THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1993)

MAJOR TRANSACTION IN RELATION TO ADVERTISING RESOURCES OPERATION FOR CERTAIN SHENZHEN METRO LINES

Capitalised terms used in this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 4 to 14 of this circular. The Contract and the transaction contemplated thereunder have been approved by written shareholder's approval obtained from Media Cornerstone, a controlling Shareholder, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company and this circular is being despatched to the Shareholders for information only.

5 July 2024

CONTENTS

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

"Actual Annual Revenue"	the actual revenue generated in each year during the Term
"Annual Target Revenue"	the annual target revenue for the purpose of determining whether additional concession fees are payable by the Group
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Chairman"	the chairman of the Board, namely Mr. Lam
"Company"	Asiaray Media Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 1993)
"Contracts"	the Shenzhen Metro Contract and the Shenzhen Line 12 Contract
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS 16"	Hong Kong Financial Reporting Standards 16 "*Leases*"
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	4 July 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Media Cornerstone"	Media Cornerstone Limited, a company incorporated under the laws of the British Virgin Islands, being a controlling Shareholder
"Mr. Lam"	Mr. Lam Tak Hing, Vincent *JP*, the Chairman, an executive Director and a controlling Shareholder
"Percentage Ratio(s)"	the percentage ratio(s) as defined under Rule 14.07 of the Listing Rules applied for determining the classification of notifiable transactions under the Listing Rules
"PRC"	the People's Republic of China and for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
"PSCS"	the perpetual subordinated convertible securities issued by the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Advertising Media"	上海雅仕維廣告傳播有限公司 (Shanghai Asiaray Advertising Media Company Limited*), a company established in the PRC with limited liability on 29 November 2006 and an indirect wholly-owned subsidiary of the Company
"Shareholders"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the share capital of the Company

* *For identification purpose only*

"Shenzhen Line 12 Contract"	the advertising resources operation contract dated 7 March 2024 entered into between Shanghai Advertising Media and Shenzhen Rail Transit in respect of the exclusive concession rights to use and operate the advertising resources in Shenzhen metro line 12 operated by Shenzhen Rail Transit
"Shenzhen Metro"	深圳市地鐵集團有限公司 (Shenzhen Metro Group Co., Ltd.*), a company established in the PRC with limited liability on 31 July 1998
"Shenzhen Metro Contract"	the advertising resources operation contract dated 5 March 2024 entered into between Shanghai Advertising Media and Shenzhen Metro in respect of the exclusive concession rights to use and operate the advertising resources in Shenzhen metro line 3, line 6, sub-line 6, line 10, line 14 and line 16 operated by Shenzhen Metro
"Shenzhen Metro Lines"	Shenzhen metro line 3, line 6, sub-line 6, line 10, line 12, line 14 and line 16 (for the purpose of this circular)
"Shenzhen Rail Transit"	深圳市十二號綫軌道交通有限公司 (Shenzhen Line 12 Rail Transit Co., Ltd*), a company established in the PRC with limited liability on 27 November 2020
"Space Management"	Space Management Limited, a company incorporated under the laws of the British Virgin Islands, being a controlling Shareholder
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Term"	the term of the Contracts (as the case may be)
"VAT"	value added tax
"%"	per cent

For illustrative purpose of this circular and unless otherwise specified, conversion of RMB into HK$ is based on the exchange rate of RMB1.00=HK$1.10, such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

* *For identification purpose only*

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1993)

Executive Directors:
Mr. Lam Tak Hing, Vincent JP *(Chairman)*
Mr. Kwan Tat Cheong

Non-executive Director:
Ms. Wu Xiaopin

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

5 July 2024

To the Shareholders,

Dear Sirs,

MAJOR TRANSACTION IN RELATION TO ADVERTISING RESOURCES OPERATION FOR CERTAIN SHENZHEN METRO LINES

INTRODUCTION

On 5 March 2024(1)(2), Shanghai Advertising Media entered into the Shenzhen Metro Contract with Shenzhen Metro, pursuant to which Shanghai Advertising Media was granted the exclusive concession rights to use and operate the advertising resources in

Notes:

1. A counterpart of Shenzhen Metro Contract was received by the Company on 15 March 2024.
2. Shenzhen Metro Contract and Shenzhen Line 12 Contract are inter-conditional.

Shenzhen metro line 3, line 6, sub-line 6, line 10, line 14 and line 16 operated by Shenzhen Metro with concession fees payable to Shenzhen Metro. On 7 March 2024[(2)(3)], Shanghai Advertising Media entered into the Shenzhen Line 12 Contract with Shenzhen Rail Transit pursuant to which Shanghai Advertising Media was granted the exclusive concession rights to use and operate the advertising resources in Shenzhen metro line 12 operated by Shenzhen Rail Transit with concession fees payable to Shenzhen Rail Transit. As at the Latest Practicable Date, Shenzhen Metro is the majority shareholder of Shenzhen Rail Transit.

THE CONTRACTS

(1) Principal terms of the Shenzhen Metro Contract are set out below:-

Date	:	5 March 2024
Parties	:	(i) Shanghai Advertising Media (ii) Shenzhen Metro
Subject matter	:	Shanghai Advertising Media has been granted the exclusive concession rights to use and operate the advertising resources in Shenzhen metro line 3, line 6, sub-line 6, line 10, line 14 and line 16 operated by Shenzhen Metro with concession fees payable to Shenzhen Metro.
Term	:	Commencing on 5 February 2024 and ending on 31 December 2029 (5 February 2024 to 29 February 2024 being rent free period), renewable for a further term of 3 years if Shanghai Advertising Media requests the renewal and consents to the terms of the renewed contract, subject to the final confirmation of Shenzhen Metro.

Note:

3. A counterpart of Shenzhen Line 12 Contract was received by the Company on 20 March 2024.

Concession Fees : The total concession fees throughout the Term is approximately RMB207 million (excluding VAT) (equivalent to approximately HK$228 million), subject to additional revenue concession fees, which is calculated as follows:

Additional concession fees = (A – B – C) x D%

Where:

A = the Actual Annual Revenue

B = the Annual Target Revenue

C = production fees payable to third parties

D% = a fixed percentage determined by Shenzhen Metro with reference to the portion to which Shenzhen Metro is entitled in the Annual Target Revenue

Notwithstanding the additional concession fees, it is assessed by the Board that the Actual Annual Revenue is unlikely to exceed the Annual Target Revenue. Given that the Annual Target Revenue was basically proposed by the Group with reference to the unit price of a concession space payable by the Group's customers at the maximum fixed rate, the Board considers that the total concession fees payable by the Group under the Shenzhen Metro Contract will not be more than RMB207 million.

The concession fees will be settled by internal resources of the Group on a monthly basis.

Basis of Concession Fees	:	The total concession fees of approximately RMB207 million (excluding VAT) was determined by Shenzhen Metro with reference to the Annual Target Revenue.

The Annual Target Revenue had been projected based on the number of concession spaces under the Shenzhen Metro Contract and the unit price of each of the concession spaces, which is pre-determined by a number of factors, including location and size of the relevant concession space as well as the Term and the estimated advertising period of the relevant customers of the Group. The portion of the Actual Annual Revenue to which Shanghai Advertising Media is entitled was determined by Shenzhen Metro, and normally, not exceeding 40% of the Actual Annual Revenue on a self-financing basis, while Shenzhen Metro is entitled to the remaining portion of 60% as concession fees. In gist, the lesser costs to be incurred by the Group, the more profit can be made by the Group. Prior to submitting the tender, the Group considered all the possible costs (other than the concession fee) such as labour and finance costs which may be incurred by the Group with a view to estimating whether the project is profitable. The fee structure under the Shenzhen Metro Contract is comparable to the Group's other tenders in the PRC subject to adjustment after taking into consideration various factors such as project size and locations of concession spaces as well as the target customers.

From the experience of the Group, as it knew the portion of the sharing of revenue and could project its indirect costs, it considers that the transaction under the Shenzhen Metro Contract will still be profitable.

Guarantee	:	Shanghai Advertising Media agreed to pay to Shenzhen Metro a sum equivalent to six months of the minimum concession fees for the year ending 31 December 2029 as guarantee for the performance of the Shenzhen Metro Contract in the form of irrevocable bank guarantee. The initial bank guarantee shall be provided within 15 working days from the signing of the Shenzhen Metro Contract.

(2) Principal terms of the Shenzhen Line 12 Contract are set out below:-

Date	:	7 March 2024
Parties	:	(i) Shanghai Advertising Media (ii) Shenzhen Rail Transit
Subject matter	:	Shanghai Advertising Media was granted the exclusive concession rights to use and operate the advertising resources in Shenzhen metro line 12, operated by Shenzhen Rail Transit with concession fees payable to Shenzhen Rail Transit.
Term	:	Commencing on 5 February 2024 and ending on 31 December 2029 (5 February 2024 to 29 February 2024 being rent free period), renewable for a further term of 3 years if Shanghai Advertising Media requests the renewal and consents to the terms of the renewed contract, subject to the final confirmation of Shenzhen Rail Transit.

Concession Fees : The total concession fees throughout the Term is approximately RMB27 million (excluding VAT) (equivalent to approximately HK$30 million), subject to additional revenue concession fees, which is calculated as follows:

Additional concession fees = (A – B – C) x D%

Where:

A = the Actual Annual Revenue

B = the Annual Target Revenue

C = production fees payable to third parties

D% = a fixed percentage determined by Shenzhen Rail Transit with reference to the portion to which Shenzhen Rail Transit is entitled in the Annual Target Revenue

Notwithstanding the additional concession fees, it is assessed by the Board that the Actual Annual Revenue is unlikely to exceed the Annual Target Revenue. Given that the Annual Target Revenue was basically set by the Group with reference to the unit price of a concession space payable by the Group's customers at the maximum fixed rate, the Board considers that the Group will not be required to pay the additional concession fees and the total concession fees payable by the Group under the Shenzhen Line 12 Contract will not be more than RMB27 million.

The concession fees will be settled by internal resources of the Group on a monthly basis.

Basis of Concession Fees	:	The total concession fees of approximately RMB27 million (excluding VAT) was determined by Shenzhen Rail Transit with reference to the Annual Target Revenue.

The Annual Target Revenue had been projected based on the number of concession spaces under the Shenzhen Line 12 Contract and the unit price of each of the concession spaces, which is pre-determined by a number of factors, including location and size of the relevant concession space as well as the Term and the estimated advertising period of the relevant customers of the Group. The portion of the Actual Annual Revenue to which Shanghai Advertising Media is entitled was determined by Shenzhen Rail Transit and, normally, not exceeding 40% of the Actual Annual Revenue on a self-financing basis, while Shenzhen Rail Transit is entitled to the remaining portion of 60% as concession fees. In gist, the lesser costs to be incurred by the Group, the more profit can be made by the Group. Prior to submitting the tender, the Group considered all the possible costs (other than the concession fee) such as labour and finance costs which may be incurred by the Group with a view to estimating whether the project is profitable. The fee structure under the Shenzhen Line 12 Contract is comparable to the Group's other tenders in the PRC subject to adjustment after taking into consideration various factors such as project size and locations of concession spaces as well as the target customers.

From the experience of the Group, as it knew the portion of the sharing of revenue and could project its indirect costs, it considers that the transaction under the Shenzhen Line 12 Contract will still be profitable.

Guarantee	:	Shanghai Advertising Media agreed to pay to Shenzhen Rail Transit a sum equivalent to six months of the minimum concession fees for the year ending 31 December 2029 as guarantee for the performance of the Shenzhen Line 12 Contract in the form of irrevocable bank guarantee. The initial bank guarantee shall be provided within 15 working days from the signing of the Shenzhen Line 12 Contract.

INFORMATION OF THE GROUP

The Company

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

Shanghai Advertising Media

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

INFORMATION OF SHENZHEN METRO

Shenzhen Metro was established in the PRC with limited liability. Shenzhen Metro is principally engaged in property management and construction and operation of the metro lines in the PRC. The ultimate beneficial owner of Shenzhen Metro is State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (深圳市人民政府國有資產監督管理委員會).

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

INFORMATION OF SHENZHEN RAIL TRANSIT

Shenzhen Rail Transit was established in the PRC with limited liability. Shenzhen Rail Transit is principally engaged in constructing, designing, developing, operating and utilizing comprehensively in rail transit project. The ultimate beneficial owners of Shenzhen Rail Transit are State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (深圳市人民政府國有資產監督管理委員會) and Power Construction Corporation of China Limited (中國電力建設股份有限公司), the shares of which are listed and traded on the Shanghai Stock Exchange (stock code: 601669).

Shenzhen Metro is the majority shareholder of Shenzhen Rail Transit.

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTRACTS

The Group is an outstanding out-of-home media group in Greater China with a strategic focus on mega transport advertising media management, including airport, metro, high-speed rail station and outdoor billboard.

Shenzhen is a key transportation hub in the PRC and a main connection to the rest of the country. The Contracts would enable the Group to leverage on its existing exclusive concession rights to operate the advertising media resources in Shenzhen Metro Lines, enabling the Group to capture the city's vibrant growth and provide travel audience with an enjoyable travel experience.

In compliance with HKFRS 16, the valuation of the right-of-use assets under the Contracts prepared by an independent valuer in the aggregate sum of approximately RMB200 million (equivalent to approximately HK$220 million) (the "**Valuation**") would be recognised as asset. The Valuation was determined based on the fixed portion of the Company's future payment. Therefore, the Company believes that the Valuation is an appropriate value for recognising the right-of-use assets.

The terms of the Contracts have been arrived at after arm's length negotiations between the parties. In view of the above, the Directors consider that the terms of the Contracts 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

Under HKFRS 16, the entering into of the Contracts will require the Group to recognise the exclusive rights as right-of-use assets in the consolidated financial statements of the Company according to HKFRS 16. As such, the entering into of the Contracts will be regarded as acquisitions of assets by the Group under Chapter 14 of the Listing Rules.

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

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for such approval. Media Cornerstone, being a controlling Shareholder holding 254,921,500 Shares, representing approximately 52.57% of the issued Shares as at the Latest Practicable Date, has given its written approval for the Contracts and the transactions contemplated thereunder and such written approval can be accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting of the Company will be convened for the purpose of approving the Contracts pursuant to Rule 14.44 of the Listing Rules.

As at the Latest Practicable Date, the issued share capital of Media Cornerstone is wholly-owned by Shalom Family Holding Limited, which is in turn wholly-owned by the Shalom Trust, a discretionary trust established by Mr. Lam as settlor with UBS Trustees (B.V.I.) Limited as the trustee thereof.

Further, according to Rule 14.66(10) and Paragraph 43(2)(c) of Appendix D1B of the Listing Rules, among the others, a circular relating to a major transaction must contain the information regarding documents on display and any contracts pertaining to the transaction must be published on the Stock Exchange's website and the issuer's own website for a period of not less than 14 days. However as the Company considers that full disclosure of the terms and conditions of the Contracts will materially prejudice the business relationship between Shenzhen Metro and Shenzhen Rail Transit and the Company as well as rendering the Company uncompetitive in future tender applications, the Company has sought and been granted a waiver from the Stock Exchange to waive the Rule 14.66(10) and Paragraph 43(2)(c) of Appendix D1B of the Listing Rules regarding documents on display by permitting the Company to redact certain sensitive information in the Contracts.

RECOMMENDATIONS

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2023, 2022 and 2021 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:

- annual report of the Company for the year ended 31 December 2023 (pages 88 to 237) https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042901328.pdf
- annual report of the Company for the year ended 31 December 2022 (pages 91 to 245) https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042804359.pdf
- annual report of the Company for the year ended 31 December 2021 (pages 91 to 233) https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700796.pdf

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at 31 May 2024, which was the latest practicable date for the purpose of determining the amount of indebtedness, the Group had outstanding interest-bearing bank borrowings of approximately RMB377,082,000. As at the Latest Practicable Date, the Group had unutilised banking facilities of RMB37,259,000.

Lease Liabilities

As at 31 May 2024, which was the latest practicable date for the purpose of determining the amount of indebtedness, the Group had current lease liabilities of approximately RMB548,253,000 and non-current lease liabilities of approximately RMB1,112,512,000.

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 May 2024, the Group did not have any other outstanding borrowings, loan capital, bank overdrafts, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

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

The Company has obtained the relevant letter as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

Looking ahead, the entire industry continues to face an uncertain macroeconomic landscape characterised by geopolitical conflict and escalating inflation. Despite these challenges, the Group sees potential opportunities in the growing cross-border consumption activities between the PRC and Hong Kong. In term of costs control, the Group will put in additional effort with a view to identifying all feasible solutions or approach that could reduce operating costs. The Board does not expect to have a significant adverse impact on the Group's overall operations and cash flows. On 24 October 2022, the Group and MTR Corporation Limited entered into a contract in relation to the operation, sales and marketing and management of the advertising media including advertising panels, outdoor billboard and LED display for MTR malls and certain commercial premises for a period of 5 years commencing on 1 January 2023, which could bring stable income to the Group. Besides, on 9 February 2023, the Group and 杭州地鐵商業經營管理有限公司 (Hangzhou Metro Commercial Operation and Management Co., Ltd.*) entered into a contract, pursuant to which the Group was granted the exclusive concession rights to use and operate the advertising resources in Hangzhou metro line 2, line 4 and line 9 for a period of 5 years commencing on 1 January 2023 and renewable for further 3 years, which could also bring stable income to the Group.

* *For identification purpose only*

Moreover, as disclosed in the section headed "Reasons For and Benefits of Entering into the Contracts" in the Letter from the Board, the Contracts would enable the Group to leverage on its existing exclusive concession rights to operate the advertising media resources in Shenzhen Metro Lines, enabling the Group to capture the city's vibrant growth and provide travel audience with an enjoyable travel experience. The Board considers that the Contracts would also bring stable income to the Group.

The Board believes that its business performance should progressively improve due to a gradual recovery in both PRC and Hong Kong and that there should not be any significant adverse impact on the Group's overall operations and cash flows.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma consolidated statement of assets and liabilities of the Group has been prepared based on the audited consolidated balance sheet of the Group as at 31 December 2023 and adjusted for the effects of the Contracts to illustrate how the Contracts might have affected the financial position of the Group as if the Contracts had taken place on 31 December 2023. 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 Contracts been completed as at 31 December 2023 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.

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2023 *RMB'000* *(Note 1)*	Pro forma adjustment *RMB'000* *(Note 2)*	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2023 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	133,767	–	133,767
Right-of-use assets	1,178,437	200,451	1,378,908
Investment properties	92,013	–	92,013
Intangible assets	11,441	–	11,441
Investments accounted for using equity method	53,807	–	53,807
Financial assets at fair value through profit or loss	9,335	–	9,335
Financial assets at fair value through other comprehensive income	6,152	–	6,152
Deferred income tax assets	197,028	–	197,028
Deposits	5,241	–	5,241
	1,687,241	200,451	1,887,692
Current assets			
Inventories	43,196	–	43,196
Trade and other receivables	750,861	–	750,861
Current income tax recoverable	4,565	–	4,565
Financial assets at fair value through profit or loss	891	–	891
Restricted cash	23,541	1,819	25,360
Cash and cash equivalents	367,241	(1,819)	365,422
	1,190,295	–	1,190,295
Total assets	2,877,536	200,451	3,077,987

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2023 *RMB'000* *(Note 1)*	Pro forma adjustment *RMB'000* *(Note 2)*	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2023 *RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	147,193	–	147,193
Lease liabilities	1,041,041	176,635	1,217,676
Deferred income tax liabilities	1,316	–	1,316
	1,189,550	176,635	1,366,185
Current liabilities			
Trade and other payables	253,818	–	253,818
Contract liabilities	78,663	–	78,663
Borrowings	269,752	–	269,752
Current income tax liabilities	2,135	–	2,135
Lease liabilities	836,236	23,816	860,052
	1,440,604	23,816	1,464,420
Total liabilities	2,630,154	200,451	2,830,605

Notes:

1) The audited consolidated statement of assets and liabilities of the Group as at 31 December 2023 is extracted from the Group's financial statements for the year ended 31 December 2023, on which an audit report has been published.

2) For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the right-of-use assets had been recognised and the respective media resources under the Contracts had commenced on 31 December 2023. The adjustment represented the recognition of the right-of-use asset and lease liabilities amounting to approximately RMB200,451,000 and RMB200,451,000, respectively. In accordance with the Group's accounting policies, right-of-use assets and lease liabilities are measured at aggregated present value of the fixed lease payments discounted by the Group's incremental borrowing rate. The applicable discount rate is approximately 5.00% based on the valuation date on 5 February 2024. The variable lease payment, which are not dependent on an index or a rate, are not recognised as at the commencement date.

   The lessor include VAT in invoices for lease payments, acting as an agent of the government. The VAT is only payable by the lessor to the tax authority if the invoice is paid. The VAT is not a payment related to using the underlying asset, or a reimbursement of the lessor's costs of owning the underlying asset. Therefore, the VAT is not a lease payment and is excluded from the lease liabilities.

   In addition, the Contracts required bank guarantee letters of approximately RMB22,733,000 to guarantee the lease payments. Approximately RMB1,819,000 is required to be paid to bank as security deposits which is considered as restricted cash.

3) No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2023.

The following is the text of a report on the unaudited pro forma financial information of the Group 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 the exclusive concession rights to use and operate the advertising resources in Shenzhen metro line 3, line 6, sub-line 6, line 10, line 12, line 14 and line 16 (the "**Target Assets**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2023 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's circular dated 5 July 2024, in connection with the proposed acquisition of the Target Assets (the "**Transaction**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2023 as if the Transaction had taken place at 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2023, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Management

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2023 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, 5 July 2024

1. RESPONSIBILITY STATEMENT

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

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

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

Name of Directors	Capacity/Nature of interest	Total number of Shares and underlying Shares	Approximate percentage of issued share capital of the Company [2]
Mr. Lam	Founder of a discretionary trust, interest in a controlled corporation and beneficial owner	396,361,089 [1]	81.74%
Kwan Tat Cheong	Beneficial owner	665,868	0.14%

Notes:

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

2. As at the Latest Practicable Date, the issued share capital of the Company was 484,910,739 Shares.

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

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

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

Name of Shareholders	Capacity/Nature of interest	Number of shares	Approximate percentage of issued share capital in the Company[4]
Media Cornerstone	Beneficial owner	254,921,500 (L) [1]	52.57%
Shalom Family Holding Limited	Interest in a controlled corporation	254,921,500 (L) [1]	52.57%
UBS Trustees (B.V.I.) Limited	Trustee of Shalom Trust	254,921,500 (L) [1]	52.57%
Space Management	Beneficial owner	83,188,490 (L) [2]	17.16%
Antfin (Hong Kong) Holding Limited	Beneficial owner	35,675,676 (L) [3]	7.36%
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]	7.36%
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]	7.36%

* *For identification purpose only*

Notes:

1. Media Cornerstone is wholly-owned by Shalom Family Holding Limited, which is in turn wholly-owned by the Shalom Trust, a discretionary trust established by Mr. Lam as settlor with UBS Trustees (B.V.I.) Limited as the trustee thereof.

2. Such interest includes (i) 38,200,000 Shares; and (ii) the conversion rights attaching to the PSCS convertible into 44,988,490 Shares in aggregate. Space Management is beneficially wholly-owned by Mr. Lam.

3. The 35,675,676 Shares are held by Antfin (Hong Kong) Holding Limited which is wholly-owned by 杭州雲鏋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.*).

4. As at the Latest Practicable Date, the issued share capital of the Company was 484,910,739 Shares.

5. 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, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

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

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

(i) the tenancy agreement entered into between Hong Kong Asiaray Advertising Limited ("**HK Asiaray Advertising**"), an indirect wholly-owned subsidiary of the Company, as tenant and Asiaray China Media Limited ("**Asiaray China**"), a company wholly-owned by Mr. Lam, as landlord dated 28 June 2024 in respect of the premises situate at Units 2102-2104, No. 1027 Changning Road, Shanghai, PRC (the "**Shanghai Office**");

* *For identification purpose only*

(ii) the tenancy agreement entered into between Genesis Printing and Production Limited ("**Genesis Printing**"), an indirect wholly-owned subsidiary of the Company, as tenant and Peaky Limited ("**Peaky**"), a company wholly-owned by Mr. Lam, as landlord dated 28 June 2024 in respect of the premises situate at Workshop A on 9/F, and Car Parking Space C4 on G/F, Supreme Industrial Building, Nos. 15-17 Shan Mei Street, Shatin, New Territories, Hong Kong (the "**Hong Kong Warehouse A**"); and

(iii) the tenancy agreement entered into between Asiaray Media Limited ("**Asiaray Media**"), an indirect wholly-owned subsidiary of the Company, as tenant and Peaky, a company wholly-owned by Mr. Lam, as landlord dated 28 June 2024 in respect of the premises situate at Area B, Workshop 4G, Superluck Industrial Centre (Phase 2), No. 57 Sha Tsui Road and Nos. 30-38 Tai Chung Road, Tsuen Wan, New Territories, Hong Kong (the "**Hong Kong Warehouse B**").

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

5. COMPETING INTEREST

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

6. LITIGATION

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

7. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

8. SERVICE CONTRACTS

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

9. MATERIAL CONTRACTS

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

1. The tenancy agreement dated 28 June 2024 with total consideration of RMB2,736,000, entered into between HK Asiaray Advertising, an indirect wholly-owned subsidiary of the Company, as tenant and Asiaray China, as landlord to lease the Shanghai Office from 1 July 2024 to 30 June 2026;

2. The tenancy agreement dated 28 June 2024 with total consideration of HK$816,000, 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 2024 to 30 June 2026; and

3. The tenancy agreement dated 28 June 2024 with total consideration of HK$336,000, 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 2024 to 30 June 2026.

10. GENERAL

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

(b) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

(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 Appraisals and Consulting Limited	Independent Professional Valuer

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

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

As at the Latest Practicable Date, the above-mentioned experts did not have any direct or indirect interest in any assets which had been, since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

12. DOCUMENTS ON DISPLAY

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

(a) The Shenzhen Metro Contract (with certain information redacted);

(b) The Shenzhen Line 12 Contract (with certain information redacted);

(c) The report on unaudited pro forma financial information of the Group;

(d) The Valuation report; and

(e) the written consents referred to in the paragraph headed "QUALIFICATIONS AND CONSENTS OF EXPERTS" in this Appendix.

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

FLAGSHIP

Flagship Appraisals and Consulting Limited
Unit 714, Lippo Sun Plaza
28 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

LETTER OF OPINION

5 July 2024

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

In accordance with the instructions from Aaiaray Media Group Limited (the "**Company**"), we are engaged to measure the right-of-use assets of the following tenancy agreements (the "**Leases**"):

Lease	Item	Date of Commence
A	Advertising resources in Shenzhen metro line 3, line 6, sub-line 6, line 10, line 14 and line 16	5 February 2024
B	Advertising resources in Shenzhen metro line 12	5 February 2024

The valuation date of the right-of-use assets of Lease A and Lease B is 5 February 2024 (the "**Valuation Date**").

Our analysis and conclusions, which are to be used only in their entirety, are for the use of the Company's management (the "**Management**") 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 right-of-use assets of the Leases as at the Valuation Date were as follows:

Lease	**Right-of-use assets (RMB)**
A	178,162,000
B	22,288,000

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

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

Ferry S.F. Choy
MSc. Fin, CFA, ICVS
Managing Director

CONTENTS

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:	Lease	Item
	A	Advertising resources in Shenzhen metro line 3, line 6, sub-line 6, line 10, line 14 and line 16
	B	Advertising resources in Shenzhen metro line 12
Valuation Methodology:	Income Approach	
Valuation Date:	5 February 2024	
Report Date:	5 July 2024	
Conclusion of Value:	Lease	Right-of-use assets (RMB)
	A	178,162,000
	B	22,288,000

2. INTRODUCTION

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

3. SCOPE OF SERVICES

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

4. BASIS OF VALUE

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

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

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

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

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

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

5. SOURCES OF INFORMATION

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

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

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

6. KEY TERMS OF THE LEASE

Lessor:	Lease	Lessor
	A	Shenzhen Metro Group Co.,Ltd.
	B	Shenzhen Line 12 Rail Transit Co., Ltd.[1]
Lessee:	Shanghai Asiaray Advertising Media Company Limited[2]	
Premises:	Lease	Item
	A	Advertising resources in Shenzhen metro line 3, line 6, sub-line 6, line 10, line 14 and line 16
	B	Advertising resources in Shenzhen metro line 12

License Fee of Lease A and Lease B:

The minimum license fee would be charged on a fixed amount basis and, the license fee would be adjusted by a predefined percentage starting from the second operation year. When the actual annual advertising revenue exceeds the target annual advertising revenue, the excess amount is paid to the property owner based on the proportion specified by the property owner.

The annual operating rights fee is divided into twelve equal monthly payments.

The term of the Leases is from 5 February 2024 to 31 December 2029 with a rent-free period.

1 English name for illustrative purpose only. The official name in Chinese is 深圳市十二號綫軌道交通有限公司.

2 English name for illustrative purposes only. The official name in Chinese is 上海雅仕維廣告傳播有限公司.

7. VALUATION METHODOLOGY

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

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

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 Leases.

8. MAJOR ASSUMPTIONS

We have adopted the following assumptions in our valuation.

(i) The reference date of market data and information is 5 February 2024;

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

(iii) The incremental borrowing rate of 5.00% for the Leases reflects the risks associated with the Lessee and the time value of money. Exhibit C sets out the details of the incremental borrowing rate derivation.

9. LIMITING CONDITIONS

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

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

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

10. CONCLUSION

In conclusion, as described in this valuation report, the right-of-use assets of the Leases as at the Valuation Date are as follows:

Lease	Right-of-use assets (RMB)
A	178,162,000
B	22,288,000

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 this valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

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

Ferry S.F. Choy
MSc. Fin, CFA, ICVS
Managing Director

EXHIBIT A – STATEMENT OF GENERAL SERVICES CONDITIONS

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

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

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

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

EXHIBIT B – INVOLVED STAFF BIOGRAPHIES

Ferry S.F. Choy, *MSc. Fin, CFA, ICVS*
Managing Director

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

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

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

John T.H. Poon
Senior Analyst

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

EXHIBIT C – INCREMENTAL BORROWING RATE DERIVATION

Determination of Incremental Borrowing Rate

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

a) Risk-free rate: we refer to the yield to maturity of the Chinese Government Bond with a similar term as of the Valuation Date;

b) Credit rating: we performed a financial ratio analysis of the Company to estimate the credit rating based on Moody's research;

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

d) Country risk premium: we referred to Aswath Damodaran's research. The spread between PRC and the US was considered as the country risk premium.

The incremental borrowing rate for the Leases is calculated below:

	5 February 2024
Risk-free Rate	2.16%
OAS	2.10%
Country Risk Premium	0.77%
Incremental Borrowing Rate (Round off to 2 decimal places)	**5.00%**