THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Asiaray Media Group
雅仕維傳媒集團

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1993)

MAJOR TRANSACTION:
SUPPLEMENTAL SHENZHEN METRO LINE 4 EXCLUSIVE CONCESSION RIGHTS AGREEMENT FOR ADVERTISING AND MEDIA RESOURCES

24 December 2020

CONTENTS

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

"Annual Target Revenue"	the target revenue for each Agreement Term agreed by Shanghai Asiaray and MTR (Shenzhen) pursuant to the Exclusive Rights Agreement
"Asiaray Advertising"	Asiaray Advertising Media Limited, a company established in Hong Kong with limited liability on 5 August 1993 and an indirect wholly-owned subsidiary of the Company
"Asiaray China"	Asiaray China Media Limited (雅仕維中國媒體有限公司), a company established in Samoa with limited liability on 11 May 1999 and wholly owned by Mr. Lam
"Asiaray Connect Singapore"	Asiaray Connect (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability on 27 June 2014 and an indirect wholly-owned subsidiary of the Company
"Asiaray Media"	Asiaray Media Limited, a company established in Hong Kong with limited liability on 6 March 2002 and an indirect wholly-owned subsidiary of the Company
"associates"	has the meaning ascribed to it under the Listing Rules
"Beijing Asiaray"	北京雅仕維廣告有限公司 (Beijing Asiaray Advertising Company Limited*), a company established in the PRC with limited liability on 9 July 1998 and an indirect wholly-owned subsidiary of the Company
"Beijing Metro Line 14"	metro system in Beijing which has 37 stations, connecting the northeast and southwest Beijing with a total length of 47.3 km
"Beijing MTR"	北京京港地鐵有限公司 (Beijing MTR Corporation Limited*), a company established in the PRC with limited liability
"Big Four accounting firm"	Deloitte Touche Tohmatsu, Ernst & Young Global Limited Liability Partnership, KPMG International Cooperative, and PricewaterhouseCoopers

"Billion China"	Billion China International Limited (億華國際有限公司), a company established in Samoa with limited liability on 8 August 2005 and wholly owned by Mr. Lam
"Board"	the board of Directors
"Business Day"	a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong
"Chairman"	the chairman of the Company
"Chengdu Airport Media Company"	成都國際機場廣告傳媒有限公司 (Chengdu International Airport Advertising and Media limited*), a company established in the PRC with limited liability
"Chengdu International Airport"	成都天府國際機場 (Chengdu Tianfu International Airport*) is an airport constructed to serve Chengdu, the capital of Sichuan Province of the PRC
"Company"	Asiaray Media Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1993)
"Concession Fees"	Concession fees payable by Shenzhen Yatie Advertising Company Limited to MTR (Shenzhen) pursuant to the Supplemental Exclusive Concession Rights Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Exclusive Concession Rights Agreement"	the Exclusive Concession Rights Agreement dated 15 June 2020 entered into between Shanghai Asiaray and MTR (Shenzhen) in relation to, among other things, the grant of the exclusive right to Shanghai Asiaray to operate, manage, maintain and sale of the advertising and media resources in Shenzhen Metro Line 4 operated by MTR (Shenzhen)

"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
"Hangzhou Metro Line 5"	the metro system in Hangzhou which has 38 stations and total length of 51.5 km
"HK Asiaray"	Hong Kong Asiaray Advertising Limited (香港雅仕維廣告有限公司), a company incorporated in Hong Kong with limited liability on 31 October 1995, and an indirect wholly-owned subsidiary of the Company
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKFRS 16"	Hong Kong Financial Reporting Standards 16 "Leases"
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Warehouse A"	the premises situated at part of Workshop A on 9/F, and Car Parking Space C4 on G/F, Supreme Industrial Building, No. 15-17 Shan Mei Street, Shatin, New Territories, Hong Kong
"Hong Kong Warehouse B"	Area B, Workshop 4G, Superluck Industrial Centre (Phase 2), No. 57, Sha Tsui Road and Nos. 30-38, Tai Chung Road, Tsuen Wan, N.T.
"km"	Kilometers
"KMB"	The Kowloon Motor Bus Company (1933) Limited, a company incorporated in Hong Kong with limited liability
"Kunming Airport"	Kunming Changshui International Airport
"Kunming Airport Company"	昆明長水國際機場有限責任公司 (Kunming Changshui International Airport Limited Liability Company*), a company established in PRC on 11 April 2012 and is wholly owned by Yunnan Airport Company

"Kunming Railway"	昆明軌道交通集團有限公司 (Kunming Railway Transit Group Co., Limited*), a company established in the PRC with limited liability
"Latest Practicable Date"	21 December 2020, 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
"LWB"	the Long Win Bus Company Limited, a company incorporated in Hong Kong with limited liability
"Mr. Lam"	Mr. Lam Tak Hing, Vincent, the Chairman, an executive Director and a controlling shareholder
"MTR (Shenzhen)"	港鐵軌道交通(深圳)有限公司 (MTR Corporation (Shenzhen) Limited*), a company established in the PRC with limited liability
"Peaky"	Peaky Limited, a company incorporated in Hong Kong with limited liability on 29 March 2011 and wholly owned by Mr. Lam
"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
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGD"	Singapore Dollars, the lawful currency in Singapore
"Shanghai Asiaray"	上海雅仕維廣告有限公司 (Shanghai Asiaray Advertising Company Limited*), a company established in the PRC with limited liability on 27 April 1999 and an indirect wholly owned subsidiary of the Company
"Share(s)"	ordinary share(s) of HKD0.10 each in the share capital of the Company

"Shareholders"	holder(s) of the Share(s)
"Shenzhen Airport Asiaray"	深圳機場雅仕維傳媒有限公司 (Shenzhen Airport Asiaray Media Company Limited*), a company established in the PRC with limited liability on 29 September 2013 which is owned as to 49% by Shanghai Asiaray and 51% by 深圳市機場股份有限公司 (Shenzhen Airport Co., Ltd.*), respectively
"Shenzhen Metro Line 4"	line 4 of the Shenzhen metro system, about 20.5 km (about 12.7 miles) with 15 stations, of which Fu Tian Kou An (Futian Port) station is connected to Lok Ma Chau station of Hong Kong MTR East Rail Line via Futian Port
"Shenzhen Metro Line 4 Phase 3"	phase 3 of line 4 of the Shenzhen metro system, about 10.8 km (about 6.7 miles) with 8 stations
"Shenzhen Yatie Advertising Company Limited"	深圳雅鐵廣告有限公司, a company established in the PRC with limited liability on June 2010 and an indirect wholly-owned subsidiary of Shanghai Asiaray and the Company
"Singapore"	the Republic of Singapore
"Singapore LTA"	Land Transport Authority of Singapore, a body corporate established under the Land Transport Authority of Singapore Act (Chapter 158A)
"Space Management Limited"	a company incorporated under the laws of the British Virgin Islands, being a controlling shareholder of the Company holding 8.03% of the existing issued share capital of the Company and conversion rights of 18,045,861 Shares pursuant to the First and Second Tranche of the subscription of the perpetual subordinated convertible securities as at the date of this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Annual Target Revenue"	the target revenue for each Supplemental Agreement Term agreed by Shanghai Asiaray and MTR (Shenzhen) pursuant to the Exclusive Rights Agreement

"Supplemental Concession Fees"	concession fees payable by Shenzhen Yatie Advertising Company Limited to MTR (Shenzhen) pursuant to the Supplemental Exclusive Concession Rights Agreement
"Supplemental Exclusive Concession Rights Agreement"	the Supplemental Exclusive Concession Rights Agreement dated 28 October 2020 entered into between Shanghai Asiaray and MTR (Shenzhen) in relation to, among other things, the grant of the exclusive right to Shenzhen Yatie Advertising Company Limited to operate, manage, maintain and sale of the advertising and media resources in Shenzhen Metro Line 4 Phase 3 operated by MTR (Shenzhen)
"TEL"	the Thomson-East Coast Line (TEL) is the sixth rail line in Singapore's MRT network that will open in five stages between 2019 and 2024
"VAT"	Value-added tax
"Wenzhou Metro Line S1"	the first phase of the Wenzhou metro system, begins at Panqiao Town in the west, south of Wenzhou South Railway Station, and ends at Peninsula No. 2 Station in the east, with approximately 51.9 km of track and 20 stations
"Wenzhou MTR"	溫州市鐵路與軌道交通投資集團有限公司 (Wenzhou Mass Transit Railway Investment Group Co., Limited*), a company established in the PRC with limited liability
"Yunnan Airport Asiaray"	雲南空港雅仕維信息傳媒有限公司 (Yunnan Airport Asiaray Information Media Company Limited*), a company established in the PRC with limited liability on 26 June 2002 and an indirect non-wholly owned subsidiary of the Company
"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*

For illustrative purpose of this circular and unless otherwise specified, conversion of RMB to HKD is based on the exchange rate of RMB1.00 to HKD1.1628.

For illustrative purpose of this circular and unless otherwise specified, conversion of SGD to HKD is based on the exchange rate of SGD1.00 to HKD5.7.

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

24 December 2020

To the Shareholders,

Dear Sirs,

MAJOR TRANSACTION:
SUPPLEMENTAL SHENZHEN METRO LINE 4
EXCLUSIVE CONCESSION RIGHTS AGREEMENT
FOR ADVERTISING AND MEDIA RESOURCES

INTRODUCTION

Reference is made to the announcement of the Company dated 15 June 2020 and 28 October 2020 in relation to the major transaction of the Exclusive Concession Rights Agreement aggregated with the Supplemental Exclusive Concession Rights Agreement, where the Group was granted the exclusive rights to operate, manage, maintain and sale of the advertising and media resources in Shenzhen Metro Line 4 operated by MTR (Shenzhen) with concession fees payable to MTR (Shenzhen).

(1) PRINCIPAL TERMS OF THE EXCLUSIVE CONCESSION RIGHTS AGREEMENT

Date	:	15 June 2020
Parties	:	(i) Shanghai Asiaray (ii) MTR (Shenzhen)
Subject matter	:	Shanghai Asiaray was granted the exclusive rights to operate, manage, maintain and sale of the advertising and media resources in Shenzhen Metro Line 4 operated by MTR (Shenzhen) with concession fees payable to MTR (Shenzhen).
Agreement period	:	From 16 June 2020 to 30 June 2030 Term 1: From 16 June 2020 to 30 June 2021 Term 2: From 1 July 2021 to 30 June 2022 Term 3: From 1 July 2022 to 30 June 2023 Term 4: From 1 July 2023 to 30 June 2024 Term 5: From 1 July 2024 to 30 June 2025 Term 6: From 1 July 2025 to 30 June 2026 Term 7: From 1 July 2026 to 30 June 2027 Term 8: From 1 July 2027 to 30 June 2028 Term 9: From 1 July 2028 to 30 June 2029 Term 10: From 1 July 2029 to 30 June 2030 (each separately an "**Agreement Term**" and together, the "**Agreement Terms**")
Concession Fees	:	Concession fees for each Agreement Term would be determined based on the annual revenue generated by Shanghai Asiaray from operation of the advertising and media resources of Shenzhen Metro Line 4 under the Exclusive Concession Rights Agreement. Shanghai Asiaray agreed to pay a minimum guaranteed fee if the annual revenue generated is equal to or is less than the Annual Target Revenue, and an agreed percentage of the annual revenue in addition to the minimum guaranteed fee if the annual revenue exceeds the Annual Target Revenue.

The minimum Concession Fees for all the Agreement Terms, being the sum of the minimum guaranteed fees, is approximately RMB462,000,000 (equivalent to approximately HKD537,000,000) if the annual revenue generated by Shanghai Asiaray from operation of the advertising and media resources of Shenzhen Metro Line 4 under the Exclusive Concession Rights Agreement for each term is equal to or below the respective Annual Target Revenue.

The total value of Concession Fees was determined after arm's length negotiations between the parties to the Exclusive Concession Rights Agreement after taking into consideration the valuation of the right-of-use asset under the Exclusive Concession Rights Agreement prepared by an independent professional valuer in the sum of approximately RMB390,000,000 (equivalent to approximately HKD453,000,000).

Payment : Shanghai Asiaray shall pay MTR (Shenzhen) a monthly minimum guaranteed fee for every months' term within 5 working days after the start of each calendar month. Shanghai Asiaray will provide a monthly advertising revenue report to MTR (Shenzhen) within 20 working days of each month. Shanghai Asiaray is required to engage a Big Four accounting firm to complete an audit report on the annual revenue generated by Shanghai Asiaray from operation of the advertising and media resources of Shenzhen Metro Line 4 within 60 days from the end of each Agreement Term. Any additional Concession Fees to the minimum guaranteed fee should be paid to MTR (Shenzhen) within 10 working days from the date of the audit report.

Guarantee	:	Shanghai Asiaray shall pay MTR (Shenzhen) a sum of approximately RMB28,000,000 (equivalent to approximately HKD33,000,000) either in form of bank guarantee or to be held on deposit as guarantee of the performance of the Exclusive Concession Rights Agreement. The Guarantee would be returned to Shanghai Asiaray within 3 months from the end of the period of the Exclusive Concession Rights Agreement, given the Exclusive Concession Rights Agreement has not been extended and subject to any deductions from the Guarantee pursuant to the Exclusive Concession Rights Agreement.

(2) PRINCIPAL TERMS OF THE SUPPLEMENTAL EXCLUSIVE CONCESSION RIGHTS AGREEMENT

Date	:	28 October 2020
Parties	:	(i) Shanghai Asiaray (ii) MTR (Shenzhen) (iii) Shenzhen Yatie Advertising Company Limited
Subject matter	:	The Parties agreed: (i) Shenzhen Yatie Advertising Company Limited would assume all rights, responsibilities, obligations of Shanghai Asiaray under the Exclusive Concession Rights Agreement; (ii) to grant exclusive rights to operate, manage, maintain and sale of the advertising and media resources in Shenzhen Metro Line 4 Phase 3 to Shenzhen Yatie Advertising Company Limited with concession fees payable to MTR (Shenzhen); and (iii) the Supplemental Exclusive Concession Rights Agreement shall form a part of the Exclusive Concession Rights Agreement.

Agreement period	:	From 1 November 2020 to 30 June 2030 Term 1: From 1 November 2020 to 30 June 2021 Term 2: From 1 July 2021 to 30 June 2022 Term 3: From 1 July 2022 to 30 June 2023 Term 4: From 1 July 2023 to 30 June 2024 Term 5: From 1 July 2024 to 30 June 2025 Term 6: From 1 July 2025 to 30 June 2026 Term 7: From 1 July 2026 to 30 June 2027 Term 8: From 1 July 2027 to 30 June 2028 Term 9: From 1 July 2028 to 30 June 2029 Term 10: From 1 July 2029 to 30 June 2030 (each separately an "**Supplemental Agreement Term**" and together, the "**Supplemental Agreement Terms**")
Supplemental Concession Fees	:	Supplemental Concession Fees for each Supplemental Agreement Term would be determined based on the annual revenue generated by Shenzhen Yatie Advertising Company Limited from operation of the advertising and media resources of Shenzhen Metro Line 4 Phase 3 under the Supplemental Exclusive Concession Rights Agreement. Shenzhen Yatie Advertising Company Limited agreed to pay a minimum guaranteed fee if the annual revenue generated is equal to or is less than the Supplemental Annual Target Revenue, and an agreed percentage of the annual revenue in addition to the minimum guaranteed fee if the annual revenue exceeds the Supplemental Annual Target Revenue. The minimum Supplemental Concession Fees for all the Supplemental Agreement Terms, being the sum of the minimum guaranteed fees, is approximately RMB103,000,000 (equivalent to approximately HKD120,000,000) if the annual revenue generated by Shenzhen Yatie Advertising Company Limited from operation of the advertising and media resources of Shenzhen Metro Line 4 Phase 3 under the Supplemental Exclusive Concession Rights Agreement for each term is equal to or below the respective Supplemental Annual Target Revenue.

The total value of Supplemental Concession Fees was determined after arm's length negotiations between the parties to the Supplemental Exclusive Concession Rights Agreement after taking into consideration the valuation of the right-of-use asset under the Supplemental Exclusive Concession Rights Agreement prepared by an independent professional valuer in the sum of approximately RMB90,000,000 (equivalent to approximately HKD105,000,000).

The total concession fees under the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement is approximately RMB565,000,000 (equivalent to HKD657,000,000).

Payment	:	Shenzhen Yatie Advertising Company Limited shall pay MTR (Shenzhen) a monthly minimum guaranteed fee for every months' term within 5 working days after the start of each calendar month. Shenzhen Yatie Advertising Company Limited will provide a monthly advertising revenue report to MTR (Shenzhen) within 20 working days of each month. Shenzhen Yatie Advertising Company Limited is required to engage a Big Four accounting firm to complete an audit report on the annual revenue generated by Shenzhen Yatie Advertising Company Limited from operation of the advertising and media resources of Shenzhen Metro Line 4 Phase 3 within 60 days from the end of each Supplemental Agreement Term. Any additional Concession Fees to the minimum guaranteed fee should be paid to MTR (Shenzhen) within 10 working days from the date of the audit report.

Guarantee	:	Shanghai Asiaray shall pay MTR (Shenzhen) a sum of approximately RMB7,000,000 (equivalent to approximately HKD8,000,000) either in form of bank guarantee or to be held on deposit as guarantee of the performance of the Supplemental Exclusive Concession Rights Agreement within 20 working days of the signing of the Supplemental Exclusive Concession Rights Agreement. The Guarantee would be returned to Shanghai Asiaray within 3 months from the end of the period of the Supplemental Exclusive Concession Rights Agreement, given the Supplemental Exclusive Concession Rights Agreement has not been extended and subject to any deductions from the Guarantee pursuant to the Supplemental Exclusive Concession Rights Agreement.

INFORMATION OF PARTIES TO THE SUPPLEMENTAL EXCLUSIVE CONCESSION RIGHTS AGREEMENT AND EXCLUSIVE CONCESSION RIGHTS AGREEMENT

The Group

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

Shanghai Asiaray

Shanghai Asiaray was established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Shanghai Asiaray is principally engaged in out-of-home advertising media services in the PRC.

MTR (Shenzhen)

MTR (Shenzhen) was established in the PRC with limited liability. MTR (Shenzhen) is principally engaged in operation of Shenzhen Metro Line 4 in the PRC. The ultimate benefical owner of MTR (Shenzhen) is The Government of the Hong Kong Special Administration Region.

Shenzhen Yatie Advertising Company Limited

Shenzhen Yatie Advertising Company Limited was established in the PRC with limited liability and is an indirect wholly-owned subsidiary of Shanghai Asiaray and the Company. Shenzhen Yatie Advertising Company Limited is principally engaged in out-of-home advertising media services in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, MTR (Shenzhen) and The Government of the Hong Kong Special Administration Region, the ultimate beneficial owner of MTR (Shenzhen) are third parties independent of the Company and its connected persons under the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL EXCLUSIVE CONCESSION RIGHTS AGREEMENT

The Group is an outstanding out-of-home media group in Mainland China and Hong Kong with a strategic focus on airport, metro line and high speed rail advertising. The Group is also one of two out-of-home resources companies operating in the metro lines segment in Hong Kong.

Shenzhen Metro Line 4 is located at the city of Shenzhen, Guangdong, the PRC. Shenzhen Metro Line 4 is about 20.5 km (about 12.7 miles) with 15 stations, of which Fu Tian Kou An (Futian Port) station is connected to Lok Ma Chau station of Hong Kong MTR East Rail Line via Futian Port. The Group has commenced operation of advertising and media resources located at Shenzhen Metro Line 4 since June 2010. Shenzhen Metro Line 4 Phase 3 consist of an additional 8 stations and is expected to commence operation from 28 October 2020.

The Directors believe that the entering into of the Supplemental Exclusive Concession Rights Agreement would enable the Group to exert their strengths and grasp market opportunities in metro advertising market in the PRC and create a greater return for the Shareholders.

The terms of the Supplemental Exclusive Concession Rights Agreement have been arrived at after arm's length negotiations between the parties. The Directors consider that the terms of the Supplemental Exclusive Concession Rights Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

The transactions contemplated under the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement in aggregate, will constitute a major transaction for the Company under Rule 14.07 of the Listing Rules on the basis that certain of the applicable percentage ratios are more than 25%. As one or more of the applicable percentage ratios in respect of the consideration under the Supplemental Exclusive Concession Rights Agreement when aggregated with the total consideration under the Exclusive Concession Rights Agreement is more than 25% but less than 100%, the entering into the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement when aggregated constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to HKFRS 16, the entering of the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement will require the Group to recognise the exclusive rights as right-of-use asset in which the amount was approximately RMB480,000,000 (equivalent to approximately HKD558,000,000) calculated with reference to the aggregated present value of the fixed lease payments under the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement, thus the entering into the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement and the transactions contemplated thereunder will be regarded as an acquisition of asset by the Group. The value of the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement is on the basis of right-of-use assets measured at cost, which comprise of: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

None of the Directors have a material interest in the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement and the transactions contemplated thereunder, and therefore no Director has to abstain from voting on the relevant board resolutions approving the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement and the transaction contemplated thereunder. Since no shareholder is required to abstain from voting, pursuant to Rule 14.44 of the Listing Rules, written approval from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at the general meeting to approve the transaction such shareholder can be accepted in lieu of holding a general meeting for the purpose of approving the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement.

The Company has received a written approval by Media Cornerstone Limited (holding approximately 53.59% of the entire issued ordinary share capital of the Company) for the transactions contemplated under the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules.

As at the date of this circular, Media Cornerstone Limited owns 254,921,500 shares of the Company, representing approximately 53.59% of the entire issued ordinary share capital of the Company. The issued share capital of Media Cornerstone Limited is entirely held by 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). The Company has received a written approval by Media Cornerstone Limited for the transactions contemplated under the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement in lieu of holding a general meeting in accordance with Rule 14.44 of the Listing Rules.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the opinion that the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the resolution(s) to approve the transactions.

The Company has obtained a written approval from Media Cornerstone Limited for the transactions contemplated under the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement in lieu of holding a general meeting, hence no general meeting will be convened to approve the Supplemental Exclusive Concession Rights Agreement and Exclusive Concession Rights Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the six months ended 30 June 2020 and each of the three years ended 31 December 2019, 2018 and 2017 are disclosed in the following documents which have been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (https://www.asiaray.com/en/home/), and can be accessible by the links as follows:

– interim report of the Company for six months ended 30 June 2020 (pages 19 to 62) https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0928/2020092800988.pdf

– annual report of the Company for the year ended 31 December 2019 (pages 93 to 229) https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042300544.pdf

– annual report of the Company for the year ended 31 December 2018 (pages 89 to 245) https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn20190417288.pdf

– annual report of the Company for the year ended 31 December 2017 (pages 81 to 216) https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn20180427630.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at 31 October 2020, being the latest practicable date for the purpose of this statement of indebtedness, the Group had outstanding bank borrowings of HKD303,291,000. Bank borrowings of HKD2,210,000 were secured by the Group's building of HKD9,312,000. Bank borrowings of HKD301,081,000 were unsecured as at 31 October 2020. As at 31 October 2020, the Group had unutilised banking facilities of HKD248,879,000.

Lease liabilities

As at 31 October 2020, being the latest practicable date for the purpose of this statement of indebtedness, the Group had current lease liabilities of HKD836,667,000 and non-current lease liabilities of HKD2,604,434,000.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2020, the Group did not have any other outstanding borrowings, loan capital, bank overdrafts, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

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

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is an outstanding out-of-home media group in the PRC, Hong Kong, Macau and Southeast Asia with a strategic focus on airport and metro line advertising. The Group is also one of two out-of-home resources companies operating in the metro lines segment in Hong Kong.

The outlook for the global economy is expected to be filled with uncertainties as it will be affected by various issues including the US-China trade war, and the global outbreak of the COVID-19. Despite such uncertainties, the Group believes that grasping important expansion opportunities would be crucial to the future developments.

Looking ahead, although the global economy is expected to experience significant headwinds owing to the Sino-US trade war and COVID-19 pandemic, the PRC market is nevertheless expected to achieve a prompter recovery, supported by strong precautionary measures and favorable support from the government. In view of the consumption boom and expected travel increases post-pandemic, the Group remains positive about its business development. Leveraging the Group's comprehensive network in the PRC, with coverage spanning tier 1 to tier 4 cities, the Group is in a favorable position to capture growth from different areas of the country. And with newly won the rights to operate media resources at the new Chengdu Tianfu International Airport, Kunming metro line no. 3, Kunming Railway Station and Lijiang Railway Station, Asiaray can capitalize on an even stronger business presence in Western China in addition to its heavy presence in Yunnan, which is part of the Group's strategic plan. The Group will also continue to take a long-term approach, and will spare no effort in further expanding its business footprint and increasing its share of the PRC market.

As disclosed in the section headed "REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL EXCLUSIVE CONCESSION RIGHTS AGREEMENT" in the Letter from the Board, entering into Supplemental Exclusive Concession Rights Agreement would enable the Group to exert their strengths and grasp market opportunities in metro advertising market in the PRC and create a greater return for the Shareholders.

The Board believes that, as a result of the global outbreak of the COVID-19, the Group's performance for the financial year ending 31 December 2020 would be inevitably affected. However, the Board does not expect to have a significant adverse impact on the Group's overall operations and cash flows.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma consolidated statement of assets and liabilities of the Group has been prepared based on the unaudited condensed consolidated balance sheet of the Group as at 30 June 2020 which have already accounted for the financial impact arising from the Exclusive Concession Rights Agreement and adjusted for the effects of the major transaction arising from the Supplemental Exclusive Concession Rights Agreement (the "**Transaction**") to illustrate how the Transaction might have affected the financial position of the Group as if the Transaction had taken place on 30 June 2020. The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Transaction been completed as at 30 June 2020 or at any future date. The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2020	**Pro forma adjustment**	**Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2020**
	HKD'000	*HKD'000*	*HKD'000*
	Note 1	*Note 2*	
ASSETS			
Non-current assets			
Property, plant and equipment	76,394	–	76,394
Right-of-use assets	3,107,199	95,831	3,203,030
Investment properties	9,973	–	9,973
Intangible assets	19,909	–	19,909
Investments accounted for using equity method	41,840	–	41,840
Financial assets at fair value through profit or loss	6,791	–	6,791
Financial assets at fair value through other comprehensive income	7,246	–	7,246
Deferred income tax assets	165,054	–	165,054
Other receivables and deposits	10,078	–	10,078
	3,444,484	95,831	3,540,315
Current assets			
Inventories	2,156	–	2,156
Trade and other receivables	746,879	–	746,879
Restricted cash	24,949	–	24,949
Cash and cash equivalents	291,424	–	291,424
	1,065,408	–	1,065,408
Total assets	4,509,892	95,831	4,605,723

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP (Continued)

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2020	Pro forma adjustment	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2020
	HKD'000	*HKD'000*	*HKD'000*
	Note 1	*Note 2*	
LIABILITIES			
Non-current liabilities			
Borrowings	150,981	–	150,981
Lease liabilities	2,661,227	89,925	2,751,152
Deferred income tax liabilities	2,435	–	2,435
	2,814,643	89,925	2,904,568
Current liabilities			
Trade and other payables	245,465	–	245,465
Contract liabilities	100,377	–	100,377
Financial liabilities at fair value through profit or loss	6,216	–	6,216
Current income tax liabilities	3,290	–	3,290
Borrowings	95,427	–	95,427
Lease liabilities	844,917	5,906	850,823
	1,295,692	5,906	1,301,598
Total liabilities	4,110,335	95,831	4,206,166

Notes:

1. The unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2020 is extracted from the Group's published unaudited condensed consolidated financial information for the six months ended 30 June 2020, which included the right-of-use assets of HKD349,876,000 and the lease liabilities of HKD351,680,000 recognised related to phase 1 and phase 2 of Shenzhen Metro Line 4 under the Exclusive Concession Rights Agreement.

2. With regards to the exclusive rights to operate, manage, maintain and sale of the advertising and media resources of Shenzhen Metro Line 4 Phase 3 (the "**Target Asset**") operated by MTR (Shenzhen) under the Supplemental Exclusive Concession Rights Agreement, right-of-use assets will be recognised in accordance with HKFRS 16. The exclusive rights of the advertising and media resources for phase 1 and phase 2 of Shenzhen Metro Line 4 were granted in June 2020 and the phase 3 was granted in October 2020, which are independent and not interrelated with each other. The right-of-use assets and corresponding lease liabilities would be recognised based on the commencement date of the lease as specifically stated in respective agreements, which is the date on which advertising and media resources are available for use.

   For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the right-of-use assets had been recognised and the respective operation of the Target Asset had commenced on 30 June 2020. The adjustment represented the recognition of the right-of-use asset and lease liabilities amounting to approximately RMB82,414,000 (equivalent to approximately HKD95,831,000), respectively, which represented the increase in scope of the lease with the consideration increased by the amount commensurate with the stand-alone price for such increase, and thus, accounted for as a separate lease for the supplemental agreement. In accordance with the Group's accounting policies, right-of-use assets and lease liabilities are measured at aggregated present value of the fixed lease payments discounted by the Group's incremental borrowing rate. The applicable discount rate is approximately 3%.

3. The transaction costs of the Transaction are immaterial and have not been taken into account for the purpose of preparing the Unaudited Pro Forma Financial Information. In addition, the Group will issue bank guarantee of RMB7,000,000 (equivalent to approximately HKD8,140,000) by way of using available banking facilities according to the supplemental agreement, to guarantee for the lease payments in favor of MTR (Shenzhen).

4. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.

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

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

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Asiaray Media Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Asiaray Media Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), and Shenzhen Metro Line 4 Phase 3 operated by MTR (Shenzhen) under the Supplemental Exclusive Concession Rights Agreement to operate, manage, maintain and sale of the advertising and media resources (the "**Target Asset**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2020 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-3 of the Company's circular dated 24 December 2020, in connection with the proposed acquisition of the Target Asset (the "**Transaction**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-6 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2020 as if the Transaction had taken place at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim financial information for the period ended 30 June 2020 set out in the interim report, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2020 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 December 2020

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or, the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long positions in the Shares

Name of Directors	Capacity/ Nature of interest	Number of Shares	Equity derivative and options	Total number of Shares and underlying Shares	Approximate percentage of issued share capital of the Company
Mr. Lam	Founder of a discretionary trust and interest in a controlled corporation	293,121,500	18,045,861	311,167,361(1)	65.41%

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 by subscription of perpetual subordinated convertible securities ("**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.

Abbreviation: "L" stands for long position

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

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

Long positions in the Shares

Name of Shareholders	Capacity/ Nature of interest	Number of shares	Approximate percentage of issued share capital in the Company[(6)]
Mr. Lam	Founder of a discretionary trust and interest in a controlled corporation	311,167,361 (L)[(1)(2)]	65.41%
Media Cornerstone Limited	Beneficial owner	254,921,500 (L)[(1)]	53.59%
Shalom Family Holding Limited	Interest in a controlled corporation	254,921,500 (L)[(1)]	53.59%
UBS Trustee (BVI) Limited	Trustee of Shalom Trust	254,921,500 (L)[(1)]	53.59%
Space Management Limited	Beneficial owner	56,245,861 (L)[(2)]	11.82%
Antfin (Hong Kong) Holding Limited	Beneficial owner	35,675,676 (L)[(3)]	7.5%

Name of Shareholders	Capacity/ Nature of interest	Number of shares	Approximate percentage of issued share capital in the Company[6]
杭州雲鏘企業管理諮詢有限公司 (Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd.*)	Interest in a controlled corporation	35,675,676 (L)[3]	7.5%
螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.*)	Interest in a controlled corporation	35,675,676 (L)[3]	7.5%
杭州雲鉑投資諮詢有限公司 (Hangzhou Yunbo Investment Consultancy Co., Ltd.*)	Interest in a controlled corporation	35,675,676 (L)[3]	7.5%
馬雲 Ma Yun	A concert party to an agreement to buy shares described in s.317(1)(a)	35,675,676 (L)[3][4]	7.5%
井賢棟 Eric Xiandong Jing	A concert party to an agreement to buy shares described in s.317(1)(a)	35,675,676[4]	7.5%
蔣芳 Fang Jiang	A concert party to an agreement to buy shares described in s.317(1)(a)	35,675,676[4]	7.5%
胡曉明 Simon Xiaoming Hu	A concert party to an agreement to buy shares described in s.317(1)(a)	35,675,676[4]	7.5%

Notes:

1. The 254,921,500 Shares are held by Media Cornerstone. Media Cornerstone is wholly owned by Shalom Family Holding Limited, which is in turn wholly owned by the Shalom Trust, discretionary trust. The Shalom Trust was established by Mr. Lam as settlor and UBS Trustees (BVI) Limited as trustee. The discretionary beneficiaries of the Family Trust are Mr. Lam, certain of his family members and other persons who may be added from time to time. By virtue of the SFO, the Trustee is deemed to be interested in the Shares in which Media Cornerstone is interested in.

2. Mr. Lam is the sole shareholder of Space Management, which holds interest in 56,245,861 Shares with 38,200,000 Shares in actual Shares and conversion rights of 18,045,861 Shares by subscription of perpetual subordinated convertible securities ("**PSCS**") in the principal amount of HKD70,000,000 in aggregate pursuant to the subscription agreements and supplemental agreement dated 7 September 2017 10 November 2017 and 4 June 2020. The subscriptions were completed on 28 December 2017, 28 June 2019 and 10 November 2020 respectively.

3. The 35,675,676 Shares are held by Antfin (Hong Kong) Holding Limited. Antfin (Hong Kong) Holding Limited is wholly-owned by 杭州雲鏵企業管理諮詢有限公司 (Hangzhou Yunqiang Enterprise Management Consulting Co., Ltd.*), which is in turn wholly-owned by 螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.*). 螞蟻科技集團股份有限公司 (Ant Group Co., Ltd.*) is owned as to approximately 20.66% by Hangzhou Junao Equity Investment Partnership (Limited Partnership) and approximately 29.86% by Hangzhou Junhan Equity Investment Partnership (Limited Partnership), which are both wholly-owned by 杭州雲鉑投資諮詢有限公司 (Hangzhou Yunbo Investment Consultancy Co., Ltd*) ("**Hangzhou Yunbo**"), which is owned by Ma Yun, Eric Xiandong Jing, Simon Xiaoming Hu and Fang Jiang.

4. Eric Xiandong Jing, Fang Jiang and Simon Xiaoming Hu each acquired 22% of equity interest in Hangzhou Yunbo from Mr. Ma Yun. Ma Yun, Eric Xiandong Jing, Fang Jiang and Simon Xiaoming Hu entered into an agreement which governs, among others, the exercise of voting rights and the disposal of equity interests in Hangzhou Yunbo.

5. As at the Latest Practicable Date, the issued share capital was 475,675,676 Shares.

Abbreviations: "L" stands for long position

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

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

4. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS AND MEMBERS

Save for the following transactions, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his or her connected entities had a material interest, whether directly or indirectly:

(i) the tenancy agreement between HK Asiaray, an indirect wholly-owned subsidiary of the Company, as tenant, and Asiaray China, wholly owned by Mr. Lam, as landlord, to lease the office in Shanghai for RMB114,000 per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive) as disclosed in the announcement of the Company dated 2 July 2020;

(ii) the tenancy agreement between HK Asiaray, as tenant, and Billion China, as landlord, to lease the office in Beijing for RMB310,000 per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive) as disclosed in the announcement of the Company dated 2 July 2020;

(iii) the tenancy agreement between Genesis Printing, an indirect wholly-owned subsidiary of the Company, as tenant, and Peaky, as landlord, to lease the warehouse and car parking space in Hong Kong for HKD38,000 per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive) as disclosed in the announcement of the Company dated 2 July 2020;

(iv) the tenancy agreement between Asiaray Media, an indirect wholly-owned subsidiary of the Company, as tenant, and Peaky, as landlord, to lease the warehouse in Hong Kong for HKD10,000 per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive), as disclosed in the announcement of the Company dated 2 July 2020; and

(v) the tenancy agreement between Zhuhai Asiaray, a company with 60% of its equity interest held by the Group, as tenant, and Mr. Lam, as landlord, to lease an office in PRC for RMB39,000 per month for a term of two years from 1 July 2020 to 30 June 2022 (both days inclusive), as disclosed in the announcement of the Company dated 2 July 2020.

As at the Latest Practicable Date, none of the Directors had 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 any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

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

5. LITIGATION

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

6. MATERIAL ADVERSE CHANGE

As of 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 published audited financial statements of the Group were made up, despite the profit warning announced by the Company on 12 August 2020.

7. SERVICE CONTRACTS

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

8. MATERIAL CONTRACTS

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

1. The advertising resources operation contract with total consideration of approximately RMB441,000,000 (equivalent to approximately HKD512,795,000) dated 15 November 2018, entered into between Shanghai Asiaray and Hangzhou MTR Corporation Line 5 Limited, pursuant to which, Shanghai Asiaray has been granted the exclusive concession rights to operate the advertising resources of Hangzhou Metro Line 5;

2. The exclusive concession rights agreement with total consideration of approximately RMB166,000,000 (equivalent to approximately HKD193,025,000) dated 11 February 2019, entered into between Shanghai Asiaray and Beijing MTR, pursuant to which Beijing MTR agreed to grant exclusive concession rights to Shanghai Asiaray to operate, manage, maintain and sales of advertising and media resources located at Beijing Metro Line 14;

3. The exclusive concession rights agreement with total consideration of approximately RMB227,090,000 (equivalent to approximately HKD264,060,000) for advertising and media resources dated 22 March 2019, entered into between Shanghai Asiaray and Wenzhou MTR, pursuant to which Shanghai Asiaray was granted the exclusive rights to use and operate the advertising and media resources in Wenzhou Metro Line S1 operated by Wenzhou MTR with concession fees payable to Wenzhou MTR;

4. The exclusive concession rights agreement with total consideration of approximately RMB919,033,000 (equivalent to approximately HKD1,068,652,000) dated 9 July 2019 entered into between Kunming Airport Company and Yunnan Airport Asiaray in relation to, among other things, the grant of the exclusive concession right to Yunnan Airport Asiaray to use and operate the advertising and media resources at Terminal 1 of Kunming Airport;

5. The exclusive concession rights agreement with total consideration of approximately SGD140,000,000 (equivalent to approximately HKD798,000,000) dated 24 September 2019 entered into between Asiaray Connect Singapore with Singapore LTA in relation to exclusive rights to operate and manage certain advertising resources located at TEL;

6. The exclusive concession rights agreement dated 19 November 2019 with total consideration of approximately HKD797,996,000 entered into between Asiaray Advertising and KMB in relation to, among other things, the grant of the exclusive concession right to Asiaray Advertising to market, install, display and maintain advertisements on spaces for advertising in exterior and interior areas of KMB's buses;

7. The licence agreement dated 19 November 2019 with total consideration of approximately HKD8,061,000 entered into between Asiaray Advertising and LWB in relation to, among other things, the grant of the exclusive concession right to Asiaray Advertising to market, install, display and maintain advertisements on spaces for advertising in exterior and interior areas of LWB's buses;

8. The subscription agreement with Antfin (Hong Kong) Holding Limited dated 20 November 2019 entered into between the Company as issuer and Antfin (Hong Kong) Holding Limited as the subscriber for the subscription of the 35,675,676 Shares at HKD4.10 per subscription share with nominal value of HK$0.10 each;

9. The advertising framework agreement dated 31 March 2020 entered into between the Shanghai Asiaray and Shenzhen Airport Asiaray in relation to the media resources in Terminal 3 of Shenzhen Bao'an International Airport from time to time with service fees payable to Shenzhen Airport Asiaray, and the media resources in locations other than Shenzhen Bao'an International Airport from time to time with service fees payable to the Group;

10. The subscription agreement dated 4 June 2020 entered into between Space Management Limited and the Company for subscription of perpetual subordinated convertible securities in the principal amount of HKD20,000,000 convertible into Shares at the initial conversion price of HKD5.1 per Share (subject to adjustments) at the face value of HKD20,000,000;

11. The Exclusive Concession Rights Agreement;

12. The tenancy agreement dated 2 July 2020 with total consideration of approximately HKD912,000, entered into between Genesis Printing, an indirect wholly-owned subsidiary of the Company, as tenant and Peaky, as landlord to lease the Hong Kong Warehouse A from 1 July 2020 to 30 June 2022;

13. The tenancy agreement dated 2 July 2020 with total consideration of approximately HKD240,000, entered into between Asiaray Media, an indirect wholly-owned subsidiary of the Company, as tenant and Peaky, as landlord to lease the Hong Kong Warehouse B from 1 July 2020 to 30 June 2022;

14. The tenancy agreement dated 2 July 2020 with total consideration of approximately RMB2,736,000, entered into between HK Asiaray, an indirect wholly-owned subsidiary of the Company, as tenant and Asiaray China, as landlord to lease the office in Shanghai from 1 July 2020 to 30 June 2022;

15. The tenancy agreement dated 2 July 2020 with total consideration of approximately RMB7,440,000, entered into between HK Asiaray, an indirect wholly-owned subsidiary of the Company, as tenant and Billion China, as landlord to lease the office in Beijing from 1 July 2020 to 30 June 2022;

16. The tenancy agreement dated 2 July 2020 with total consideration of approximately RMB936,000, entered into between Zhuhai Asiaray, an indirect wholly-owned subsidiary of the Company, as tenant and Mr. Lam, as landlord to lease the office in Zhuhai from 1 July 2020 to 30 June 2022;

17. The concession rights agreement dated 7 August 2020 with total consideration of approximately RMB317,138,000 (equivalent to approximately HKD368,768,000) entered into between Shanghai Asiaray and Chengdu Airport Media Company, in relation to the rights to use and operate the advertising and media resources in terminal 2 of Chengdu International Airport operated by Chengdu Airport Media Company with concession fees payable to Chengdu Airport Media Company;

18. The concession rights agreement dated 10 August 2020 with total consideration of approximately RMB59,027,000 (equivalent to approximately HKD68,637,000) entered into between Shanghai Asiaray and Chengdu Airport Media Company, in relation to the rights to use and operate the advertising and media resources in terminal 1 of Chengdu International Airport operated by Chengdu Airport Media Company with concession fees payable to Chengdu Airport Media Company;

19. The Supplemental Exclusive Concession Rights Agreement; and

20. The concession rights agreement dated 9 December 2020 with total consideration of approximately RMB207,302,000 (equivalent to approximately HKD241,051,000) entered into between Shanghai Asiaray and Kunming Railway, in relation to the rights to use and operate the advertising and media resources in Kunming Metro Line 3 operated by Kunming Railway with concession fees payable to Kunming Railway.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at 16/F, Kornhill Plaza – Office Tower, 1 Kornhill Road, Quarry Bay, Hong Kong, Asiaray Media Group Limited, from 24 December 2020 to 7 January 2021 (both days inclusive):

(a) The Supplemental Exclusive Concession Rights Agreement;

(b) the Exclusive Concession Rights Agreement;

(c) the memorandum and articles of association of the Company;

(d) the material contracts as referred to in the section headed "8. Material contracts" in this appendix;

(e) the annual reports of the Company for the two years ended 31 December 2018 and 2019, respectively;

(f) the report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this Circular;

(g) the written approval dated 23 October 2020 from Media Cornerstone Limited;

(h) this circular;

(i) the valuation report;

(j) the written consents of the experts referred to in the paragraph headed "11. Qualifications and consents of experts" in this appendix; and

(k) the circular dated 8 September 2020 regarding the connected transaction of the subscription of perpetual subordinated convertible securities.

10. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Ip Pui Sum ("**Mr. Ip**"). Mr. Ip obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic University and a Master Degree of Business Administration from Henley Management College and Brunel University. Mr. Ip is a Certified Public Accountant (practising) in Hong Kong, a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Management Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is Maples Corporate Services Limited, P.O. Box 309 Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants and Registered Public Interest Entity Auditor
Flagship Appraisal and Consulting Limited	Independent Professional Valuer

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

As at the Latest Practicable Date, none of the above-mentioned experts had any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above-mentioned experts had any direct or indirect interest in any assets which had been, since 30 June 2020 (being the date to which the latest published unaudited consolidated interim financial information of the Group were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

The following is the text of a report set out on pages IV-1 to IV-12, received from an independent professional valuer, Flagship Appraisals and Consulting Limited, for the purpose of incorporation in this circular.

LETTER OF OPINION

Ref: FC202010086

28 October 2020

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

Dear Sirs/Madams,

Re: Valuation of Right-Of-Use Assets

We understand from Asiaray Media Group Limited (the "**Company**") that, through a wholly-owned subsidiary, Shanghai Asiaray Advertising Company Limited ("**Shanghai Asiaray**"), the Company had entered into an agreement with MTR Railway Transportation (Shenzhen) Limited ("**MTR**") in relation to an exclusive concession agreement on 15 June 2020 (the "**Original Agreement**"). Under the Original Agreement, Shanghai Asiaray was granted the exclusive rights to operate, manage, maintain and sale of the advertising and media resources (the "**Exclusive Rights**") for phase 1 and phase 2 of Shenzhen Metro Line 4 with concession fees.

Subsequent to the Original Agreement, Shenzhen Yatie Advertising Company Limited (the "**Lessee**"), an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement with MTR and Shanghai Asiaray in relation to the Exclusive Rights for phase 1, phase 2 and phase 3 of Shenzhen Metro Line 4 (the "**Supplemental Agreement**") (together with the Original Agreement, the agreements are referred to as the "**Agreements**"). Under the Supplemental Agreement, the Exclusive Rights in phase 1, phase 2 and phase 3 were granted to Shenzhen Yatie Advertising Company Limited.

As a result of the entering into the Agreements, right-of-use assets had been deemed to have obtained by the Company. We are engaged to measure the value of the right-of-use assets out of the Agreements. For the Original Agreement, the valuation date was set at 9 June 2020 (the "**First Valuation Date**"). For the Supplemental Agreement, the valuation date is set at 20 October 2020 (the "**Second Valuation Date**") (Collectively, referred as "**Valuation Dates**").

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

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

Based on our analysis, as described in this valuation report, the estimate of value of the right-of-use of the assets under the Original Agreement and the Supplemental Agreement as at the respective Valuation Dates were as follows:

	Valuation Date	Right-of-use value (inclusive of VAT) in RMB'000	Right-of-use value (exclusive of VAT) in RMB'000
Original Agreement	9 Jun 2020	390,043	372,191
Supplemental Agreement	20 Oct 2020	90,150	82,414
Total		**480,193**	**454,605**

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

Yours faithfully,
For and on behalf of
FLAGSHIP APPRAISALS AND CONSULTING LIMITED
Anson W.K. Lau
CFA, FRM
Director

CONTENT

1. EXECUTIVE SUMMARY

Governing Standard:	International Valuation Standards HKFRS 16 Lease		
Purpose:	Internal reference		
Standard of Value:	Right-of-use assets		
Client Name:	Asiaray Media Group Limited		
Asset Valued:	The right-of-use assets in relation to the Agreements		
Valuation Methodology:	Income Approach		
Valuation Dates:	(1) 9 June 2020 (2) 20 October 2020		
Report Date:	28 October 2020		
Conclusion of Value:	Original Agreement	approximately RMB390,043,000 (inclusive of VAT)	approximately RMB372,191,000 (exclusive of VAT)
	Supplemental Agreement	approximately RMB90,150,000 (inclusive of VAT)	approximately RMB82,414,000 (exclusive of VAT)

2. INTRODUCTION

As of the First Valuation Date, the Company and MTR had entered into the Original Agreement under which MTR would grant the Exclusive Rights in phase 1 and 2 of No. 4 subway line in Shenzhen for a 10-year period. The Company would pay an aggregate amount of approximately RMB461,876,000 (inclusive of VAT) to MTR as the consideration for the period.

As of the Second Valuation Date, the Company and MTR entered into the Supplemental Agreement in relation to the Exclusive Rights in phase 3 of No. 4 subway line in Shenzhen for a 10-year period. The Company would pay an aggregate amount of approximately RMB102,854,000 (inclusive of VAT) to MTR as the consideration for the period.

In this particular case, in order to facilitate the Management to understand the potential impact from the Agreements on its financial statement, we are engaged to perform a valuation according the requirement under HKFRS 16 Lease ("**HKFRS 16**") with the reference date of market data and information to be 9 June 2020 and 20 October 2020, respectively.

3. SCOPE OF SERVICES

We are engaged by the Management to perform an independent assessment on the value of the right-of-use assets for the Agreements as at the Valuation Dates for internal reference.

4. BASIS OF VALUE

The values of the Agreements will be on the basis of right-of-use assets, whose value, according to HKFRS 16, should meet the following criteria:

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

(i) The amount of the initial measurement of the lease liability;

(ii) Any lease payments made at or before the commencement date, less any lease incentives received;

(iii) Any initial direct costs incurred by the lessee; and

(iv) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying assets during a particular period.

5. SOURCES OF INFORMATION

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

- Undated draft service agreements between the Lessee and MTR; and
- Bloomberg.

We also relied upon publicly available information from sources on capital markets, including industry reports, various databases of publicly traded companies and news. We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided 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 in performing our assessment.

6. KEY TERMS OF THE AGREEMENTS

Original Agreement:

Lessor	MTR Railway Transportation (Shenzhen) Limited (“**MTR**”)
Lessee	Shenzhen Yatie Advertising Company Limited
Assets	Advertising resources within the perimeter of Shenzhen No. 4 subway line phase 1 and 2
Payment terms	approximately RMB461,876,000 (inclusive of VAT) for the 10-years contract period, payment will be settled monthly.

Supplemental Agreement:

Lessor	MTR
Lessee	Shenzhen Yatie Advertising Company Limited
Assets	Advertising resources within the perimeter of Shenzhen No. 4 subway line phase 3
Payment terms	approximately RMB102,854,000 (inclusive of VAT) for the 10-years contract period, payment will be settled monthly.

7. VALUATION METHODOLOGY

According to HKFRS 16, at the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

(i) The amount of the initial measurement of the lease liability;

(ii) Any lease payments made at or before the commencement date, less any lease incentives received;

(iii) Any initial direct costs incurred by the lessee; and

(iv) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying assets during a particular period.

Based on the above requirements, the cost of the right-of-use asset, in this particular case, is a stream of future payments. Therefore, in order to measure the value of the right-of-use assets, the income approach is the only methodology that can fulfil the requirements. Therefore, we have adopted the income approach in this valuation.

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

8. MAJOR ASSUMPTIONS

We have adopted the following assumptions in our valuation.

(i) The reference dates of market data and information are 9 June 2020 and 20 October 2020 respectively;

(ii) The cash flows are derived based on the Agreements; and

(iii) The discount rates are 3.24% for the First Valuation Date, and 2.61% for the Second Valuation Date. For the details of the discount rate derivation, please refer to Exhibit C.

9. LIMITING CONDITIONS

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

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

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

10. CONCLUSION

In conclusion, based on our analysis, as described in this valuation report, the estimate of value of the right-of-use of the assets under the Agreements as at the respective Valuation Dates were as follows:

	Valuation Date	Right-of-use value (inclusive of VAT) in RMB'000	Right-of-use value (execusive of VAT) in RMB'000
Original Agreement	9 Jun 2020	390,043	372,191
Supplemental Agreement	20 Oct 2020	90,150	82,414
Total		**480,193**	**454,605**

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

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

Yours faithfully,
For and on behalf of
FLAGSHIP APPRAISALS AND CONSULTING LIMITED
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 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, in any document you prepare and/or distribute to third parties may be made without our written consent.

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

We reserve the right to include your company name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or 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.

Chester C.L. Loo
Senior Analyst

Mr. Loo holds a Bachelor of Science degree in Economics, and minors in Mathematics from the University of Iowa. He currently holds the position of Senior Analyst of Flagship Appraisals and Consulting Limited and assists in various valuation assessments, including financial instruments and business valuation, for transaction and financial reporting purposes.

Gabriel K.C. Chan
Analyst

Mr. Chan received his Bachelor of Science degree in Finance from Brigham Young University Hawaii in 2016. 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.

EXHIBIT C – DISCOUNT RATE DERIVATION

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

(a) Risk free rate: we refer to the yield to maturity of the Hong Kong 10 Years Government Bond with similar term as of the Valuation Dates;

(b) Credit rating: we have performed a financial ratio analysis to estimate the credit rating of the Company based on the Standard and Poor's credit rating criteria;

(c) Credit risk premium: we search for comparable bonds with similar credit rating to estimate the credit spread;

(d) Country risk premium: we have made reference to Aswath Damodaran's research, then we calculated the spread between PRC and Hong Kong; and

(e) Liquidity risk premium: we have assumed the Company will negotiate with financial institutes and the corresponding liabilities will not be listed on the market.

The estimated discount rate is calculated below for the Original Agreement as at the First Valuation Date:

Risk Free Rate	0.55%
Credit Risk Premium	1.76%
Country Risk Premium	0.44%
Liquidity Risk Premium	0.50%
Discount rate	**3.24%**

* *Subject to rounding adjustment*

The estimated discount rate is calculated below for the Supplemental Agreement as at the Second Valuation Date:

Risk Free Rate	0.45%
Credit Risk Premium	1.23%
Country Risk Premium	0.44%
Liquidity Risk Premium	0.50%
Discount rate	**2.61%**

* *Subject to rounding adjustment*