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Asiaray Media Group Limited

雅仕維傳媒集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1993)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 51% ISSUED SHARES IN
THE TARGET COMPANY INVOLVING
ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

Reference is made to the announcement of the Company dated 22 June 2018. The Board is pleased to announce that on 29 August 2018 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors pursuant to which the Purchaser conditionally agreed to purchase, and the Vendors conditionally agreed to sell the Sale Shares at the consideration of not more than HK\$114 million. The Consideration will be settled by a combination of cash and the issuance of the Consideration Shares.

Upon Completion, the Target Company will become a 51% owned subsidiary of the Purchaser and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Agreement and the transaction contemplated thereunder constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

As the Completion is subject to the fulfilment and/or waiver, of the Conditions Precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 22 June 2018. The Board is pleased to announce that, on 29 August 2018 (after trading hours), the Purchaser entered into the Agreement with the Vendors pursuant to which the Purchaser conditionally agreed to purchase, and the Vendors conditionally agreed to sell the Sale Shares at the consideration of not more than HK\$114 million.

THE AGREEMENT

Date

29 August 2018 (after trading hours)

Parties to the Agreement

Vendors: (1) Mr. Lo Chi Kwong
(2) Mr. Colin Neil Stewart
(3) Mr. Leung Siu Pun

Purchaser: Asiaray International Holdings Limited

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendors and the Target Company is third party independent of the Company and its connected persons.

Assets to be Acquired

Upon completion of Restructuring, the Target Company will hold the entire issued share capital of Radius Displays.

Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Shares, representing 51% of the issued share capital of the Target Company, subject to fulfilment of the Conditions Precedent.

The Consideration

The Consideration for the sale and purchase of the Sale Shares shall be not more than HK\$114 million.

The Consideration shall be payable by the Purchaser to the Vendors in the following manner:

(i) The amount of the 1st installment (the “**1st Instalment**”) to be paid in cash at Completion is calculated as follow:

25% x Adjusted PAT (as at 31 March 2018) x PE x 51%;

(ii) The amount of the 2nd installment (the “**2nd Instalment**”) is calculated as follow:

22.5% x Adjusted PAT (as at 31 March 2019)

The above 2nd Instalment shall be capped at Adjusted PAT (as at 31 March 2018) x 200% x 22.5%.

(iii) The amount of 3rd instalment (the “**3rd Instalment**”) is calculated as follow:

22.5% x Adjusted PAT (as at 31 March 2020)

The above 3rd Instalment shall be capped at Adjusted PAT (as at 31 March 2018) x 200% x 22.5%.

(iv) The amount of the final instalment (the “**Final Instalment**”) is calculated as follow:

Adjusted PAT (as at 31 March 2021) x PE x 51% – 1st Instalment – 2nd Instalment – 3rd Instalment

The Consideration shall be satisfied by payment of cash or issuance and allotment of the Consideration Shares by the Company in the following manner:

(a) The 1st Instalment shall be settled by payment in cash at Completion.

(b) Consideration Shares shall be issued and allotted for the value of the 2nd Instalment (i) within 1 month upon confirmation of the audited accounts of the Target Company for the financial year ended 31 March 2019; or (ii) within 6 months from 31 March 2019, whichever is earlier. Provided that in the event that the Adjusted PAT (as at 31 March 2019) is less than 80% of the Adjusted PAT (as at 31 March 2018), the payment obligation of the Purchaser with respect to the 2nd Instalment shall cease.

(c) Consideration Shares shall be issued and allotted for the value of the 3rd Instalment (i) within 1 month upon confirmation on the audited accounts of the Target Company for the financial year ended 31 March 2020; or (ii) within 6 months from 31 March 2020, whichever is earlier. Provided that in the event that the Adjusted PAT (as at 31 March 2020) is less than 80% of the Adjusted PAT (as at 31 March 2018), the payment obligation of the Purchaser with respect to the 3rd Instalment shall cease.

(d) The Final Instalment shall be satisfied (i) within 1 month upon confirmation on the audited accounts of the Target Company for the financial year ended 31 March 2021; or (ii) within 6 months from 31 March 2021. A portion of the Final Instalment shall be satisfied by payment in cash (the “**Cash Portion**”) and the remaining portion shall be satisfied by issuance and allotment of Consideration Shares (the “**Share Portion**”) in accordance with the following calculation:

Cash Portion = Adjusted PAT (as at 31 March 2021) x PE x 51% ÷ 2 – 1st Instalment; and

Share Portion = Adjusted PAT (as at 31 March 2021) x PE x 51% ÷ 2 – 2nd Instalment – 3rd Instalment;

provided that if the calculated sum of the Adjusted PAT (as at 31 March 2021) x PE x 51% \div 2 is less than the 1st Instalment resulting in a deficit in the Cash Portion, the Purchaser's obligation to make cash payment under the Cash Portion shall cease and the Share Portion payable by the Purchaser shall be reduced by such deficit amount accordingly.

For avoidance of doubt, in the event that the Final Instalment is less than HK\$0, the Purchaser's obligation to make payment in cash or Consideration Shares to the Vendors shall cease and the Vendors are under no obligation to make any compensation to the Purchaser or to return to the Purchaser any cash or Consideration Shares the Vendors entitle to receive under the 1st Instalment, the 2nd Instalment and the 3rd Instalment.

Determination of the issue price of Consideration Shares

The issue price of Consideration Shares to be applied for satisfaction of the relevant instalments shall be determined in accordance with the following manner:

- (a) (i) in respect of the 2nd Instalment, the issue price per Consideration Share shall be the average closing price of the Shares (after Adjustment) as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including 31 March 2019;
- (ii) in respect of the 3rd Instalment, the issue price per Consideration Share shall be the average closing price of the Shares (after Adjustment) as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including 31 March 2020; and
- (iii) in respect of the Final Instalment, the issue price per Consideration Share shall be average closing price of the Shares (after Adjustment) as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including 31 March 2021;

provided that:

- (b) in the event that the issue price per Consideration Share applied for any of the 2nd Instalment, the 3rd Instalment or the Final Instalment determined above is less than HK\$1.00, HK\$1.00 shall be taken as the issue price per Consideration Share applied for that relevant instalment(s).

In the event that the issue price per Consideration Share applied for any of the 2nd Instalment, the 3rd Instalment or the Final Instalment determined is less than HK\$4.00 or greater than HK\$9.00, the Purchaser shall have the right to elect to settle the whole of the relevant instalment(s) by payment in cash in lieu of Consideration Shares.

Basis for Determination of the Consideration

The Consideration was determined after arm's length negotiations between the parties to the Agreement after taking into consideration of various factors, including but not limited to (i) the valuation of the Sale Shares to be acquired by the Purchaser by Flagship Appraisals and Consulting Limited, an independent valuer, of HK\$28.36 million; (ii) profitability of the Target Company; and (iii) the benefits accrued from the potential integration of the Target

Company's business with the Group. The Directors consider that the terms and conditions of the Agreement to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the sale and purchase of the Sale Shares is subject to the following conditions:

- (a) all necessary approval for the issue of the Consideration Shares having been obtained from the Company;
- (b) all necessary approval for the listing of and permission to deal in the Consideration Shares having been granted by the Listing Committee of the Stock Exchange;
- (c) the Purchaser having informed the Vendors in writing that the Purchaser is satisfied with the due diligence on the legal, financial, technical, business and other aspects of the Target Company, and outstanding matters and documents as may be requested by the Purchaser having been completed and provided to the Purchaser, subject to the Purchaser's satisfaction;
- (d) the Vendors having obtained all consents that are legally required from the third parties for the performance of its obligations;
- (e) the representations, warranties and undertakings given by the Vendors shall remain true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Agreement and the date of Completion;
- (f) there being no material adverse change or development in the position or condition, financial, business strategy or otherwise, of the Target Company from 30 June 2018 up to the date of Completion; and
- (g) the Restructuring having been completed.

The Purchaser may at its absolute discretion at any time waive in writing any of the Conditions Precedent above referred in (c), (e) and (g) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser. Save for Conditions Precedent set out in (c), (e) and (g) above, no parties to the Agreement may waive any other Conditions Precedent.

In the event that all the Conditions Precedent have not been fulfilled or waived by the Long Stop Date, the Agreement shall cease and determine and none of the parties shall have any obligations and liabilities thereunder save for any antecedent breaches.

Completion

Completion of the Agreement shall take place on the 3rd Business Day or such other later date as agreed by the Purchaser after fulfilment or waiver of all the Conditions Precedent.

Upon Completion, the Target Company will become a 51% owned subsidiary of the Purchaser and accordingly, the financial information of the Target Company will be consolidated into the accounts of the Group.

CONSIDERATION SHARES

Subject to the terms and conditions of the Agreement, the Consideration Shares will be allotted and issued to each of the Vendors in proportion to their respective shareholdings in the Target Company. The maximum amount of the Consideration Shares to be issued to the Vendors is 57,000,000 Shares. Each Vendor undertakes to the Purchaser that he shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances or otherwise in, such amount of Consideration Shares to be issued to him for a period of three years from the date of issuance of the relevant Consideration Shares.

The Consideration Shares will be issued pursuant to the General Mandate. The Consideration Shares, when issued, in total, would represent not more than 12.95% of the existing issued share capital of the Company as at the date of this announcement and approximately 11.47% of the issued share capital of the Company as enlarged by issue of the Consideration Shares.

The maximum number of Shares that can be issued under the General Mandate is 88,000,000 Shares. As at the date of this announcement, the General Mandate has not been utilised. Accordingly, the General Mandate is sufficient for the issue of the Consideration Shares and the issue of the Consideration Shares is not subject to the Shareholders' approval.

The issue price of Consideration Shares shall be determined in the manner as specified in the paragraph above headed "Determination of the issue price of Consideration Shares".

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Consideration Shares. The Consideration Shares shall at all times rank *pari passu* among themselves and with the Shares in issue as at the date of issue of the Consideration Shares.

INFORMATION ON THE TARGET COMPANY AND RADIUS DISPLAYS

The Target Company is a company incorporated in Hong Kong. As at the date of this announcement, the entire issued share capital in the Target Company is held as to 49.5%, 40.5% and 10% by Mr. Lo Chi Kwong, Mr. Colin Neil Stewart and Mr. Leung Siu Pun, respectively. Prior to Completion, the Target Company will undergo a Restructuring such that it will acquire the entire issued share capital of Radius Displays. Radius Displays is a company incorporated in Hong Kong on 31 October 2008, principally engaging in the provision of signage and urban furniture design, engineering and consulting work. As at the date of this announcement, Radius Displays is owned as to 55% and 45% by Mr. Lo Chi Kwong and Mr. Colin Neil Stewart respectively.

The Target Company, incorporated on 20 March 2015, is principally engaged in the provision of signage and urban furniture design, engineering and consulting work.

Based on the unaudited combined financial information of the Target Company made up to 31 March 2018, the net asset value of the Target Company was approximately HK\$1.1 million.

Set out below is the unaudited combined financial results of the Target Company for the two years ended 31 March 2017 and 2018:

	For the year ended 31 March 2018 HK\$'000 (approximately)	For the year ended 31 March 2017 HK\$'000 (approximately)
Profit before taxation	9,069	9,795
Profit after taxation	7,284	7,379

INFORMATION OF THE PURCHASER AND THE GROUP

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

The Purchaser, a wholly-owned subsidiary of the Group, was incorporated in the British Virgin Islands with limited liability. The Purchaser is an investment holding company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company has a business of provision of signage and urban furniture design engineering and consulting work in Hong Kong, the United States of America and the European region, which represents a diversified addition to the existing business portfolio of the Group. Moreover, as both the Group and the Target Company are involved in the supply of advertisement solutions, the Directors are of the view that benefits will be accrued from the Acquisition and synergy will be created between the principal business of the Target Company and that of the Group mainly by (i) integration of the Target Company's expertise to the Group; (ii) blending the existing clients bases of the Target Company and the Group by bringing in cross-selling opportunities; and (iii) enhancing operational efficiency by engaging the Target Company as service provider of the Group when needed.

In view of the foregoing, the Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE

The following table summarises the shareholding structure of the Company as at the date of this announcement and immediately following the issue of all the Consideration Shares:

Shareholders	On the date of this announcement		Immediately following the issue of all the Consideration Shares	
	Shares	% (approx.)	Shares	% (approx.)
Directors and related parties:				
Media Cornerstone Limited ¹	254,921,500	57.9	254,921,500	51.3
Space Management Limited ²	66,200,000	15.0	66,200,000	13.3
Vendors				
Mr. Lo Chi Kwong	—	—	28,215,000	5.7
Mr. Colin Neil Stewart	—	—	23,085,000	4.6
Mr. Leung Siu Pun	—	—	5,700,000	1.2
Public				
Public Shareholders	<u>118,878,500</u>	<u>27.0</u>	<u>118,878,500</u>	<u>23.9</u>
	<u><u>440,000,000</u></u>	<u><u>100.0</u></u>	<u><u>497,000,000</u></u>	<u><u>100.0</u></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 others 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.
2. Mr. Lam is the sole shareholder of Space Management Limited, which holds interest in 84,674,576 Shares with 66,200,000 shares in actual Shares, 10,000,000 Shares of which are non-listed derivatives and conversion rights of 8,474,576 Shares pursuant to the completion of the first tranche of subscription of the perpetual subordinated convertible securities in the principal amount of HKD30,000,000 under the subscription agreement dated 7 September 2017 as amended and supplemented by the supplemental agreement dated 10 November 2017. The first tranche of subscription was completed on 28 December 2017. The second tranche of subscription in the principal amount of HK20,000,000 with conversion right of 5,649,717 Shares shall be subject to approval of the independent Shareholders.
3. Shareholding percentages may not add up to 100% due to rounding.

LISTING RULE IMPLICATIONS

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Agreement and the transaction contemplated thereunder constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

As the Completion is subject to the fulfilment and/or waiver, of the Conditions Precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context requires otherwise, the use of capitalised terms in this announcement shall have the following meanings:

“Acquisition”	the purchase of the Sale Shares by the Purchaser in accordance with the terms of the Agreement
“Adjusted PAT”	means the average of the audited profit-after-tax of the Target Company in its preceding three (3) financial years adjusted for the Group Referral Income Deduction, save for the calculation of the <i>Adjusted PAT</i> (as at 31 March 2018) which the unaudited accounts of the Target Company for the financial year ended 31 March 2018 shall be applied
“Adjustment”	adjustment for any alteration to the number of issued Shares as a result of new issuance, consolidation, subdivision, reclassification, redenomination or capital deduction or similar event after the date of the Agreement
“Agreement”	the agreement dated 29 August 2018 entered into between the Vendors and the Purchaser relating to the Acquisition
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday and a public holiday) on which banks are generally open for business in Hong Kong
“Company”	Asiaray Media Group Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange of Hong Kong
“Completion”	completion of the Acquisition
“Conditions Precedent”	the conditions precedent to the completion of the Acquisition
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration for the Acquisition not more than HK\$114 million
“Consideration Shares”	new Shares to be allotted and issued by the Company to the Vendors at the issue price determined in accordance with the Agreement, and “Consideration Share” means any of them
“Director(s)”	the director(s) of the Company

“General Mandate”	the general mandate granted to the Board by the independent Shareholders to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company at the annual general meeting of the Company held on 15 June 2018
“Group”	the Company and its subsidiaries
“Group Referral Income Deduction”	means for the purpose of calculating the Adjusted PAT, a deduction in the Target Company’s gross profit by 51% of the gross profit generated from any contract of service or sale of goods if such contracted sum is over HK\$1,000,000 and the customer or client of such contract was referred by the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	3 months after the signing of the Agreement, or such other date may be mutually agreed by the Vendors and the Purchaser in writing
“Mr. Lam”	Mr. Lam Tak Hing, Vincent, an executive Director and a controlling shareholder of the Company
“PE”	means the price-to-earnings ratio of 5 times
“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Asiaray International Holdings Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands
“Radius Displays”	Radius Displays Limited, a company incorporated in Hong Kong with limited liability
“Restructuring”	(i) the transfer of shares of Radius Displays to Mr. Leung Siu Pun by Mr. Lo Chi Kwong and Mr. Colin Neil Stewart such that after the share transfer, Radius Displays will be owned as to 49.5%, 40.5% and 10% by Mr. Lo Chi Kwong, Mr. Colin Neil Stewart and Mr. Leung Siu Pun respectively; and (ii) the acquisition of the entire issued share capital of Radius Displays by the Target Company

“Sale Shares”	the number of shares of the Target Company, representing 51% of the entire issued capital of the Target Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Radius Displays International Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Vendors
“Vendors”	Mr. Lo Chi Kwong, a merchant, Mr. Colin Neil Stewart, a merchant, and Mr. Leung Siu Pun, a merchant, and “Vendor” means any of them

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

Hong Kong, 29 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. Lam Tak Hing, Vincent and Mr. Lam Ka Po; the non-executive director of the Company is Mr. Wong Chi Kin; and the independent non-executive directors of the Company are Mr. Ma Andrew Chiu Cheung, Mr. Ma Ho Fai GBS JP and Ms. Mak Ka Ling.