from January 2018 to 31 December 2020.

HKD'000	31 Dec 2018	31 Dec 2019	31 Dec 2020
Rental income	4,744	4,644	4,461
Legal and professional fees	(5)	(5)	(5)
Profit before tax	4,739	4,639	4,163

Source: Billion China

As shown in the profit and loss account, rental income was the sole income source of the Target.

9. VALUATION METHODOLOGY

There are three common approaches used to estimate the value of an asset, namely the cost approach, market approach and income approach.

Cost Approach: this is a general way of determining a value indication of a business ownership interest by using one or more methods based on the value of the net asset. Value is established based on the principle of substitution. It means the value of a business ownership interest depends on the cost of reproducing or replacing the net asset after considering depreciation from physical deterioration as well as functional and economic obsolescence, if present and measurable.

Market Approach: this is a general way of determining a value indication of a business ownership interest by using one or more methods that compare the subject to similar business ownership interests that have been sold. Value is established based on the principle of competition. It means if a business is similar to another business and can replace for the other, then they should be equal in value.

Income Approach: this is a general way of determining a value indication of a business ownership interest by using one or more methods that convert anticipated benefits into a present value amount. Value is established based on the principle of anticipation. It means the value of a business ownership interest is the sum of the present value of future economic benefit streams.

9.1. Selection of Methodology

In a valuation, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the valuation analysis.

The only business of the Target was holding the Properties and receiving rental incomes from the Properties. Market approach was not suitable because there were no comparable companies holding the same properties as the Target. The valuation arrived at by income approach requires cash flow forecast of the Target, while cost approach adopts the market values of the primary assets of the Target, the Properties, directly. Income approach is not as suitable as cost approach for the valuation of the Target. The adjusted net asset value method under the cost approach, which reflect the values of the underlying assets, is considered the most appropriate in this valuation.

The Properties represented the major asset held by the Target as at the Valuation Date. Besides the rental income generated from the Properties, the Target does not have any other income. The value of the Target primarily resides in its underlying assets. To estimate the market value of the Target, the respective valuations of the underlying assets have to be estimated.

The values of the Properties were estimated by making reference to the transaction prices of comparable properties in the proximity of the Properties. In addition to the Properties, the Target had accounts receivable which was rental income receivable from the tenants. The book values of those assets of the Targets were adopted as their respective market values considering their current nature.

10. GENERAL ASSUMPTIONS

A number of general assumptions have to be established in order to sufficiently support our result. The general assumptions adopted in this valuation are:

- 1) There will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the Beijing property market;
- 2) There will be no significant deviation in the industry trend and market condition from the current market expectation;
- 3) There will be no major change in the current taxation law and policies in relation to office market in Beijing, China;
- 4) The legal titles of the Properties had been properly obtained by the Target;
- 5) All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, remain in good standing, and can be procured with no additional costs or fees;

- 6) The book values of the assets and liabilities on the balance sheet of the Target reflected their respective market values; and
- 7) At the time of this report, the world was in the midst of the coronavirus COVID-19 outbreak. The impact of the global pandemic on the Target's business is not completely known yet. We assume that the pandemic would not have permanent effect on the Properties.

11. ADJUSTED NET ASSET VALUE METHOD

Under the adjusted net asset value method, the values of the assets and liabilities of the Target are assessed. As at the Valuation Date, the major asset of the Target the Properties.

The application of adjusted net asset value method involves the following procedures:

1. Estimate the values of the Properties
2. Assess if adjustments are needed for other assets and liabilities of the Target
3. Determine if valuation adjustment is required for the valuation of the Equity

11.1. Valuation of the Properties

We have engaged the Property Valuer to conduct a valuation of the Properties as at the Valuation Date. The Property Valuer has adopted market approach to value the Properties. Based on the property valuation report (reference VJ-20-0460) prepared by the Property Valuer, the market value of the Properties is RMB90,000,000 (equivalent to HKD106,830,000) as at the Valuation Date.

12. VALUATION ADJUSTMENT

Discount for lack of marketability (DLOM)

By definition marketability refers to the liquidity of equity interests, that is, when the owner of the equity interests intends to sell, how quickly, costly and easily the equity interests can be liquidated. For a closely held private company, lack of marketability means that there is no ready market for the equity holders to transact. In contrast to their publicly listed peers, ownerships in closely-held companies are typically not readily marketable. An identical share of equity in a privately-held company is theoretically worth less than an otherwise comparable share in a publicly-held company.

The primary asset of the Target is the Properties. Acquiring the Equity is essentially equal to acquiring the Properties. In addition, the valuations of the Properties made reference to transaction prices of comparable properties. We therefore consider that a DLOM is not applicable for the Equity.

13. VALUATION OF THE TARGET

Upon accounting for the valuations of the Properties and adjustments, the results of the Target are set out in the table below.

HKD'000	31 Dec 2020
Investment properties at cost	38,127
Adjustment	68,703
Investment properties at market value	106,830
Cash	28
Other assets	15,857
Total asset	122,715
Shareholder's loan	(38,187)
The Equity	84,528
Shareholder's loan	38,187
Total	122,715

14. LIMITING CONDITIONS

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

The opinion expressed in this report has been based on the information supplied to us by the Client 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 may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key data supplied to us with their expected values, the accuracy of the results and conclusions from the review rely 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 error or omission in the supplied information and do not accept any consequential liability arising from commercial decisions or actions resulting from them.

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

15. CONCLUSION

Based on our analysis as described in this report, the market value of the Equity as at the Valuation Date was:

	31 December 2020
The Equity	HKD84,528,000
Shareholder's loan	<u>HKD38,187,000</u>
Total	<u><u>HKD122,715,000</u></u>

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the 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 biases with respect to the parties involved.

Yours faithfully,
For and on behalf of
FLAGSHIP APPRAISALS AND CONSULTING LIMITED

Anson W.K. Lau
CFA, FRM
Director

EXHIBIT A – STATEMENT OF GENERAL SERVICES CONDITIONS

The service(s) provided by Flagship Appraisals and Consulting Limited will be performed in accordance with the professional valuation standard. 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 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, may be made in any document you prepare and/or distribute to third parties 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 advanced legal theory, 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 legal or administrative process and proceedings. These conditions can only be modified by written documents executed by both parties.

EXHIBIT B – INVOLVED STAFF BIOGRAPHIES

Anson W.K. Lau, CFA, FRM
Director

Mr. Lau has over eight years of experience in the business consulting industry, with a focus on business valuation services. He currently holds the position of Director of Flagship Appraisals and Consulting Limited and is responsible for leading the valuation team to deliver business and intangible asset valuation services for transaction and financial reporting purposes. He was involved in engagements in relation to various industries including financial services, aviation, information technology, construction, mining and manufacturing.

Ivan C.L. Lam
Analyst

Mr. Lam holds a Bachelor of Science degree in Accounting and Finance from the University of Sussex. He currently holds the position of Analyst of Flagship Appraisals and Consulting Limited and assists in various valuation assessments for transaction and financial reporting purposes.

Flagship Appraisals and Consulting Limited

Unit 714, Lippo Sun Plaza,
No. 28 Canton Road,
Tsim Sha Tsui, Kowloon

31 March 2021

Dear Sirs,

1. PREAMBLES**1.1. Instruction**

Vincorn Consulting and Appraisal Limited (“**Vincorn**”) are pleased to submit our valuation report, which has been prepared for Flagship Appraisals and Consulting Limited (the “**Instructing Party**”) for the purpose of incorporation in the business valuation report prepared by the Instructing Party.

The valuation has been carried out in accordance with the service agreement dated 4 January 2021 (the “**Service Agreement**”) signed between the Instructing Party and Vincorn. The extent of our professional liability to you is outlined in the Service Agreement.

1.2. Subject

The subject of our valuation is Office Units 3101 to 3110 on Level 31; Carparking Spaces C49-1, C49-2, B12-1, B12-2, B13-1, B13-2, C50 & C51 on Basement Level 3; and Carparking Spaces F04, F05 & F06 on Basement Level 4, Central International Trade Center, No. Jia 6 Jianguomenwai Avenue, Chaoyang District, Beijing, The People's Republic of China (The “**PRC**”) (the “**Property**”). The Property comprises 10 office units on Level 31, eight carparking spaces on Basement Level 3 and three carparking spaces on Basement Level 4 of a 35-storey (including five basement levels) commercial building namely Central International Trade Center (the “**Subject Building**”).

As per the State-owned Land Use Rights Certificates and Building Ownership Certificates provided by Instructing Party, the Property has a total apportioned site area of approximately 135.64 square metres (“**sqm**”), a total aboveground gross floor area (“**GFA**”) of approximately 1,379.58 sqm and a total belowground GFA of approximately 530.74 sqm. The Subject Building was completed in about 2006.

As per the information provided by the Instructing Party, a portion of the Property with a total GFA of approximately 772.72 sqm is currently subject to a tenancy for a 2-year term expiring on 30 June 2022 at a monthly rent of RMB310,000 exclusive of management fees and other outgoings for office purposes, while the remaining portion of the Property is currently vacant.

1.3. Valuation Date

The valuation date is 22 December 2020. Due to possible changes in market forces and circumstances in relation to the Property, the report can only be regarded as representing our opinion of the value of the Property as at the valuation date.

1.4. Valuation Standard

The valuation has been prepared in accordance with the RICS Valuation – Global Standards, incorporating the International Valuation Standards, issued by the Royal Institution of Chartered Surveyors (“RICS”) effective from 31 January 2020.

The valuation may be subject to monitoring under the RICS’s conduct and disciplinary regulations.

1.5. Valuation Basis

The valuation is carried out pursuant to the instructions of the Instructing Party to assess the Market Value of the Property for the purpose of incorporation in the business valuation report prepared by the Instructing Party.

1.5.1. Basis

The Property is valued on the following basis:

- Market Value of the Property in the existing state, assuming that it is sold subject to the immediate vacant possession, and that it is free from any encumbrances, as at the valuation date.

1.5.2. Definition

The term ‘Market Value’ as used in the context of this valuation is defined 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.’

1.6. Valuation Assumptions

Our valuation has been made on the assumption that the seller sells the Property 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 Property.

No allowance has been made in our report for any charges, mortgages or amounts neither owing on the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings, which could affect the value of the Property.

As the Property is held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the Property for the whole of the unexpired term of the land use rights.

In the course of our valuation, we have made the following assumptions:

- The legal titles of the Property have been properly obtained.
- All premium, compensation, construction costs, and other costs of ancillary utility services have been settled in full.
- The Property can be freely leased, mortgaged, transferred or otherwise disposed of, without any premium or impediments.
- The use and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.
- There is no any existing easements or rights of way affecting the Property.

1.7. Valuation Methodology

In the course of our valuation, we have adopted Market Approach.

1.7.1. Market Approach

Market Approach is universally considered as the most accepted valuation approach for valuing most forms of property. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rate; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject. This is done by making percentage adjustments to the unit rate for various factors, such as time, location, building age, building quality and so on.

1.8. Inspection and Investigations

The Property was inspected externally by Noah Liu *Probationer of RICS* on 31 January 2021. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the Property.

Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the Property and are therefore unable to report on their present conditions.

We have not undertaken any structural surveys of the Property and are therefore unable to comment on the structural conditions.

We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

1.9. Information Sources

We have relied to a considerable extent on the information provided by the Instructing Party, in particular but not limited to, the identification of the Property, particulars of occupancy, particulars of title, areas and all other relevant matters. We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have been shown the copies of title documents relating to the Property and have made relevant enquiries. However, we have not searched the original documents nor have we verified the existence of any lease amendments, which do not appear in the documents available to us. All documents have been used for reference only.

1.10. Valuer

This valuation has been prepared by Vincent Cheung.

Vincent Cheung 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 Special Administrative Region ("**Hong Kong**"), a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 23 years of experience in the valuation of properties of this magnitude and nature in the subject region.

Neither the valuer nor Vincorn are aware of any pecuniary interest or conflict of interest that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective opinion of the value of the Property.

1.11. Currency

Unless otherwise stated, all monetary sums stated in this report are in Renminbi ("**RMB**").

1.12. General Reservations

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other dates you should consult us first.

Should you contemplate a sale, we strongly recommend that the Property is given proper exposure to the market.

We recommend that you keep the valuation of the Property under frequent review.

You should not rely on this report unless any reference to legal titles has been verified as correct by your legal advisers.

The outbreak of the Novel Coronavirus (“COVID-19”), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the Property under frequent review.

1.13. Confidentiality

The information contained herein is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of the information contained herein.

For and on behalf of Vincorn Consulting and Appraisal Limited.

Vincent Cheung

BSc (Hons) MBA FRICS MHKIS RPS(GP) MCIREA

MHKSI MISCM MHIREA RICS Registered Valuer

Registered Real Estate Appraiser & Agent PRC

Managing Director

2. VALUATION CERTIFICATE

Property Interests to be Acquired for Occupation

Property	Description and Tenure	Occupancy Particulars	Market Value as at 22 December 2020
Office Units 3101 to 3110 on Level 31; Carparking Spaces C49-1, C49-2, B12-1, B12-2, B13-1, B13-2, C50 & C51 on Basement Level 3; and Carparking Spaces F04, F05 & F06 on Basement Level 4, Central International Trade Center, No. Jia 6 Jianguomenwai Avenue, Chaoyang District, Beijing, The PRC	The Property comprises 10 office units on Level 31, eight carparking spaces on Basement Level 3 and three carparking spaces on Basement Level 4 of a 35-storey (including five basement levels) commercial building namely Central International Trade Center. As per the State-owned Land Use Rights Certificates and Building Ownership Certificates provided by Instructing Party, the Property has a total apportioned site area of approximately 135.64 sqm, a total aboveground GFA of approximately 1,379.58 sqm and a total belowground GFA of approximately 530.74 sqm. The Subject Building was completed in about 2006. The land use rights of the Property were granted for a common term expiring on 28 March 2053 for office and carparking uses.	As per the information provided by the Instructing Party, a portion of the Property with a total GFA of approximately 772.72 sqm is currently subject to a tenancy for a 2-year term expiring on 30 June 2022 at a monthly rent of RMB310,000 exclusive of management fees and other outgoings for office purposes, while the remaining portion of the Property is currently vacant.	RMB90,000,000 (Renminbi Ninety Million)

Notes:

1. The property was inspected by Noah Liu *Probationer of RICS* on 31 January 2021.
2. The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FRICS MHKIS RPS(GP) MCIREA MHKSI MISC MHIRES RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC*.
3. Pursuant to 21 State-owned Land Use Rights Certificates, issued by People's Government of Beijing, the land use rights of the Property with a total apportioned site area of approximately 135.64 sqm were granted to Billion China International Limited for a common term expiring on 28 March 2053 for office and carparking uses.

4. Pursuant to 21 Building Ownership Certificates, issued by Construction Committee of Beijing, the building ownership rights of the Property with a total aboveground GFA of approximately 1,379.58 sqm and a total belowground GFA of approximately 530.74 sqm were legally vested in Billion China International Limited.
5. The Market Values of each unit of the Property as at the valuation date are summarized below:

Unit	Property Type	GFA (sqm)	Market Value (RMB)
Unit 3101 on Level 31	Office	123.77	7,730,000
Unit 3102 on Level 31	Office	129.38	8,080,000
Unit 3103 on Level 31	Office	123.37	7,700,000
Unit 3104 on Level 31	Office	118.94	7,400,000
Unit 3105 on Level 31	Office	140.38	8,770,000
Unit 3106 on Level 31	Office	141.33	8,830,000
Unit 3107 on Level 31	Office	148.50	9,280,000
Unit 3108 on Level 31	Office	156.37	9,770,000
Unit 3109 on Level 31	Office	156.37	9,770,000
Unit 3110 on Level 31	Office	141.17	8,820,000
Subtotal:		1,379.58	86,150,000
Carparking Space No. C49-1 on Basement Level 3	Carpark	44.02	350,000
Carparking Space No. C49-2 on Basement Level 3	Carpark	50.67	350,000
Carparking Space No. B12-1 on Basement Level 3	Carpark	50.03	350,000
Carparking Space No. B12-2 on Basement Level 3	Carpark	50.03	350,000
Carparking Space No. B13-1 on Basement Level 3	Carpark	49.83	350,000
Carparking Space No. B13-2 on Basement Level 3	Carpark	49.83	350,000
Carparking Space No. C50 on Basement Level 3	Carpark	44.02	350,000
Carparking Space No. C51 on Basement Level 3	Carpark	44.02	350,000
Carparking Space No. F04 on Basement Level 4	Carpark	49.43	350,000
Carparking Space No. F05 on Basement Level 4	Carpark	49.43	350,000
Carparking Space No. F06 on Basement Level 4	Carpark	49.43	350,000
Subtotal:		530.74	3,850,000
Grand Total:		1,910.32	90,000,000

6. The general description and market information of the Property are summarized below:
- | | | |
|----------------------------|---|---|
| Location | : | The Property is located at No. Jia 6 Jianguomenwai Avenue, Chaoyang District, Beijing, The PRC. |
| Transportation | : | Beijing Capital International Airport, Beijing Railway Station and Guomao Station of Beijing Metro Line No. 1 are located approximately 29.4 kilometres, 3.7 kilometres and 100 metres away from the Property respectively. |
| Nature of Surrounding Area | : | The area is predominately a commercial area in Chaoyang District. |
7. Pursuant to the legal opinion issued by King & Wood Mallesons regarding the Property, which contains, inter alia, the following:
- (a) Billion China International Limited has obtained the state-owned land use rights and building ownership rights of the Property in accordance with laws, and is the legal holder of the state-owned land use rights and building ownership rights of the Property;
 - (b) The state-owned land use rights and building ownership rights of the Property are not subject to a mortgage, and are not subject to any dispute or seizure.

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 11:30 a.m. on Friday, 23 April 2021 at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution, which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the acquisition agreement dated 22 January 2021 entered into between the Company and Mr. Lam Tak Hing (“**Mr. Lam**”) (the “**Acquisition Agreement**”) in relation to the acquisition of (i) the Sale Share, representing 100% of the issued share capital of the Target Company; and (ii) the Sale Loan in the sum of approximately HKD38,200,000 at the Consideration of approximately HKD122,700,000. The Consideration of the Acquisition Agreement will be satisfied by the issuance of the perpetual subordinated convertible securities in the principal amount in full. A copy of the Acquisition Agreement dated 22 January 2021 have been produced to the meeting and marked “A”, and initialed by the Chairman of the meeting for identification purpose and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorized to execute on behalf of the Company all such documents (to affix the common seal thereon, if necessary), take such actions and do such things he deems necessary, desirable or expedient for the implementation of, giving effect to or otherwise in connection with the Acquisition Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 31 March 2021

NOTICE OF EGM

Notes:

- (1) Any member of the Company entitled to attend and vote at the above meeting convened by this notice is entitled to appoint one or, if he/she is the holder of two or more shares of the Company, more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a shareholder of the Company.
- (2) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time for holding the above meeting or any adjournment thereof.
- (3) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) In the case of joint holders of a share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto to if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (5) For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from 20 April 2021 to 23 April 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the extraordinary general meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 19 April 2021.