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ALTUS

Altus Capital Limited
21 Wing Wo Street
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Hong Kong

23 November 2020

To the Independent Board Committee

Midland IC&I Limited
Rooms 2505-8, 25th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

Dear Sir or Madam,

CONDITIONAL MANDATORY CASH OFFER BY GET NICE SECURITIES LIMITED ON BEHALF OF WEALTH BUILDER HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES IN MIDLAND IC&I LIMITED (OTHER THAN THOSE ALREADY OWNED OR TO BE ACQUIRED BY THE OFFEROR ACQUIRER GROUP)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise and make recommendation to the Independent Board Committee in respect of the Offer. Details of the Offer are set out in the "Letter from Get Nice" contained in the Composite Document dated 23 November 2020 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

As disclosed in the Announcement, reference was made to the announcement dated 19 October 2020 of Midland Holdings in relation to the distribution in specie of all 610,976,997 Shares held by the Midland Group (representing approximately 33.84% of the issued share capital of the Company) to the Qualifying Midland Shareholders. As no fractional Share was distributed pursuant to the terms of the Midland Distribution, the residual 637,906 Shares held by Midland Holdings (representing approximately 0.035% of the issued Shares) will be realised by Midland Holdings or its agents in the open market as soon as practicable. In light of this, an application has been made to seek consent from the Executive pursuant to Rule 21.2 of the Takeovers Code for such realisation during the Offer

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Period and the Executive has indicated that it is minded to grant its consent for such realisation following a 24 hours public notice period. Further announcement(s) will be made by the Offeror and the Company in this regard.

Following completion of the Midland Distribution and as at the Latest Practicable Date, the Midland Group no longer held any Share (other than the 637,906 residual Shares to be realised in the open market as part of the Midland Distribution) and the Company was no longer accounted for as an associate of the Midland Group in the consolidated financial statements of Midland Holdings.

Immediately upon the completion of the Midland Distribution, the voting rights in the Company held by the Offeror Acquirer Group and the Midland Group decreased from approximately 63.07% to approximately 41.12% (and will, following the realisation of the 637,906 residual Shares by Midland Holdings, decrease to 41.09%) and the voting rights in the Company held by members of the Offeror Acquirer Group correspondingly increased from approximately 29.23% to approximately 41.09%. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror Acquirer Group is required to make a mandatory cash offer, through the Offeror, for the Shares which are not already owned or to be acquired by the Offeror Acquirer Group.

As at the Latest Practicable Date, the Offeror Acquirer Group held an aggregate of 741,751,330 Shares, representing approximately 41.09% of the issued Shares.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric, and Mr. HO Kwan Tat, Ted, who have no interest in the Offer save for holding in Shares, has been established to make a recommendation to the Independent Shareholders on whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

As the Independent Financial Adviser, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Offer are fair and reasonable and whether the Independent Shareholders should accept the Offer.

As at the Latest Practicable Date, we (i) were not associated or connected with the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (ii) had not acted as the independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them, within the two years prior to the commencement of the Offer Period. Pursuant to Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code, and given that (i) the remuneration of our engagement to opine on the Offer is at market level and not conditional upon the outcome of the Offer; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company or the Offeror (other than our said remuneration), their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms, we are independent of the Company and can act as the independent financial adviser to the Independent Board Committee in respect of the Offer.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Composite Document; (ii) the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"); (iii) the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"); (iv) the interim report of the Company for six months ended 30 June 2020 (the "**2020 Interim Report**"); and (v) other announcements made by the Company during the year ended 31 December 2019 and up to the Latest Practicable Date.

We have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Composite Document and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Independent Shareholders of any material changes to information contained or referred to in the Composite Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date and throughout the Offer Period.

We have no reason to believe that any statement, information, opinion or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Composite Document and/or provided to us by the Company, the Directors, the Management, have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide with a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Independent Shareholders arising from acceptance or non-acceptance of the Offer, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Independent Shareholders as a result of the Offer. In particular, the Independent Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters.

PRINCIPAL TERMS OF THE OFFER

The Offer, which is conditional, is made by Get Nice for and on behalf of the Offeror in compliance with the Takeovers Code. The Offer Price of HK$0.09587 per Offer Share which represents the volume weighted average of the traded price of the Shares as quoted on the Stock Exchange on 19 October 2020, being the Last Trading Day, in compliance with the Takeovers Code. No comparable offer will be extended in respect of the Convertible Note as it is entirely held by the Offeror.

As at the Latest Practicable Date, the Company had 1,805,282,608 Shares in issue. On the basis of the Offer Price of HK$0.09587 per Offer Share and 1,063,531,278 Shares subject to the Offer (excluding the 741,751,330 Shares held by the Offeror Acquirer Group as at the Latest Practicable Date), the Offer is valued at approximately HK$101,960,743.62.

Conditions of the Offer

The Offer is only conditional upon the Offeror having received valid acceptances of the Offer which, will result in the Offeror, Mr. Wong and parties acting in concert with any of them, together with any Share already acquired by them before or during the Offer Period, holding more than 50% of the voting rights in the Company, i.e. at least 902,641,305 Shares (based on 1,805,282,608 Shares in issue as at the Latest Practicable Date).

The Offeror will issue a further announcement in relation to the fulfilment of such condition (at which time the Offeror can declare the Offer unconditional as to acceptances if such condition has been fulfilled) and any revision, extension or lapse of the Offer, as the case may be, in accordance with the Takeovers Code. Unless otherwise agreed to by the Executive, the latest time on which the Offeror may declare the Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the Despatch Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Company

1.1 Principal activities

The Company is an investment holding company. The Group is principally engaged in the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment in Hong Kong.

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, revenue generated from the property agency services represented over 90% of the total revenue of the respective year/period. As at 30 June 2020, the Group held a portfolio of investment properties in Cheung Sha Wan, North Point, Kwai Chung, Ho Man Tin and Tsim Sha Tsui in Hong Kong for long-term rental yield and/or capital appreciation. This portfolio had a book value of approximately HK$838.7 million, representing approximately 52.4% of the Group's total assets as at the same date. Notwithstanding forming a substantial part of its asset base, rental income generated from such investment properties for the two years ended 31 December 2019 and the six months ended 30 June 2020 represented less than 7% of the Group's total revenue of the respective year/period. For further information on the Group's property portfolio, please refer to Appendix III to the Composite Document.

1.2 Financial information of the Group

Set out below is a summary of the consolidated financial information of the Group (i) for the years ended 31 December 2018 and 2019 as extracted from the 2018 Annual Report and the 2019 Annual Report; and (ii) for the six months ended 30 June 2019 and 2020 as extracted from the 2020 Interim Report:

	For the year ended 31 December		For the six months ended 30 June	
	2018 ("FY2018")	2019 ("FY2019")	2019 ("1H FY2019")	2020 ("1H FY2020")
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	628,780	442,126	317,113	141,384
– Agency revenue	614,252	416,255	304,868	129,098
– Commercial	239,346	197,408	160,395	55,097
– Industrial	172,732	86,585	55,813	27,452
– Shops	202,174	132,262	88,660	46,549
– Properties investment	14,528	22,071	11,214	9,195
– Credit business	–	3,084	885	2,413
– Securities investment	–	716	146	678
Government subsidy	–	–	–	4,609
Other (loss)/income, net	(5,162)	(17,764)	(968)	(2,086)
Other operating costs	(557,522)	(441,628)	(290,014)	(152,866)
Operating profit/(loss)	66,096	(17,266)	26,131	(8,959)
Profit/(loss) for the year/period	48,189	(19,601)	21,003	(7,861)

	As at 31 December		As at 30 June
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(unaudited)*
Total non-current assets	868,591	903,731	897,270
– Investment properties	855,300	838,700	838,700
– Properties and equipment	6,159	4,303	3,205
Total current assets	792,529	707,126	704,114
– Cash and cash equivalents	593,214	543,759	510,128
Total assets	1,661,120	1,610,857	1,601,384
Total liabilities	540,454	514,846	513,234
Total equity	1,120,666	1,096,011	1,088,150
Net gearing	28.3%	29.6%	30.4%
Liquidity ratio	3.5 times	3.9 times	1.9 times

Source: 2018 and 2019 Annual Report and 2020 Interim Report

FY2019 compared to FY2018

In FY2019, total revenue decreased to approximately HK$442.1 million from approximately HK$628.8 million in FY2018, representing a year-on-year decrease of approximately 29.7%. As mentioned above, agency fees generally form a significant proportion of the Group's total revenue. A decrease in the Group's agency fee revenue from approximately HK$614.3 million in FY2018 to approximately HK$416.3 million in FY2019, representing a year-on-year decrease of approximately 32.2%, was the main reason for the overall revenue decline.

The significant drop in transaction value and volume of the non-residential properties in Hong Kong in 2019 as compared with that in 2018 contributed significantly to the decrease in agency fee revenue in FY2019. The combined factors of a softened global economy, intensified social tensions and gloomy market outlook adversely affected the performance of the non-residential property market. With the backdrop of lingering China-U.S. trade disputes, business confidence was dampened and demand for office spaces was undermined. Persistent social unrest in Hong Kong during FY2019 also adversely affected the retail sector and performance of shops. With the market conditions worsened in 2019, investors in general remained on the sidelines and activities in the property investment market stayed at a relatively low level. While the residential properties market rebounded due to various government measures, such as raising the cap on the value of the properties eligible for a mortgage loan of maximum cover of 90% loan-to-value ratio from HK$4 million to HK$8 million for first-time home buyers under the Mortgage Insurance Programme of the HKMC Insurance Limited, similar relief measures were not observed in the non-residential properties market during FY2019. These factors have led to a weak overall performance of the non-residential properties market. This is in line with figures from the Land Registry where the value of registration of non-residential properties in the first half of 2019 dropped by approximately 23.2% as compared with the second half of 2018, and approximately fell by a further 12.8% in the second half of 2019.

The Group's properties investment segment saw a revenue growth of approximately 51.9% from approximately HK$14.5 million in FY2018 to approximately HK$22.1 million in FY2019. This was mainly attributable to the full year contribution of properties added to the property portfolio during the course of FY2018. There were no additions to investment properties during FY2019.

The Group started a new credit business in the second half of 2018 and generated revenue of approximately HK$3.1 million in FY2019. In addition, the Group generated approximately HK$0.7 million in revenue in FY2019 from securities investment.

The Group recorded a loss of approximately HK$19.6 million for FY2019, compared to a profit of approximately HK$48.2 million in FY2018. The loss was mainly attributable to (i) a significant drop in revenue due to the reasons mentioned above; and (ii) a net decrease in the fair value of investment properties held by the Group as at 31 December 2019 of approximately HK$16.6 million.

As at 31 December 2019, the Group's net assets amounted to approximately HK$1,096.0 million, representing a decrease of approximately 2.2% from approximately HK$1,120.7 million as at 31 December 2018. The decrease was mainly due to the Group's loss during FY2019. Cash and cash equivalents decreased from approximately HK$593.2 million as at 31 December 2018 to approximately HK$543.8 million as at 31 December 2019. The change was mainly due to the increase in mortgage loan receivable.

As at 31 December 2019, the Group's total bank loans amounted to approximately HK$135.4 million, representing a slight decrease from HK$136.3 million as at 31 December 2018. Such bank loans are secured by the Group's certain investment properties and corporate guarantee by the Company. As at 31 December 2019, the Group also had the Convertible Note amounted to approximately HK$189.4 million that is due in March 2021. The principal amount of the Convertible Note was HK$200.0 million.

The Group's gearing ratio (calculated on the basis of the Group's total bank loans and the Convertible Note over total equity of the Group) remained relatively stable at approximately 29.6% as at 31 December 2019, as compared to approximately 28.3% as at 31 December 2018. Liquidity ratio (represents a ratio of current assets over current liabilities) remained comparable at approximately 3.5 times as at 31 December 2018 compared to approximately 3.9 times as at 31 December 2019.

The Group did not declare dividend for FY2018 and FY2019.

1H FY2020 compared to 1H FY2019

For 1H FY2020, the Group's total revenue was approximately HK$141.4 million, representing a 55.4% decrease from the total revenue of approximately HK$317.1 million in 1H FY2019. Such decrease was attributable to the significant period-to-period decrease in agency fee revenue of approximately 57.7% from approximately HK$304.9 million in 1H FY2019 to approximately HK$129.1 million in 1H FY2020. This is in line with figures from the Land Registry where the value of registration of non-residential properties in the first half of 2020 dropped by approximately 60% as compared with the first half of 2019.

The Group's properties investment segment saw a decrease in revenue of approximately 18.0% from approximately HK$11.2 million in 1H FY2019 to approximately HK$9.2 million in 1H FY2020. This was mainly attributable to the decrease in rental income for its investment properties during 1H FY2020.

The Group's credit business generated revenue of approximately HK$2.4 million in 1H FY2020, representing a growth of approximately 1.7 times compared to the corresponding period in 1H FY2019 as the credit business was still new and being ramped up during 1H FY2019. Revenue from securities investment grew from approximately HK$0.1 million in 1H FY2019 to approximately HK$0.7 million in 1H FY2020. These two segments accounted for approximately 0.3% of the Group's total revenue in 1H FY2019, compared to approximately 2.2% in 1H FY2020.

The Group recorded a loss of approximately HK$7.9 million for 1H FY2020, compared to a profit of approximately HK$21.0 million in 1H FY2019. While staff costs for 1H FY2020 had declined by approximately 39.7% from that for the corresponding period in 2019 in line with the declining revenue, cost-saving measures during 1H FY2020 were not sufficient to counteract the significant decrease in revenue. This was notwithstanding the fact that the Group also received subsidies under the Employment Support Scheme from the Hong Kong government and had recognised approximately HK$4.6 million of other income during 1H FY2020. Without such subsidies, the loss for 1H FY2020 would have been higher at approximately HK$12.5 million.

As at 30 June 2020, the Group's net assets amounted to approximately HK$1,088.2 million, representing a decrease of approximately 0.7% from approximately HK$1,096.0 million as at 31 December 2019. The decrease was mainly due to the Group's loss during 1H FY2020. Cash and cash equivalents decreased from approximately HK$543.8 million as at 31 December 2019 to approximately HK$510.1 million as at 30 June 2020 as revenue continued to decline.

As at 30 June 2020, the Group's total bank loans amounted to approximately HK$134.9 million, representing a slight decrease from HK$135.4 million as at 31 December 2019. As at 30 June 2020, the Group also had the Convertible Note amounted to approximately HK$195.5 million that is due in March 2021. The principal amount of the Convertible Note was HK$200.0 million.

The Group's gearing ratio (calculated on the basis of the Group's total bank loans and the Convertible Note over total equity of the Group) stayed relatively stable at approximately 30.4% as at 30 June 2020, as compared to approximately 29.6% as at 31 December 2019. Liquidity ratio (represents a ratio of current assets over current liabilities) decreased substantially from approximately 3.9 times as at 31 December 2019 to approximately 1.9 times as at 30 June 2020 as the HK$195.5 million Convertible Note which will fall due in March 2021 became part of current liabilities. We noted that the conversion price of the Convertible Note is higher than the prevailing market price of Share. If such trend persists and the holder of the Convertible Note does not exercise the conversion right, a substantial portion of the Group's cash can be expected to be deployed towards repaying the Convertible Note.

The Group did not declare dividend for 1H FY2019 and 1H FY2020.

1.3 Outlook of the Group

Hong Kong's economy has been adversely affected by the persistent downward pressure exerted by the escalation of China-U.S. trade dispute since the second half of 2018 and the prolonged political and social unrest since June 2019. Despite signs of stabilisation towards the end of 2019, the outbreak of the COVID-19 pandemic in January 2020 has led to further contraction in economic activities and has significantly dampened economic sentiments.

The Hong Kong government has taken various measures, such as the Employment Support Scheme that provides wage subsidies to eligible employers to retain their employees, as well as the relaxation of loan-to-value ratio caps for mortgage loans on non-residential properties, in an attempt to support the local economies and markets from further adverse decline. The effectiveness of such measures is still subject to the evolving development of the COVID-19 pandemic, the China-U.S. relationship and the global macro-economic environment. In particular, it is noted that since the relaxation of loan-to-value ratio caps in August 2020 as mentioned above, the non-residential property market has yet to respond positively to such measures. While the COVID-19 pandemic is persisting and likely to continue to cause uncertainty to local economies, it is unclear if there will be further support measures from the Hong Kong government in the near future, and even if so, how effective they will be.

For the retail sector, the persistent social unrest in the second half of 2019 has severely affected the number of visitors to Hong Kong as well as local consumption. This in turn has adversely affected the retail property sector, where demand for both buying or selling and leasing of shop premises was muted. This led to an overall decrease in market transaction volume, and the Group's agency fee revenue was also correspondingly affected. Travel restrictions and mandatory quarantine measures brought by the subsequent COVID-19 pandemic further devastated the retail sector in Hong Kong, and as a result, severely impacted the performance of the shops segment. Consumers have also shifted their mode of consumption from visiting physical stores to online. According to research data from JLL[1], rents for high street shops dropped by approximately 26.5% in the first half of 2020, whereas the rents for prime shopping mall also dropped by approximately 20.8% during the same period. Market values of high street shops fell by approximately 24.0% during the first half of 2020.

1. "*Hong Kong's commercial property market will see green shoots in medium term*" News release (15 July 2020), JLL

For the office sector, work-from-home arrangements for many companies in Hong Kong after the COVID-19 outbreak have also put pressure on the demand for office space in Hong Kong. According to research data from JLL[1, 2, 3], overall vacancy rate for grade A offices worsened to 8.3% as at the end of September 2020. As a comparison, overall vacancy rate for grade A offices was approximately 5.6% at the end of the third quarter of 2019. Market values of overall grade A offices fell by approximately 14.1% during the first half of 2020.

For the industrial sector, according to research data from JLL[4], net effect rents (being the average monthly rental net of rent free period and any concession and outgoings, i.e. management fee, air conditioning fee etc.) for prime warehouse dropped by approximately 4.5% quarter-on-quarter in the second quarter in 2020. The rental decline was mainly attributable to the longer rent-free periods provided by landlords. Yields were estimated to be broadly stable across the warehouse sector. Hence, market values dropped in line with rents by approximately 4.5% quarter-on-quarter in the second quarter of 2020.

According to the World Economic Outlook published by the International Monetary Fund in October 2020, it is expected that Hong Kong's real GDP for 2020 will experience a 7.5% drop from 2019. In a press release titled "Advance estimates on Gross Domestic Product for second quarter of 2020" released on 29 July 2020 by the Census and Statistics Department of the Hong Kong Government, Hong Kong's GDP decreased by 9.0% in real terms in the second quarter of 2020 as compared to the corresponding period in 2019, mainly attributable to the continued weak performance in both domestic and external demand for goods and services.

As discussed with the Company, the Management expects that the impact from the China-U.S. trade dispute will continue to linger and the economic outlook of Hong Kong will remain uncertain until the COVID-19 pandemic subsides. As the work-from–home model has become prevalent during the COVID-19 pandemic, some companies may adopt this mode of working permanently which means that the demand for office space will be lower. Furthermore, as tourist shopping expenditure contributes significantly to the total retail sector in Hong Kong, the compulsory quarantine arrangements will deter travellers from coming to Hong Kong, which means that the retail sector and in turn the demand for shops/commercial spaces as well as the rental, will continue to face downward pressure.

As noted in the section headed "3.2 Reassessed NAV" in this letter, there was a revaluation deficit on the Group's investment properties as at 31 October 2020, representing a deteriorating property market performance. As the outlook of the

1. "*Hong Kong Property Market Monitor*" (October 2020), JLL

2. "*Hong Kong Property Market Monitor*" (October 2019), JLL

3. "*Hong Kong's commercial property market will see green shoots in medium term*" News release(15 July 2020), JLL

4. "*Asia Pacific Property Digest*" (Q2 2020), JLL

industrial, commercial and shop property markets remain challenging, the related property prices may continue to face downward pressure, which will in turn affect the fair value of the Group's investment properties in the future.

While the Group has been adjusting its strategy to diversify its revenue streams into the credit business and securities investment segments, the revenue contribution of such segments to the Group's total revenue remained insignificant at less than 0.9% and 2.2% of the total revenue for FY2019 and 1H FY2020, respectively. In addition, in view of the fact that the Offeror has no intention to introduce major changes to the business of the Group, the major focus in the non-residential agency business should remain after the close of the Offer. With the outlook of the non-residential property market remaining uncertain, the Management believes and we concur that the non-residential agency business, in the short to medium term, will remain challenging.

2. Information on the Offeror and its controlling shareholders, and its intention in relation to the Group

2.1 Information on the Offeror

The Offeror is an investment holding company incorporated in the BVI with limited liability and is indirectly and beneficially wholly-owned by Mr. Wong. Mr. Wong is a director and the sole ultimate beneficial shareholder of the Offeror.

Immediately upon completion of the Midland Distribution, the voting rights in the Company held by the Offeror Acquirer Group and the Midland Group decreased from approximately 63.07% to approximately 41.12% (and will, following the realisation of the 637,906 residual Shares by Midland Holdings, decrease to 41.09%) and the voting rights in the Company held by members of the Offeror Acquirer Group correspondingly increased from approximately 29.23% to approximately 41.09%. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror Acquirer Group is required to make a mandatory cash offer, through the Offeror, for the Shares which are not already owned or to be acquired by the Offeror Acquirer Group.

2.2 The Offeror's intention in relation to the Group

Following the close of the Offer, the Offeror intends that the existing businesses, employment of the employees and assets deployment of the Group in the ordinary course be continued and does not intend that major changes to the business of the Group be introduced. The Offeror considers that the Group should continue to review its strategy and focus to best suit the operating environment of the Group.

2.3 Listing status of the Company

The Offeror intends for the Company to remain listed on the Stock Exchange. The Directors and directors of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer.

3. **Offer price**

3.1 Offer price comparison

The Offer Price of HK$0.09587 per Offer Share represents:

a) a discount of approximately 6.01%to the closing price as quoted on the Stock Exchange on 20 November 2020, being the Latest Practicable Date of HK$0.102 per Share;

b) a discount of approximately 0.14% to the closing price as quoted on the Stock Exchange on the Last Trading Day of approximately HK$0.0960 per Share;

c) a premium of approximately 0.28% over the average of the closing prices as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of approximately HK$0.0956 per Share;

d) a premium of approximately 0.60% over the average of the closing prices as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK$0.0953 per Share;

e) a premium of approximately 3.01% over the average of the closing prices as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK$0.0931 per Share;

f) a premium of approximately 7.87% over the average of the closing prices as quoted on the Stock Exchange for the ninety (90) consecutive trading days up to and including the Last Trading Day of approximately HK$0.0889 per Share;

g) a discount of approximately 84.10% to the audited consolidated net asset value attributable to equity holders of the Company as at 31 December 2019 of approximately HK$0.6029 per Share based on 1,805,282,608 Shares in issue as at the Latest Practicable Date;

h) a discount of approximately 83.98% to the unaudited consolidated net asset value attributable to equity holders of the Company as at 30 June 2020 of approximately HK$0.5986 per Share based on 1,805,282,608 Shares in issue as at the Latest Practicable Date; and

i) a discount of approximately 83.61% to the Reassessed NAV as at 30 June 2020 (as described in the section headed "3.2 Reassessed NAV" of this letter) of approximately HK$0.585 per Share based on 1,805,282,608 Shares in issue as at the Latest Practicable Date.

3.2 Reassessed NAV

For illustration purposes, the net asset value of the Group attributable to equity holders as at 30 June 2020 is reassessed based on the valuation of its properties as at 31 October 2020 as set out in the valuation report prepared by JLL as set out in Appendix III to the Composite Document. Set out in the table below is the net asset value attributable to equity holders having adjusted for the valuation surplus (the "**Reassessed NAV**") to reflect the latest market value of the properties held by the Group as at 30 June 2020:

	Approximately HK$ million
Total market value as at 31 October 2020 of the properties held by the Group as at 30 June 2020	813.6
Less: carrying value of the properties held by the Group as at 30 June 2020	838.7
Revaluation (deficit) of the Group	(25.1)
Revaluation (deficit) attributable to equity holders	(24.5)
Consolidated net asset value attributable to equity holders as at 30 June 2020	1,080.6
Add: revaluation (deficit) attributable to equity holders	(24.5)
Reassessed NAV as at 30 June 2020	1,056.1
Reassessed NAV per Share as at 30 June 2020	HK$0.585

As stated in the paragraph headed "3.1 Offer price comparison" above, the Offer Price represents a discount of approximately 83.61% to the Reassessed NAV per Share.

3.3 Historical trading price against net asset value per Share

The table below illustrates the historical average closing price per Share against the Group's published net asset value per Share attributable to equity holders during those corresponding periods:

Year/period end	**Net asset value per Share attributable to equity holders**[1]	**Average closing Share price**[2]	**Discount to net asset value per Share attributable to equity holders**[3]
	HK$	*HK$*	*%*
31 December 2017	0.59	0.321	45.6%
30 June 2018	0.62	0.224	63.9%
31 December 2018	0.62	0.179	71.1%
30 June 2019	0.63	0.118	81.3%
31 December 2019	0.60	0.090	85.0%
30 June 2020	0.60	0.093[4]	84.5%

Source: The Stock Exchange website (www.hkex.com.hk) and Bloomberg

Notes:

1. *Being the audited and unaudited consolidated net asset value attributable to equity holders as at the respective year/period end date as extracted from the respective annual/interim results announcement published by the Company.*

2. *Representing the average closing Share price during the period from the trading day following the publication by the Company of its audited annual results or unaudited interim results (as the case may be) to the trading day on which the subsequent unaudited interim results or audited annual results (as the case may be) were published.*

3. *Representing the discount of the average closing Share price to the net asset value attributable to equity holders per Share as at the respective year/period end date.*

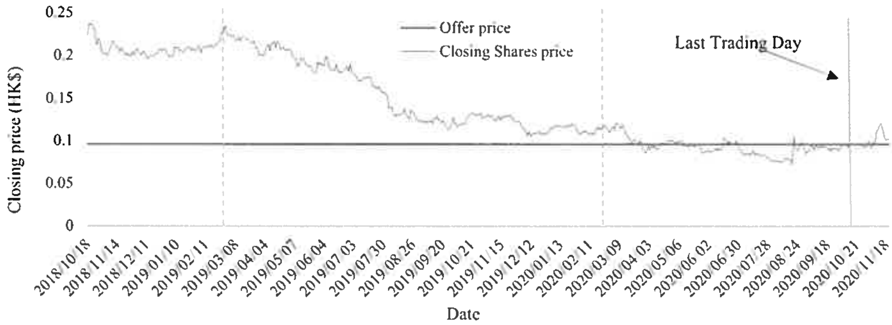
4. *Representing the average closing Share price during the period from 28 August 2020, being the trading day following the publication by the Company of its unaudited 2020 interim results, to the Last Trading Day.*

We noted that the Shares had been consistently traded at substantial discounts to net asset value attributable to equity holders for the past three financial years. It can be seen that the trading price of the Shares does not correlate with the changes of the net asset value attributable to equity holders of the Group. This may indicate that investors might not have valued the Shares based solely on the underlying value of the Group's assets. The steeper discounts of market trading price per Share to net asset value per Share attributable to equity holders observed since mid-2019 may be a result of investors anticipating continuous deterioration of operating performance and net asset value of the Group attributable to equity holders given the uncertain outlook explained above.

Despite the Offer Price being at a discount of 84.10% to the audited consolidated net asset value attributable to equity holders of the Company as at 31 December 2019 and 83.61% to the Reassessed NAV, we have taken into account that (i) the Shares had consistently traded at substantial discounts to net asset value attributable to equity holders during the past three financial years; and (ii) the current weak property market condition and uncertain outlook, we consider the Offer Price is, on balance, fair and reasonable from this perspective.

3.4 Historical performance of the Shares

The graph below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the period from 19 October 2018 (being two years prior to the Last Trading Day) and up to and including the Latest Practicable Date (the "**Review Period**").



Source: The Stock Exchange website (www.hkex.com.hk)

Over the Review Period, the highest and lowest closing price of the Shares were HK$0.237 on 19 October 2018 and HK$0.072 on 19 August 2020, respectively. The average closing price of the Shares over the Review Period and for the 12 months prior to the Last Trading Day was approximately HK$0.142 and HK$0.102, respectively.

We have further analysed the Share price trend over two specific periods:

1. from 27 February 2019, being the day when the Share price started entering into a downward trend, to 27 February 2020, being one year after the start date which also coincides with the approximate time period before the initial surge of COVID-19 confirmed cases in Hong Kong; and

2. from 27 February 2020, being the approximate time period before the initial surge of COVID-19 confirmed cases in Hong Kong and preventive measures were implemented, to the Last Trading Day and up to the Latest Practicable Date.

Between 27 February 2019 and 27 February 2020

As illustrated from the graph above, the closing prices of the Shares have been on a downward trend since the end of February 2019 (prior to the occurrence of social unrest and the outbreak of COVID-19). The Share price has decreased from HK$0.235 on 27 February 2019 to HK$0.113 on 27 February 2020, representing a decrease of approximately 51.9% within a year. During this period, we noted that the Company had issued (i) an annual results announcement for FY2018 on 27 March 2019, in which the Group's profit for the year dropped approximately 46.4% from the year ended 31 December 2017; (ii) a profit warning announcement on 17 July 2019, in which the Company expected further decline in its net profit for 1H FY2019 due to the significant drop in transaction value and volume of non-residential property sales in Hong Kong in the first half of 2019 when market uncertainties arose from the then prevailing China-U.S. trade conflict and weakened investment demand; (iii) an interim results announcement for 1H FY2019 on 27 August 2019, which the Group's profit dropped by approximately 57.9% as compared to the six months ended 30 June 2018; and (iv) a profit warning announcement on 19 December 2019, in which the Company expected to record net loss for FY2019 as compared to net profit for FY2018 due to significant drop in transaction value and volume of non-residential properties in Hong Kong as well as a decline in property prices in the market. In addition to the above, we believe the occurrence of social unrest since June 2019 also contributed to the weakened sentiment in the retail sector of the property market.

Between 27 February 2020 and the Last Trading Day and up to the Latest Practicable Date

The Share price continued its downward movement from March 2020 following the publication of the Group's annual results announcement for FY2019 on 26 March 2020 and the rising number of confirmed cases of COVID-19 and preventive measures such as border controls, social distancing measures and closure of leisure venues, implemented by the Hong Kong government with the intention to curb the spread of COVID-19. The Share price decreased from HK$0.113 on 27 February 2020 to HK$0.076 on 31 July 2020, representing a decrease of approximately 32.7%. On 31 July 2020, the Company issued a profit warning announcement, in which the Company expected to record a net loss for 1H FY2020 as compared to net profit for 1H FY2019. The Share price had remained at such level from 31 July 2020 onwards until it recorded a spike to HK$0.106 on 19 August 2020. The Management believed the temporary spike was due to the announcement made by the Hong Kong Monetary Authority in relation to the easing of loan-to-value ratio ceilings to 50% for non-residential properties. Such Share price did not sustain however and declined to HK$0.096 up to the Last Trading Day.

Save as disclosed above, the Management and we are not aware of any other reasons or other announcements published by the Company during the Review Period which may have correlation to the Share price movement shown in the graph above.

Despite the Offer Price of HK$0.09587 being below the average closing price of the Shares over the Review Period of approximately HK$0.142 and for the 12 months prior to Last Trading Day of approximately HK$0.102, taking into consideration (i) the Share price has been on a downward trend since the end of February 2019 (prior to the occurrence of social unrest and the outbreak of COVID-19); (ii) market uncertainties arising from the escalation of China-U.S. trade dispute; (iii) the social unrest which started since June 2019; and (iv) the outbreak of COVID-19 pandemic in January 2020, it is evident that market sentiment has been dampened and the future outlook of the Hong Kong property market (in particular, commercial and industrial properties, and shops) remains challenging, the Share price may continue to face pressure.

The COVID-19 pandemic has persisted for ten months as at the Latest Practicable Date. Throughout the past ten months, the Hong Kong government has implemented, tightened and relaxed various preventive measures as mentioned above, in response to the severity of the COVID-19 development. It is expected that the COVID-19 will not be eradicated in the near term given that the spread of COVID-19 has not been contained in other parts of the world and a promising COVID-19 vaccine is yet to be available. Despite the Hong Kong Monetary Authority's announcement on easing of loan-to-value ratio ceilings to 50% for non-residential properties on 19 August 2020, the non-residential property market has shown little improvement and the Share price has remained below the average closing price over the Review Period and for the 12 months prior to Last Trading Day.

In addition, the Midland Distribution may create odd lots of the Shares. Although odd lots matching services have been arranged by Midland Holdings, there is no guarantee of any successful matching of the sale and purchase of odd lots. In the event of any sale of substantial amount of odd lot Shares in the market, it may create further downward pressure on the Share price.

Taking into account of the above, we consider that the Offer Price is fair and reasonable with reference to the Shares' historical trading prices.

Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the price of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.

3.5 *Historical trading liquidity of the Shares*

Apart from the Share price analysis above, we have also conducted a review on the trading liquidity of the Shares. The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by public:

	Average daily trading volume *Shares*	**Approximate % of average daily trading volume to total issued Shares[1]**	**Approximate % of average daily trading volume to Shares held by public[2]**
October 2018 (starting from 19 October)	423,000	0.023%	0.064%
November 2018	325,288	0.018%	0.049%
December 2018	306,149	0.017%	0.046%
January 2019	333,864	0.018%	0.050%
February 2019	493,235	0.027%	0.074%
March 2019	1,164,064	0.064%	0.176%
April 2019	2,024,895	0.112%	0.305%
May 2019	394,952	0.022%	0.060%
June 2019	163,211	0.009%	0.025%
July 2019	267,830	0.015%	0.040%
August 2019	722,368	0.040%	0.109%
September 2019	480,738	0.027%	0.073%
October 2019	323,619	0.018%	0.049%
November 2019	213,762	0.012%	0.032%
December 2019	716,931	0.040%	0.108%
January 2020	404,033	0.022%	0.061%
February 2020	248,150	0.014%	0.037%
March 2020	971,136	0.054%	0.146%
April 2020	326,868	0.018%	0.049%
May 2020	306,450	0.017%	0.046%
June 2020	115,733	0.006%	0.017%
July 2020	248,932	0.014%	0.038%
August 2020	4,254,167[3]	0.236%	0.642%
September 2020	632,636	0.035%	0.095%
October 2020 up to the Last Trading Day	662,300	0.037%	0.100%
Average	666,574	0.037%	0.101%

	Average daily trading volume *Shares*	Approximate % of average daily trading volume to total issued Shares[1]	Approximate % of average daily trading volume to Shares held by public[2]
Subsequent to the Last Trading Day up to 31 October 2020	4,832,273	0.268%	0.729%
November 2020 (up to the Latest Practicable Date)	6,247,475	0.346%	0.590%

Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. *Based on the total number of issued Shares as at each month or period end.*

2. *Based on the total number of issued Shares as at each month or period end minus the Shares held by Offeror Acquirer Group and Midland Group as at each month or period end.*

3. *The significant increase in average daily trading volume for August 2020 was due to the announcement made by Hong Kong Monetary Authority in relation to the easing of loan-to-value ratio ceilings to 50% for non-residential properties on 19 August 2020.*

As illustrated in the above table, during the Review Period and up to the Last Trading Day, the liquidity of Shares was generally low with the percentage of the average daily trading volume to the total number of issued Shares ranging from approximately 0.006% to 0.236%. The percentage of the average daily trading volume to the Shares held by public ranged from approximately 0.017% to 0.642%. The average daily trading volume of the Shares during the Review Period up to the Last Trading Day was approximately 666,574 Shares, representing approximately 0.037% and 0.101% of the total number of issued Shares and Shares held by public, respectively.

Given the percentage of the average daily trading volume to (i) the total number of issued Shares; and (ii) the Shares held by public during the Review Period (save for August 2020) was less than 0.500%, we consider that the trading volume of the Shares was thin and any sale of a significant number of the Shares on the market may result in downward pressure on the market price of the Shares.

As mentioned in the section headed "3.4. Historical performance of the Shares" in this letter, the Midland Distribution may create odd lots of the Shares. As there is no guarantee of any successful matching of the sale and purchase of odd lots, in the event of any sale of substantial number of odd lot Shares in the market, it may create downward pressure on the Shares price.

From a trading liquidity standpoint, we consider that the Offer is fair and reasonable as the Offer provides an assured exit alternative for the Independent Shareholders to realise their investments in the Shares at the Offer Price of HK$0.09587 per Share.

3.6 Market comparable analysis

As mentioned above, the Group is principally engaged in the provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong. In addition, the Group held a significant portfolio of investment properties in Hong Kong for rental income. Given that these are two distinct business segments, we have, where possible, conducted analyses on the Group's property agency business and property investment business separately when assessing the fairness and reasonableness of the Offer.

Given that the Group was loss-making during the latest financial year, price-to–earnings ratio is not applicable to our analysis.

3.6.1 Property agency segment

Save for the Company, we noted that Midland Holdings is the only other company listed on the Stock Exchange engaged in the provision of property agency services in Hong Kong. Despite the Group being an associate of Midland Holdings, we believe Midland Holdings remains to be an appropriate comparable, due to the following:

(i) both Midland Holdings and the Group's operations are mainly located in Hong Kong and are subjected to the same economic factors;

(ii) their operations are separate from each other; and

(iii) they are principally engaged in property agency business albeit with focus on different property types.

We have compared the price-to-revenue ratio ("**P/S Ratio**") of the Company against that of Midland Holdings. Such ratios measure the valuation on a company's ability to generate revenue. Considering (i) the property agency business is asset light and revenue generation is one of its typical key performance indicators; and (ii) P/S Ratio uses publicly disclosed financial information, which is objective in nature, we believe P/S Ratio is an appropriate approach.

While there are differences in terms of market capitalisation and revenue levels, the P/S ratio demonstrates the relationship of a company's market value relative to its revenue generating capability. As such, we believe the P/S Ratio analysis can provide an appropriate measurement and comparison on valuation of companies irrespective of their absolute amount of revenue. Set out below is a comparison of P/S Ratio between the Company and Midland Holdings:

	Market capitalisation[1]	Revenue[2]	P/S Ratio
	HK$ million	*HK$ million*	*time*
Midland Holdings (1200)	484.0	4,883.5	0.10
The Company	173.1	442.1	0.39

Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. *Based on the relevant closing share price as quoted on the Stock Exchange or the Offer Price and the relevant numbers of shares in issue on the Last Trading Day.*

2. *Based on the relevant 2019 annual reports. Prior to the completion of the Midland Distribution, the Company was an associate of Midland Holdings.*

The Offer Price implies a P/S Ratio of approximately 0.39 times, which is higher than that of Midland Holdings of approximately 0.10 times.

We also wish to highlight that the Group is focused on the industrial, commercial and shop property markets while Midland Holdings is focused on the residential market. As elaborated in the section headed "1.3 Outlook of the Group" of this letter, the industrial, commercial and shop property markets took a larger hit from the COVID-19 pandemic due to the lockdown measures and work-from-home arrangements. With the COVID-19 pandemic persisting and considering the market data on the non-residential property market as well as our observations on the impact of lockdown measures and work-from-home arrangements, the outlook of the industrial, commercial and shop property markets appears more challenging than the residential market. We noted that notwithstanding a more challenging market and outlook, the Offer Price still commands a margin of premium over the valuation of Midland Holdings, as the Group has a higher P/S Ratio than Midland Holdings. As such, we consider that the Offer Price is fair and reasonable from the above P/S Ratio analysis perspective.

3.6.2 Property investment segment

For the Group's property investment segment, while its revenue contribution towards the Group's total revenue is low, this segment constitutes a significant portion of the net asset value of the Group of approximately 76.5%. To assess the reasonableness of the valuation based on the Offer Price versus the value of the Group's underlying assets, we have also performed a price-to-book ratio ("**P/B Ratio**") analysis, a commonly used benchmark for valuation of companies, by comparing the implied price-to-book ratio of the Company based on the Offer Price and the price-to-book ratio of the comparable companies (the "**Comparables**").

We have conducted a search of Comparables based on the following criteria: (i) they are listed on the Main Board of the Stock Exchange; (ii) their principal businesses being property investments of either commercial, industrial and/or retail properties in Hong Kong, contributing to more than 50% of their revenue; (iii) fair value of either commercial, industrial and/or retail properties constituting over 50% of the total value of their investment properties; and (iv) they have a net asset value of not more than HK$3 billion.

Given the composition of the property investment portfolios of the Comparables consists of commercial, industrial and/or retail properties, which is similar to that of the Company, we believe they are comparable to the Company. Furthermore, given the large range of net asset values of property investment companies in Hong Kong, we believe that applying a range on the net asset value of up to HK$3 billion as a selection criterion gives us a reasonable and adequate sample size of small scale property investment companies that are comparable to the Company to carry out our P/B Ratio analysis.

Despite the aforesaid criteria, the business, scale of operation, trading prospect, location of properties and projects and capital structure of the Group are not exactly the same as those of the Comparables, and we have not conducted any in-depth investigation into the businesses and operations of the Comparables.

Based on our search conducted through published information on the Stock Exchange's website, we have identified seven Comparables that match the aforementioned selection criteria. We believe the list of Comparables is exhaustive and is sufficient for us to form a view on the fairness and reasonableness of the Offer Price. Details of the Comparables are summarised below:

Company name	Stock code	Principal business	% of revenue contributed from property investment segment[1]	Net asset value[2] *(HK$ million)*	Fair value of investment properties[3] *(HK$ million)*	Market capitalisation[4] *(HK$ million)*	P/B Ratio[5]
Thing On Enterprise Limited	2292	Engaged in property investment and management in Hong Kong	87.1%	1,418.2	1,395.8	698.4	0.49

Company name	Stock code	Principal business	% of revenue contributed from property investment segment[1]	Net asset value[2] *(HK$ million)*	Fair value of investment properties [3] *(HK$ million)*	Market capitalisation[4] *(HK$ million)*	P/B Ratio[5]
Tern Properties Company Limited	277	Engaged in property investment, property leasing and investment in debt and equity securities	100.0%	2,963.5	2,409.0	1,011.9	0.34
Winfair Investment Company Limited	287	Engaged in property and share investment, property development and securities dealings	68.8%	1,192.0	940.0	341.2	0.29
Great Wall Pan Asia Holdings Limited	583	Engaged in property investment and financial services	71.8%	2,959.2	3,351.2	682.0	0.23
Zhongchang International Holdings Group Limited	859	Engaged in the investment, development and leasing of properties in Hong Kong	87.1%	1,983.3	1,921.6	382.5	0.19
Wing Lee Property Investments Limited	864	Engaged in the investment in properties in Hong Kong and the leasing of completed commercial and residential properties	100.0%	982.7	1,015.1	156.4	0.16

Company name	Stock code	Principal business	% of revenue contributed from property investment segment[1]	Net asset value[2] (HK$ million)	Fair value of investment properties [3] (HK$ million)	Market capitalisation[4] (HK$ million)	P/B Ratio[5]
Eminence Enterprise Limited	616	Engaged in property investment and development, securities investment and loan financing	59.1%	2,941.9	1,262.5	279.4	0.09
				Maximum	0.49		
				Minimum	0.09		
				Mean	0.26		
				Median	0.23		
The Company	459	Engaged in the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment	5.0%	1,056.1[6]	838.7	173.1[7]	0.16[8]

Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. *% of revenue contributed from property investment segment as reported in the respective companies' latest annual reports.*

2. *Net asset value refers to net assets reported in the respective companies' latest annual reports.*

3. *Fair value of investment properties refers to the fair value of investment properties reported in the respective companies' latest annual reports.*

4. *Market capitalisation is calculated based on the closing share price and number of shares in issue at the Last Trading Day sourced from the website of the Stock Exchange.*

5. *P/B Ratio is calculated based on the market capitalisation and net asset value as described in notes 2 and 4 above.*

6. *The amount represents the Reassessed NAV as at 30 June 2020. For further details, please refer to the section headed "3.2 Reassessed NAV" above.*

7. *The implied market capitalisation of the Company is calculated by multiplying the Offer Price with the number of Shares in issue as at the Latest Practicable Date.*

8. *The implied P/B Ratio of the Company of approximately 0.16 times is calculated based on the market capitalisation of the Company as described in note 7 above divided by the Reassessed NAV as at 30 June 2020.*

As illustrated in the table above, the P/B Ratios of the Comparables range from approximately 0.09 times to 0.49 times, with the mean and median being approximately 0.26 times and 0.23 times, respectively. The implied P/B ratio (the "**Implied P/B Ratio**") of the Company based on the Offer Price versus the unaudited net asset value as at 30 June 2020 and on the Offer Price versus the Reassessed NAV as at 30 June 2020 were both approximately 0.16 times. For illustration purposes, the Implied P/B Ratio of the Company based on the Offer Price versus the audited net asset value as at 31 December 2019 was approximately 0.16 times as well.

We noted that the Implied P/B Ratio of the Company falls within the range of the P/B Ratios of the Comparables and is slightly lower than the mean and median of the Comparables.

We wish to highlight that the Group derived a majority of its revenue from its property agency segment, while the Comparables derived a majority of their revenue from rental income of their property investment segments. The challenging outlook and continued loss making of the Group's property agency segment created additional pressure on the valuation of the Company as compared to the Comparables, and as such, contributed to its comparatively lower P/B Ratio. We consider, on balance, the Offer Price from a P/B ratio perspective is fair and reasonable relative to the Comparables. We note that, as an illustration, if the Group's current operational loss making situation persists, it will cause further reduction to the Group's net asset value which in turn will cause an increase in P/B Ratio (with all else unchanged).

On top of the above P/B Ratio analysis on the Comparables, we are of the view that it is also informative to review the P/B Ratios of larger property investment companies in Hong Kong to have an overall understanding of how the market values such property investment companies. To illustrate how the market values even the largest property investment companies in Hong Kong, we have further conducted a search on the largest property investment companies based on the following criteria: (i) they are listed on the Main Board of the Stock Exchange; (ii) their principal businesses include property investments of either commercial, industrial and/or retail properties in Hong Kong; and (iii) they have a net asset value of more than HK$80 billion (the "**Large Comparables**").

Based on our search conducted through published information on the Stock Exchange's website, we have identified four Large Comparables that match the aforementioned selection criteria. We believe the list of Large Comparables is exhaustive, and act as an additional frame of reference on the fairness and reasonableness of the Offer Price, in particular from the perspective of a P/B ratio analysis. Details of the Large Comparables are summarised below:

Company name	**Stock code**	**Principal business**	**Net asset value**[1] *(HK$ million)*	**Market capitalisation**[2] *(HK$ million)*	**P/B Ratio**[3]
Wharf Real Estate Investment Co. Ltd.	1997	Engaged in the investment and operation of properties in Hong Kong	221,414	95,641.2	0.43
Swire Properties Ltd.	1972	Engaged in property investment in Hong Kong	288,911	122,265	0.42
Hysan Development Co. Ltd	14	Engaged in properties leasing in Hong Kong	80,972	26,360.1	0.33
Tsim Sha Tsui Properties Ltd.	247	Engaged in property and hotel businesses	145,273	46,649.7	0.32
				Maximum	0.43
				Minimum	0.32
				Mean	0.38
				Median	0.38

Company name	Stock code	Principal business	Net asset value[1] *(HK$ million)*	Market capitalisation[2] *(HK$ million)*	P/B Ratio[3]
The Company	459	Engaged in the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment	1,056.1[4]	173.1[5]	0.16[6]

Source: The Stock Exchange website (www.hkex.com.hk)

Notes:

1. *Net asset value refers to net assets reported in the respective companies' latest annual reports.*

2. *Market capitalisation is calculated based on the closing share price and number of shares in issue at the Last Trading Day sourced from the website of the Stock Exchange.*

3. *P/B Ratio is calculated based on the market capitalisation and net asset value as described in notes 1 and 2 above.*

4. *The amount represents the Reassessed NAV as at 30 June 2020. For further details, please refer to the section headed "3.2 Reassessed NAV" above.*

5. *The implied market capitalisation of the Company is calculated by multiplying the Offer Price with the number of Shares in issue as at the Latest Practicable Date.*

6. *The implied P/B Ratio of the Company of approximately 0.16 times is calculated based on the market capitalisation of the Company as described in note 5 above divided by the Reassessed NAV as at 30 June 2020.*

We observed that the Large Comparables, which should be perceived by the market as the most premium and profitable property investment companies in Hong Kong which hold properties in prime locations in Hong Kong, similarly trade at substantial discounts to their net asset value with a mean on the P/B Ratio of approximately 0.38 times. Using the above as reference coupled with our observation on the outlook of the Group's property agency business, we are able to further conclude that the Company's Implied P/B Ratio of approximately 0.16 times is, on balance, fair and reasonable.

RECOMMENDATION

In summary, we had considered the below factors:

(i) the Offer Price is lower than the average closing price of the Shares during the Review Period and for the 12 months prior to the Last Trading Day;

(ii) the Share price had been on a downward trend since end of February 2020 and may continue to face pressure due to the challenging outlook;

(iii) the trading liquidity of the Shares was thin throughout the Review Period and the sale of large number of Shares on the public market may exert downward pressure on the Share price to levels below the Offer Price;

(iv) the Offer Price being at a discount of approximately 84.10% to the audited consolidated net asset value attributable to equity holders of the Company as at 31 December 2019 and approximately 83.61% to the Reassessed NAV;

(v) the Shares had consistently traded at substantial discounts to the net asset value attributable to equity holders during the past three financial years;

(vi) the P/S Ratio represents a premium over Midland Holdings, the Company's closest listed comparable in terms of the property agency segment in Hong Kong;

(vii) the business and financial performance of the Group has been deteriorating due to market uncertainties arising from the escalation of China-U.S. trade dispute, social unrest and outbreak of the COVID-19 pandemic, all of which have contributed uncertainty to the future economic outlook of Hong Kong;

(viii) the Implied P/B Ratio is slightly lower than the mean and median of the P/B Ratios of the Comparables and the Large Comparables in terms of the property investment segment;

(ix) the Group's non-residential agency business, in the short to medium term, will remain challenging given the property market outlook in Hong Kong;

(x) industrial, commercial and shops property prices may continue to face downward pressure going forward as demonstrated in the revaluation deficit as at 31 October 2020; and

(xi) the Company has not declared any dividend in the past.

Considering the above, we are of the opinion that, on balance, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to make recommendation to the Independent Shareholders to accept the Offer.

As the Offer may or may not become unconditional, Shareholders and investors of the Company should exercise extreme caution when dealing in the securities of the Company and, if in doubt as to their position, consult their professional advisers.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Chang Sean Pey
Executive Director

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*Mr. Chang Sean Pey ("**Mr. Chang**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*