



4 September 2018

*To the Independent Board Committee*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH GENERAL OFFER BY  
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED  
FOR AND ON BEHALF OF THE OFFEROR  
TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY  
OWNED OR AGREED TO BE ACQUIRED BY STARCROSS GROUP LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer, details of which are set out in the Response Document, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise requires.

Reference is made to the Announcements. On 20 July 2018 (after trading hours), the Board was informed by the Offeror that the Vendor as vendor and the Offeror as purchaser entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Offeror agreed to acquire the Sale Shares for a consideration of HK\$337,500,000 (equivalent to HK\$0.90 per Sale Share) in accordance with the terms and conditions of the Sale and Purchase Agreement. A supplemental agreement to the Sale and Purchase Agreement has been entered into on 27 July 2018. The Sale and Purchase Completion took place on 27 July 2018. The Sale Shares collectively represent 75% of the existing issued share capital of the Company as at the Latest Practicable Date. As such, the Offeror is required to make an unconditional mandatory cash general offer for the Offer Shares pursuant to Rule 26.1 of the Takeovers Code.

On 27 August 2018, the Offeror published the Offer Document which sets out, among other things, details of the principal terms of the Offer, information on the Offeror and the intention of the Offeror regarding the Group.

## THE INDEPENDENT BOARD COMMITTEE

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors (other than those independent non-executive Directors nominated by the Offeror), namely Mr. LIU Gang, Mr. YU Haizong and Ms. AN Yiqing, has been established to make a recommendation to the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to their acceptance of the Offer.

With the approval of the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code, we, Celestial Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

We are independent from and not connected with the Company, the Offeror, any of their respective substantial shareholders, directors or chief executives, their respective associates, or any party acting, or presumed to be acting, in concert with any of them. As at the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company and the Offeror or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code to act as the Independent Financial Adviser. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and the Offeror or any of its substantial shareholders, directors or chief executives, their respective associates, or any person acting, or deemed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in relation to the Offer.

## BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the annual report of the Company for the year ended 30 September 2016 (the “**2016 Annual Report**”), the annual report of the Company for the fifteen months ended 31 December 2017 (the “**2017 Annual Report**”), the interim results announcement of the Company for the six months ended 30 June 2018 (the “**2018 Interim Results Announcement**”) and other information contained in the Offer Document and Response Document.

In addition, we have relied on the information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. We have also relied on the information, facts and representations contained or referred to in the Response Document and have assumed that the information, facts and representations provided, and the opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete up to the Latest Practicable Date. The Company will notify the Shareholders of any material changes during the Offer Period as soon as possible in accordance with the Takeovers Code. Independent Shareholders will be notified of any material changes of such information provided and our opinion, if any, as soon as possible throughout the Offer Period. We have also assumed that all statements of beliefs, opinions, expectations and intentions made by the Directors in the Response Document and/or the Offeror in the Offer Document were reasonably made after due enquiry and careful considerations, and will be met or carried out as the case may be. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided to us and the opinions expressed. We consider that the information we have received is sufficient for us

to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group and the Offeror, nor carried out any independent verification of the information provided by the Company and/or the Directors and/or the management of the Group.

As set out in the responsibility statement in Appendix II to the Response Document, all the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Response Document have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document, the omission of which would make any statement in the Response Document misleading.

We have not considered the tax and regulatory implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are dependent upon their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offer and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information of the Independent Board Committee solely in connection with their consideration of the Offer. Except for its inclusion in the Response Document, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation in relation to the Offer, we have considered the following principal factors and reasons:

### **1. Information on the Group**

#### **(a) Historical financial performance**

The Group is principally engaged in construction and ancillary services which include design, fitting-out, decoration, alteration and addition, construction and other related businesses, aviation and traveling services and financial services.

Set out below is a summary of the audited consolidated financial information of the Group for two financial years ended 30 September 2015 and 2016 (respectively referred to as the “**FY2015**” and the “**FY2016**”) (as extracted from the 2016 Annual Report) and the fifteen months ended 31 December 2017 (the “**2017 Fifteen-month Period**”) (as extracted from the 2017 Annual Report), and the unaudited consolidated financial information of the Group for the six months ended 30 June 2017 and 2018 (respectively referred to as the “**2017 Interim Period**” and the “**2018 Interim Period**”), as extracted from the 2018 Interim Results Announcement:

	For the six months ended 30 June		For the fifteen months ended 31 December	For the year ended 30 September	
	2018	2017	2017	2016	2015
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)
<b>Revenue, comprising</b>	139,621	43,669	157,397	116,021	159,527
(i) Construction and ancillary services	105,846	43,669	128,270	116,021	159,527
(ii) Aviation and traveling services	33,775	–	28,010	–	–
		(Note 1)		(Note 1)	(Note 1)
(iii) Financial services	–	–	1,117	–	–
		(Note 1)		(Note 1)	(Note 1)
Gross profit	21,425	13,370	51,139	47,645	60,238
Gross profit margin ("GP%")	15.3%	30.6%	32.5%	41.1%	37.8%
Segment result, comprising	9,647	–	24,736	33,532	–
		(Notes 1 & 2)			(Notes 1 & 2)
(i) Construction and ancillary services	7,407	–	20,416	33,532	–
Segment result margin ("Segment result margin")	7.0%	–	15.9%	28.9%	–
(ii) Aviation and traveling services	3,543	–	8,152	–	–
Segment result margin	10.5%	–	29.1%	–	–
(iii) Financial services	(1,303)	–	(3,832)	–	–
Segment result margin	N/A	–	N/A	–	–
Segment result margin (overall)	6.9%	–	15.7%	–	–
(Loss)/profit for the period/year	(9,423)	(5,582)	(9,272)	24,181	20,950
(Loss)/profit for the period/year attributable to:					
Owners of the Company	(10,169)	(5,582)	(10,193)	24,181	21,255
No-controlling interests	746	–	921	–	(305)

**Notes:**

- The aviation and traveling services and financial services segments commenced operation and contributed revenue to the Group since the second half of 2017.
- No segment results figures for the FY2015 and the 2017 Interim Period were published by the Company.

During FY2015 and FY2016, the principal business of the Group was solely the provision of one-stop integrated interior design solutions including design, fit out and decoration as well as overall project management. The Company announced on 16 March 2017 that its financial year end date would be changed from 30 September to 31 December. Accordingly, the Company published its audited consolidated results for the 2017 Fifteen-month Period in the 2017 Annual Report. During the 2017 Fifteen-month Period, the Group began to provide aircraft management service, service for aircraft sales and aircraft leasing ancillary services and obtained an ordinary membership of Chinese Gold and Silver Exchange Society (“CGSE”), and there were three reporting segments reported in the 2017 Annual Report and 2018 Interim Results Announcement, namely, (i) construction and ancillary services segment; (ii) aviation and traveling services segment; and (iii) financial services segment.

*(i) Construction and ancillary services segment*

For the FY2015 and FY2016

The revenue and gross profit of the Group for the FY2016 decreased by approximately 27.3% and 20.9% to approximately HK\$116.0 million and HK\$47.6 million, as compared with approximately HK\$159.5 million and HK\$60.2 million for the FY2015, respectively. As set out in the 2016 Annual Report, the decrease in revenue was mainly due to, among others, the Hong Kong property market sentiment in 2016 turned amid and the possibility for increase in interest rates of the United States of America (“U.S.”) resulting in decline in the number of sizeable design, fit out and decoration projects in Hong Kong, being the key revenue driver of the Group in FY2016. The net profit attributable to the owners of the Company for the FY2016 was HK\$24.2 million, increased by approximately 13.8% from approximately HK\$21.3 million in FY2015. However, carving out the one-off initial public offering expenses of approximately HK\$14.8 million (which was charged to consolidated statement of profit or loss and other comprehensive income) in FY2015, the net profit attributable to the owners of the Company for the FY2016 recorded a significant decrease of 33.0% compared to the net profit attributable to the owners of the Company before one-off initial public offering expenses of approximately HK\$36.1 million in FY2015. The decrease was mainly due to the decrease in gross profit as explained in above.

For the 2017 Fifteen-month Period

The revenue of the Group for the 2017 Fifteen-month Period increased by approximately 35.7% to approximately HK\$157.4 million, as compared with approximately HK\$116.0 million recorded for the FY2016. As shown in the revenue breakdown in the table above, the revenue was substantially derived from the construction and ancillary services segment, accounting for approximately 81.5% of the total revenue, followed by the aviation and travelling services segment and financial services segment, accounting for approximately 17.8% and 0.7% of the total revenue respectively. As stated in the 2017 Annual Report, such increase in revenue was mainly due to the revenue contributed from new business segments of aviation and traveling and financial services as well as the effect of change of financial year end date.

Despite the revenue growth, the Group recorded a net loss attributable to the owners of the Company of approximately HK\$10.2 million for the 2017 Fifteen-month Period as compared with a net profit of approximately HK\$24.2 million for the FY2016. As stated in the 2017 Annual Report, such net loss for the 2017 Fifteen-month Period was mainly due to (i) the decrease in gross profit from construction and ancillary services segment; (ii) the increase of the administrative expenses; and (iii) the increase in operating expenses for preparing, setting up and operating new businesses of the Group.

Although the segment revenue generated from the construction and ancillary services segment for the 2017 Fifteen-month Period increased by approximately 10.6% to approximately HK\$128.3 million, as compared with approximately HK\$116.0 million recorded for the 12-month period in FY2016, the segment result of this segment for the 2017 Fifteen-month Period decreased by 39.1% to approximately HK\$20.4 million, as compared with that of approximately HK\$33.5 million for the FY2016. The segment result margin of this segment dropped from 28.9% for the FY2016 to 15.9% for the 2017 Fifteen-month Period. As advised by the Company, such decline was mainly due to the Group began to take up non-residential projects, which were of lower profit margin as compared with residential projects, in the fourth quarter of 2017.

For the 2018 Interim Period

The revenue of the Group for the 2018 Interim Period increased by approximately 219.7% to approximately HK\$139.6 million, as compared with approximately HK\$43.7 million recorded for the 2017 Interim Period. The construction and ancillary services segment and the aviation and traveling services segment contributed approximately 75.8% and 24.2% of the total revenue, respectively and no revenue was recorded for the financial services segment in the 2018 Interim Period.

Despite the revenue growth, the Group recorded a consolidated net loss attributable to the owners of the Company of approximately HK\$10.2 million for the 2018 Interim Period as compared with a net loss attributable to the owners of the Company of approximately HK\$5.6 million for 2017 Interim Period. As stated in the 2018 Interim Results Announcement, such net loss for the 2018 Interim Period was mainly due to the decrease in gross profit margin from construction and ancillary services business and the increase in operating expenses for preparing, setting up and operating new business of the Group.

The segment result margin of the construction and ancillary services segment dropped further to approximately 7.0% for the 2018 Interim Period, from approximately 28.9% for the 12-month period in FY2016 and approximately 15.9% for the 2017 Fifteen-month Period. As advised by the Company, gross profit margin of non-residential projects was generally lower than that of residential project. The decline in segment result margin of this segment for the 2018 Interim Period compared to the previous years was mainly due to nearly 60% of revenue of this segment came from non-residential projects which generated lower gross profit margin than that of residential projects.

*(ii) Aviation and traveling services segment*

As stated in the 2017 Annual Report, in order to alleviate the possible impact from the uncertainty in Hong Kong property development industry on the segment of construction and ancillary services businesses, the Group has explored and developed new business segments including aviation and traveling services and financial services during the 2017 Fifteen-month Period. Aviation and traveling services segment has commenced operation and started to contribute revenue to the Group since the second half of 2017.

The aviation and traveling services business contributed revenue of approximately HK\$28.0 million in the second half of 2017 and approximately HK\$33.8 million for the 2018 Interim Period, representing approximately 17.8% and 24.2% of the Group's total revenue for the 2017 Fifteen-month Period and the 2018 Interim Period respectively.

Nevertheless, the segment result margin of the aviation and traveling services segment dropped to 10.5% in the first half of 2018, from 29.1% for the 2017 Fifteen-month Period.

*(iii) Financial services segment*

The Group's financial services segment comprised precious metal trading and financial advisory services, which commenced operation and started to contribute revenue to the Group since the second half of 2017. This segment recorded revenue of approximately HK\$1.1 million in aggregate, representing approximately 0.7% of the Group's total revenue in the 2017 Fifteen-month Period.

As stated in the 2018 Interim Results Announcement, no revenue was contributed by this segment during the 2018 Interim Period because the Group is in the stage of business planning.

**(b) Prospects of the Group**

As mentioned in the 2017 Annual Report, increasing competition from China's property developers for residential property development projects in Hong Kong has adversely affected the performance of Hong Kong based property developers which are the Group's major customers. Further, the Directors consider that the demands for construction and ancillary services may be adversely affected by the imposition of the residential property demand-

curbing measures by the Hong Kong Government (including the tightening of the mortgage for residential properties and sharp rise in property stamp duty to 15% adopted by Hong Kong Government) and the recent rise in the mortgage rate as a result of the interest rate hikes in the U.S.. As advised by the Company, any change in the economic conditions in Hong Kong or implementation of further demand-curbing measures by the Hong Kong Government may adversely affect the performance and prospect of the construction and ancillary services of the Group.

In respect of the aviation and traveling services segment, as stated in the 2018 Interim Results Announcement and further confirmed by the Company, all the aircraft agreements were terminated in July 2018 because of termination of aircraft leasing agreements between the Group's respective customer and its lessors. The Group is looking for potential customers for its aircraft management services. As confirmed by the Group, it has no agreement for provision aircraft management service, aircraft sales service or aircraft leasing ancillary services on hand as at the Latest Practicable Date.

Further, as stated in letter from the Guotai Junan Securities in the Offer Document and the letter from the Board in the Response Document, there will be changes in the Board composition with effect from the earliest time as permitted under the Takeovers Code. As confirmed by the Company, among the Outgoing Directors, Mr. Deng Kui and Mr. Liu Gang who have expertise in aviation business have tendered their resignations, while the remaining Directors (including those new Directors nominated by the Offeror, the biography of whom has been set out in the Offer Document) do not have experience in aviation and traveling services business.

In respect of the financial services segment, a subsidiary of the Company has obtained the licenses for regulated activities under SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO) on 14 March 2018. Nevertheless, as stated in the 2018 Interim Results Announcement, the Group is in the stage of planning these regulated activities and has never commenced such business during the 2018 Interim Period and the Group does not intend to conduct any of such regulated business until the approval grant by the SFC to the Offeror becoming a substantial shareholder of all members of the Group. As disclosed in the Letter from Guotai Junan Securities in the Offer Document, the Offeror has obtained the approval from the SFC to be a new substantial shareholder of such subsidiary on 24 August 2018, and intends that the Group may commence business in respect of the abovementioned regulated activities.

Moreover, it was disclosed in the Letter from Guotai Junan Securities in the Offer Document that the Offeror intends that the Group will continue to operate its existing business, namely construction and ancillary services and aviation and traveling service. After the close of the Offer, the Offeror will conduct a detailed review of the financial position and business operations of the Group in order to formulate a long-term strategy for the Group and explore other business/investment opportunities for enhancing its future development and strengthening its revenue bases. As at the Offer Document LPD, the Offeror has not identified such investment or business opportunities.



Taking into consideration of (i) the historical financial performance of the Group's three business segments and the prospects of the Group; and (ii) the proposed change to the Board composition as discussed above, we are of the view that the Independent Shareholders should note the uncertainty in the future performance and development of the Group which will depend on the direction from the new Board on the overall strategic planning of the Group.

## **2. The Offer**

### **(a) Principal terms of the Offer**

Guotai Junan Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, is making the Offer to acquire all the Offer Shares on the terms set out in the Offer Document to be issued in accordance with the Takeovers Code on the following basis:

For each Offer Share held ~~by the Offeror~~ HK\$0.90 in cash

The Offer Price of HK\$0.90 per Offer Share is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Offeror and the Vendor.

The Offer is unconditional in all respects.

As at the Latest Practicable Date, the Company does not have any outstanding warrants, options, derivatives or securities convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company which are convertible or exchangeable into Shares.

Further details of the Offer, including among others, the expected timetable, the terms and procedures of acceptance of the Offer, are set out in the Offer Document.

### **(b) Comparison of value**

The Offer Price of HK\$0.90 represents:

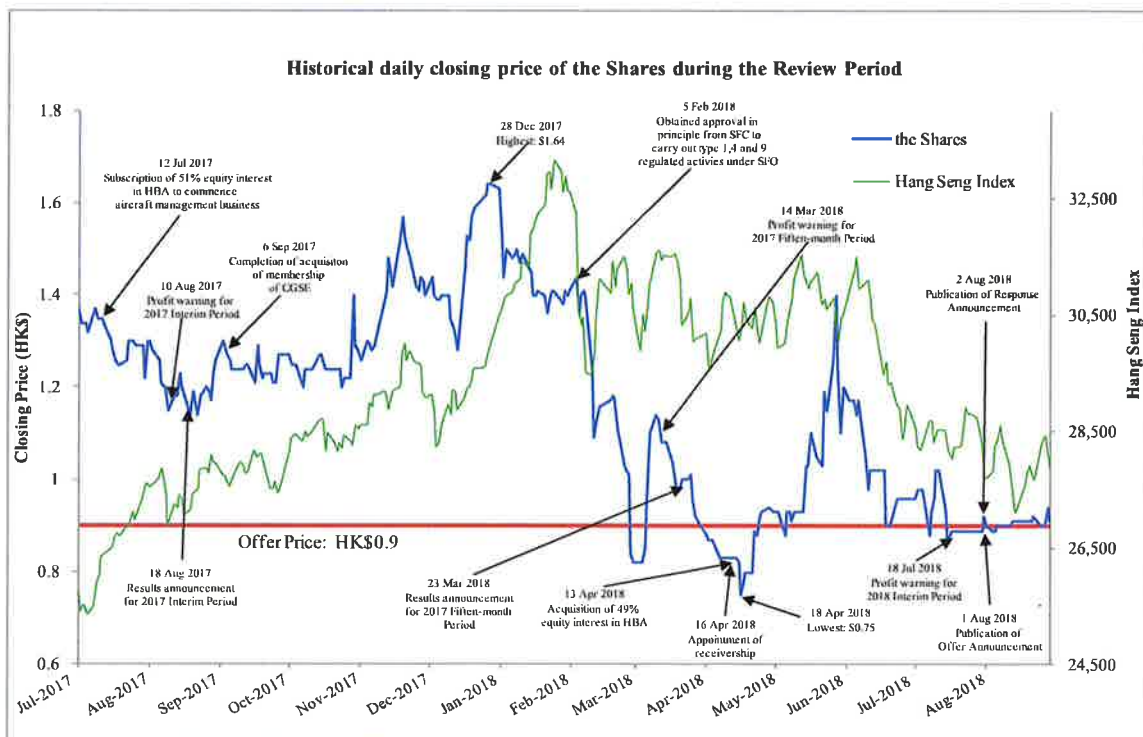
- (i) a premium of approximately 1.12% over the closing price of the Shares of HK\$0.89 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.90% over the average closing price of the Shares of approximately HK\$0.892 per Share for the last 5 consecutive Trading Days up to and including the Last Trading Day;
- (iii) a discount of approximately 1.10% to the average closing price of the Shares of approximately HK\$0.91 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

- (iv) approximately 3.06 times to the audited consolidated net asset value attributable to equity holders of the Company as at 31 December 2017 of approximately HK\$0.294 per Share based on 500,000,000 Shares in issue as at the Offer Document LPD; and
- (v) approximately 3.26 times to the unaudited consolidated net asset value attributable to equity holders of the Company as at 30 June 2018 of approximately HK\$0.276 per Share based on 500,000,000 Shares in issue as at the Latest Practicable Date.

To assess the fairness and reasonableness of the Offer Price, we have analysed the Offer Price with reference to (i) the historical price performance of the Shares; (ii) the historical trading liquidity of the Shares; and (iii) the comparison with market comparables.

(i) *Historical price performance of the Shares*

The chart below depicts the closing price level of the Shares as quoted on the Stock Exchange from 1 July 2017 to the Last Trading Day (both dates inclusive), being around 1-year period immediately preceding the Last Trading Day (the “Pre-Announcement Period”), and from 2 August 2018, being the first day of trading in the Shares after the publication of the Offer Announcement, to the Latest Practicable Date (both dates inclusive) (the “Post-Announcement Period”, together with the Pre-Announcement Period, collectively known as the “Review Period”):



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)), Bloomberg

We consider the length of the Review Period to be reasonably sufficient to illustrate the relationship between the recent trend of the share price of the Shares and the Offer Price.

#### Pre-Announcement Period

During the Pre-Announcement Period, the lowest and highest closing prices of the Shares were HK\$0.75 per Share recorded on 18 April 2018, being the second trading day after the publication of the announcement of the Company in relation to the appointment of receivership over certain Shares owned by the then controlling shareholders of the Company, and HK\$1.64 per Share recorded on 28 December 2017 despite no announcement (other than monthly returns) was made by the Company in that month.

As shown above, the closing price of the Shares was in an uptrend at the beginning of the Review Period and peaked at HK\$1.64 on 28 December 2017. Since then, the closing price had been decreasing and decreased to HK\$0.82 on 2 March 2018, which was followed by a sharp rebound to close at HK\$1.14 on 12 March 2018. Afterwards, however, the closing price of the Shares continued its downtrend and bottomed at HK\$0.75 on 18 April 2018. After reaching the lowest closing price in the Review Period, the Shares traded upward and reached HK\$1.40 on 29 May 2018. For the period from 29 May 2018 to the Last Trading Day, the Shares traded in a range from HK\$0.87 to HK\$1.40 and closed at HK\$0.89 on the Last Trading Day.

It is noted that the Share price was not entirely responsive to the financial performance or business development of the Group as published by the Company. As shown in the chart above, the price remained relatively steady or even dropped slightly after the Group announced its new business developments, in particular, (i) subscription of 51% equity interest in Himalaya Business Aviation Limited (“HBA”) to commence aircraft management business on 12 July 2017; (ii) completion of purchase of membership of CGSE for commencement of precious metal trading business on 6 September 2017; and (iii) obtaining in-principle approval from the SFC to carry out type 1, 4, and 9 regulated activities under the SFO on 5 February 2018. It is also noted that the Share price remained relatively steady after publication of profit warning announcement and results announcements for the 2017 Fifteen-month Period by the Company. There was even a slight increase in the Share price after the Company’s issue of profit warning announcement for the 2018 Interim Period on 18 July 2018.

The Share price closed at over HK\$0.9 for most of the trading days during the Pre-Announcement Period. As shown in the chart above, the movement of the Share price was generally in line with the movement of the Hang Seng Index during the Review Period, except during the period from the beginning of January 2018 to the end of May 2018, during which the Share prices experienced two significant drops, first drop from HK\$1.41 on 8 February 2018 to HK\$0.82 on 2 March 2018 and second drop from HK\$1.14 on 12 March 2018 to HK\$0.75 on 18 April 2018, while the Hang Seng Index remained relatively stable between approximately 29,460 to approximately 31,601 during such period. The Hong Kong stock market is highly influenced by external factors, especially the U.S. and China. Since mid-2018, the Hong Kong stock market has been experiencing a downward trend following the U.S.'s interest rate hike and the trade war between China and the U.S. Given the weakening market sentiment as well as continuing loss-making of the Group's business, it remains uncertain whether the Share price can return to the higher level observed in the Pre-Announcement Period.

#### Post-Announcement Period

On the first trading day, 2 August 2018, after publication of the Announcements, the Share price closed at HK\$0.92, up from HK\$0.89 before trading suspension pending publication of the Announcements. The price then closed at HK\$0.94 or below from 3 August 2018 to the Latest Practicable Date.

#### (ii) *Historical trading liquidity of the Shares*

The table below sets out the total monthly trading volume of the Shares and the percentages of such average daily trading volume to the total issued Shares during the Review Period:

Month/period	Total trading volume for the month/ period	Number of trading days	Average daily trading volume (Note 1)	Average daily trading volume over total number of Share in issue (Note 2)
	Number of Shares	days	Number of Shares	%
<b>2017</b>				
July	3,256,000	21	155,048	0.03
August	2,156,000	22	98,000	0.02
September	2,952,000	21	140,571	0.03
October	1,480,000	20	74,000	0.01
November	27,320,000	22	1,241,818	0.25
December	22,108,001	19	1,163,579	0.23
<b>2018</b>				
January	15,908,000	22	723,091	0.14
February	10,544,000	18	585,778	0.12
March	27,380,000	21	1,303,810	0.26
April	2,696,000	19	141,895	0.03
May	5,200,000	21	247,619	0.05
June	2,076,000	20	103,800	0.02
July	2,248,000	14	160,571	0.03
August (up to the Latest Practicable Date)	9,890,000	22	449,545	0.09

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.
2. The calculation is based on the average daily trading volumes of the Shares divided by the total issued Shares at the end of each month or as at the Latest Practicable Date, as applicable.

During the Review Period, the average daily trading volume ranged from approximately 74,000 Shares to approximately 1,303,810 Shares, representing approximately 0.01% to 0.26% of the total number of Shares in issue as at the end of each respective month/period. The liquidity of the Shares was considered relatively thin throughout the Review Period. Given the inactive trading of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the market price of the Shares.

Having taken into consideration that (i) there is no assurance that the Share price will reach a level above the Offer Price after the close of the Offer; and (ii) the thin liquidity of the Shares as discussed above, we consider that the Offer provides an exit alternative at the Offer Price for the Independent Shareholders who would like to realise their investments in the Shares.

*(iii) Comparable analysis*

In further assessing the fairness and reasonableness of the Offer Price, we have sought to carry out comparable analysis to compare the Offer Price against the market valuation of other comparable companies using the commonly adopted valuation method including price-to-earnings ratio (“P/E”) and price-to-book ratio (“P/B”). However, as the Group was loss making for the 2017 Fifteen-month Period, the P/E comparison is not applicable.

The P/B should be applied for the evaluation of companies engaging in capital-intensive businesses. Given the business model of the Group’s construction and ancillary services or aviation and traveling services is of service-based and asset-light as advised by the Company, we consider the P/B comparison between the Group and the Comparables would not be suitable.

As such, we consider that there is no comparable analysis that is indicative or relevant for comparing with the Offer Price.

Given the above, in particular, (i) the Offer Price represents (a) a premium over both the closing price of the Shares on the Last Trading Day and the 5-day average closing price up to and including the Last Trading Day and (b) approximately 3.26 times to the unaudited consolidated net asset value per Share attributable to equity holders of the Company as at 30 June 2018; (ii) the thin trading volume of the Shares over the Review Period and thus Independent Shareholders may not be able to dispose their Shares in the open market without depressing the price of the Shares; (iii) the Offer provides an exit alternative at the Offer Price for the Independent Shareholders who would like to realise their investments in the Shares; and (iv) there is no assurance that the Share price will reach a level above the Offer Price after the close of the Offer, we are of the view that the Offer Price is fair and reasonable.

### **3. Information on the Offeror and the Offeror's intention on the Group**

#### **(a) Background of the Offeror**

As disclosed in the Offer Document, the Offeror is a company incorporated in the British Virgin Islands with limited liability and is owned as to 75% by Mr. Leong and as to 25% by Ms. Chew respectively. It had been the original controlling shareholder of the Company since its listing in September 2015 until the disposal of its entire interest in the Company in December 2016.

As at the Offer Document LPD, Mr. Leong and Ms. Chew are the only directors and the only beneficial owners of the Offeror.

#### **(b) Intentions of the Offeror on the Group**

As stated in the Letter from Guotai Junan Securities in the Offer Document, it is the intention of the Offeror that, after the close of the Offer, the Group will continue to operate its existing business, namely construction and ancillary services and aviation and traveling businesses. A subsidiary of the Company is a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO), but it has never commenced any business. The Offeror has obtained the approval from the SFC to be a new substantial shareholder of such subsidiary on 24 August 2018, and intends that the Group may commence business in respect of the abovementioned regulated activities.

After the close of the Offer, the Offeror will conduct a detailed review of the financial position and business operations of the Group in order to formulate a long-term strategy for the Group and explore other business/investment opportunities for enhancing its future development and strengthening its revenue bases. However, as at the Offer Document LPD, the Offeror has not identified such investment or business opportunities.

Further, the Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment (except for the proposed change to the Board composition as set out in the Offer Document) or to dispose of or re-allocate the Group's assets other than those in its ordinary course of business.

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board 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.

## RECOMMENDATION

Having considered the aforementioned principal factors and reasons, particularly with regard to:

- (i) the Group recorded net losses for both 2017 Fifteen-month Period and 2018 Interim Period;
- (ii) the declining segment result margin in the principal business segment, construction and ancillary services segment of the Group since FY2016;
- (iii) there are uncertainties in the prospects of the Group's business as explained in the paragraph headed "Prospects of the Group" above;
- (iv) the Offer Price represents (i) a premium over the closing price of the Shares on the Last Trading Day, the average closing price of the Shares for the last 5 consecutive Trading Days up to and including the Last Trading Day; and (ii) approximately 3.26 times to the unaudited consolidated net asset value attributable to equity holders of the Company as at 30 June 2018 based on 500,000,000 Shares in issue as at the Latest Practicable Date;
- (v) the Share price was not entirely responsive to the financial performance and business development of the Group during the Review Period and the relatively thin liquidity of the Shares throughout the Review Period, thus it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the market price of the Shares; and
- (vi) the Offer will provide an exit alternative if the Independent Shareholders wish to realise their investments in the Shares,

we are of the view that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

Independent Shareholders who wish to realise their investments in the Shares should monitor the performance of the Shares. Should the market price of the Shares exceeds the Offer Price, those Independent Shareholders who wish to accept the Offer should consider realising their investments in the open market if the net proceeds from such Shares exceed the net amount receivable under the Offer. However, those Independent Shareholders who are confident in the future prospects of the Group may, having regard to their own circumstances, consider retaining some or all of their interest in the Shares. Independent Shareholders should seek advice from their own professional advisers prior to making any investment decision.

Yours faithfully  
For and on behalf of  
**Celestial Capital Limited**



**Carmen Chan**  
Director

*Ms. Carmen Chan is a licensed person and responsible officer of Celestial Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in the corporate finance industry.*