

ON'ALLY HOLDINGS PLC

Company Reg. No. PQ 107
Unit 603, 4th Floor, Unity Plaza Building
No.2, Galle Road, Colombo 4.

THE VIEWS, COMMENTS AND ADVICE OF THE BOARD OF DIRECTORS OF ON'ALLY HOLDINGS PLC IN TERMS OF RULE 13(2) OF THE COMPANY TAKE-OVERS AND MERGERS CODE 1995 (AS AMENDED IN 2003) ON THE MANDATORY OFFER MADE BY LANKA REALTY INVESTMENTS PLC TO THE SHAREHOLDERS OF ON'ALLY HOLDINGS PLC

On 11th December 2020, Lanka Realty Investments PLC [the Offeror] in terms of Rule 31 of the Company Takeovers and Mergers Code 1995 (as amended in 2003) [the Code] made an Offer to purchase 45,759,037 Ordinary Shares of On'ally Holdings PLC [the Offeree] representing 49.2% of the Issued Shares of the Offeree at a price of Rs.30.20 per share. Information on the Offer is set out in the Offer Document dated 11th December 2020.

In terms of Rule 12(1) of the Code, the Board of the Offeree is required to obtain competent Independent Advice on the Offer and communicate such advice to its Shareholders.

Accordingly, the Board of the Offeree appointed Merchant Bank of Sri Lanka & Finance PLC (MBSL), as the Independent Advisor to provide such advice to the Board of the Offeree on the Offer.

In its Report, the Independent Advisor states that “ it is MBSL’s opinion that the Mandatory Offer made by the Offeror represents fair value for the shareholders of On’ally Holdings PLC.”

MBSL has summarized the rationale for its recommendations as follows;

- The offer price of LKR 30.20 is attractive as the offer price is at a premium to the all-valuation prices. The shareholders should also note, based on the past trading history that the liquidity of the share is low and this mandatory offer provides an opportunity for existing shareholders to exit. Shareholders who choose to decline the mandatory offer may face the illiquidity. Therefore MBSL concludes that the Lanka Realty Investments PLC’s mandatory offer price is fair and reasonable and recommends shareholders to accept this offer.
- However, the opinion may not be applicable for the strategic investors of On’ally Holdings PLC as MBSL does not have access to the strategic plan of the new investor, Lanka Realty Investments PLC on On’ally Holdings PLC.
- The shareholders should also observe that MBSL recommendation is based on historical performance, forecast provided by the Company and the stock market prices.

The Final Report on Independent Advice of MBSL dated 20th January 2021, circulated to and reviewed by the Directors of the Offeree is forwarded in its entirety to the shareholders for their review and consideration.

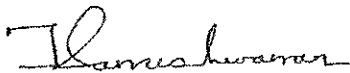
The Board by a majority decision (with Mr G T Fazleabas dissenting) was of the view that the offer price does not reflect the correct value considering the potential for future developments of the Company.

The Board of Directors expresses the view that each individual shareholder will have to make a decision on his/her own assessment of the Mandatory Offer and wishes to advise shareholders that the final decision to accept or reject the Mandatory Offer rests entirely with them.

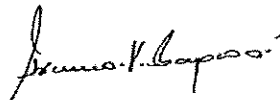
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If you are in doubt as to the action you should take, you should seek advice from your Stock Broker, Bank Manager, Legal Advisor, Accountant or any other independent professional financial advisor immediately.

Signed for and on behalf of the Board of Directors of On'ally Holdings PLC.



Mrs. T Sarveshwaran
Director



Mr. W L D P V Jayawardene
Director

Dated this 26th day of January 2021

ON'ALLY HOLDINGS PLC

**INDEPENDENT ADVISOR'S REPORT TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
ON'ALLY HOLDINGS PLC ON THE MANDATORY OFFER MADE BY**

LANKA REALTY INVESTMENTS PLC

INDEPENDENT ADVISOR'S REPORT

By



Corporate Advisory & Capital Markets Division

*Level 18, Bank of Ceylon Merchant Tower
28, St Michael's Road
Colombo 3.*

Valuation Date

24th December 2020

Document Dated

20th January 2021



IMPORTANT

In preparing this document, we have placed reliance, on the information contained in the offer document, company profiles and financial information provided by On'ally Holdings PLC, information available on the Colombo Stock Exchange, information gathered from explanations provided and discussions had with On'ally Holdings PLC's senior management and information available from any public domain. This information was adequate to facilitate an informed view of the offer and to form a reasonable basis for the opinion.

We have not verified in detail, the information made available by On'ally Holdings PLC to us and not conducted any independent investigation. While Merchant Bank of Sri Lanka & Finance PLC (MBSL) has taken reasonable care to ensure full and fair disclosure, nothing has come to the attention of the independent advisor to believe that the facts and data set forth in the report are incorrect.

MBSL has considerable expertise in the preparation of Independent Advisor's Reports and Valuations of this nature for wide range of companies in different sectors.

Recommendations given in this report is valid as at the report date and for a period of 3 months period from the report date. This report is for the use of the Board of Directors and shareholders of On'ally Holdings PLC for the purpose set in "Background to the transaction and purpose of this report" of this report and not to be used for any other purposes.

This report is not intended as an offer document or solicitation for the sale of shares. The recipients of this report must make their own independent decision regarding the offer made. MBSL assume no responsibility for any investment decision made by investors based on information contained in this report.

MBSL as the Independent Advisor do not act in the same company and /or in the same group as financial advisor to the Offeror Company nor any significant interest in or financial connection with either the Offeror or the Offeree.

MBSL has given its consent and not withdrawn its consent to the publication of the report to the Board of Directors and the shareholders of On'ally Holdings PLC.

*The Securities and Exchange Commission of Sri Lanka (SEC)
assumes no responsibility for the content of the Report, the
statements made and opinions expressed in this Report*



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1.0 EXECUTIVE SUMMARY

1.1 BACKGROUND TO THE TRANSACTION AND PURPOSE OF THIS REPORT

Lanka Realty Investments PLC, (hereinafter referred to as the Offeror) acquired, on 03rd December 2020, on the Trading Floor of the Colombo Stock Exchange (CSE), 47,244,050 ordinary shares in On'ally Holdings PLC ("ONAL") (hereinafter referred to as the Offeree), constituting approximately 50.8% of the total number of shares in issue in Offeree at a price of Rs. 30.20 per share.

As such in compliance to the terms of Rule 31(1)(a) of the Code that the Offeror has made a Mandatory Offer to purchase the balance 45,759,037 shares constituting approximately 49% of the issued shares of the ONAL at a price of LKR 30.20 per share, being the highest price paid by the Offeror during the period of one year prior to the date of the acquisition.

In this regard, Merchant Bank of Sri Lanka & Finance PLC - Corporate Advisory and Capital Markets Division ("MBSL") was appointed by the Directors of the On'ally Holdings PLC to act as the Independent Advisor to the shareholders of On'ally Holdings PLC in connection with the above offer made to ONAL by the Offeror.

This advice was sought by the Directors of On'ally Holdings PLC in compliance with Rule 12 of the Takeovers and Mergers Code of 1995 (as amended in 2003).

1.2 SOURCES OF INFORMATION

In preparing this document, we have placed reliance on the information contained in the offer document prepared by Lanka Realty Investments PLC, accounts and financial information provided by On'ally Holdings PLC, information from Central Bank annual report, other published industry information and explanations from the discussions had with On'ally Holdings PLC, and any public domain information available at the Colombo Stock Exchange. We have not verified in detail the information made available to us by On'ally Holdings PLC, not conducted any independent investigation into the business affairs of Lanka Realty Investments PLC in evaluating the offer.

1.3 PARTIES TO THE TRANSACTION

Lanka Realty Investments PLC (LRI) - Offeror

The Offeror was incorporated as a limited liability company under the name 'Asian Cotton Mills Limited' on 29th November 1967 under the Companies Ordinance No 51 of 1938. It was re-registered under the new Companies Act No. 07 of 2007 as 'Asian Cotton Mills PLC' on 16th April 2008, under Company No. PQ 139. The name of the Offeror was changed to 'Ascot Holdings PLC' on 16th October 2008 and changed as 'Lanka Realty Investments PLC' on 19th September 2018.

The Registered Office of the Offeror is situated at 1st Floor, HQ Colombo, 464A, T B Jayah Mawatha Colombo 10. The Directors of the Offeror are, R M M J Ratnayake, T C Smith, I J McVeigh, M H Jamaldeen, A J B Warman, S Neelakandan, M F Farook, K J Pradeep and P Morgan

The principal activities of the Offeror are owning and managing a portfolio of investments in property development, commercial property, affordable housing, manufacturing, tourism and leisure, which together constitute the LRI Group.

On'ally Holdings PLC (ONAL) - Offeree

On'ally Holdings PLC is engaged in property development and real estate business which owns the Unity Plaza building complex in Colombo 04. The floor area of the Unity Plaza building is in the extent of approximately 141,316 square feet. The Company was established in 1982 and was quoted on the Colombo Stock Exchange ("CSE") in 1988. On'ally Holdings PLC strive to build growth by being the most desired business venue in Colombo and continues to make efforts to enhance shareholder value by providing a satisfactory and high quality professional service.

The building complex which is situated in a prime location, Bambalapitiya is the Company's primary source of income and has over 77,600 sq.ft of rentable space. Unity Plaza's tenants continue to be primarily computer and IT related businesses. The Company is aiming to position the complex as a high end complex in order to attract higher rental yields without straying away from its recognition as a one stop shop for IT Related requirements.

The Directors of the company are, Mr. L A P H De Silva (Chairman), Mrs. Tharsini Sarveshwaran (Executive Director - Operations), Mr. G T Fazleabas, Mr. W L D P V Jayawardene, Mr. E A C Piyashantha, Mr. V Senanayake.

TOP 10 SHAREHOLDERS OF ON'ALLY HOLDINGS PLCAS AT 23.12.2020

	NO OF SHARES	%
LANKA REALTY INVESTMENT PLC	47,244,050	50.798
URBAN DEVELOPMENT AUTHORITY	41,666,660	44.801
URBAN INVESTMENT AND DEVELOPMENT COMPANY PVT LTD	489,445	0.526
MAJESTIC INVESTMENTS (PVT) LTD	393,113	0.423
NANAYAKKARA MANAGEMENT SERVICES (PRIVATE) LIMITED	324,055	0.348
TRANZDOMINION, L L C	200,000	0.215
CITIZENS DEVELOPMENT BUSINESS FINANCE PLC/K D C SOMALATHA&MR K NANDASIRI	130,028	0.140
MR.G C GOONETHILLEKE	116,666	0.125
MRS. L A J STANISLAUS AND MR B C STANISLAUS	111,104	0.119
ANWARNET (PRIVATE) LIMITED	109,798	0.118
	90,784,919	97.613
OTHER	2,218,168	2.387
TOTAL	93,003,087	100.000

2.0 COMPANY FINANCIALS - ON'ALLY HOLDINGS PLC

2.1 SUMMARIZED INCOME STATEMENT

	6 months ended 30 Sep 2020	2020	Year Ended 31 st March ('000)			
		2019	2018	2017	2016	
Revenue	84,969	201,224	190,993	151,315	139,670	124,868
Other operating income	6,005	13,532	13,789	24,104	21,226	22,428
Operating expenses	(29,961)	(71,091)	(64,255)	(70,270)	(72,675)	(60,728)
Operating profit	61,013	143,664	140,527	105,150	88,221	86,568
Finance income	27,829	57,859	45,743	41,663	31,502	15,451
Fair value gain on investment property		40,371	129,176	166,168	164,000	378,523
Profit before tax	88,841	241,894	315,446	312,981	283,723	480,542
Income tax expense / credit	(21,897)	(67,633)	(373,383)	(76,684)	33,146	(150,090)
Profit / (loss) for the year	66,944	174,261	(57,937)	236,297	316,869	330,453
Total other comprehensive income for the year-net of tax	(128)	1,587	3,230	(9,678)	2,297	15,603
Total comprehensive income / (loss) for the year	66,816	175,847	(54,707)	226,619	319,167	346,056

2.2 KEY INDICATORS

	6 months ended 30 Sep 2020	2020	Year Ended 31 st March			
		2019	2018	2017	2016	
Basic Earnings per share (Rs)	0.73	1.87	(3.31)	13.50	18.11	18.88
Dividend per share (Rs)		0.66	3.50	3.20	3.10	2.95
Net assets per share (Rs)	23.47	23.18	110.70	117.32	107.57	92.41
Market price per share (Rs)	29.40	23.70	100.00	54.00	45.70	50.20
No of Shares ('000)	93,003	93,003	17,501	17,501	17,501	17,501

Source: Company Financial Statements, CSE web site

2.3 SUMMARIZED BALANCE SHEET

(‘000)

	6 months ended 30 Sep 2020	2020	2019	2018	2017	2016
ASSETS						
Non-current assets						
Property, plant and equipment	40,120	41,127	40,672	38,247	48,020	47,451
Intangible assets	4	28	76	170	264	329
Investment property	2,240,206	2,240,000	2,178,000	2,030,000	1,845,000	1,681,000
	2,280,330	2,281,155	2,218,748	2,068,417	1,893,284	1,728,780
Current assets						
Trade and other receivables	35,410	32,655	22,488	25,679	19,910	15,257
Short term investments	334,821	285,539	391,430	366,143	304,235	246,000
Cash and cash equivalents	296,009	322,105	57,850	22,341	16,256	18,974
	666,240	640,298	471,768	414,163	340,401	280,231
Total assets	2,946,570	2,921,454	2,690,516	2,482,580	2,233,684	2,009,011
EQUITY AND LIABILITIES						
Capital and reserves						
Stated capital	279,493	279,493	175,008	175,008	175,008	175,008
Revaluation reserve	34,906	34,906	33,904	31,420	41,039	39,990
Retained earnings	1,868,640	1,841,815	1,728,352	1,846,796	1,666,560	1,402,234
	2,183,039	2,156,214	1,937,264	2,053,223	1,882,607	1,617,232
Non-current liabilities						
Trade and other payables	47,303	63,688	37,704	60,623	33,830	56,308
Retirement benefit obligations	11,906	11,011	10,449	8,992	6,364	5,461
Deferred tax liability	625,890	625,321	610,937	285,586	226,028	300,696
	685,099	700,020	659,090	355,200	266,223	362,465
Current liabilities						
Trade and other payables	67,868	45,545	70,990	43,648	55,390	26,962
Income tax payables	10,565	19,674	23,173	30,509	29,464	2,351
	78,433	65,219	94,163	74,156	84,855	29,313
Total liabilities	763,532	765,239	753,252	429,357	351,078	391,778
Total equity and liabilities	2,946,571	2,921,454	2,690,516	2,482,580	2,233,684	2,009,011

Source: Company Financial Statements, CSE web site

3.0 VALUATION

3.1 NET ASSET BASED VALUATION

Net Asset Value (NAV) considers the value of assets after deducting liabilities to be paid to outsiders. It is this remaining value, which is then divided by the number of equity shares in issue to determine the Net Asset Value per share. It is significant to note that NAV based valuation ignores the future earnings or cash flow generating potential of the company. Further, the NAV per share can be affected by the accounting policies and treatments of the balance sheet items. Moreover, the Net Asset Value does not factor contingent liabilities.

The calculation below presents the NAV as at 2Q 2020 and for the year ended 31st March 2020 as given in the financials of On'ally Holdings PLC.

The offer price of LKR 30.20 amounts to a 22.28% premium over the Net Assets Value of LKR 23.47 per ONAL share as of Q2-2020.

	AS AT 30 TH SEP 2020 Un-Audited	AS AT 31 ST MARCH 2020 Audited
Non-current assets	2,280,330,712	2,281,155,395
Current assets	666,240,431	640,298,480
Total assets	2,946,571,143	2,921,453,875
Non-current liabilities	685,099,924	700,020,488
Current liabilities	78,432,359	65,219,001
Total liabilities	763,532,283	765,239,489
Net Assets value of ONAL	2,183,038,860	2,156,214,386
Issued Number of Shares	93,003,087	93,003,087
NAVPS	23.47	23.18

Source: Company Financial Statements, CSE web site

MBSL does not recommend the use of Net Asset Based Valuation, since which do not consider the going concern of the company. This method is more appropriate when the company is going for liquidation. Considering the strong Balance Sheet of the company and future growth prospects of the company this method is not appropriate to value the On'ally Holdings PLC.

3.2 PRICE TO BOOK VALUE (PBV) APPROACH

In the Price to Book value method a value for the On'ally Holdings PLC share is determined relative to the market Price to Book Value and Real Estate sector price to Book value. Thus, the company's Net Asset Value (NAV) is multiplied by the market and Real Estate sector PBV to derive a value per share.

Book Value (BV) per share can be affected by the accounting policies and treatments of the balance sheet items. Moreover, the BV does not factor contingent liabilities and the Book value is based on historical costs. Thus, valuing shares using Price to Book Value is susceptible to these weaknesses.

The Sector PBV(x) derived using the close peers of the On'ally Holdings PLC such as C T Land Development PLC (CTLD), Overseas Realty (Ceylon) PLC (OSEA), Seylan Developments PLC (CSD) & Commercial Development Company PLC (COMD). The close peers are selected from the companies that are involved in the similar business model (Eg- Property Development & maintenance and income generation via renting out premises) and Listed under the real estate sector in the CSE.

3.2.1 Valuation Using Sector PBV(x)

	AS AT 30 TH SEP 2020	AS AT 31 ST MARCH 2020
	Un-Audited	Audited
Non-current assets	2,280,330,712	2,281,155,395
Current assets	666,240,431	640,298,480
Total assets	2,946,571,143	2,921,453,875
Non-current liabilities	685,099,924	700,020,488
Current liabilities	78,432,359	65,219,001
Total liabilities	763,532,283	765,239,489
Net Assets value of ONAL	2,183,038,860	2,156,214,386
Average Sector PBV (X)	0.45	0.33
Issued Number of Shares	93,003,087	93,003,087
VALUE PER SHARE BASED ON SECTOR PBV APPROACH	10.56	7.65

	As at 30th September 2020			As at 31st March 2020		
	NAVPS	Share Price	PBV (X)	NAVPS	Share Price	PBV (X)
CTLD	48.19	32.30	0.67	48.51	20.40	0.42
OSEA	35.58	13.90	0.39	34.91	12.00	0.34
CSD	33.82	12.60	0.37	34.05	9.60	0.28
COMD	246.64	95.20	0.39	244.34	66.20	0.27
Average Sector PBV (X)			0.45			0.33

Source: Company Financial Statements, CSE web site

Note –Except C T Land Development PLC (CTLD) 31st March 2020 Net Assets Value figure, 30th September 2020 & 31st March 2020 Net Assets Value figures are derived from Un-Audited company financials published on CSE website.

3.2.2 Valuation Using Market PBV(x)

	AS AT 30 TH SEP 2020 Un-Audited	AS AT 31 ST MARCH 2020 Audited
Non-current assets	2,280,330,712	2,281,155,395
Current assets	666,240,431	640,298,480
Total assets	2,946,571,144	2,921,453,875
Non-current liabilities	685,099,924	700,020,488
Current liabilities	78,432,359	65,219,001
Total liabilities	763,532,283	765,239,489
Net Assets value of ONAL	2,183,038,860	2,156,214,386
*Market PBV (X)	1.00	0.85
Issued Number of Shares	93,003,087	93,003,087
VALUE PER SHARE BASED ON MARKET PBV APPROACH	23.47	19.71

Source: Company Financial Statements, CSE web site

* Market PBV (X) refers to closing PBV of All Share price Index (ASPI) in respective dates

We have not given more emphasis to PBV approach since most of the times the property rental companies trade below book value and the reason behind this is, property rental yields are relatively low at the range of 6% - 8% while property appreciation is not realized until the assets are actually sold. Therefore, valuing the company based on PBV approach gives a discounted value and will not reflect the real value for the companies in the real estate sector.



3.3 MARKET PRICE BASIS

Method I

The method of market price basis valuation is used to determine the price of a share of a listed company. Therefore, the stock market plays an important role in arriving at a valuation of the share. However, it should be noted that the market prices per share can be volatile and may not reflect the intrinsic value of the company.

Weighted Average Market Price	Share Price
(1 January 2020 to 02 December 2020)	27.80

Method II

Under this method, the daily high prices and low prices for the most recent seven market days is noted. Afterwards, the average of the high prices and the low prices is calculated and the two average prices are then averaged to arrive at a price of the share. The calculation is depicted below;

Date	High	Low
11/24/2020	29.50	27.60
11/25/2020	28.00	26.00
11/26/2020	27.00	27.00
11/27/2020	27.70	27.00
11/30/2020	27.70	27.00
12/1/2020	27.80	27.00
12/2/2020	27.00	26.50
7 Day Averages	27.81	26.87
Average of 7 day averages		27.34

Concluding the value based on Market Price Basis, this captures the overall market sentiments and future prospects of the company as well as subject to the limitation of share price volatility based on overall market movement and factors which affects the share prices such as Interest Rate, Inflation, Sector Performance, Rumors etc.



3.4 EARNINGS BASED VALUATION

Earning based valuation is one of the most popular tools used in valuing equity. The Price Earnings Ratio (PER) is often referred to as the earning multiple, as it indicates the number which a company's earnings per share must be multiplied by to arrive at the market price of the share. Earnings per Share (EPS) can be manipulated based on the accounting policies and treatments, hence this method of valuation can also be manipulated.

The Sector PER(x) derived using the close peers of the On'ally Holdings PLC such as C T Land Development PLC (CTLD), Overseas Realty (Ceylon) PLC (OSEA), Seylan Developments PLC (CSD) & Commercial Development Company PLC (COMD). The close peers are selected from the companies that are involved in the similar business model (Eg- Property Development & maintenance and income generation via renting out premises) and Listed under the real estate sector in the CSE.

3.4.1 Valuation Using Sector PER (x)

	Period Ended 30 Sep 2020 Un-Audited	Period Ended 31 March 2020 Audited
Total comprehensive income / (loss) for the year	66,815,803	175,847,063
Issued Number of Shares	93,003,087	93,003,087
EPS	* 1.46	1.87
Average Sector PER (X)	8.75	7.57
Value per Share based on sector PER Approach	12.78	14.16

*The reported EPS for the period ended 30th September 2020 is 0.73. Annualized EPS considered assuming company will continue its current operations on 'as-is' basis

	Period Ended 30th September 2020			Period Ended 31st March 2020		
	EPS	Share Price	PER (X)	EPS	Share Price	PER (X)
CTLD	(0.33)	32.30	n/a	2.31	20.40	8.83
OSEA	1.09	13.90	9.56	0.42	12.00	7.14
CSD	1.09	12.60	8.67	0.30	9.60	8.00
COMD	8.91	95.20	8.01	2.62	66.20	6.32
Average Sector PER (X)			* 8.75			7.57

Source: Company Financial Statements, CSE web site



Note –Except C T Land Development PLC (CTLD) 31st March 2020 Earnings Per Share figure, 30th September 2020 & 31st March 2020 Earnings Per Share figures are derived from Un-Audited company financials published on CSE website.

The calculation of Sector PER for the period ended 30 September 2020 & 31 March 2020, earnings are annualized assuming company will continue its current operations on 'as-is' basis

Market Prices of these companies are closing prices of the shares on respective dates published on the CSE web site

* Average Sector PER(X) for the period ended 30 September 2020 calculated using only OSEA, CSD & COMD and CTLD financials are not considered since company reported a loss during that period.

3.4.2 Valuation Using Market PER (x)

	Period Ended 30 Sep 2020 Un-Audited	Period Ended 31 March 2020 Audited
Total comprehensive income / (loss) for the year	66,815,803	175,847,063
Issued Number of Shares	93,003,087	93,003,087
EPS	* 1.46	1.87
**Market PER (X)	10.10	8.38
Value per Share based on Market PER Approach	14.75	15.67

*The reported EPS for the period ended 30th September 2020 is 0.73. Annualized EPS considered assuming company will continue its current operations on 'as-is' basis

** Market PER refers to closing PER of All Share price Index (ASPI) in respective dates

3.5 RESIDUAL INCOME APPROACH

Residual income valuation (also known as residual income model) is an equity valuation method that is based on the idea that the value of a company's stock equals the present value of future residual incomes discounted at the appropriate cost of equity

	31st March 2020	31st March 2021	31st March 2022	31st March 2023	31st March 2024	31st March 2025
	Actual	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
Net Income	175,847,063	366,644,049	342,233,674	369,869,739	400,048,737	433,007,102
Book Value of common equity	2,156,214,386	2,316,349,023	2,490,922,343	2,681,510,693	2,889,855,053	3,117,877,850
Beginning Book value of common equity		2,156,214,386	2,316,349,023	2,490,922,343	2,681,510,693	2,889,855,053
BBV of Equity* E(R)		288,501,485	309,927,499	333,285,410	358,786,131	386,662,606
Residual Income		78,142,565	32,306,175	36,584,330	41,262,606	46,344,496
Discount period		1	2	3	4	5
PV of Residual Income		68,920,942	25,131,166	25,100,695	24,969,558	24,735,227

Return of common equity

Cost of equity/ E(R)	13.38%
PV of equity calculations	
Current value of common equity	2,156,214,386
sum of present value of residual income	168,857,587
Terminal Growth	3%
Estimated year 5 net income to common equity	433,007,102
Residual income terminal value	277,699,988
PV of Res Inc Terminal value	148,215,491
PV of Equity	2,473,287,465
Share Outstanding	93,003,087
Implied Share Price	26.59

$$E(R) = R_f + \beta(R_m - R_f)$$

Cost of Equity (COE) / E (R)

* Risk Free Rate	5.35%
** Beta	1.69
*** Market Return	10.10%
Cost of Equity (COE)	13.38%

Assumptions

Capital Asset Pricing Model (CAPM) used to derive Cost of Equity

* Risk Free Rate - 5 Year T.Bond rate auction held on 11 Dec 2020

** Beta - Beta Values Against ASPI (As of Third Quarter of year 2020)

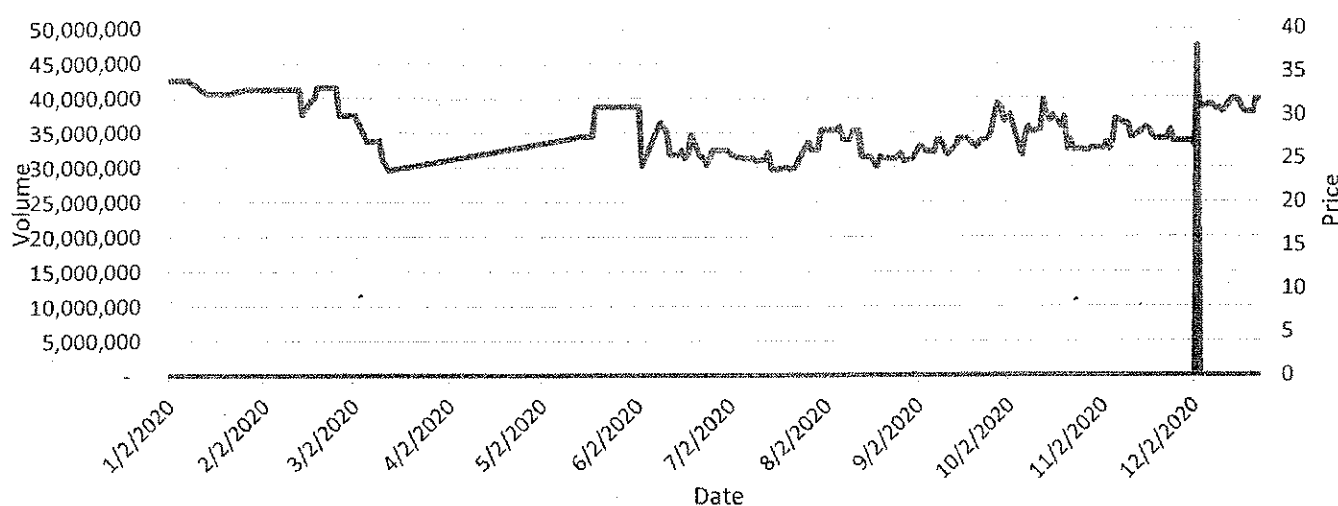
*** Market Return - All Share Price Index (ASPI) year Change (1st Jan 2020-30th Dec 2020)

Terminal Growth Rate = 3.0%

Note : Due To the COVID 19 outbreak in early 2020 and the uncertainty due to that, company has reduced the market value of the commercial properties and Fair Value gain. This affected the profitability of the company during the financial year 2019/2020. But in the forecasted financial year ended 31st March 2021 Company has calculated and adjusted the fair value gain. Due to this reason there is a significant increase in the Net Income figure compared to financial year ended 2020.

4.0 OTHER IMPORTANT CONSIDERATIONS

HISTORICAL PRICE VOLUME CHART OF ON'ALLY HOLDINGS PLC



LIQUIDITY OF ON'ALLY HOLDINGS PLC (ONAL.N0000) SHARES

Below table provides a summary of the trading of On'ally Holdings PLC shares for the period of 01st January 2020 to 24th December 2020. The Share price has recorded 12 months high of LKR 37.00 on 03rd December 2020.

Period	High (Rs.)	Low (Rs.)	Close (Rs.)	Share Vol	Turnover (Rs.)	Days Traded
Dec-2020	37.00	26.50	31.50	47,643,466	1,439,484,018	18
Nov-2020	31.00	25.90	27.00	31,645	894,852	19
Oct-2020	32.60	25.20	26.20	149,301	4,115,386	20
Sep-2020	33.40	25.10	29.40	229,179	6,541,830	18
Aug-2020	29.00	23.60	25.00	140,601	3,609,212	17
July-2020	28.50	23.40	28.30	106,421	2,638,299	18
June-2020	29.90	23.80	26.00	40,058	1,005,096	16
May-2020	31.00	27.40	31.00	4,189	123,212	7
March-2020	31.50	23.10	23.70	4,900	124,291	5
Feb- 2020	35.00	25.30	30.00	6,328	199,661	12
Jan - 2020	36.50	32.10	33.00	4,868	158,419	9

5.0 RISK

The future performance of ONAL is subject to a number of risks that may or may not be within the control of the Company which can be classified into three main categories business risk, non-business risk and finance risk. If any of the risks highlighted here materialize, it could have an adverse effect on the performance of the Company and its ordinary share price. This section highlights the main sources of risk, but not necessarily all risks faced by the Company.

- **Tenants risk**

Risk of losing tenants is one of the key business risks and if this happens that will impact on the financial performance of ONAL. With the present pandemic situation this is one of the major risks in the industry and in order to retain the tenants most of the companies are temporarily reduce the rent or give time to pay the rent. Although this is negatively impact to the financials of the company it will create loyal customer base to the company in the long run.

- **Increasing rental space**

With the new developments presently under way in the city of Colombo and upcoming major mixed development projects will increase the availability of the rental space for office and retail usage would result in the rise in the pressure on the rental income. This will be a major business risk as well as a financial risk to ONAL. Since ONAL has developed its brand as a retail IT hub over the years will help them to mitigate this risk to a greater extent.

- **Increases in repairs and maintenance expenditure**

Increase in repairs and maintenance cost of the building can be categorized as a non-business risk but with the aging of the property increase in the maintenance can be heavily impact to the performance of the company. As per the financials of the company repairs and maintenance cost of ONAL has increased by 40% in average over last 05years. Apart from the annual repairs and maintenance work required to maintain functionality of the property the risk of major unforeseen repairs of the property will increases in repairs and maintenance expenditure will result in an increase in operational expenses which would have an adverse impact on the Company's profitability.

- **Building hazards**

Building complexes vulnerable to a wide range of threats, such as fire and structural vulnerabilities, ect. If any of these risks or flaws were to occur, ONAL's business operations could be seriously disrupted. The Company will have to incur substantial costs in the event of such disasters that could have an impact on the profitability of the Company in the short term.



The shareholders of On'ally Holdings PLC are subject to risks if they choose to either accept or reject the offer made by Lanka Reality Investments PLC. This section highlights the risk factors, but not necessarily all the risks faced by the shareholders.

Risks of accepting the offer to shareholders

- **Improvement in ONAL's financial performance and share price appreciation**

Lanka Reality Investments PLC has stated in the recent press release their intention to convert the building into a strategic location in Colombo and transform the Unity Plaza into a Grade A property. Upon materialization of such plans the value of On'ally Holdings PLC shares can be much higher than the offer price and Shareholders who accept the offer are subject to the risk of losing out on investment gain if there is an appreciation in the share price.

- **Improvement in Equity Market performance and share price appreciation**

At present a significant improvement witnessed in the overall performance of the Colombo Stock Exchange with share price appreciation of companies across the board. In this context share price of the On'ally Holdings PLC may increase above the offer price which will be negatively impacted to the shareholders who has accepted the offer.

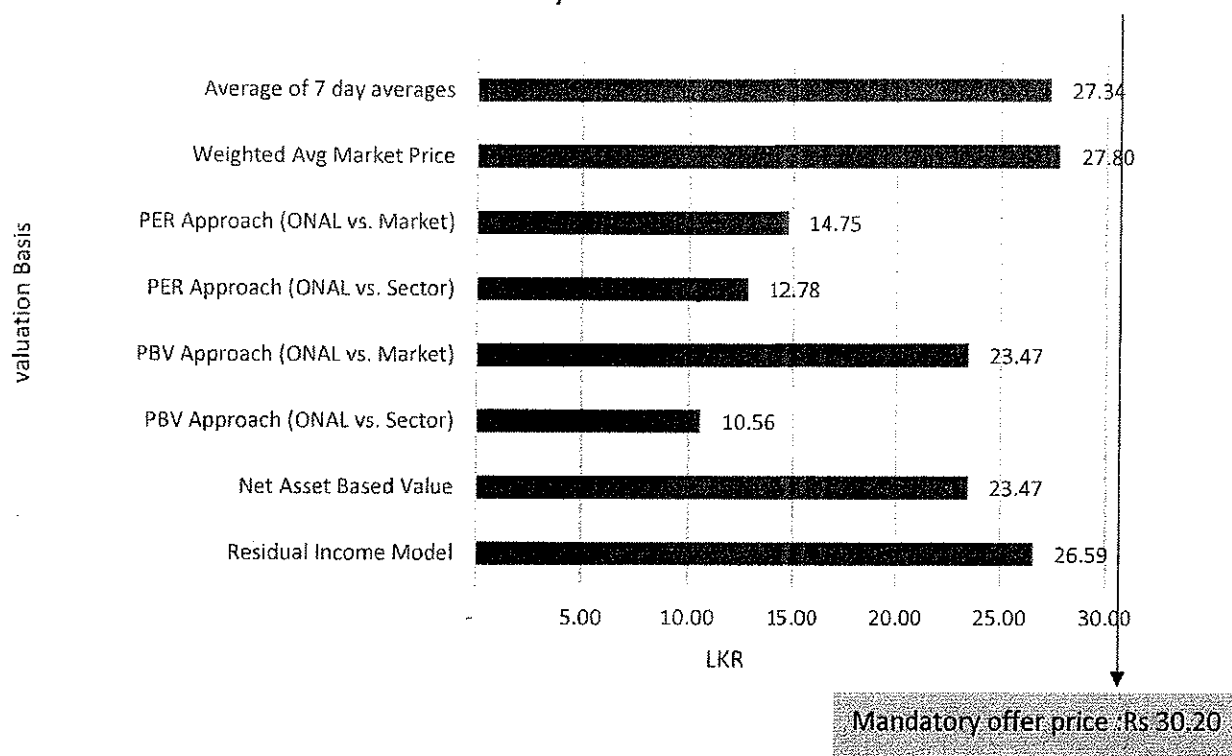
Risks of rejecting the offer to shareholders

- **Lower Liquidity of ONAL Shares**

From 1st January 2020 to 2nd December 2020 average daily traded share volumes are c.5094 with the average daily turnover of c.LKR 137,783. If the minority shareholders who choose not to accept the offer may face the risk of low liquidity. The lower liquidity of the shares would result in a challenging circumstance in the event a shareholder wishes to dispose the shares immediately at a later date.

6.0 OPINION

Summary of the Valuation



Considering the facts mentioned above, we are of the opinion that the offer price of LKR 30.20 is attractive as the offer price is at a premium to the all-valuation prices. Also, the shareholders should note, based on the past trading history that the liquidity of the share is low and this mandatory offer provides an opportunity for existing shareholders to exit. Shareholders who choose to decline the mandatory offer may face the illiquidity. Therefore, MBSL concludes that the Lanka Realty Investments PLC's mandatory offer price is fair and reasonable and recommends shareholders to **ACCEPT** this offer.

However, this opinion may not be applicable for the strategic investors of On'ally Holdings PLC as we do not have access to the strategic plan of the new investor Lanka Realty Investments PLC on ONAL. As per the press release/article appeared on the Themorning.lk on 11th December 2020 (Source; <http://www.themorning.lk/unity-plaza-to-become-sim-lim-square-of-sri-lanka/>) indicated

that the new investor had plans to convert the building into a strategic location in Colombo and upon materialization of such plans the value of ONAL shares can be much higher than the offer price.

As quoted in the article -

“LRI, which as a group includes construction material business Amtrad Ltd. as well as leisure interests, has assets worth Rs. 11.6 billion at the end of this fiscal year. If LRI’s eye for potential and track record of turning grade B assets into grade A cash cows with a high ROI and is anything to go by, both consumers and investors will have something to look forward to in the near future.”

“The deal was struck with the intention of transforming Unity Plaza into a grade A property in the heart of Colombo.”

The shareholders should also observe that our recommendation is based on historical performance, forecast provided by the company and the stock market prices. The recommendations given in this report are valid as at the valuation date and for a reasonable period (03 month from the date of this report) of time there from. We have not verified the forecasted financials provided by the company due to the time constraints to make projections. Also, MBSL has not undertaken any independent enquiries or audits to verify that the information provided is correct and has not carried out any type of audit of On’ally Holdings PLC’s records to verify that all material documentation has been provided.

It should also be noted that the valuation methodologies we have adopted as well as the implementation thereof have been limited by the available information and these methodologies have their own intrinsic shortcomings as well. Further, in forming our opinion we have not taken into consideration any facts, circumstances or constraints specific to any shareholder, both resident and non-resident.



7.0 INDIVIDUALS PARTICIPATING IN THE VALUATION ASSIGNMENT

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- Associate member of Chartered Global Management Accountants (CGMA, UK)