THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Magnificent Hotel Investments Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

MAGNIFICENT HOTEL INVESTMENTS LIMITED

華大酒店投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 201)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF A PROPERTY IN LONDON, UNITED KINGDOM

A letter from the board of directors of Magnificent Hotel Investments Limited is set out on pages 4 to 14 of this circular.

25 March 2020

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This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at "http://www.magnificenthotelinv.com" and Hong Kong Exchanges and Clearing Limited at "http://www.hkexnews.hk". The English version will prevail in case of any inconsistency between the English and Chinese versions of this circular.

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

"Acquisition"	the acquisition of the Property pursuant to the Purchase Agreement
"associate(s)"	has the meanings ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"Companies"	MHI, SHP and SHH
"Completion"	the closing of the Acquisition pursuant to the terms and conditions of the Purchase Agreement
"Consideration"	the consideration payable by the Purchaser for the Property under the Purchase Agreement
"Director(s)"	director(s) of the Companies
"Fastgrow"	Fastgrow Engineering & Construction Company Limited, a private company incorporated in Hong Kong with limited liability
"GBP"	British Pound(s), the lawful currency of UK
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	an independent third party(ies) which is/are not connected with the chief executive, directors and substantial shareholders of the Companies or any of their respective subsidiaries and their respective associates
"Latest Practicable Date"	18 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein
"Leaseback Agreement"	the leaseback agreement dated 29 January 2020 between the Vendor and the Purchaser in relation to the leaseback of the Property

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MHI" or "Company"	Magnificent Hotel Investments Limited 華大酒店投資有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"MHI Group"	MHI and its subsidiaries
"MHI Share(s)"	share(s) in the share capital of MHI
"MHI Shareholder(s)"	holder(s) of MHI Shares
"Property"	All those premises known as Wood Street Police Headquarter, 37 Wood Street London EC2 UK together with any buildings now or hereafter erected thereon and all additions alterations and improvements thereto under a new 151 years long leasehold interest in the Property, commencing on the completion of the Acquisition
"Purchase Agreement"	the headlease agreement dated 29 January 2020 between the Vendor and the Purchaser in relation to the Acquisition
"Purchaser"	Wood Street Hotel Limited (a private company incorporated in England and Wales with limited liability), an indirect wholly-owned subsidiary of MHI
"SHH"	Shun Ho Holdings Limited 順豪控股有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"SHH Group"	SHH and its subsidiaries
"SHP"	Shun Ho Property Investments Limited 順豪物業投資有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange

"SHP Group"	SHP and its subsidiaries
"sq.ft."	square feet
"sq.m."	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trillion Resources BVI"	Trillion Resources Limited, a private company incorporated in the British Virgin Islands with limited liability
"UK"	the United Kingdom of Great Britain and Northern Ireland
"Vendor"	The Mayor and Commonalty and Citizens of the City of London, the government of the City of London
"Working Day"	any day (other than a Saturday or a Sunday) on which clearing banks in the City of London are actually open for banking business during banking hours and references to "Working Days" shall be construed accordingly
"%"	per cent.

In this circular, save as otherwise stated, figures in GBP are translated to HK$ at the exchange rate of GBP1.00 = HK$10.1135 (which represents the median of bank buy and bank sell rates for telegraphic transfer quoted by HSBC at around 4:00 pm on 29 January 2020) for illustration purposes only. No representation is made that any amount in GBP could be converted at such rates or any other rates.

MAGNIFICENT HOTEL INVESTMENTS LIMITED
華大酒店投資有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 201)

Executive Directors:
Mr. William CHENG Kai Man *(Chairman)*
Mr. Albert HUI Wing Ho
Madam Kimmy LAU Kam May
Madam NG Yuet Ying
Madam Jennie WONG Kwai Fong

Non-Executive Director:
Madam Mabel LUI FUNG Mei Yee

Independent Non-Executive Directors:
Mr. Vincent KWOK Chi Sun
Mr. CHAN Kim Fai
Mr. LAM Kwai Cheung

Registered Office:
3rd Floor, Shun Ho Tower,
24-30 Ice House Street,
Central,
Hong Kong

25 March 2020

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
IN RELATION TO
THE ACQUISITION OF A PROPERTY IN LONDON, UNITED KINGDOM

1. INTRODUCTION

In the announcement dated 29 January 2020 and a supplemental announcement dated 10 February 2020, the boards of directors of the Company, SHP and SHH jointly announced that on 29 January 2020 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company entered into the Purchase Agreement with the Vendor for the acquisition of the Property for a Consideration of GBP40,000,000 (equivalent to approximately HK$404,540,000).

MHI, SHP and SHH are all listed on the Stock Exchange. As at the Latest Practicable Date, SHH controls approximately 63.44% of SHP, SHP in turn controls approximately 71.09% of MHI.

Since one of the applicable percentage ratios for the Acquisition exceeds 25% but is below 100%, the Acquisition constitutes a major transaction for MHI and requires MHI Shareholders' approval. Although shareholders' approval is required pursuant to Rule 14.40 of the Listing Rules, written shareholders' approval may be accepted in lieu of holding general meeting of MHI to approve the Acquisition. Written approvals for the Acquisition have already been obtained by MHI from SHP and Fastgrow, which is a wholly-owned subsidiary of SHP, both of which holds 2,709,650,873 and 2,978,198,581 MHI Shares respectively, representing approximately 30.29% and 33.29% of the total issued MHI Shares respectively. As no MHI Shareholders are required to abstain from voting at a general meeting to approve the Acquisition, such written shareholders' approval will be accepted in lieu of a majority vote at a general meeting of MHI and thus Rule 14.40 of the Listing Rules will be fulfilled. Accordingly, no general meeting will be held by MHI for approval of the Acquisition.

The purpose of this circular is to provide you with further information of the Acquisition and other information in compliance with the requirements of the Listing Rules.

2. THE ACQUISITION

The Purchase Agreement

Date 29 January 2020

Completion date 29 January 2020. The Consideration shall be settled in full simultaneous exchange and completion of the Purchase Agreement and was paid in cash by the Purchaser.

Parties

Vendor The Mayor and Commonalty and Citizens of the City of London, the government of the City of London.

Purchaser Wood Street Hotel Limited (a private company incorporated in England and Wales with limited liability), an indirect wholly-owned subsidiary of MHI.

To the best of the knowledge, information and belief of the Board, after making all reasonable enquiries, as at the date of the Purchase Agreement and as at the date of this circular, the Vendor and the ultimate beneficial owners of the Vendor are Independent Third Parties.

Consideration and Completion

The Consideration for the Acquisition is GBP40,000,000 (equivalent to approximately HK$404,540,000). The Consideration has been settled in full upon the simultaneous exchange and completion of the Purchase Agreement and was paid in cash by the Purchaser.

One of the distinguishing features of the UK conveyancing practice and procedures which the Acquisition follows from that of Hong Kong is that proof of title to the properties had been achieved upon signing of the Purchase Agreement. As such it is common practice in the UK (and in the case of the Acquisition) that full-payment having been made upon signing of the Purchase Agreement. At the time of signing the Purchase Agreement, the title to the Property had been proved to the Purchaser.

The Acquisition is conducted in accordance with the normal conveyancing practice in the UK and the Purchase Agreement is governed by and construed in accordance with the laws of England and Wales.

The Consideration was determined based on the bid price made by the Purchaser during a public tender which was in turn determined with reference to (i) the prevailing property market conditions of the area according to the market research conducted by Knight Frank, a global real estate consultant, being made available to the Directors, an extract of the summary is provided below; and (ii) the development potential of the Property as of the date of the biding the public tender. The valuation of the Property has been rendered by Allsop LLP at GBP40,000,000, details of which are set out in Appendix III – Property Valuation of the Property in this circular.

The table below sets out an extract of the market research conducted by Knight Frank:

No.	Address	Purchase price *(GBP)*	Size *(sq.ft.)*	Purchase Price Per sq.ft. *GBP*	*HK$*	Date of sale
1.	BeWilson, 70 Wilson Street, London EC2	92,500,000	74,388	1,243	12,571	Feb 2020
2.	272 High Holborn, London WC1	80,200,000	77,152	1,040	10,518	Jan 2020
3.	24-25 Britton Street, London EC1	64,500,000	49,903	1,293	13,077	Dec 2019
4.	Epworth House, 25 City Road, London EC1	73,000,000	62,789	1,163	11,762	Dec 2019

No.	Address	Purchase price *(GBP)*	Size *(sq.ft.)*	Purchase Price Per sq.ft. *GBP*	*HK$*	Date of sale
5.	90 Chancery Lane, London WC2	34,000,000	30,609	1,111	11,236	Dec 2019
6.	100 Cheapside, London EC2	141,000,000	101,823	1,385	14,007	Dec 2019
7.	40 Chancery Lane, London WC2	121,300,000	103,700	1,170	11,833	Dec 2019

The selection criteria of the above comparable properties include (i) their proximity to the Property; (ii) their usage for commercial and non-residential purpose which is similar to that of the Property; (iii) their transaction dates, being in December 2019 and January 2020, which were very close to the Completion; and (iv) the publicly available information of comparable transactions at the relevant time. As such, the Board considers that these comparable transactions are fair and representative samples from the neighbourhood.

The Consideration based on GBP341 (equivalent to approximately HK$3,500) per sq.ft. gross based on 117,472 sq.ft. total gross internal area was derived with reference to the market value of the above comparable properties less the renovation costs and profit margin. Such Consideration was funded by the internal resources of the MHI Group.

The Directors (including the independent non-executive Directors) consider the Acquisition has been made on normal commercial terms which are fair and reasonable and are of the view that the Acquisition is in the interest of the Company and its shareholders as a whole.

3. INFORMATION ON THE PROPERTY

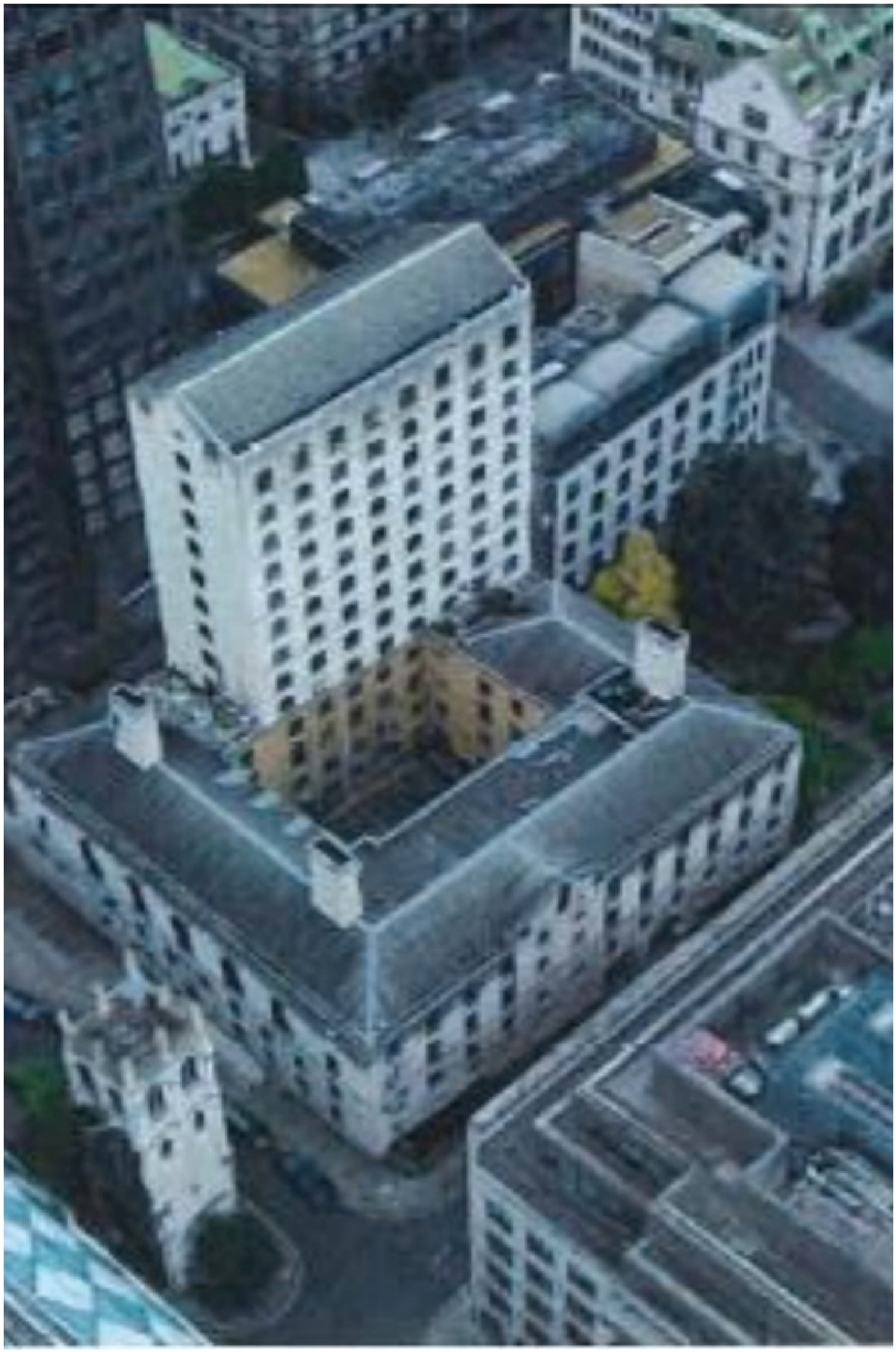
The Property is situated at Wood Street Police Headquarter, 37 Wood Street London EC2 UK together with any buildings now or hereafter erected thereon, the total gross internal area of the Property is 117,472 sq.ft. (10,913.3 sq.m.). The Property is 0.18 hectare (approximately 20,000 sq.ft.) island site. The Property is purchased on a new long lease of 151 years commencing from the Completion at a peppercorn rent.

The Property is located in the core of the City of London, approximately 350 metres north west of the Bank of England. The Property occupies a prominent corner position at the junction of Wood Street and Love Lane. The Property is located within 6 minutes' walk of Liverpool Street Station and Moorgate Crossrail Station.

The Property is the Grade II* listed building. It comprises two primary forms, a four storey building built around a large courtyard, with a 12 storey tower to the north east corner of the site. Constructed between 1963-66 by McMorran and Whitby. It is a striking example of neo-classical architecture. The Property was purpose built for the City of London Police Headquarter.

The Property is currently occupied by the City of London Police. Following completion of the Acquisition, the Vendor shall occupy the Property as a police station house and expires on 10 June 2021 in accordance with the Leaseback Agreement dated 29 January 2020 entered between the Vendor and the Purchaser. During the period from 29 January 2020 up to and including 10 December 2020, the rent shall be a peppercorn. The Leaseback Agreement and peppercorn rent is one of the sale conditions imposed by the Vendor under the Purchase Agreement and is part and parcel of the Purchase Agreement in which such arrangement was non-negotiable with the Vendor. The purpose of such sale condition was initially to allow sufficient time after the Completion to be given to the Metropolitan Police to relocate without incurring any significant payment of rent. Upon further negotiation with the Vendor, the Company had subsequently succeeded in asking for a rent of approximately GBP0.8 million (equivalent to approximately HK$8.1 million) per annum commencing from 11 December 2020, exclusive of value added tax and all charges for electricity and other services consumed at or in relation to the Property, which shall be paid on a monthly basis. Such rent was agreed between the Vendor (as the tenant) and the Purchaser (as the landlord) under the Leaseback Agreement. The Directors consider that the rental payment under the leaseback period is fair and reasonable given no rent would have been expected at all as part of the sale conditions of the Acquisition had the Company not negotiated with the Vendor. As a result of such negotiation, the Vendor therefore has the specific right to early terminate the Leaseback Agreement at any time after 31 July 2020 by giving not less than one month's prior notice in writing of such desire to the Purchaser. In the event of the Metropolitan Police failing to vacate the Property on or before 10 December 2020, the Vendor will be subject to the annual rent of approximately GBP0.8 million going forward until expiry of the Leaseback Agreement. The Directors consider that such arrangement is in the interest of the Company and its shareholders as a whole.

The Directors consider the Acquisition of the Property provide an excellent opportunity for the Company to own a deluxe heritage hotel in the part of the City of London. As such, the Directors consider it is fair and reasonable to accept the terms of the Leaseback Agreement for a period not longer than 18 months with a fair rental income while the Company may concurrently apply for the planning consent approval for the proposed hotel plan and preparation of construction tender before work can be started.



The Property
Wood Street Police Headquarter, 37 Wood Street London EC2 UK

The Property
Wood Street Police Headquarter, 37 Wood Street London EC2 UK

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The MHI Group is principally engaged in hotel development and management and property leasing. The Acquisition is considered by MHI to be in its ordinary and usual course of business.

The Vendor is The Mayor and Commonalty and Citizens of the City of London, the government of the City of London. Sir Michael Snyder, chairman of the City of London Corporation's Capital Buildings Committee, said: "The sale of Wood Street offers the opportunity to help meet growing demand for overnight accommodation in the central Square Mile of the City. As we work towards realizing our vision of the City as a 24/7 destination, it is estimated more than 4,000 hotel rooms will be required to meet demand from workers, tourists and residents. The announcement of this development is another step in the right direction towards meeting this target."

Given the vibrant economic importance of center district, the City of London, UK and the development prospect of the Property, the Boards believes that the Acquisition provides an excellent investment opportunity for the MHI Group (a member of the SHP Group and SHH Group) to expand and diversify into property investments in the City of London, one of the world's biggest commercial and tourist center. The Boards is also of the view that the Acquisition will allow the MHI Group to strategically increase its investment in London, UK.

The purchase price of GBP40,000,000 (equivalent to approximately HK$404,540,000), represents a good opportunity for the MHI Group to acquire a sizeable property in the Central London location at a relative low price at GBP341 (equivalent to approximately HK$3,500) per sq.ft. gross based on 117,472 sq.ft. total gross internal area. The Acquisition also allows the MHI Group to enter into the London commercial and tourism center and to benefit from considerable refurbishment potential and its future incomes.

Planning consent approval will be required from the Planning Authority of the City of London for any change of use from existing sui generis use to office, retail use or hotel use. The Company intends to apply for the usage of the Property for a hotel housing 200 guest rooms with restaurant, bar, spa, gym and meeting rooms. It will take approximately three months to prepare for the details of such planning consent approval application. It is expected that a further nine months will be required for obtaining final planning consent approval. As the Leaseback Agreement does not provide for an early termination clause by the Company, the preparation of construction work at the Property will only commence when the Metropolitan Police vacated the Property or when the Leaseback Agreement expired, whichever is sooner. To the best of knowledge, information and belief of the Directors, it is not apparent whether there will be any cost and compensation payable by the Company in relation to the application for the consent/change of use of the Property. However, should there be any cost and compensation to be paid by the Company in relation to such application, the Company has sufficient internal resources to pay for such cost and compensation.

As stated in the property valuation report in Appendix III in this circular, the headlease contains overage clause, which is triggered if the building is re-developed to a size in excess of 123,000 sq.ft. gross internal area and a disposal with the benefit of such permission which has not been implemented. The overage payment is GBP162.50 multiplied by the number of square feet of gross internal area allowable by the planning permission in excess of 123,000 sq.ft.. The proposed floor plan of the Company for redeveloping the Property does not exceed 123,000 sq.ft. and that the Company has no intention to change or alter the proposed floor plan. Accordingly, the Company is of the view that the overage clause will not be triggered and that no overage payment will be made by the Company.

The excellent location of the Property being in the center of the City of London is ideal for conversion to a grade A office, and retail and food/beverages mix uses. However, the management consider even more excellent plan to renovate this high profile well located heritage building to become a deluxe heritage hotel of about 200 guest rooms with restaurant, bar, ballroom and spa with gross internal area about 117,472 sq.ft. The management is proud of having this opportunity to renovate this deluxe and heritage building in the City of London.

A positive pre-consent application meeting was held with the Planning Department, in which the following matters were discussed and agreed:

- Internal alterations to reconfigure and rationalise the existing building could be undertaken
- Conversion of the two storey basement space, for a mix of commercial uses
- Infill of the courtyard, to be of high quality materials and detailing, having regard for the historic interest of the building
- An office scheme would be supported
- Potential for conversion to hotel use, which would offer the opportunity to retain interior features within the building and protect the building's heritage
- A mix of complementary commercial uses at ground and basement, including A1, and/or D2.

Since MHI is a 71.09%-owned subsidiary of SHP, which in turn is a 63.44%-owned subsidiary of SHH, both SHP and SHH will benefit from the Acquisition through its shareholdings in MHI. For the above reasons, the board of directors of MHI is of the view that the Acquisition is in the best interests of the Company and its shareholders as a whole.

5. FINANCIAL EFFECTS OF THE ACQUISITION

After completion of the Acquisition of the Property, any fair value change of the Property will also be reflected in the profit and loss of the MHI Group.

After completion of the Acquisition and during the lease period under the Leaseback Agreement, the Property will be recognized as an investment property of the MHI Group and will be subject to annual fair value assessment.

The total assets will be increased from approximately HK$421.6 million in investment properties and offset by decrease of bank and cash of approximately HK$422.4 million, resulting in a net decrease of total assets of approximately HK$0.8 million. No changes in the total liabilities are noted as the Acquisition has been fully financed by the internal resources of the MHI Group.

6. INFORMATION ON MHI

MHI is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the MHI Group include hotel development and management and property leasing.

7. INFORMATION ON THE VENDOR

To the best knowledge and information of the Directors, the Vendor is The Mayor and Commonalty and Citizens of the City of London, the government of the City of London.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficiary owner(s) are Independent Third Parties.

8. ADDITIONAL INFORMATION

As the Vendor is The Mayor and Commonalty and Citizens of the City of London, the government of the City of London and as the Property has been occupied by the City of London Police, no identifiable income steam and/or relevant books and records are available in respect of the Property. Accordingly, the preparation of a profit and loss statement for the three preceding financial years on the identifiable income stream in relation to the Property under Rule 14.67(6)(b)(i) of the Listing Rules will not be required.

As disclosed above, written shareholders' approval has already been obtained for the Acquisition. The Directors will like to further supplement that, if the Company was to convene a general meeting to approve the Acquisition, the Directors will recommend MHI Shareholders to vote in favour of the Acquisition as the board of directors of MHI is of the view that the Acquisition is in the best interests of the Company and its shareholders as a whole as stated in the paragraph headed "Reasons For and Benefits of the Acquisition" in this section.

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

Yours faithfully,
For and on behalf of the Board of
Magnificent Hotel Investments Limited
William CHENG Kai Man
Chairman

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE MHI GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2016, 2017, 2018 AND THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The audited consolidated financial statements of the MHI Group (a) for the year ended 31 December 2016 are set out from page 32 to page 90 in the 2016 Annual Report of the Company, which was published on 20 April 2017; (b) for the year ended 31 December 2017 are set out from page 34 to page 90 in the 2017 Annual Report of the Company, which was published on 20 April 2018; (c) for the year ended 31 December 2018 are set out from page 39 to page 104 in the 2018 Annual Report of the Company, which was published on 17 April 2019; and (d) the condensed consolidated financial statements for the six months ended 30 June 2019 are set out from page 16 to page 48 in the 2019 Interim Report of the Company, which was publish on 26 September 2019.

The aforesaid Annual Reports and results announcement are available on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.magnificenthotelinv.com). In particular, the web links of the Annual Reports are as follows:

2016 Annual Report

https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0420/ltn20170420123.pdf

2017 Annual Report

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0420/ltn20180420319.pdf

2018 Annual Report

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn20190417207.pdf

2019 Interim Report

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0926/ltn20190926049.pdf

2. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the MHI Group had the following outstanding bank and other borrowings:

(i) unguaranteed and unsecured advance from SHP amounting to approximately HK$33.5 million; and

(ii) bank borrowings of approximately HK$390.0 million which was guaranteed by the Company and secured by (a) fixed charges on certain of the MHI Group's properties, (b) equity interests in certain subsidiaries of the MHI Group, (c) assignment of the MHI Group's rental revenue, (d) charge over deposits and securities of a subsidiary of the MHI Group and (e) assignment of insurance on a property of the MHI Group.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the MHI Group did not have outstanding at the close of business on 31 January 2020 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees, lease obligations or material contingent liabilities.

3. FINANCIAL AND TRADING PROSPECT OF THE MHI GROUP

MHI has currently eight income producing hotels, six in Hong Kong, one in Shanghai, one in UK, and the newly acquired Wood Street Hotel refurbishment project will be the ninth income producing hotel (income from the Vendor under the Leaseback Agreement commencing from 11 December 2020 and the income from the hotel rooms and other facilities after conversion of the existing use of the Property). The profit after tax of the MHI Group in 2017 and 2018 were HK$152,174,000 and HK$260,349,000 respectively. The profit after tax of the MHI Group for 2019 interim results was HK$57,599,000.

The MHI Group has been enjoying strong incomes generated from its many successful hotels in the first half of 2019. The hotel group is privileged to have a valuable and strong income producing assets base while keeping a low gearing ratio of 10% against shareholder fund of HK$4,068 million as at 30 June 2019.

The MHI Group's such low gearing ratio allow plenty of financial ability to meet the refurbishment costs of the Wood Street Hotel and acquisition of future income-producing properties and development projects.

The MHI Group is suffering from an adverse hotel business situation because of the social unrests since June 2019 and the outbreak of the novel coronavirus in December 2019.

However, because of the many attractions in Hong Kong, the Directors believe that the hotel business will promptly rebound after the current adverse crisis subsides.

4. WORKING CAPITAL

After taking into account the completion of the Acquisition and the financial resources available to the MHI Group including the present available facilities, the Directors are of the opinion that the MHI Group will have sufficient working capital to satisfy its requirements for 12 months from the date of this circular.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MHI GROUP

Introduction

The following is an illustrative and unaudited pro forma condensed consolidated statement of assets and liabilities ("**Unaudited Pro Forma Financial Information**") of Magnificent Hotel Investment Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**MHI Group**") as at 30 June 2019 in connection with the acquisition of a property in London, United Kingdom (the "**Acquisition**"). The Unaudited Pro Forma Financial Information presented below is prepared to illustrate effect of the Acquisition on assets and liabilities of the MHI Group as if the Acquisition had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position as at 30 June 2019 extracted from the MHI Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019, after making the pro forma adjustments relating to the Acquisition that are directly attributable to the Acquisition and not related to future events or decisions; and factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual assets and liabilities of the MHI Group that would have been attained had the Acquisition been completed on 30 June 2019 nor purport to predict the MHI Group's future assets and liabilities.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the MHI Group as set out in the published interim report the MHI Group for the six months ended 30 June 2019, and other financial information included elsewhere in the circular.

B. UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AT 30 JUNE 2019

	The MHI Group as at 30 June 2019	Pro forma adjustments		The MHI Group after acquisition
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)			
	(Note 1)	*(Note 2)*	*(Note 3)*	
NON-CURRENT ASSETS				
Property, plant and equipment	2,634,206	–	–	2,634,206
Right-of-use assets	27,513	–	–	27,513
Investment properties	1,097,400	421,624	–	1,519,024
Equity instruments at fair value through other comprehensive income	329,115	–	–	329,115
Deposit paid for acquisition of property, plant and equipment	5,800	–	–	5,800
	4,094,034	421,624	–	4,515,658
CURRENT ASSETS				
Inventories	1,113	–	–	1,113
Trade and other receivables	12,186	–	–	12,186
Other deposits and prepayments	10,947	–	–	10,947
Bank balances and cash	512,405	(421,624)	(830)	89,951
	536,651	(421,624)	(830)	114,197
CURRENT LIABILITIES				
Trade and other payables and accruals	26,054	–	–	26,054
Rental and other deposits received	10,686	–	–	10,686
Contract liabilities	4,646	–	–	4,646
Tax liabilities	22,494	–	–	22,494
Bank loans	130,870	–	–	130,870
	194,750	–	–	194,750
NET CURRENT ASSETS (LIABILITIES)	341,901	(421,624)	(830)	(80,553)
TOTAL ASSETS LESS CURRENT LIABILITIES	4,435,935	–	(830)	4,435,105
NON-CURRENT LIABILITIES				
Bank loans	268,260	–	–	268,260
Rental deposits received	1,646	–	–	1,646
Deferred tax liabilities	98,113	–	–	98,113
	368,019	–	–	368,019
NET ASSETS	4,067,916	–	(830)	4,067,086

Notes:

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the MHI Group as at 30 June 2019, as set out in the published interim report of the Company for the six months ended 30 June 2019.

2. The adjustment represents the acquisition of the Property as if the completion of the Purchase Agreement of the Property, for pro forma purpose, takes place on 30 June 2019. It is to reflect (i) the Acquisition at a fixed purchase price of GBP40,000,000 determined on the basis as set out on page 6 to this Circular (equivalent to approximately HK$396,800,000 with reference to the exchange rate as at 30 June 2019) and (ii) the incremental costs amounting to HK$24,824,000, which are directly attributable costs of the Acquisition, including the stamp duty of GBP1,989,500 (equivalent to approximately HK$19,736,000 with reference to the exchange rate as at 30 June 2019), legal fee of GBP111,150 (equivalent to approximately HK$1,102,000 with reference to the exchange rate as at 30 June 2019) and the overseas agency fee of GBP300,000 (equivalent to approximately HK$2,976,000 with reference to the exchange rate as at 30 June 2019) and Hong Kong agency fee of HK$1,010,000. The estimated total acquisition costs are HK$421,624,000. No representation is made that GBP amount have been or could have been or could be converted to HK$, or vice versa, at the applied rate or at any other rates, or at all.

   The property is to be held by the MHI Group to earn rentals under the Leaseback Agreement and hence is classified as an investment property, which is initially measured at cost and subsequently measured at fair value. Change in fair value of investment property will be recognised profit or loss. In preparing the Unaudited Pro Forma Financial Information, the directors of the Company assume the deemed fair value of the Property as at 30 June 2019 is approximately GBP40,000,000, which is approximately equivalent to the purchase price of the Property as if the Acquisition had been completed as at 30 June 2019.

3. The adjustment represents payment of the estimated transaction costs attributable to the preparation of this Circular of approximately HK$830,000.

4. No adjustment have been made to reflect any trading results or other transactions of the MHI Group entered into subsequent to 30 June 2019.

5. For the purpose of the unaudited pro forma adjustments in this Unaudited Pro Forma Financial Information, the exchange rate of GBP1 to HK$9.92 has been applied as at 30 June 2019. No representation is made that GBP amount have been or could have been or could be converted to HK$, or vice versa, at the applied rate or at any other rates, or at all.

C. ACCOUNTANTS' REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

Deloitte. 德勤

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

TO THE DIRECTORS OF MAGNIFICENT HOTEL INVESTMENTS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Magnificent Hotel Investments Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of assets and liabilities as at 30 June 2019 and related notes as set out in page 17 to 19 of the circular issued by the Company dated 25 March 2020 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in page 17 to 19 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of a property in London, United Kingdom (the "**Acquisition**") on the Group's financial position as at 30 June 2019 as if the Acquisition had taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2019, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2020

The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular received from Allsop LLP, an independent valuer, in connection with its valuation as at 24 February 2020 of the Property to be acquired by Magnificent Hotel Investments Limited.

24 February 2020

The Directors
Wood Street Hotel Ltd
c/o Shun Ho Holdings Limited
Shun Ho Property Investments Limited
Magnificent Hotel Investments Limited
3/F Shun Ho Tower
24-30 Ice House Street
Central Hong Kong

Dear Sirs

WOOD STREET HOTEL LIMITED ("THE COMPANY")
37 WOOD STREET, LONDON, EC2P 2NQ ("THE PROPERTY")

In accordance with instructions received from the Directors of Wood Street Hotel Ltd c/o Shun Ho Holdings Limited and its subsidiaries ("**the Company**"), the leasehold interest in the above development property has been valued as at 24 February 2020 for acquisition purposes.

We are of the opinion that we are acting as external valuers in accordance with the RICS Valuation – Global Standards (with effect from 31 January 2020) and we confirm that in accordance with your instructions we meet the criteria of an independent valuer. We confirm that the valuer has the knowledge, skills and understanding to undertake this valuation competently.

The valuation has been carried out in compliance with the RICS Valuation – Global Standards 2020. The RICS Valuation – Global Standards applies the latest International Valuation Standards. The interest has been valued subject to and with the benefit of any lettings which have been disclosed. No allowance has been made for expenses incurred in sale nor for taxation that may arise in the event of a disposal, deemed or otherwise, although valuations are net of a purchaser's costs. Estimates of rental or capital value exclude any VAT that may be applicable. Our opinion of value is stated in £Sterling.

We have relied upon information provided by the Company and a Report on Title prepared by DLA Piper dated 18 December 2019, for Wood Street Hotel Ltd, in respect of the tenure and occupational tenancies of the property. We would advise that your solicitors verify the accuracy of the information that we have been given. We have had sight of Building Survey Technical Due Diligence Report prepared by Cushman & Wakefield, dated 18 December 2018, for City of London Corporation (the vendor of the property). We have relied on floor areas provided within the sales marketing particulars, which we understand have been measured by Plowman Craven Associates in accordance with the RICS Code of Measuring Practice 6th Edition on both a net and gross basis. We have had sight of a Feasibility Document (Rev. 05) prepared by Dexter Moren Associates, dated December 2019, for Magnificent Hotel Investments Ltd. We have also had sight of a Pre-Application Response Letter from the Principal Planning Officer, Department of the Built Environment, City of London, dated 20 May 2019, addressed to Cushman & Wakefield.

With regards to (a) the Report on Title and (b) the Building Technical Due Diligence Report (together referred to as the "**Reports**"), the information gleaned from these Reports is listed within our valuation report, i.e. Section 11 (Tenure) with respect to the Report on Title and Section 6 (Apparent State of Repair) with respect to the Building Technical Due Diligence Report. The Report on Title states that subject to the matters set out in the Report on Title the landlord has good and marketable title to the Property and is registered at HM Land Registry as the registered proprietor, upon completion of registration at HM Land Registry after the grant of the lease of the Property to you, you will acquire good and marketable leasehold title to the property; and they are not aware of any reason why you should not be registered at HM Land Registry as the registered proprietor of the Property. In terms of encumbrances there is an overage deed and a disposal of the headlease during the first three years of the term, will attract an "anti-embarrassment" payment of 50% of any net uplift. Additionally, and to the extent that you have obtained planning permission for a scheme allowing gross internal area of more than 123,000 sq ft, and either implement that scheme or make a disposal with the benefit of that permission, you will pay overage of £162.50 psf of gross internal area permitted by the permission in excess of 123,000 sft. The terms and effect of the overage deed will cease to apply three years after the date of completion of the headlease.

Documents of title and leases have not been inspected and for the purpose of this valuation details of tenure, tenancies, planning, statutory notices, floor areas and other relevant information supplied by the Company or its advisors have been accepted as correct. The property has been valued on this basis and the understanding that there are no undisclosed matters that would affect the valuation. It is assumed, unless otherwise advised, that the title deeds and leases do not contain any unusual or onerous restrictions, covenants or other encumbrances which would affect the value of the property.

Save as otherwise disclosed, it has been assumed for the purposes of valuation, that the relevant interest in the property is free of mortgage, charge or other debt security and no deduction has been made for such charge or debt.

We have made internet enquiries of the planning department of City of London Corporation of with regard to the existence of any planning consents over the property. The property is Grade II* Listed but is not within a conservation area. The use of the property permitted by the planning legislation is as a police station pursuant to a permission dated 23 February 1961 (reference AR/TP.86998/NE). In terms of restrictive/onerous planning conditions, it is our understanding, that the 1961 permission only contains one on-going condition, that the car park shall be provided and retained permanently for the accommodation of vehicles of the occupiers and users of the building only and for no other purpose. This condition may need to be amended or removed as and when the property is re-developed.

We have had sight of a Pre Application Response Letter ("**PARL**") from the Principal Planning Officer, Department of the Built Environment, City of London, dated 20 May 2019, addressed to Cushman & Wakefield. The PARL refers to potential alternative uses for the property and highlights that the Local Plan emphasises the need to maintain the City of London's role as the world's leading international financial and professional services centre. Given that the surrounding buildings are largely in office use, the presumption is that B1(a) offices would be the preferred use for the subject property. Hence, a move away from office use would be on the basis that the property cannot be utilised as office accommodation due to constraints imposed by the Grade II* Listing. The PARL states that there may be potential for conversion to hotel use, which may offer an opportunity to retain interior features within the building, but the City of London would need to be satisfied that this is the most effective way of protecting the buildings heritage.

No planning consents have been inspected save those disclosed by the Company, and it is assumed that the property was erected, is occupied and used in accordance with all requisite consents and that there are no statutory requirements or notices outstanding. Where planning enquiries have been instituted information supplied by planning officers has been given without liability on their part and accordingly responsibility for this information cannot be accepted.

We have had sight of Building Survey Technical Due Diligence Report ("**BSTDDR**") prepared by Cushman & Wakefield, dated 18 December 2018, for City of London Corporation (the vendor of the property). The BSTDDR states that provided you take into consideration the issues raised within the report and on the basis of the terms of their brief and limitations, from a technical perspective they have not identified any significant issues. The BSTDDR provides costings for the various repair works that have been identified over the next five years; the cost estimate are exclusive of VAT and professional fees. The cost implication for year 1 and years 2 to 5 is estimated to be £1,561,500 and £246,000 respectively. The property is currently leased, to The Mayor and Commonalty and Citizens of the City of London (utilised by City of London Police), with an expiry in 10 June 2021; at which point the property provides a re-development opportunity. Hence, the repair and subsequent costs are only relevant if the property is to be utilised in its current format. If, however, the property is re-developed then the identified repair works will largely be immaterial, as any comprehensive re-development scheme will encompass works that supersede the items of repair that have been identified.

We have not had sight of any cost estimates or tenders for the proposed hotel re-development. For the purpose of our valuation we have researched/consulted BCIS (The Building Cost Information Service) on line, who are a provider of cost and price information for the UK construction industry. The BCIS approach is the most popular costing method employed by quantity surveyors in the UK.

Based on the information provided by BCIS hotel build costs within the City of London range from £140 psf to £355 psf. For the purpose of our valuation we have adopted the higher figure, £355 psf, as our cost estimate for re-developing the property into a hotel. The reason being that firstly, in our opinion, any re-development scheme for this property will undoubtedly involve greater cost, reflecting the Grade II* Listed nature of the property. Secondly, in order to secure a high rental room rate the property needs to be finished to a high standard reflecting the type and style of accommodation associated with high end luxury boutique hotels.

The property has not been structurally surveyed for the purpose of the valuation, nor have the services been tested. The property has been valued on the assumption that no known deleterious materials or techniques have been used in the construction of the building and that the ground is not susceptible to subsidence, shrinkage or any other similar hazard. No responsibility is accepted for any existing defects nor for those which may arise in the future.

The property was inspected externally by Vik Shukla BSc (Hons) MRICS (RICS no. 1105515) and Edward Dunningham BSc (Hons) MRICS (RICS No. 0085633) on 11 February 2020. Please note that our inspection of the property was limited to the external fabric of the building, which was conducted from ground floor level only, and we were unable to gain access to the roof. We were not able to inspect any part of the property internally; the reason being that the property is occupied by the Police, who we understand carry out sensitive anti-terrorist work from this site and they have explicitly stated that no internal inspections would be permitted. It is assumed that those areas to which we were unable to gain access would not reveal any material defects or cause us to materially alter our valuation figure.

We have been informed by the Company that the Company has established procedures for the inspection of the subject property to be carried out with particular reference to environmental matters, and that any such matters identified receive appropriate attention. We have not been provided with information to the contrary, and have assumed that the property is not, nor is likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the property. Where we have received evidence from the Company regarding contamination, we have reflected this in our valuation but, unless otherwise stated, have assumed that the cost of any decontamination work would be immaterial thereto.

The scope of our report does not extend to advice in relation to problems that may arise due to the failure of computerised service systems. In particular, we have not arranged for any investigations to be carried out to determine whether or not all equipment, plant and machinery and services which form part of or are contained within the property which forms the subject matter of the valuation and all equipment, plant and machinery and services of suppliers or other third parties which may impact upon the property meet current requirements/standards. We are therefore unable to report that the equipment, plant and machinery and services referred to above comply with all relevant standards and requirements. For the purposes of our valuation therefore, we have assumed that the value of the property will not be adversely affected by any problems with computerised equipment, plant or machinery which does not meet the relevant standards or requirements. Should it be established subsequently that the property may be affected by problems with computerised equipment plant or other services, this may reduce the value reported below.

We have assumed that if Energy Performance Certificates are required these are in place.

Whilst we have researched and arrived at an opinion of Market Rent for the property as a hotel, it is important to note that the property would either be operated by an owner occupier or operated under the terms of a management agreement; as is usually the case for majority of properties within the hotel sector. Based on our research and discussions with agents who specialise in this area of the market, we are of the opinion that once re-developed into a hotel, the property would attract a per room rental rate of between £25,000 and £30,000 pa; due to the location and quality of end product, it is considered that the upper end of this range is appropriate. Our opinion of Market Rent is £5,527,500 pa, which equates to £27,500 pa per room/per key. We would expect demand to come from high end luxury and boutique hotel operators, who would look to take a lease (usually 25 to 35 years term certain) over the property. However, the more likely option would be for a sale to a hotel operator or occupation under a management agreement.

In arriving at our valuation of the subject property we have adopted a comparable and residual approach. The comparative approach has been utilised in respect of the establishing the exit value of the hotel (once re-developed) and involves analysis of recent market sales evidence of similar properties. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. With respect to the residual approach, the value of the subject property has been assessed by making reference to the best use in accordance with the headlease and other statutory restrictions governing the use of the subject property. The approach involves the assessment of the gross development value, from which the total development costs and allowances for risk and profit are deducted, to arrive at a "residual" sum which represents the market value of the subject property.

The subject property was brought to the market for disposal by Cushman & Wakefield in June of 2019. Based on our discussions with Cushman & Wakefield it is our understanding that the property generated very good levels of interest during its marketing period with approximately 130 or so viewings taking place. The property generated interest largely from hotel operators and a small number of institutions. The agent responsible for disposal of the property has advised that the vendor received 20 bids. Furthermore, we have been advised that the property was not sold to the highest bidder i.e. there was an over bidder and the level of that bid was approximately £1 million ahead of the purchase price paid by Wood Street Hotel Ltd being £40 million.

Having regard to the foregoing, it is considered that the Market Value (the definition of which is attached hereto) of the leasehold interest held by the Company in the property as at 24 February 2020, subject to and with the benefit of the tenancies currently subsisting as attached, is:–

£40,000,000
(Forty Million Pounds)

It is confirmed that the valuation has been carried out by a valuer who is qualified for the purposes required and the property was inspected externally on 11 February 2020 by Vik Shukla BSc (Hons) MRICS (RICS no. 1105515) and Edward Dunningham BSc (Hons) MRICS (RICS No. 0085633). Vik Shukla and Edward Dunningham have over 15 and 25 years of valuation experience, respectively, in valuing properties within the location that the subject Property sits. With respect to experience of working at Allsop LLP, Vik Shukla and Edward Dunningham have both worked at Allsop LLP for approximately 2.25 and 27 years respectively.

This Short Format Valuation Report is provided for the stated purpose and for the sole use of the named client. It is confidential to the client and its professional advisers and the valuer accepts no responsibility whatsoever to any other person.

Where Allsop is responsible for providing advice and/or services to you then, to the fullest extent permitted by law and regulation, no individual who is a member or employee of, or consultant to, Allsop accepts or assumes responsibility to you or to anyone for advice and services provided to you, whether or not the individual is described as a "partner". You agree (to the extent such agreement is enforceable under applicable laws and regulations) that you will not bring any claim in connection with any advice and/or services provided to you, whether on the basis of contract, tort (including, without limitation, negligence), breach of statutory duty or otherwise, against any member or employee of, or consultant to, Allsop but this will not limit or exclude the liability of Allsop itself for the acts or omissions of its members, employees or consultants.

Neither the whole not any part of this Short Format Valuation Report or any reference hereto may be included in any published document, circular or statement or published in any way without the valuer's written approval of the form and context in which it may appear.

The property has been inspected and this Short Format Valuation Report prepared by Vik Shukla BSc (Hons) MRICS (RICS no. 1105515) (Partner). The Short Format Valuation Report has been approved by Edward Dunningham BSc (Hons) MRICS (RICS no. 0085633) (Commercial Managing Partner).

Yours faithfully

VIK SHUKLA
BSC (HONS) MRICS (RICS no. 1105515)
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RICS Valuation –
Global Standards
With effect from 31 January 2020

MARKET VALUE

Market Value (MV)

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

VALUATION CERTIFICATE

PROPERTY	DESCRIPTION, AGE AND TENURE	TERMS OF EXISTING TENANCIES	NET ANNUAL RENTS RECEIVABLE	MARKET RENT	MARKET VALUE
37 Wood Street London EC2P 2NQ	The Grade II listed property comprises two primary parts; a four-storey building built around a large courtyard and a 13 storey (the 13th floor housing plant) tower to the northeast corner of the site. Constructed between 1963-66, giving an approximate age of between 57 and 54 years, by McMorran and Whitby, the property was purpose built for the City of London Police and the permitted use is as a Police Station. The property provides a re-development opportunity and extends to a net internal area (NIA) of 56,577 sft and a gross internal area (GIA) of 117,472 sft. The property is Grade II* Listed, which means that the building or structure is of special interest, warranting every effort to preserve it (*Note 1*). A Listed Building is one that is recognised as being of national importance. Buildings with listed status are recorded on an official register called The List of Buildings of Special Architectural or Historic Interest. Buildings listed on the register are legally protected from being demolished, extended or significantly altered without special permission from the local planning authority. The property is held leasehold for a term of 151 years at a peppercorn rent, without review, from the date of completion. It is our understanding that the headlease has a term of 151 years with effect from the date of completion. We have not had sight of the headlease (*Note 2*), although we understand that the permitted use is as a police station until the end of the Leaseback (referred to in greater detail in Section 12 of this report) and thereafter any one or more of the following: (a) Hotel; (b) Offices within class B1(a) of the Use Classes Order; or (c) Retail use and/or uses within class A and/or class D2 in respect of the ground floor and basements of the property only Together with any ancillary facilities, which would normally be associated with such uses. The headlease specifically states that there can be no residential use.	A leaseback has been agreed between yourself and The Mayor and Commonalty and Citizens of the City of London. The term of the lease is understood to be from and including the date of completion expiring on 10 June 2021. The tenant has a break option on or any time after 31 July 2020 on giving one month's notice. No rent is payable until 11 December 2020 at which point the rent is £800,000 pa payable monthly in advance on the first day of each month. There is also a lease with The London Electricity Board in respect of an electrical transformer chamber for a term of 60 years from 25 December 1965. The tenancy is protected by the Landlord and Tenant Act 1954.	£800,000 payable with effect from 11 December 2020 £1 Total £800,001	£5,527,500 pa	£40,000,000

PROPERTY	DESCRIPTION, AGE AND TENURE	TERMS OF EXISTING TENANCIES	NET ANNUAL RENTS RECEIVABLE	MARKET RENT	MARKET VALUE
	The headlease contains overage clause, which is triggered if the building is re-developed to a size in excess of 123,000 sft GIA and a disposal with the benefit of such permission which has not been implemented. The overage payment is £162.50 multiplied by the number of square feet of GIA allowable by the planning permission in excess of 123,000 sft. In addition there is an anti-embarrassment payment, which will be triggered if the headlease is disposed of for a premium in excess of £40 million for a 3 year period. The overage deed that contains the anti-embarrassment payment and overage payment, remains applicable, as it is our understanding that the vendor of the Property (The Mayor and Commonalty and Citizens of the City of London) does not wish to fall foul to any mispricing in the short term i.e. within a 3 year period. The property is Grade II* Listed but is not within a conservation area. We have had sight of a Pre Application Response Letter (PARL) from the Principal Planning Officer, Department of the Built Environment, City of London, dated 20 May 2019. The purpose of the Pre Application Response Letter is to establish the likelihood of change of use for the Property. It is our understanding that the pre application was made by the vendors agent in order to aid the marketing campaign of the Property. Being a pre application, it is our understanding, that there is no legal effect. The PARL refers to potential alternative uses for the property and highlights that the Local Plan emphasises the need to maintain the City of London's role as the world's leading international financial and professional services centre. Given that the surrounding buildings are largely in office use, the presumption is that B1(a) offices would be the preferred use for the subject property. Hence, a move away from office use would be on the basis that the property cannot be utilised as office accommodation due to constraints imposed by the Grade II* Listing. Grade II* Listed properties are of special interest, warranting every effort to preserve them. The buildings are legally protected from being demolished, extended or significantly altered without special permission from the local planning authority *(Note 3)*. The PARL states that there may be				

PROPERTY	DESCRIPTION, AGE AND TENURE	TERMS OF EXISTING TENANCIES	NET ANNUAL RENTS RECEIVABLE	MARKET RENT	MARKET VALUE
	potential for conversion to hotel use, which may offer an opportunity to retain interior features within the building, but the City of London would need to be satisfied that this is the most effective way of protecting the buildings heritage. With respect to the need to retain interior features if the Property will be converted to a hotel, please note that this is set out in laws and regulations i.e. the Listing means there will be extra control over what changes can be made to a building's interior and exterior. Owners will need to apply for Listed Building Consent for most types of work that affect the 'special architectural or historic interest' of the Property. The Anti-embarrassment payment and the Overage payment form part of the terms and conditions of the headlease. The presumption concerning that B1(a) offices would be the preferred use for the subject property given that the surrounding buildings are largely in office use, has been made by the City of London, Department of the Built Environment *(Note 4)*. The property provides a development opportunity for conversion to hotel use. The plan is to develop the hotel within the existing envelope of the building, utilising the existing accommodation, albeit by carrying out a wide variety of reconfiguration works, subject to obtaining necessary planning and listed building consents. The proposed scheme is to comprise 201 rooms alongside a number of café, bars, lounges, kitchens, ancillary space, restaurant space, treatment rooms, kitchens and back of house functions occupying the entire gross internal area of 117,472 sft. of the property.				

Notes:

1. Given the Grade II* Listed nature of the Property and leasehold tenure we would expect a per sft capital value of circa £700 per sft to be appropriate. The Market value of £40,000,000 reflects a per sft capital rate, based on a net internal area of 56,577 sft, of £707.

2. We have relied on a Report on Title prepared by DLA Piper dated 18 December 2019, for Wood Street Hotel Ltd, in respect of the tenure and occupational tenancies of the property.

3. Hence, a move away from office use would need to be on the basis that the Property is not suitable for use as an office (for example the layout and configuration of the building does not lend itself to office use, or the specification of the building is not up to modern day office standard. This statement is our interpretation on how a change of use for a Grade II* Listed property could possibly occur.

4. The basis for this, we would suggest, is that the surrounding buildings are indeed in office use and the area in which the Property sits is synonymous with international financial and professional services. The original response was in connection with the presumption that B1(a) offices would be the preferred use for the subject property given that the surrounding buildings are in office use; and that this presumption had been made by the City of London Department of the Built Environment. We advised that the basis for this is that the surrounding buildings are indeed in office use and the area in which the Property sits is synonymous with financial and professional services occupiers who are office users.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of MHI in the MHI Shares, underlying MHI Shares and debentures of MHI or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("**SFO**")) which were required (a) to be notified to MHI and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered in the register maintained by MHI pursuant to Section 352 of the SFO; or (c) as otherwise notified to MHI and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in appendix 10 of the Listing Rules, were as follows:

(i) MHI

Name of Director	Capacity	Nature of Interests	Number of MHI Shares/Underlying MHI Shares held	Approximately % of Shareholding
William Cheng Kai Man	Interest of controlled corporations	Corporate	6,360,585,437 *(Note)*	71.09
Jennie Wong Kwai Fong	Beneficial owner	Personal	6,425	0.00

Note: SHP beneficially owned 2,709,650,873 MHI Shares (30.29%) and was taken to be interested in 395,656,000 MHI Shares (4.42%) held by Good Taylor Limited, 273,579,983 MHI Shares (3.06%) held by South Point Investments Limited, 3,500,000 MHI Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 MHI Shares (33.29%) held by Fastgrow representing a total of 6,360,585,437 MHI Shares (71.09%). Mr. William Cheng Kai Man had controlling interest in the above-mentioned companies. All the above interests in the MHI Shares are long position.

(ii) Interests in associated corporations (within the meaning of Part XV of the SFO) of MHI

Name of Director	Name of Associated Corporation	Capacity	Nature of Interests	Number of MHI Shares/Underlying MHI Shares held	Approximately % of Shareholding
William Cheng Kai Man	SHP *(Note 1)*	Interest of controlled corporations	Corporate	367,779,999	63.44
William Cheng Kai Man	SHH *(Note 2)*	Beneficial owner and interest of controlled corporations	Personal and corporate	216,766,825	71.22
William Cheng Kai Man	Trillion Resources BVI *(Note 3)*	Beneficial owner	Personal	1	100
Jennie Wong Kwai Fong	SHP	Beneficial owner	Personal	6,000	0.00
Jennie Wong Kwai Fong	SHH	Beneficial owner	Personal	8,100	0.00

Notes:

1. SHP, MHI's immediate holding company, is a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange.

2. SHH, MHI's intermediate holding company, is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange.

3. Trillion Resources BVI, MHI's ultimate holding company, is a company incorporated in the British Virgin Islands.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of MHI had any interests or short positions in the MHI Shares, underlying MHI Shares and/or debentures (as the case may be) of MHI and/or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be entered in the register required to be kept by MHI under section 352 of the SFO; or (b) to be notified to MHI and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers and none of the Directors or their associates or their spouse or children under the age of 18, had any right to subscribe for the securities of MHI or associated corporations, or had exercised any such right.

Substantial Shareholders

So far as is known by or otherwise notified by any Director and chief executive of MHI, as at the Latest Practicable Date, the particulars of the corporations or individuals (not being Directors or chief executive of MHI), had an interest and/or short position in the MHI Shares or underlying MHI Shares (as the case may be) which would fall to be disclosed to MHI and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or was otherwise interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the MHI Group:

Name of Shareholder	Capacity	Number of MHI Shares/underlying MHI Shares held	Approximately % of shareholding
SHP *(Note 1)*	Beneficial owner and interest of controlled corporations	6,360,663,987 (L)	71.09
Omnico Company Inc. ("**Omnico**") *(Note 2)*	Interest of controlled corporations	6,360,663,987 (L)	71.09
SHH *(Note 2)*	Interest of controlled corporations	6,360,663,987 (L)	71.09
Trillion Resources BVI *(Note 2)*	Interest of controlled corporations	6,360,663,987 (L)	71.09
Liza Lee Pui Ling *(Note 3)*	Interest of Spouse	6,360,663,987 (L)	71.09
Fastgrow	Beneficial owner	2,978,198,581 (L)	33.29
Shobokshi Hussam Ali H. *(Note 4)*	Interest of controlled corporations	717,904,500 (L)	8.02
Saray Value SPV Asia I *(Note 4)*	Beneficial owner and interest in person acting in concert	717,904,500 (L)	8.02
Saray Value Fund SPC *(Note 4)*	Beneficial owner and interest in person acting in concert	717,904,500 (L)	8.02

Name of Shareholder	Capacity	Number of MHI Shares/underlying MHI Shares held	Approximately % of shareholding
Saray Developed Markets Value Fund *(Note 4)*	Beneficial owner and interest in person acting in concert	717,904,500 (L)	8.02
Saray Capital Limited *(Note 4)*	Interest of controlled corporations	717,904,500 (L)	8.02
North Salomon Limited *(Note 4)*	Interest of controlled corporations	717,904,500 (L)	8.02
Hashim Majed Hashim A. *(Note 4)*	Interest of controlled corporations	717,904,500 (L)	8.02
Credit Suisee Trust Limited *(Note 4)*	Interest of controlled corporations	717,904,500 (L)	8.02
FMR LLC *(Note 5)*	Interest of controlled corporations	469,451,000 (L)	5.25

Notes:

1. SHP beneficially owned 2,709,729,423 MHI Shares (30.29%) and was taken to be interested in 395,656,000 MHI Shares (4.42%) held by Good Taylor Limited, 273,579,983 MHI Shares (3.06%) held by South Point Investments Limited, 3,500,000 MHI Shares (0.04%) held by Shun Ho Technology Developments Limited and 2,978,198,581 MHI Shares (33.29%) held by Fastgrow, representing a total of 6,360,663,987 MHI Shares (71.09%). The above-mentioned companies were wholly-owned subsidiaries of SHP.

2. SHP is directly and indirectly owned as to 60.38% by Omnico, which was in turn owned as to 100% by SHH, which was in turn directly owned as to 50.60% by Trillion Resources BVI, which was in turn wholly-owned by Mr. William Cheng Kai Man. Therefore, Omnico, SHH and Trillion Resources BVI were taken to be interested in 6,360,663,987 MHI Shares by virtue of their direct or indirect interests in SHP.

3. Madam Liza Lee Pui Ling was deemed to be interested in 6,360,663,987 MHI Shares by virtue of the interest in such MHI Shares of her spouse, Mr. William Cheng Kai Man, a director of the Company.

4. Saray Value SPV Asia I ("Saray Value SPV") beneficially held 538,891,639 MHI Shares (6.02%). Saray Developed Markets Value Fund ("Saray Developed") beneficially held 110,220,861 MHI Shares (1.23%). Saray Value Fund SPC ("Saray Value Fund") beneficially held 68,792,000 MHI Shares (0.77%). Saray Value SPV, Saray Developed and Saray Value Fund were wholly-owned subsidiaries of Saray Capital Limited. Therefore, Saray Value SPV had interest in person acting in concert of 110,220,861 MHI Shares held by Saray Developed and 68,792,000 MHI Shares held by Saray Value Fund. Saray Developed had interest in person acting in concert of 538,891,639 MHI Shares held by Saray Value SPV and 68,792,000 MHI Shares held by Saray Value Fund. Saray Value Fund had interest in person acting in concert of 538,891,639 MHI Shares held by Saray Value SPV and 110,220,861 MHI Shares held by Saray Developed. Saray Capital Limited was held by Shobokshi Hussam Ali H. as to 35%

and Hashim Majed Hashim A. as to 45%. Therefore, total number of MHI Shares in which Saray Value SPV, Saray Developed, Saray Value Fund, Saray Capital Limited, Shobokshi Hussam Ali H. and Hashim Majed Hashim A. were interested under sections 317 and 318 of SFO was 717,904,500 MHI Shares (8.02%). Saray Value SPV was held by North Salomon Limited as to 93.79%, Saray Developed was held by North Salomon Limited as to 82.93% and Saray Value Fund was held by North Salomon Limited as to 64.18%. North Salomon Limited was held by Credit Suisse Trust Limited as to 100%. Therefore, total number of MHI Shares in which North Salomon Limited and Credit Suisse Trust Limited were interested under sections 317 and 318 of SFO was 717,904,500 MHI Shares (8.02%).

5. Fidelity Management & Research (Japan) Limited beneficially held 220,316,000 MHI Shares (2.46%). Fidelity Management & Research (Hong Kong) Limited beneficially held 90,048,000 MHI Shares (1.01%). FMR Investment Management (UK) Limited beneficially held 159,087,000 MHI Shares (1.78%). Both Fidelity Management & Research (Japan) Limited and Fidelity Management & Research (Hong Kong) Limited were wholly-owned by Fidelity Management & Research Company. FMR Investment Management (UK) Limited was wholly-owned by Fidelity Management & Research (U.K.) Inc. which was wholly-owned by Fidelity Management & Research Company, Fidelity Management & Research Company was wholly-owned by FMR LLC. Therefore, FMR LLC was deemed to have interest in 469,451,000 MHI Shares (5.25%).

L: Long Position

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

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates, was interested in any business (apart from the MHI Group's business) which competes or is likely to compete either directly or indirectly with the MHI Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

4. DIRECTORS' INTERESTS IN THE MHI GROUP'S ASSETS OR CONTRACT OR ARRANGEMENTS SIGNIFICANT TO THE MHI GROUP

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited financial statements of the MHI Group were made up), acquired or disposed of by or leased to any member of the MHI Group, or are proposed to be acquired or disposed of by or leased to any member of the MHI Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the MHI Group.

5. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or was proposing to enter into any service contracts with the Company or any member of the MHI Group (excluding contracts expiring or determinable by the MHI Group within one year without payment of compensation (other than statutory compensation)).

6. LITIGATION

So far as the Directors are aware, neither MHI nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against MHI or any of its subsidiaries as at the Latest Practicable Date.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the MHI Group since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the MHI Group were made up).

8. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by MHI and its subsidiaries) have been entered into by members of the Company and its subsidiaries within the two years immediately preceding the date of this circular:

(a) The Purchase Agreement; and

(b) The Leaseback Agreement.

9. CONSENTS

Deloitte Touche Tohmatsu and Allsop LLP had given and has not withdrawn their respective written consents to the inclusion of their reports in this circular with references to their respective names in form and context in which they appear.

10. QUALIFICATION OF EXPERT

The followings are the qualification of the experts who have given opinion or advice, contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Allsop LLP	Professional Valuer

As at the Latest Practicable Date, Deloitte Touche Tohmatsu and Allsop LLP did not have any holding, directly or indirectly, of any securities in any member of the MHI Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of any member of the MHI Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu and Allsop LLP did not have any direct or indirect interests in any assets which since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the MHI Group were made up) have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the MHI Group.

11. GENERAL

(a) The registered office of MHI is situated at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong.

(b) The share registrar of MHI is Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The secretary of MHI is Ms. Koo Ching Fan, an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She is also a holder of the Practitioner's Endorsement issued by the Hong Kong Institute of Chartered Secretaries.

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of MHI at 3rd Floor, Shun Ho Tower, 24-30 Ice House Street, Central, Hong Kong, for a period of 14 days from the date of this circular:

(a) this circular;

(b) the memorandum of association and articles of association of MHI;

(c) the annual reports of MHI for each of the financial years ended 31 December 2017 and 31 December 2018;

(d) the interim report of MHI for the six months ended 30 June 2019;

(e) the letter of consent referred to in the section headed "Consents" in this appendix;

(f) the accountants' report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the MHI Group as set out in Appendix II to this circular;

(g) the property valuation report of Allsop LLP in respect of the Property, the text of which is set out in Appendix III to this circular; and

(h) the material contracts referred to in the paragraph headed "Material Contracts" above.