Lego Corporate
Finance Limited
力高企業融資有限公司

To the Independent Shareholders of
China Lumena New Materials Corp. (In Provisional Liquidation)

Dear Sirs or Madams,

PROPOSED RESTRUCTURING INVOLVING, INTER ALIA,
(1) PROPOSED CAPITAL REORGANISATION;
(2) CREDITORS SCHEMES;
(3) PROPOSED ISSUANCE OF PUBLIC OFFER SHARES AND COMPANY'S PLACING SHARES UNDER SPECIFIC MANDATE;
(4) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE TARGET GROUP;
(5) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION; AND
(6) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Shareholders in respect of Proposed Restructuring and the Whitewash Waiver, details of which are set out in the "Letter from the Provisional Liquidators" (the "**Letter from the Provisional Liquidators**") contained in the circular issued by the Company to the Shareholders dated 29 November 2019 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

References are made to the announcements of the Company dated 26 November 2014, 4 March 2015, 16 March 2015, 25 September 2015, 8 April 2016, 7 November 2016, 16 February 2017, 31 March 2017, 16 May 2017, 15 June 2017, 14 July 2017, 31 July 2017, 31 August 2017, 29 September 2017, 11 October 2017, 16 October 2017, 18 December 2017, 29 December 2017, 9 January 2018, 9 February 2018, 9 March 2018, 10 April 2018, 13 April 2018, 30 April 2018, 10 May 2018, 30 May 2018, 29 June 2018, 30 July 2018, 30 August 2018, 28 September 2018, 29 October 2018, 9 November 2018, 14 November 2018, 11 December 2018, 11 January 2019, 17 January 2019, 29 January 2019, 1 March 2019, 14 March 2019, 15 April 2019, 29 April 2019, 9 May 2019, 24 May 2019, 13 June 2019, 16 July 2019 and

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1 August 2019, 15 August 2019, 16 September 2019, 26 September 2019, 28 October 2019, 7 November 2019, 18 November 2019, 21 November 2019 and 26 November 2019 in relation to the Proposed Restructuring. Trading in the Shares on the Main Board of the Stock Exchange has been suspended since 25 March 2014. By its letter to the Company on 24 March 2016, the Stock Exchange set out certain conditions for the resumption of trading in the Shares, including but not limited to the Company should demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules and to have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged. On 8 April 2016, the Company was placed into the third delisting stage by the Stock Exchange pursuant to Practice Note 17 of the Listing Rules. Pursuant to the Restructuring Framework Agreement and the Amendment Letters, the Company will implement (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Share Offer; and (iv) the Acquisition.

The Acquisition

The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and shareholders' approval requirements pursuant to the Listing Rules and approval of the new listing application of the Company by the Listing Committee.

The Whitewash Waiver

Upon the issuance and allotment of the Consideration Shares as the Consideration under the Acquisition, the Concert Group will, in aggregate, hold approximately 94.12% of the issued share capital of the Company immediately upon completion of the Capital Reorganisation, the Creditors Schemes and the Acquisition but before the Share Offer. As such, Amazana Investments, Amazana Equity and Amazana Ventures would be required to make a mandatory general offer for all the shares of the Company (other than those already owned or agreed to be acquired by Amazana Investments, Amazana Equity and Amazana Ventures) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive. In this respect, the Investors has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to the approval of the Independent Shareholders by way of poll at the EGM.

As disclosed in the Letter from the Provisional Liquidators, the Concert Group does not own or control any existing Shares or any convertible securities, warrants, options or derivatives in respect of the existing Shares, and none of the Creditors are Shareholders, nor have indicated their intention to become Shareholders as at the Latest Practicable Date. Accordingly, save for the Shareholders who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and the transactions contemplated thereunder, including the Concert Group, will abstain from voting on the relevant resolutions, none of the other relevant Shareholders and its associates have to abstain from voting on any resolutions to be proposed at the EGM.

As at the Latest Practicable Date, the Company has no non-executive directors or independent non-executive directors. As such, no independent board committee could be formed to make recommendations to the Independent Shareholders in respect of voting on the resolutions to approve the Capital Reorganisation, the Share Offer, the Creditors Schemes, the Whitewash Waiver, and the Acquisition contemplated under the Restructuring Framework Agreement. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Shareholders on (i) whether the terms of the Restructuring Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Restructuring Framework Agreement and the Whitewash Waiver are in the interests of the Company and the Independent Shareholders as a whole; (iii) whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned; and (iv) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Restructuring Framework Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the EGM. Our appointment has been approved by the Provisional Liquidators.

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships with or interests in the Company or the Target Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. We are not associated or connected with the Company or the Investors, their respective substantial shareholders or any party acting in concert with any of them. In the last two years, there was no engagement between the Group, the Target Group and Lego Corporate Finance. Apart from normal professional fees paid or payable to us by the Target Group in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or the Target Group. Accordingly, we are qualified to give independent advice in respect of the Restructuring Framework Agreement and the transactions contemplated thereunder, and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Provisional Liquidators or the Investors (if applicable) and their advisers; (iii) the opinions expressed by and the representations of the Provisional Liquidators or the Investors (if applicable); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Provisional Liquidators and the Investors that no material facts of which they are aware have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Provisional Liquidators or the Investors (if applicable) are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date. The Company will notify the Shareholders of any material changes during the period from the Latest Practicable Date up to the date of the EGM as soon as possible. The Shareholders will also be informed by us as soon as possible should there be any material changes to our opinion after the Latest Practicable Date up to the date of the EGM. We have also relied on the responsibility statements made by the Provisional Liquidators and the Investors contained in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Provisional Liquidators or the Investors (if applicable) and their advisers.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Provisional Liquidators or the Investors (if applicable), nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Target Group or any of their respective subsidiaries and associates. In addition, the information and the historical financial statements of the Company were based on the books and records made available to the Provisional Liquidators and the Provisional Liquidators have no assurance on the completeness, accuracy and validity of the information provided and the documents in their possession.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Restructuring Framework Agreement and the Whitewash Waiver, we have considered the following principal factors and reasons:

1. Background of and reasons for the Restructuring Framework Agreement

1.1 Background of the Restructuring Framework Agreement

Prior to the suspension of trading of the Shares on 25 March 2014, the Group principally engaged in the processing and sale of powder thenardite, specialty thenardite and medical thenardite and in the manufacturing and sale of polyphenylene sulphide products. By a letter to the Company from the Stock Exchange on 24 March 2016, the Stock Exchange set out certain conditions for the resumption of trading in the Shares, including but not limited to the Company should demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules and to have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged. The Company must also (i) address the alleged irregularities mentioned in the reports published by Glaucus Research Group and Emerson Analytics Co., Ltd. and inform the market of material information; (ii) publish all outstanding financial results and address any audit qualifications; and (iii) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules. On 8 April 2016, the Company was placed in the third delisting stage pursuant to Practice Note 17 of the Listing Rules.

On 23 September 2016, the Company and the Investors entered into the Restructuring Framework Agreement relating to the Proposed Restructuring of the Group. On even date, the Company submitted the Resumption Proposal to the Stock Exchange before the expiry of the third delisting stage to seek resumption of trading of the Shares. On 24 October 2016, the Company received a letter from the Stock Exchange, which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 31 March 2017.

It is expected that upon Completion, the Enlarged Group shall consist of the Company, the Target Company and mainly four operating subsidiaries, namely JOE Green Pte., JOE Green Precast, JOE Green MKT Singapore and JOE Green MKT Malaysia.

1.2 Information on the Group

The following table summarises the consolidated financial information of the Group for the three years ended 31 December 2018 and six months ended 30 June 2018 and 2019 as extracted from the section headed "Financial Information of the Group" as set out in Appendix II to this Circular.

	Six months ended 30 June		**Years ended 31 December**		
	2018	**2019**	**2018**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*			
Revenue	–	–	–	–	–
(Loss) for the year/period	(96,519)	(92,958)	(192,855)	(184,001)	(195,756)

	As at 30 June	**As at 31 December**		
	2019	**2018**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)			
Current assets	6,575	6,000	6,685	8,089
Non-current assets	1,011	1,011	1,011	1,011
Current liabilities	3,505,677	3,408,583	3,216,413	3,033,816
Non-current liabilities	4,039,850	4,039,850	4,039,850	4,039,850
Net liabilities	4,039,850	7,441,422	7,248,567	7,064,566
Cash and bank balances	6,575	6,000	6,685	8,089

According to the section headed "Financial Information of the Group" as set out in Appendix II to this Circular, the Company received a winding up petition (the "**Winding Up Petition**") dated 19 January 2015 against the Company which alleged that the Company was indebted to and had failed to satisfy lenders of such debt in the total sum of US$89,764,378.88 as at 16 January 2015. The petitioner under the Winding Up Petition sought to wind up the Company and to appoint liquidators, and subsequently the Provisional Liquidators were appointed to the Company on 25 February 2015. Since the appointment, the Provisional Liquidators have been investigating into the affairs of the Group but limited books and records were recovered. Due to incomplete books and records, the Provisional Liquidators have been unable to access the books and records of all subsidiaries of the Company (collectively referred to as "**Unconsolidated Subsidiaries**"). The Provisional Liquidators consider that there is insufficient documentation to satisfy the Provisional Liquidators on control of the Unconsolidated Subsidiaries in accordance with the requirements of International Financial Reporting Standard 10 "Consolidated Financial Statements". In this regard, loss on deconsolidation of Unconsolidated Subsidiaries of approximately RMB21,422.3 million was recognised for the year ended 31 December 2015 to account for the amount being deconsolidated upon the deconsolidation of the Unconsolidated Subsidiaries on 25 February 2015, being the date of the appointment of the Provisional Liquidators. As a result, no revenue had been recognised for the three years ended 31 December 2018 and the six months ended 30 June 2019 while a substantial loss was recognised for the year ended 31 December 2015.

Shareholders should note that since no sufficient evidence has been provided to satisfy the auditors of the Company (the "**Auditors**") as to whether the Company had control of these Unconsolidated Subsidiaries since 25 February 2015, the Auditors are unable to obtain sufficient reliable evidence to satisfy themselves as to whether it is appropriate to exclude the Unconsolidated Subsidiaries from the consolidated financial statements and the loss on deconsolidation of Unconsolidated Subsidiaries, or to determine whether the carrying values of the investments in the Unconsolidated Subsidiaries were free from material misstatement. Accordingly, the Auditors did not express an opinion on the consolidated financial statements of the Company as to whether they give a true and fair view of the state of affairs of the Company. Nevertheless, as the Unconsolidated Subsidiaries, being the Scheme Subsidiaries and representing all existing subsidiaries of the Company, shall all be transferred to the Scheme Company or the Scheme Administrators pursuant to the terms of the Creditors Schemes on Completion under the Creditors Schemes, the above Auditors' qualification on the historical financial information of the Group, which primarily comprised of the Unconsolidated Subsidiaries, shall not affect the business of the Enlarged Group upon Completion nor affect our view to the Whitewash Waiver.

1.3 Information on the Investors

According to the Letter from the Provisional Liquidators, the Investors, being Mr. Widjaja, Ms. Lim and Ms. Limarto, are the proposed executive Directors immediately following the completion of the Acquisition. Please refer to the below paragraph headed "5.2 Information on the Proposed Directors" for details of biographical information of Mr. Widjaja, Ms. Lim and Ms. Limarto. Following completion of the Proposed Restructuring, the Investors will be Controlling Shareholders interested in 65.0% of the Company.

1.4 Reasons for entering into of the Restructuring Framework Agreement

Pursuant to the Restructuring Framework Agreement and the Amendment Letters entered into between the Company and the Investors, the Company will implement (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Share Offer; and (iv) the Acquisition. Completion of the Restructuring Framework Agreement is conditional upon its conditions precedent being satisfied on or before the Long Stop Date or the Completion Date (as the case may be), which includes, *inter alia*, the Creditors Schemes becoming effective and all of the required resolutions relating to the Capital Reorganisation, the Share Offer, the Acquisition, the Creditors Schemes, the Whitewash Waiver and any other transactions contemplated under the Restructuring Framework Agreement which require the approval of the Shareholders and/or the Independent Shareholders (when required), having been duly passed at the EGM. Please refer to the paragraph headed "Conditions Precedent to the Restructuring Framework Agreement" in the Letter from the Provisional Liquidators for details of the conditions precedents to the Restructuring Framework Agreement.

As set out above, due to the incomplete books and records, the Unconsolidated Subsidiaries were deconsolidated since 25 February 2015 and the Company recorded a substantial deconsolidation loss for the year ended 31 December 2015. The Group therefore is insolvent and in the absence of the Proposed Restructuring, the Group shall not have sufficient operation and would not be able to settle its outstanding indebtedness. Should the Creditors of the Company take legal action against the Company for recovery of the outstanding amounts and the Company thus be forced to wind up, Shareholders would only be entitled to the residual assets after realisation of the existing assets of the Group and distributions being made to the Creditors. In this regard, in considering the existing net liabilities position and debt level of the Group as set out above, there shall not be any residual assets available for distribution to the Shareholders. In such event, Shareholders will have to write-off their investment in the Company.

It is expected that after Completion, the trading of the Shares on the Stock Exchange will resume, which allows the Shareholders to realise their investment in the Shares by selling the Shares in the market.

On the other hand, with the Creditors Schemes under the Proposed Restructuring, all claims against the Company shall be compromised, discharged and/or settled. Based on the pro forma financial information of the Enlarged Group as set out on Appendix III to this Circular, the Group's net liabilities would improve to net assets upon Completion. In addition, as the Unconsolidated Subsidiaries were deconsolidated since 2015 and that one of the resumption conditions require the Group to have sufficient operations or value of assets under Rule 13.24 of the Listing Rules, the Acquisition would allow the Group to fulfil such resumption condition.

In light of the above, in particular that the Resumption Proposal is the only proposal that is being allowed to proceed with and that Shareholders will have better alternative than in the scenario where there shall not be any residual assets available to the Shareholders in case the Company were to be wound up in the absence of the Proposed Restructuring, we are of the opinion that the entering into of the Restructuring Framework Agreement is in the interests of the Company and the Independent Shareholders as a whole.

2. Proposed Capital Reorganisation

Pursuant to the Restructuring Framework Agreement and the Amendment Letters, the Company proposes to implement the Capital Reorganisation which will comprise (i) the Share Consolidation; (ii) the Authorised Share Capital Cancellation; and (iii) the Authorised Share Capital Increase.

As at the Latest Practicable Date, the authorised share capital of the Company was US$100,000, comprising 10,000,000,000 Shares of US$0.00001 each, of which 5,603,859,393 Shares have been issued and fully paid. Upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will be increased to US$2,000,000, comprising 5,000,000,000 New Shares of US$0.0004 each, of which 140,096,484 New Shares will be issued and fully paid.

As part of the Restructuring Framework Agreement and Completion is conditional upon, among other things, the resolution for the Capital Reorganisation having been duly passed at the EGM, the Capital Reorganisation forms an integral part of the Restructuring Framework Agreement.

As detailed in the below sections, the Proposed Restructuring comprises, among others, the Share Offer and the Acquisition, pursuant to which the Company will issue 840,578,904 SO Shares and 2,241,543,744 Consideration Shares. In view of the existing share capital of the Company, the remaining number of Shares in the authorised share capital of the Company shall not be suffice for the issuance of the SO Shares and the Consideration Shares. In addition, the Share Offer Price, and the Consideration Price of HK$0.24 per New Share implies a theoretical price of HK$0.006 per Share, which is lower than the trading limit of HK$0.01 pursuant to Rule 13.64 of the Listing Rules. Hence, the Capital Reorganisation shall facilitate the Share Offer and the Acquisition for the issue of the SO Shares and the Consideration Shares under the Restructuring Framework Agreement, as well as to provide greater flexibility to the Company to raise funds through the issue of New Shares in the future.

3. The Creditors Schemes

As disclosed in the Letter from the Provisional Liquidators, the Company has an estimated total amount of claims of approximately US$1,161 million. This indebtedness figure is indicative only and the claims of the Creditors will be subject to final determination by the Scheme Administrators and (if applicable) adjudication under the Creditors Schemes.

As part of the Proposed Restructuring, the Creditors Schemes shall be implemented as follows:

(1) HK$90,000,000 shall be made available to the Creditors Schemes for the benefit of the Creditors, which shall be funded from the net proceeds of the Share Offer;

(2) such other sums as may be realised by the Scheme Administrators from the existing assets of the Group (including Scheme Subsidiaries) which shall all be transferred to the Scheme Company or the Scheme Administrators pursuant to the terms of the Creditors Schemes on Completion with, or subject to, any modification, addition or conditions approved or imposed by the High Court and the Grand Court;

(3) all or any claims of the Company in respect of transactions or events incurred up to the date on which the Creditors Schemes become effective against any person (including but not limited to the Scheme Subsidiaries) shall be assigned and/or transferred and/or novated (as the case may be) from the Company to the Scheme Company or the Scheme Administrators pursuant to the terms of the Creditors Schemes for the benefit of the Creditors upon the Creditors Schemes becoming effective;

(4) any outstanding claims made or to be made by the Creditors in respect of transactions or events incurred up to the date on which the Creditors Schemes become effective shall be assigned or transferred to the Scheme Company pursuant to the terms of the Creditors Schemes for settlement; and

(5) all the indebtedness of the Company as at the date on which the Creditors Schemes become effective shall be compromised and be fully discharged.

The implementation of each of the Creditors Schemes is conditional on Completion. The Company shall be irrevocably released from any and all indebtedness owing by the Company to its Creditors on the date on which the Creditors Schemes become effective and, after Completion, no claims shall be made by the Creditors against the Company in respect of any of the indebtedness of the Company as at the date on which the Creditors Schemes become effective. The implementation of the Creditors Schemes shall allow the Company to settle its outstanding claims and indebtedness.

As Completion is conditional on the Creditors Schemes becoming effective no later than the Completion Date, the Creditors Schemes forms an integral part of the Restructuring Framework Agreement.

4. The Share Offer

4.1 Principal terms of the Share Offer

Pursuant to the Restructuring Framework Agreement and the Amendment Letters, the Company conditionally agreed to implement the Share Offer of 840,578,904 SO Shares at the Share Offer Price of HK$0.24 per SO Share as part of the Proposed Restructuring. The Share Offer will consist of:

(a) the Public Offer of 224,156,000 Public Offer Shares (subject to adjustment) (representing approximately 26.7% of the number of SO Shares available for subscription or purchase under the Share Offer and approximately 8.0% of the enlarged issued share capital of the Company upon completion of the Proposed Restructuring) for subscription by the public in Hong Kong; and

(b) the Placing of 616,422,904 Placing Shares (subject to adjustment) (representing approximately 73.3% of the number of SO Shares available for subscription or purchase under the Share Offer and approximately 22.0% of the enlarged issued share capital of the Company upon completion of the Proposed Restructuring) to selected professional, institutional and/or other investors in Hong Kong and elsewhere. For the avoidance of doubt, the Placing will consist of:

   i. 196,133,452 Company's Placing Shares (representing approximately 23.3% of the number of SO Shares available for subscription or purchase under the Share Offer and approximately 7.0% of the enlarged issued share capital of the Company upon completion of the Proposed Restructuring) to be allotted and issued by the Company, among which, 140,096,484 New Shares will be available for subscription by the Qualifying Lumena Shareholders under the Preferential Offer as Preferential Entitlements on the basis of one (1) Company Placing Share for every one (1) New Share held on the Preferential Offer Record Date; and

   ii. 420,289,452 Investors' Placing Shares (representing approximately 50.0% of the number of SO Shares available for subscription or purchase under the Share Offer and approximately 15.0% of the enlarged issued share capital of the Company upon completion of the Proposed Restructuring) to be offered for sale by the Investors to restore the public float of the Company.

Subject to the reallocation of the SO Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.0% of the Company's enlarged issue share capital immediately after the completion of the Share Offer and upon completion of the Proposed Restructuring.

Public investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong. The Placing will involve selective marketing of the Placing Shares to the professional, institutional and/or other investors expected to have a sizeable demand for the Placing Shares. The Reserved Shares is offered by the Company pursuant to the Preferential Offer to the Qualifying Lumena Shareholders as Preferential Entitlements under the Company's Placing.

4.2 The Preferential Offer

Among the 196,133,452 Company's Placing Shares being offered under the Company's Placing, 140,096,484 Company's Placing Shares (i.e. the Reserved Shares) will be available for subscription by the Qualifying Lumena Shareholders as the Preferential Entitlements on the basis of one (1) Reserved Share for one (1) New Share held by the Qualifying Lumena Shareholders on the Preferential Offer Record Date.

Preferential Entitlements of the Qualifying Lumena Shareholders to the Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying Lumena Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Preferential Entitlements under the Preferential Offer. Please refer to the Letter from the Provisional Liquidators for the basis of allocation for applications for Reserved Shares. Save for the allocation for the excess applications for the Reserved Shares, the Preferential Offer will not be subject to the clawback arrangement between the Placing and the Public Offer.

The Company has not procured any undertaking and has not received any undertaking provided by any Shareholder to subscribe for the Reserved Shares under his/her/its Preferential Entitlement under the Preferential Offer or any arrangement that may have an effect on the Share Offer.

As at the Latest Practicable Date, the issued share capital of the Company comprises 5,603,859,393 Shares and the Company does not have any options, warrants or convertible securities in issue.

The Company's Placing Shares (including the Reserved Shares) and the Public Offer Shares will be issued pursuant to a specific mandate to be obtained upon approval by the Shareholders or Independent Shareholders, as the case may be, at the EGM.

As part of the Proposed Restructuring, the Completion is conditional on, among others, the resolutions relating to each of the Share Offer and any other transactions contemplated under the Restructuring Framework Agreement which require the approval of the Shareholders and/or the Independent Shareholders (when required) having been duly passed. Hence, the Share Offer forms an integral part of the Restructuring Framework Agreement.

4.3 The Share Offer Price and the Consideration Price

Each of the Share Offer Price and the Consideration Price of HK$0.24 (the "**Issue Price**") was determined by the Company, after taking into account (i) the financial performance and financial position of the Group; and (ii) the fact that trading in the Shares on the Stock Exchange has been suspended since 25 March 2014.

The Issue Price of HK$0.24 per New Share represents a discount of approximately 99.52% to the theoretical quoted price of HK$50 per New Share (as adjusted for the effect of the Capital Reorganisation based on the closing price of HK$1.25 per Share) as quoted on the Stock Exchange on 24 March 2014, being the last full trading day before the suspension of trading in the Shares since 25 March 2014. In addition, as noted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III to this Circular, the unaudited pro forma adjusted consolidated net tangible assets per share of the Enlarged Group is approximately RMB0.02 per New Share (equivalent to approximately HK$0.0271 per New Share based on the exchange rate of RMB1 = HK$1.16), and hence the Issue Price represents a premium of approximately 785.6% over the unaudited pro forma adjusted consolidated net tangible assets per share of the Enlarged Group.

Given the prolonged suspension in the trading of the Shares on the Stock Exchange for more than four years and the deconsolidation of the Unconsolidated Subsidiaries, we consider that closing price of the Shares prior to the suspension of trading in the Shares shall not be able to reflect the current financial condition and value of the Company, and thus will not provide a fair basis for the evaluation of the Issue Price. On the other hand, we noted that the Company had net liabilities position prior to Completion and hence a theoretical consolidated net liabilities per Share of approximately RMB53.81 per New Share (equivalent to approximately HK$62.41 per New Share based on the exchange rate of RMB1 = HK$1.16) based on the audited net liabilities of the Group as at 30 June 2019 of approximately RMB7,537.9 million and 140,096,484 New Shares upon the Capital Reorganisation becoming effective. Accordingly, the Issue Price represents a substantial premium of approximately HK$62.65 per New Share over the theoretical consolidated net liabilities per New Share.

Comparison with other open offer transactions under resumption proposal

As at the Latest Practicable Date, there was one similar share offer transaction carried out and completed by companies listed on the Stock Exchange with their shares suspended and placed under the delisting procedures by the Stock Exchange pursuant to Practice Note 17 of the Listing Rules, and with share offer and preferential offering as part of their restructuring plan. In light of the limited number of similar share offer transaction completed, it may not be able to provide a comprehensive comparison regarding share offer transactions conducted by the aforementioned companies listed on the Stock Exchange. Also, given the Preferential Offer allows the Qualifying Lumena Shareholders to participate in the Share Offer on a preferential basis to subscribe for the

Reserved Shares, the Preferential Offer is similar to an open offer exercise commonly adopted under resumption proposals which allows the existing shareholders to participate in the resumption proposal. Accordingly, in order to assess the fairness and reasonableness of the Share Offer Price, we have searched for such open offer transactions conducted by companies listed on the Stock Exchange with their shares suspended and placed under the delisting procedures by the Stock Exchange pursuant to Practice Note 17 of the Listing Rules, and with their resumption proposal, which involves open offer as part of their restructuring plan, having approved by the Stock Exchange and completed during the five years preceding the Latest Practicable Date. We found seven public offer/open offer transactions (the "**Offer Comparables**") which met the aforesaid criteria and are exhaustive.

We have considered to compare their offer price with (i) their last trading price, yet the Company and the Offer Comparables have been suspended for a considerable amount of time and hence their last trading price would not reflect their financial position or value; and (ii) their net asset value per share, but the Company and the Offer Comparables generally had net liabilities position based on their financial information immediately preceding the implementation of resumption proposal. After considering the common characteristic of the Offer Comparables that (i) they were in distressed financial position prior to the implementation of the resumption proposal; and (ii) following the implementation of the resumption proposal, these Offer Comparables would resolve their indebtedness position and have sufficient assets and working capital for the resumption of the trading of their shares, we have extracted from the unaudited pro forma financial information as prepared by the reporting accountants of the Offer Comparables as contained in their respective circular regarding the restructuring, which could illustrate the impact of the restructuring on the financial position of the Offer Comparables companies.

We have compared the offer price of the Offer Comparables with their unaudited net tangible assets per share upon completion of the restructuring, to illustrate the recent market trend in conducting open offer transactions under resumption proposal in the market. In light of the limited number of resumption cases, we did not take into account the principal activities, operations, business background, financial position and reasons leading to the suspension of trading of the company of the Offer Comparables and we have not conducted any independent verification with regard to those of the Offer Comparables. Despite the diverse business background and reasons leading to the suspension of trading in the shares of the Offer Comparables, the terms of the public offer/open offer of the Offer Comparables companies were determined under similar conditions with their shares suspended and placed under the delisting procedures by the Stock Exchange pursuant to Practice Note 17 of the Listing Rules and were included as part of a resumption proposal such that the Offer Comparables would have their indebtedness position resolved and have sufficient working capital for their operation upon resumption, hence the Offer Comparables were just for providing a general reference to the practice of how public offer/open offer were conducted under resumption proposal in the market. Summarised below is our relevant finding:

Date of announcement of public offer/ open offer	Company name (stock code)	Principal activities upon completion of restructuring	Net assets/ (liabilities) per share[Note 1] *(Approximate HK$)*	Other principal transactions involved in the restructuring	Unaudited consolidated net tangible assets per share upon completion of the restructuring[Note 2] *(Approximate HK$)*	Premium/ (Discount) over/to the unaudited consolidated net tangible assets per share upon completion of the restructuring *(Approximate %)*
28 December 2018	Da Yu Financial Holdings Limited (formerly known as China Agrotech Holdings Limited) (1073)	Provision of corporate finance advisory services and asset management services	(0.95)	(1) capital reorganisation; (2) subscription with placing of new shares under specific mandate; (3) creditors' scheme; (4) very substantial acquisition and reverse takeover involving a new listing application; (5) public offer with preferential offering; (6) application for whitewash waiver; and (7) special deal	0.003	17,233.3
20 July 2018	Mayer Holdings Limited (1116)	Processing and manufacturing of steel sheets and steel pipes	0.30	(1) settlement deed and off-market share buy-back; (2) capital reorganisation; and (3) issue of remuneration shares	0.278	(28.8)
7 August 2017	Daqing Dairy Holdings Limited (1007)	Operation of hotpot restaurants in the PRC	(0.043)	(1) share consolidation; (2) very substantial acquisition and connected transaction; (3) reverse takeover including a new listing application; (4) application for whitewash waives (5) very substantial disposal; and (6) placing of consolidated shares	0.015	683.3

Date of announcement of public offer/ open offer	Company name (stock code)	Principal activities upon completion of restructuring	Net assets/ (liabilities) per share[Note 1] *(Approximate HK$)*	Other principal transactions involved in the restructuring	Unaudited consolidated net tangible assets per share upon completion of the restructuring[Note 2] *(Approximate HK$)*	Premium/ (Discount) over/to the unaudited consolidated net tangible assets per share upon completion of the restructuring *(Approximate %)*
6 June 2016	Birmingham International Holdings Limited (2309)	Operation of professional football club in the United Kingdom	(0.002)	(1) capital reorganisation and change in board lot size; (2) subscription of shares; (3) subscription of convertible notes; (4) application for whitewash waiver; and (5) special deals and/or connected transactions in relation to the settlement agreements	0.070	14.3
22 April 2016	Z-Obee Holdings Limited (948)	Provision of mobile handset designs and production solution services and marketing and distribution of mobile handsets and their components	0.02	(1) creditors' schemes; (2) capital reorganisation; (3) share subscriptions; (4) working capital loan and loan facility; and (5) placing of shares	0.398	220.0
8 March 2016	The Grande Holdings Limited (186)	Distribution of household appliances and consumer electronic products and licensing of trademarks	(5.63)	(1) capital reorganisation; (2) creditors' schemes of arrangement; and (3) connected transactions involving issue of creditor shares	0.060	45.0

Date of announcement of public offer/ open offer	Company name (stock code)	Principal activities upon completion of restructuring	Net assets/ (liabilities) per share[Note 1] *(Approximate HK$)*	Other principal transactions involved in the restructuring	Unaudited consolidated net tangible assets per share upon completion of the restructuring[Note 2] *(Approximate HK$)*	Premium/ (Discount) over/to the unaudited consolidated net tangible assets per share upon completion of the restructuring *(Approximate %)*
19 May 2015	Titan Petrochemicals Group Limited (1192)	Provision of logistic services, including offshore storage and oil transportation, supply of oil products and provision of bunker refueling services, shipbuilding and ship repairing	(0.52)	(1) debt restructuring and remaining indebtedness arrangements; (2) interim financing arrangements; (3) subscription of shares; (4) update on business strategies and development; (5) application for whitewash waiver; and (6) special deal	0.002	900.0
	Maximum				0.398	17,233.3
	Minimum				0.002	(28.8)
	Average				0.118	3,050.9
	The Company				0.271	589.7

Notes:

1. The net assets/(liabilities) value per share was calculated based on the net assets/(liabilities) position and number of shares in issue immediately preceding the implementation of the proposed restructuring as extracted from the respective circular relating to the restructuring.

2. The unaudited consolidated net tangible assets per share upon completion of the restructuring of the Offer Comparables were extracted from the unaudited pro forma financial information in their respective circular relating to the restructuring. For the unaudited consolidated net tangible assets per share which were not denominated in Hong Kong dollars, the exchange rates of RMB1 to HK$1.16 and US$1 to HK$7.8 were adopted.

As set out above, the unaudited net tangible assets per share upon completion of the restructuring of the Offer Comparables ranged from a discount of approximately (28.8)% to a premium of approximately 172.3 times to/over the offer price of the Offer Comparables, and hence the premium of approximately 589.7% of the Share Offer Price over the unaudited net tangible assets per New Share upon completion of the Proposed Restructuring of the Company is within the range and lower than the average of the Offer Comparables. We noted that one Offer Comparable recorded significant premium of approximately 172.3 times of the unaudited net tangible assets per share upon completion of the restructuring over its offer price. However, despite the significant premium, we noted that more than half of the Offer Comparables also recorded significant premium of at least 150% and three out of the seven Offer Comparables recorded premium significantly higher than that of the Share Offer Price. Hence, it is not uncommon in the market that the offer price under the public offer/open offer of a resumption proposal may represent a significant premium over the unaudited consolidated net tangible assets per share upon completion of the restructuring.

On the other hand, we have also considered that (i) the Company was placed into the third delisting stage by the Stock Exchange and if the transactions contemplated under the Resumption Proposal, including but not limited to the Share Offer, fail to proceed, the Company's listing will be cancelled and as the Creditors Schemes would not proceed, the residual value to be realised by the Shareholders upon liquidation of the Company, if any, would be minimal; (ii) the Share Offer Price and the Consideration Price were identical and hence the existing Shareholders were given an opportunity to invest in the Enlarged Group on the same price per New Share as the Investors and the public; (iii) the proceeds from the Share Offer are necessary for the funding of the Creditors Scheme which discharge and settle the outstanding claims and indebtedness against the Company; (iv) the factors leading to the relatively low net asset value of the Target Group, details of which were set out in the below paragraph headed "5.5 The Consideration"; and (v) among the seven Offer Comparables, six of them also carried on either share subscription, issue of consideration shares for acquisition or issue of creditors' shares for repayment of indebtedness under their resumption proposal, and all of these six Offer Comparables issued such subscription shares, consideration shares and/or creditors' shares under the same price of the offer shares, which suggested that it is a normal market practice to carry on multiple fund raising activities under a resumption proposal with the same issue price among each of the fund raising activities.

Taking into account this normal market practice and having considered the entire fund raising exercise (i.e. the Share Offer and the Preferential Offer as a whole), it would be more beneficial for the Shareholders in general as normally the Shares to be subscribed by the white knight (i.e the Investor in this case) will constitute a larger portion in the shares to be issued in the rescue fund raising exercise than the pre-emptive offer (i.e the Preferential Offer in this case) and thus the higher premium the issue price, there will be less dilution effect to the existing shareholders for the same amount of funds required to be raised, we consider the Share Offer Price is acceptable.

Nonetheless, Shareholders should note that other restructured cases have different restructuring proposals with different terms and conditions, such as the amount of investment to be injected by the relevant investors and the percentage of shareholdings to be held by such investors after the respective restructuring has been completed, which may be factors for determining the issuing price.

In light of (i) the Company was placed into the third delisting stage and the Shares are in prolonged suspension; (ii) the Issue Price represents a substantial premium over the theoretical consolidated net liabilities per New Share; (iii) the proceeds from the Share Offer are necessary for the funding of the Creditors Scheme and in turns, the Resumption; and (iv) there will be less dilution effect to the existing Shareholders for the same amount of funds required to be raised, we consider the Issue Price of the SO Shares and the Consideration Shares are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

4.4 Reasons for the Share Offer

The Share Offer form part of the Proposed Restructuring and the Completion is conditional on, among others, the resolutions relating to each of the Share Offer and any other transactions contemplated under the Restructuring Framework Agreement which require the approval of the Shareholders and/or the Independent Shareholders (when required) having been duly passed. The gross proceeds from the Share Offer are expected to amount to approximately HK$201.7 million. Out of the gross proceeds from the Share Offer, approximately HK$100.8 million (representing such proceeds raised from the Public Offer and the Company's Placing (including the Preferential Offer)) shall be receivable by the Company and approximately HK$100.9 million (representing such proceeds raised from the Investors' Placing) shall be receivable by the Investors.

Out of the approximately HK$100.8 million gross proceeds receivable by the Company from the Public Offer and the Company's Placing (including the Preferential Offer), only approximately HK$10.8 million will be retained by the Enlarged Group because approximately HK$90.0 million will be paid into the Creditors Schemes to discharge the claims of the existing creditors of the Company who have no relationship with the Target Group's business which are to be injected into the Group upon Completion. The remaining balance of approximately HK$10.8 million retained by the Enlarged Group will be used as the working capital of the Enlarged Group, including but not limited to partially settle the Company's professional fees and expenses, which are in total HK$35 million. Any remaining professional fees and expenses of the Company will be borne by the Investors.

As disclosed in the Letter from the Provisional Liquidators, given the financial position of the Group, a rescue plan incorporating the Acquisition of the Target Group, supported with funds raised by the proceeds of the Share Offer, which discharges and releases in full all liabilities of and claims against the Company (other than intercompany liabilities) under the Creditors Schemes is in the best interests of the Company, the Independent Shareholders and the Creditors as a whole. The proceeds from the Share Offer will fund the Creditors Schemes and strengthen the financial position and the capital base of the Company. The Preferential Offer also provides an opportunity for the Qualifying Lumena Shareholders to participate in the future growth and development of the Group upon successful restructuring of the Company. The Company is currently insolvent, with very limited prospect of recovery for Shareholders. The Company's listing status has been actively marketed and the Proposed Restructuring represents the best offer received.

In light of (i) the net liabilities position of the Group as at 30 June 2019 and thus the Share Offer Price, which represent premium over the theoretical net liabilities per New Share, is fair and reasonable; (ii) Completion is conditional on, among others, the resolutions relating to the Share Offer and any other transactions contemplated under the Restructuring Framework Agreement which require the approval of the Shareholders and/or the Independent Shareholders (when required) having been duly passed, and hence each of the Share Offer and the Acquisition forms the integral part of the Proposed Restructuring; (iii) the proceeds from the Share Offer will be used to settle the financial obligation of the Company as the Creditors Schemes Consideration under the Creditors Schemes and the remaining portion shall provide working capital for the Enlarged Group; (iv) the Share Offer will not bring any interest burden to the Enlarged Group; and (v) each Qualifying Lumena Shareholders will be given an equal opportunity to participate in the Company's future development by subscribing their Preferential Entitlements under the Preferential Offer, we consider that the terms of the Share Offer are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

5. The Acquisition

Pursuant to the Restructuring Framework Agreement, the Company has conditionally agreed to purchase, and the Investors have conditionally agreed to sell, the Sale Equity Interest, being the entire equity interest of the Target Company, at a total Consideration of approximately HK$538.0 million. Upon the completion of the Acquisition, the Target Group will become wholly owned subsidiaries of the Company.

5.1 Information on the Target Group

The Target Company is a company incorporated in the BVI, which will become the holding company of the Target Group immediately upon completion of the Reorganisation. The Target Group principally engages in manufacturing and sale of varieties of standardised and customised green precast concrete wall panel system and sale of related accessories and building materials with headquarter in Singapore and production plant in Johor Bahru, Malaysia.

The Target Group has four operating subsidiaries, namely JOE Green Pte., JOE Green Precast, JOE Green MKT Singapore and JOE Green MKT Malaysia. The Target Group's principal products are green light-weight precast concrete wall panel system for building construction projects, which are sold under the "JOE Green" brand, and are manufactured primarily from recycled materials including (i) RCA, which is produced from in-house crushing of hardcore waste materials recycled from the demolition of old buildings and construction waste concrete material and waste from building materials manufacturers, as well as wastes recycled from production by the Target Group; (ii) quarry dust; and (iii) other materials including cement and sand. Apart from its wall panel system, the Target Group also sold wall panel related accessories which are used in conjunction with the Target Group's precast wall panel systems at their installation and application and sold lightweight expanded clay aggregate manufactured by its supplier to its customers. In 2017, the Target Group began to extend its geographic reach to markets outside Singapore and Malaysia and provided the customers in new markets, upon their request, with drawings and/or designs to demonstrate the installation of concrete precast wall panels in return for a design fee. In addition, the Target Group commenced its First Franchise Arrangement in Indonesia in 2017, which has been terminated in June 2019, and entered into the Second Franchise Arrangement in October 2019 to further expand its geographic reach. The Target Group also extended its business to Cambodia in 2018.

As disclosed in the section headed "Business of the Target Group", the Target Group manufactures both standardised and customised precast concrete wall panel system with different specifications and functions subject to the customers' specific needs and functional requirements. The Target Group's precast concrete wall panels are environmentally friendly and sustainable building materials which are durable, light-weight, require little or no maintenance and recyclable at the end of their use, and were accredited as Singapore Green Label product and were awarded the Singapore Green Label for "Eco-Friendly Building Material". In light of their lightweight, hollow-core and precast nature, the Target Group's precast concrete wall panels save transportation costs, save time and labour spent at the construction sites and enhance installation and operational efficiency for its customers. During the Track Record Period, the Target Group has supplied its green concrete wall panel system for over 500 completed commercial, industrial, residential and institution building construction projects in Singapore, Malaysia and Indonesia, etc.. As at the Latest Practicable Date, the Target Group's precast concrete wall panel system were used in 199 on-going building construction projects.

For further details of the history, background and business of the Target Group, please refer to the sections headed "History and background of the Target Group" and "Business of the Target Group" in this Circular.

During the Track Record Period, the Target Group's revenue was mainly derived from manufacture and sale of green precast concrete wall panel system and related accessories and building materials in Singapore and Malaysia. For the three years ended 31 December 2018 and the five months ended 31 May 2018 and 2019, approximately 97.4%, 87.1%, 60.6%, 79.7% and 88.9% of the Target Group's revenue was generated from sale to the Singapore market respectively. Set out below are the highlights of the combined financial information of the Target Group for the three years ended 31 December 2016, 2017 and 2018 and the five months ended 31 May 2018 and 2019, as extracted from the Accountants' Report set out in Appendix I to this Circular:

	Year ended 31 December			Five months ended 31 May	
	2016	**2017**	**2018**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000* (unaudited)	*S$'000*
Revenue	24,847	19,552	21,529	7,114	5,650
Gross profit	16,092	11,355	12,314	3,683	2,556
Profit/loss before taxation	8,492	2,351	4,274	336	(473)
Profit/loss for the year/period	6,798	2,298	3,190	32	(372)

	As at 31 December			As at 31 May
	2016	**2017**	**2018**	**2019**
	S$'000	*S$'000*	*S$'000*	*S$'000*
Non-current assets	39,505	40,673	39,406	38,627
Current assets	12,846	12,772	15,262	12,753
Non-current liabilities	1,026	24,316	5,928	5,758
Current liabilities	38,449	13,605	30,087	29,441
Net assets	12,876	15,524	18,653	16,181

For the year ended 31 December 2017

Revenue of the Target Group decreased by approximately 21.3% from approximately S$24.8 million for the year ended 31 December 2016 to approximately S$19.6 million for the year ended 31 December 2017. The decrease in revenue was mainly due to (i) a decrease in the sales volume of the Target Group's customised precast concrete wall panel system; and (ii) a decrease in average selling prices of the Target Group's standardised precast concrete wall panel system, customised precast concrete wall panel system and wall panel system accessories. The decrease in sales volume and average selling price were in line with the development in the Singapore construction industry in 2017, including delays in project execution due to the downturn of construction industry in Singapore which led to a decrease in progress payment in 2017 and a decrease in the value of construction projects awarded in the same period. According to the Frost and Sullivan Report, the value of progress payment certified for building works in Singapore recorded a decline from approximately SGD27.8 billion in 2013 to approximately SGD19.1 billion in 2018, representing a CAGR of (7.2)%. The decline was mainly attributable to the economic uncertainties in the global and local environment, as well as the slowdown in sales of private residential properties resulted from implementation of government's cooling measures on property market, such as imposing additional buyer's stamp duty and sellers' stamp duty on property transaction. With the expected increase in construction demand according to BCA, the value of progress payment certified for building works is expected to increase at a CAGR of 4.7% during 2019 to 2023.

Due to the aforementioned reasons, the gross profit margin for the year ended 31 December 2017 decreased accordingly. On the other hand, the Target Group recorded significant increase in administrative expenses of approximate S$1.7 million, which was primarily attributable to (i) the increase in staff cost; (ii) the increase in depreciation due to the increase in motor vehicles acquired by the Target Group in 2017; and (iii) the increase in the recognition of one-off transaction expenses in connection with the Proposed Restructuring. As a result of the above, the Target Group recorded a decrease in net profit by approximately S$4.5 million from approximate S$6.8 million for the year ended 31 December 2016 to approximately S$2.3 million for the year ended 31 December 2017.

During the year ended 31 December 2017, approximately S$23.0 million of bank borrowing has been re-classified as non-current liabilities. Accordingly, the non-current liabilities increased from approximately S$1.0 million as at 31 December 2016 to approximately S$24.3 million as at 31 December 2017 and the current liabilities decreased from approximately S$38.4 million as at 31 December 2016 to approximately S$13.6 million as at 31 December 2017. On the other hand, the Target Group completed the acquisition of a parcel of land near the existing production plant of the Target Group in Johor Bahru, Malaysia. Accordingly, the non-current assets of the Target Group increased from approximately S$39.5 million as at 31 December 2016 to approximately S$40.7 million as at 31 December 2017. Due to the above, net assets of the Target Group increased from approximately S$12.9 million as at 31 December 2016 to approximately S$15.5 million as at 31 December 2017.

For the year ended 31 December 2018

Revenue of the Target Group increased by approximately 10.1% from approximately S$19.6 million for the year ended 31 December 2017 to approximately S$21.5 million for the year ended 31 December 2018. The increase in revenue was mainly due to an increase in the sales volume of the Target Group's standardised precast concrete wall panel systems, customised precast concrete wall panel systems and Joint Bonding Adhesive, which was partially offset by a decrease in average selling prices of the Target Group's standardised precast concrete wall panel system, customised precast concrete wall panel system and Joint Bonding Adhesive. In line with the increase in revenue, the gross profit of the Target Group increased by approximately S$1.0 million from approximately S$11.4 million for the year ended 31 December 2017 to approximately S$12.3 million for the year ended 31 December 2018. In addition, the Target Group's administrative expenses substantially decreased by approximately 27.1% from approximately S$7.0 million for the year ended 31 December 2017 to approximately S$5.1 million for the year ended 31 December 2018, which was mainly due to (i) a decrease in transaction expenses as the professional parties had performed more substantial work for the Acquisition and the Share Offer during the year ended 31 December 2017 than during the year ended 31 December 2018; (ii) a decrease in legal and professional fee due to the decrease in professional fees in relation to the Proposed Restructuring for the year ended 31 December 2018 as compared to 2017; and (iii) a decrease in director's remuneration. As a result of the above, profit for the year increased by approximately S$0.9 million from approximately S$2.3 million for the year ended 31 December 2017 to approximately S$3.2 million for the year ended 31 December 2018.

During the year ended 31 December 2018, the current liabilities increased from approximately S$13.6 million as at 31 December 2017 to approximately S$30.1 million as at 31 December 2018 and the non-current liabilities decreased from approximately S$24.3 million as at 31 December 2017 to approximately S$5.9 million as at 31 December 2018, which were mainly due to the draw down of a new banking facilities of the Target Group which contains a repayment on demand clause. On the other hand, due to the increase in revenue for the year ended 31 December 2018, trade receivables increased from approximately S$4.9 million as at 31 December 2017 to approximately S$6.8 million as at 31 December 2018, and bank balances and cash increased from approximately S$4.6 million as at 31 December 2017 to approximately S$5.9 million as at 31 December 2018. As a result, the net assets of the Target Group increased from approximately S$15.5 million as at 31 December 2017 to approximately S$18.7 million as at 31 December 2018.

For the five months ended 31 May 2019

Revenue of the Target Group decreased by approximately 20.6%, from approximately S$7.1 million for the five months ended 31 May 2018 to approximately S$5.7 million for the five months ended 31 May 2019. The decrease in revenue was mainly due to (i) a decrease in the sales volume of the Target Group's standardised precast concrete wall panel systems, customised precast concrete wall panel systems and Joint Bonding Adhesive, which was mainly due to delay in commencement of construction of the Target Group's customers' potential projects in Indonesia and no new projects have been secured by the Target Group in Cambodia for the five months ended 31 May 2019, resulting in no products were sold to the Indonesia and Cambodia markets during the five months ended 31 May 2019; and (ii) a decrease in average selling prices of the Target Group's standardized precast concrete wall panel system, customised precast concrete wall panel system and Joint Bonding Adhesive, primarily because (a) no revenue was generated from the Indonesia market due to the political instability and uncertainty arising from the Indonesian presidential election during April and May 2019 which had brought negative impacts to the Indonesia construction industry thereby resulting in delay in commencement of construction of its customers' potential projects in Indonesia, whereby the products previously sold to Indonesia were of higher average selling prices as they had different specifications and customised features such as water-proof features; and (b) the Target Group offered competitive selling prices to its customers for some of its products to solidify its market leading position and to maintain customers' relationships with a view to secure an increasing number of projects upon the expected recovery of the Singapore construction industry in the year ending 31 December 2019 which could be evidenced by the increase in the value of backlog as at 31 May 2019. Nevertheless, the Target Group has secured two new projects and was in negotiation with potential customers for nine projects for the Indonesia market as at the Latest Practicable Date. Due to the decrease in revenue, the gross profit and gross profit margin for the five months ended 31 May 2019 also decreased as compared with the corresponding period in 2018. As a result of the above, despite the increase in other revenue by approximately S$0.1 million and the decrease in administrative expenses by approximately S$0.2 million, the Target Group recorded a loss for the period of approximately S$0.4 million for the five months ended 31 May 2019 as compared to a profit for the period of approximately S$32,000 for the five months ended 31 May 2018.

The Target Group's current assets decreased from approximately S$15.3 million as at 31 December 2018 to approximately S$12.8 million as at 31 May 2019 while the non-current assets as at 31 May 2019 remained relatively stable as compared to 31 December 2018. On the other hand, the indebtedness position of the Target Group as at 31 May 2019 was comparable to that as at 31 December 2018, and hence its non-current liabilities and current liabilities were also relatively stable. Accordingly, the net assets of the Target Group decreased from approximately S$18.7 million as at 31 December 2018 to approximately S$16.2 million as at 31 May 2019.

For further details of the financial information of the Target Group, please refer to the sections headed "Financial information of the Target Group" in this Circular.

The financial performance of the Target Group was generally affected by the conditions of the construction industry and the precast concrete wall panel market in Singapore during the Track Record Period. Accordingly, revenue and net profit of the Target Group recorded significant decrease in 2017 and the five months ended 31 May 2019 due to the downturn in the construction industry in Singapore in 2017 and the fact that the market may take time to digest and re-pick up the momentum due to the huge supply of already-complete housing and office projects in Singapore, despite the increase in total progress payments certified by public and private sector in Singapore for the five months ended 31 May 2019. Nonetheless, the Target Group remained profitable and recorded profit (excluding transaction expenses) of approximately S$4.3 million, S$4.1 million and S$0.2 million for the years ended 31 December 2017 and 2018 and the five months ended 31 May 2019, respectively. As the Target Group expanded its business to the Indonesia and Cambodia market in 2017 and 2018, financial performance of the Target Group became less susceptible to downturn in construction industry in Singapore, which was demonstrated by the increase in the overall revenue of the Target Group for the year ended 31 December 2018.

The operational information of the Target Group has improved with (a) its monthly sales volume of precast concrete wall panels increased from an average of approximately 69,900 m^2 per month during the five months ended 31 May 2019 to an average of approximately 75,800 m^2 per month during the nine months ended 30 September 2019, reaching approximately 97,000 m^2 per month in September 2019; and (b) an increase in the average selling prices of the Target Group's standardised precast concrete wall panels, customised precast concrete wall panels and Joint Bonding Adhesive from approximately S$12.27/$m^2$, S$13.97/m^2 and S$9.05 per bag for the five months ended 31 May 2019 to approximately S$12.90/$m^2$, S$14.25/m^2 and S$9.30 per bag for the nine months ended 30 September 2019, respectively. Since 1 June 2019 and up to the Latest Practicable Date, the Target Group has secured 104 new contracts with an aggregate contract sum of approximately S$21.7 million, of which approximately S$2.6 million has been recognised as revenue up to the Latest Practicable Date. Based on the Target Group's management estimation and taking into account of the respective progress of the projects, it is expected that approximately S$2.3 million of the aforementioned contract sum would be recognised as revenue during the period between the Latest Practicable Date and 31 December 2019. The Target Group has 199 on-going projects as at the Latest Practicable Date. The Target Group's total outstanding contract sum up to the Latest Practicable Date is approximately S$32.5 million. Based on the Target Group's management estimation and taking into account of the respective existing timetable, it is expected that approximately S$6.5 million of the aforementioned total estimated outstanding contract sum (which includes approximately S$2.3 million arising from the new contracts secured since 1 June 2019 and up to the Latest Practicable Date as aforementioned) would be recognised as revenue during the period between the Latest Practicable Date and 31 December 2019.

It is noted that the revenue of the Target Group decreased by approximately S$20.6%, from approximately S$7.1 million for the five months ended 31 May 2018 to approximately S$5.7 million for the five months ended 31 May 2019. Although the Target Group commenced its First Franchise Arrangement in Indonesia and entered into the First Franchise Agreement with Franchisee A in late 2017 with a view to expanding the geographical reach of the Target Group's products, there was a delay in setting up the JOE Green production plant in Indonesia and therefore the First Franchise Arrangement was terminated in 2019. Accordingly, the expansion plan of the Target Group was greatly affected and no revenue was generated from the Indonesia market during the five months ended 31 May 2019. Notwithstanding the termination of First Franchise Arrangement, the Target Group entered into the MOU (3rd Franchise) with Proposed Franchisee C on 1 August 2019 for the Proposed Franchise Arrangement which are expected to commence on or before 1 August 2020. On 15 October 2019, the Target Group entered into the Second Franchise Arrangement with Franchisee B (an Independent Third Party) whereby the Target Group granted Franchisee B an exclusive right to develop the Target Group's business in Jakarta, Indonesia. Franchisee B has commenced production under the Second Franchise Arrangement in November 2019. Also, the Target Group has also secured two new projects and was in negotiation with potential customers for nine projects for the Indonesia market as at the Latest Practicable Date. As disclosed in "Business of the Target Group" of the Circular, the Target Group will leverage on its successful experience in Singapore and will aim to expand its business to other regional markets in Southeast Asia such as Indonesia, and the proposed Directors expect to conduct more business in other regional markets in the Indonesia markets in the next 12 months.

In view of the Target Group's efforts to diversify its revenue source which may increase its resilience to abrupt change in macro-environment of a single place of business (i.e. Singapore) and the Target Group remained profitable (excluding the one-off transaction expenses) during the Track Record Period despite the downturn in the construction industry in Singapore in 2017 and the time which may require to re-pick up the momentum of the construction industry in Singapore, we consider that the financial performance and business prospect of the Target Group was generally positive.

5.2 Information on the Proposed Directors

Mr. Widjaja, Ms. Lim, Ms. Limarto and Mr. Ng Eng Hong, Desmond are the proposed executive Directors immediately following the completion of the Acquisition. Mr. Widjaja, Ms. Lim and Ms. Limarto are also the Investors, the vendors and the existing directors of the Target Group.

According to the Letter from the Provisional Liquidators, the Investors are Independent Third Parties. Please refer to the section headed "Proposed appointment of Directors and senior management" for detailed biographical information of the Proposed Directors and senior management upon Completion.

5.3 Overview of the precast concrete wall panel market

The Target Group derives the majority of its revenue from manufacture and sale of green precast concrete wall panel system and related accessories from Singapore. Set out below are the highlights of the construction industry and the precast concrete wall panel industry as extracted from the section headed "Industry Overview" in this Circular.

Construction industry in Singapore

According to the Frost and Sullivan Report, population in Singapore has demonstrated a steady growth from 5.4 million in 2013 to 5.7 million in 2018, representing a CAGR of 1.0%. It is anticipated that it will reach 5.9 million by the end of 2023. The increase in population is a driving force for the increase in buildings which drives the demand for building materials. The number of residential properties in Singapore has increased from approximately 1.2 million units in 2013 to approximately 1.4 million units in 2018, representing a CAGR of 3.0%. HDB flats was the largest segment in terms of number of residential units in Singapore in 2018 with an approximate share of 73.4%. With the growing population and demand for new residential units, the Ministry of National Development of Singapore targets to construct up to approximately 70,000 new homes by 2030. It is estimated that the number of residential units will continue to grow at a CAGR of 2.5% during 2019 to 2023, reaching 1.6 million units in 2023.

The total output value of building works in terms of progress payment in Singapore has recorded a decline from S$27.8 billion in 2013 to S$19.1 billion in 2018, representing a CAGR of (7.2)%. The Singapore government has put a great emphasis on green building development and aimed to boost the proportion of Green Mark Certified building, hence a substantial growth of related building project and green building materials including precast concrete wall panel is expected in the future. With the implementation of green building mandate by the Singapore government on public projects in 2012 and the launch of related certification scheme (i.e. Green Mark), the number of Green Mark building project has seen a significant growth from around 732 in 2010 to over 3,400 in 2018, according to BCA.

Precast concrete wall panel industry in Singapore

According to the Frost and Sullivan Report, precast concrete wall panel, which is composed of recycled concrete aggregate, crushed glass, slag or brick aggregate together with steel for strengthening, is considered as one of the building materials for green construction. Precast concrete wall panels and dry partition are the most preferred options of prefabrication method of construction in Singapore, with highest Buildable Design Scores when compared with other systems.

With the introduction of supportive policy to green building construction, the application of precast hollow-core concrete panels had seen a significant growth over the past few years. Hence, the market size of precast concrete wall panels by value has increased from S$37.4 million in 2013 to S$49.2 million in 2018, representing a CAGR of 5.6%. The share of precast hollow-core wall panels has increased from 66.7% in 2013 to approximately 68.4% in 2018. However, with the downturn of construction industry and delay of projects in Singapore, the market size of precast concrete wall panel had witnessed a decline in 2017.

As HDB had opened up the market for companies to supply precast concrete hollow-core wall panels since mid-2014, in addition to the suspension of application of FerroLite in coming HDB projects and growing number of building projects, as well as recovery of construction industry it is expected that precast concrete wall panels market will continue to grow at a CAGR of 7.1% during 2019 to 2023, reaching SGD67.2 million by 2023. In particular, the share of precast concrete hollow-core wall panel is also expected to increase to 70.5% by 2023.

Threats and market drivers of the precast concrete wall panel industry

We noted that challenges are faced by the precast concrete wall panel market, namely (i) the established non-green buildings in community as Singapore has already underwent a rapid development in construction and housing supply during the past few years; and (ii) the higher purchasing cost and alternatives for green building materials since the high purchasing cost for green building materials is considered as a concern for builders with tight budget for construction projects, and multiple green building materials may be applied for similar purpose. Nonetheless, we also noted that the precast concrete wall panel market in Singapore and Malaysia has the following market drivers:

- Supportive measures to promote efficient and green building construction – The BCA has implemented the buildability legislation since 2001 and building projects are required to meet a minimum Buildability Design Score. Meanwhile, the 3rd Green Building Masterplan issued by BCA highlighted the target of making 80% of building in Singapore as Green Mark Certified and attain certain level of resource efficiency in 2030. On the other hand, Malaysia government has been offering tax incentives and developed Green Building Index, a rating system to assess the environmental design and performance of building in Malaysia. Hence, supportive initiatives to green and productive construction serves as a key driver to precast concrete panels in building construction.

- Rising demand for buildings along with infrastructure development – With the launch of "Belt and Road Initiative", Southeast Asia is considered as one of the regions with rapid development in the world in terms of infrastructure, it is expected that buildings will also be in strong demand followed by the infrastructure development and population growth. With supporting policies by the governments, such as the 11th Malaysia Plan in Malaysia and the Urban Redevelopment Authority (URA) Master Plan 2014 in Singapore, the regional development will likely support the application of precast concrete panels in both Singapore and Malaysia.

- Growing awareness towards sustainability in construction – The concept of corporate social responsibility (CSR) has been introduced and received a strong support from government. Use of resources and energy as well as pollution and waste management are key areas under the principle of CSR, which covers a range of raw materials for green building like concrete, wood, metals etc. In view of the trend of sustainable city development and support from BCA, HDB in Singapore, it is expected that more green elements will be added to new building. As a result, precast concrete panels with recycled materials incorporated are expected to receive extensive application for building construction.

- Increasing supply of industrial space and development of business parks – According to the Frost and Sullivan Report prepared with reference to the 2016 4th quarter release on real estate statistics published by Urban Redevelopment Authority (URA) of Singapore and the 2016 4th quarter industrial property statistics published by JTC Corporation, a state owned developer in Singapore, a total of 5.9 million square metres of new industrial space are under planning, construction and is projected to complete from 2016 to 2020. According to JTC, the supply of factory space of the pipeline was approximately 3.7 million square metres as of first quarter of 2018. Meanwhile, business parks and technical industrial space are expected to demonstrate a growth in Singapore. In particular, under the Singapore's Smart Nation initiative, there will be a growing demand for establishment of data centres in the country. According to the Frost and Sullivan Report, which were prepared with reference to the statistics of URA, the supply of business parks, multi-user factory, single-user factory and warehouse had recorded a positive growth during 2013 to 2015. Therefore, the expansion of industrial sectors along with the green initiatives will drive the demand for precast concrete hollow-core panels in Singapore.

- Belt and Road Initiatives – According to the Frost and Sullivan Report, the initiatives emphasize the cooperation of China and countries in Southeast Asia. In particular, the National Development Minister of Singapore has signed a memorandum of understanding between Singapore and China on jointly building the Silk Road Economic Belt and the 21st-century maritime Silk Road in 2017. Hence, with a growing connection between Singapore and China, stakeholders in construction industry, including materials such as precast concrete wall panels suppliers, may potentially expand their business and set foot in other countries. Furthermore, as one of the leading countries for green building construction, Singapore construction service providers and green building materials providers can also take advantage of their experience and resources to participant in overseas projects as some of the countries along the Belt and Road were undergoing rapid urbanisation with high demand for building construction. Similarly, Malaysia, as one of the early participant in Belt and Road Initiative, is set to strengthen cooperation in trade and infrastructure development with China.

Competitive strengths of the Target Group

According to the Frost and Sullivan Report, the Target Group was the leading player in Singapore precast concrete hollow-core wall panels market with a market share with approximately 63.2% in 2018 in terms of revenue generated from both domestic and export sales. For further details of the competitive landscapes of the Target Group, please refer to "Industry Overview – Competitive landscape and trend in Singapore" in this Circular. The Target Group's green precast concrete wall panels are the only hollow-core lightweight concrete wall panel product certified by SGBC as a Singapore Green Label product with the rating of excellent (3 Ticks). The Target Group has obtained certification from SGBC with rating of leader (4 ticks) under the lightweight concrete heading in April 2018. The Target Group is also on the HDB's list of material suppliers, which means that the Target Group's wall panel system has met the HDB's requirements and can be used in projects undertaken by HDB.

The Target Group is able to differentiate itself from its competitors by providing not only a single standard size of concrete wall panel but providing customised precast concrete wall panel with different specifications. The Target Group is also the only green precast concrete wall panel provider in Singapore able to customise the length of the precast concrete wall panels to up to 6.5 metres long to the best knowledge of the proposed Directors. Furthermore, the Target Group can provide technical support based on client requirement. As compared to its major competitors in the Singapore precast concrete hollow-core wall panels market, the Target Group also supplies joint bonding adhesive and accessories in addition to precast concrete hollow-core wall panels, with a broader clientele category covering the HDB, private housing, industrial and commercial while the Target Group's competitors mainly focused on HDB and private housing. During the Track Record Period, Target Group has established a strong and diversified customer base with over 250 customers and has become one of the key suppliers of precast concrete wall panels of some of its customers while many of them are repeated customers.

While most of the Target Group's revenue are generated in Singapore, the Target Group's production plant is located in Johor Bahru, Malaysia which is in close proximity to the Malaysia-Singapore border. The Target Group shifted its manufacturing operation to Malaysia from Singapore in 2012, which enabled the Target Group to take the advantage of Malaysia's comparatively lower costs of labour utilities and land values, while at the same time makes itself easily to access the Singapore market where the Target Group's wall panel can generally be sold at a higher price hence to enjoy a higher profit margin.

In addition to the above, we noted that the precast concrete wall panel industry has the entry barriers including (i) the substantial technical knowledge on structural, chemical engineering required for the manufacture of precast concrete hollow-core wall panels; (ii) the manufacture of precast concrete hollow-core wall panel being capital intensive and that significant investment is required to start-up the business; and (iii) the customer preference on existing precast concrete hollow-core wall panels suppliers as to ensure the quality and safety of building, coped with the competitive strengths of the Target Group (i) being the leading green precast concrete hollow-core wall panel provider in Singapore in 2017 with an established track record; (ii) being able to differentiate itself from its competitors; and (iii) being able to enjoy cross-border advantages, we are of the view that the Target Group is likely to enjoy the market drivers as stipulated in the above and its prospect is optimistic.

We noted that the Industry Overview was prepared by Frost and Sullivan, an independent global consulting company that had covered the Singapore market since 2000 and with direct access to the experts and market participants in the precast concrete wall panel market. We have also reviewed the Industry Overview and discussed with Frost and Sullivan and are given to understand that official source information, such as International Monetary Fund, Singapore Department of Statistics, Singapore Building and Construction Authority and other Singapore government authorities and government agencies, has been used to compile the analysis in the Industry Overview.

Having considered the above factors, we are of the view that even the precast concrete wall panels market might face certain challenges, given the expected demand in the precast concrete wall panels market and the supportive policies from government, as well as the competitive strength of the Target Group as set out in the above, we consider that the outlook of the construction industry and precast concrete wall panel industry may support business prospect of the Target Group in the future.

5.4 Reasons for and benefits of the Acquisition

The Acquisition forms part of the Proposed Restructuring and Completion is conditional upon, among other things, the resolutions relating to each of the Share Offer and any other transactions contemplated under the Restructuring Framework Agreement which require the approval of the Shareholders and/or the Independent Shareholders (when required) having been duly passed. Hence, the Acquisition forms an integral part of the Proposed Restructuring.

As disclosed in the paragraph headed "1.1 Background of the Restructuring Framework Agreement" above, dealing in the Shares of the Company on the Stock Exchange has been suspended since 25 March 2014. By a letter to the Company from the Stock Exchange on 24 March 2016, the Stock Exchange set out certain conditions for the resumption of trading in the Shares, including but not limited to the Company should demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules and to have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged. On 8 April 2016, the Company was placed in the third delisting stage pursuant to Practice Note 17 of the Listing Rules. On 23 September 2016, the Company and the Investors entered into the Restructuring Framework Agreement relating to the Proposed Restructuring and the Company on 24 October 2016 received a letter from the Stock Exchange which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 31 March 2017. It is noted that should the Proposed Restructuring fails to proceed, the Stock Exchange is likely to cancel the listing of the Shares.

On the other hand, as discussed in the paragraph headed "1.2 Information on the Group" above, the Group is insolvent and had deconsolidated the Unconsolidated Subsidiaries, being the Scheme Subsidiaries and representing all existing subsidiaries of the Company, such that the Company had no operation following the deconsolidation of the Unconsolidated Subsidiaries. While the outstanding claims and indebtedness may be resolved by the implementation of the Creditors Schemes, the Company still needs to maintain sufficient operations or assets to satisfy the resumption conditions. In this regard, it is expected that upon the completion of the Acquisition, the Group will have a sufficient level of operation while the proceeds from the Share Offer will improve the financial and liquidity position of the Group.

As discussed in the paragraph headed "5.3 Overview of the precast concrete wall panel market in Singapore" above, in light of the growing population and the favourable policies implemented by the government, it is expected that the demand in the precast concrete wall panels market would continue to grow in the coming years. With the Target Group being the leading precast hollow-core concrete wall panel provider in Singapore in terms of revenue and has approximately 63.2% of the market share (in terms of revenue generated from both domestic and export sales) in Singapore in 2018 based on the latest available information with reference to the Frost and Sullivan Report, coped with its competitive strengths as compared to its market competitors, it is likely that the Target Group would be able to enjoy the market drivers as in the precast concrete hollow-core wall panel market and hence improve the future prospect of the Enlarged Group. For further details of the competitive strengths of the Target Group, please refer to "Industry Overview – Competitive landscape and trend in Singapore" in this Circular.

Moreover, we noted from the section headed "Directors and Senior Management of the Enlarged Group" of the Circular that the management of the Enlarged Group have the required experience in managing the business of the Target Group. In particular, Mr.

Widjaja and Mr. Ng Eng Hong, Desmond, the proposed executive Director of the Enlarged Group, have extensive experience in the construction industry and Ms. Lim has extensive experience in finance and accounting. Based on the above, we concur that the experience of the core management team of the Enlarged Group may contribute to the business sustainability of the Enlarged Group in the precast concrete wall panels industry in Singapore.

Having considered (i) the Acquisition forms a vital part of the Proposed Restructuring; (ii) the Stock Exchange is likely to cancel the listing of the Shares should the Proposed Restructuring fails to proceed; (iii) the Enlarged Group will have a sufficient level of operation upon Completion to satisfy the resumption condition and to support the continuing listing of the Company; (iv) the outlook of the precast concrete wall panel market; and (v) the business development and prospects of the Target Group, we concur that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

5.5 The Consideration

According to the Letter from the Provisional Liquidators, the Consideration is approximately HK$538.0 million and was arrived at after arm's length negotiations between the parties to the Restructuring Framework Agreement and was determined by reference to (i) the combined net asset value of the Target Group as at 30 June 2017 and the profitability of the Target Group for the three years ended 31 December 2017, details of which has been disclosed in the audited financial statements on the Target Group as set out in Appendix I to this Circular; (ii) the earning multiples of companies engaged in similar line of business to the Target Group located in Singapore and Malaysia; (iii) the business prospects of the Target Group; (iv) the market leader position and significant presence of the Target Group in the precast hollow-core concrete wall panel industry in Singapore; (v) the prolonged suspension of trading of Shares; and (vi) the financial performance and financial position of the Group. The above factors, including but not limited to, combined net asset value as at 31 May 2019, the audited net profit of the Target Group for the year ended 31 December 2018 and the five months ended 31 May 2019 were subsequently re-examined to ensure there are no material changes which would change the determination of the consideration.

The Consideration of the Acquisition is different from the market capitalization of the Enlarged Group upon the completion of the Proposed Restructuring. Market capitalization is one of the measures of the Company's equity value, which is derived from the share price per New Share and the total number of Shares outstanding. The financial position of the Enlarged Group shall comprise, among others, the existing financial position of the Company and the effects of the transactions contemplated under the Proposed Restructuring including the Acquisition. Accordingly, the market capitalization so derived only represents the equity value of the Company upon completion of Proposed Restructuring and therefore may differ from the Consideration to the Investors by the Company, which may also be affected by factors other than the Company's equity value, including the market value of debt obligations, capital structure, risk premium and liquidity of shares.

The Consideration shall be satisfied by the issuance and allotment of 2,241,543,744 Consideration Shares at the Consideration Price of HK$0.24 each upon the completion of the Acquisition. The Consideration Shares will be issued pursuant to a specific mandate to be obtained upon approval by the Independent Shareholders at the EGM.

As disclosed in the Letter from the Provisional Liquidators, the Consideration Price was determined after arm's length negotiations, taking into account (i) the financial performance and financial position of the Group; (ii) the fact that trading in the Shares on the Stock Exchange has been suspended since 25 March 2014; (iii) the combined net asset value of the Target Group as at 31 December 2017 and the financial performance of the Target Group, details of which has been disclosed in the audited financial statements on the Target Group as set out in Appendix I to this Circular; (iv) the business prospects of the Target Group; (v) the earning multiples of companies engaged on similar line of business to the Target Group located in Singapore and Malaysia; and (vi) the market leader position and significant presence of the Target Group in the precast hollow-core concrete wall panel industry in Singapore. The above factors, including but not limited to, combined net asset value as at 31 May 2019, the audited net profit of the Target Group for the year ended 31 December 2018 and the five months ended 31 May 2019 were subsequently re-examined to ensure there are no material changes which would change the determination of the Consideration Price.

Assuming the Capital Reorganisation having been effective, the 2,241,543,744 Consideration Shares to be allotted and issued at the Consideration Price represent: (i) approximately 1,600% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 400.0% of the issued shares of the Company as enlarged by the allotment and issuance of the Company's Placing Shares (including the Reserved Shares) and the Public Offer Shares; and (iii) approximately 70% of the issued shares of the Company as enlarged by the allotment and issuance of the Company's Placing Shares (including the Reserved Shares), the Public Offer Shares and the Consideration Shares.

In light of (i) the financial position of the Group; (ii) the issuance and allotment of Consideration Shares to satisfy the Consideration will not bring any interest burden to the Enlarged Group; and (iii) the proceeds from the Share Offer can be applied to satisfy the Creditors Schemes Consideration under the Creditors Schemes which discharge and settle the outstanding claims and indebtedness against the Company and working capital for future business operation of the Enlarged Group to maintain sufficient level of operation upon Completion to satisfy the resumption condition, both of which are necessary for materialising the Resumption, we consider that the issuance and allotment of Consideration Shares to satisfy the Consideration is fair and reasonable and is in the interests of the Shareholders and the Company as a whole. Please see the above paragraph headed "4.3 The Share Offer Price and the Consideration Price" for our analysis on the Consideration Price.

In order to assess the fairness and reasonableness of the Consideration, we have used price-to-earnings ratio (the "**P/E Ratio**") and price-to-book ratio (the "**P/B Ratio**") analysis, which are the most commonly used benchmarks for valuation. As the Target Group principally engages in manufacturing and sale of varieties of standardised and customised green precast concrete wall panel system and sale of related accessories with revenue mainly generated from Singapore and with its production plant in Malaysia, we therefore tried to identify companies listed on the Stock Exchange which primarily engage in the manufacture and sale of construction materials, particularly including precast concrete products, in Singapore and/or Malaysia and/or Indonesia with over 50% of their revenue derived from this business segment during their latest financial year. Since no company listed on the Stock Exchange with the above selection criteria being identified, we have extended our research under the same selection criteria to companies which are listed in other internationally recognised stock exchanges and headquartered in Singapore and/or Malaysia as we consider that the value of a company shall depends on its business nature and financial performances and we can analyse on the basis that public companies shall have sufficient public information and share similar marketability. We have identified three companies that engaged in similar line of business to the Target Group and met the said selection criteria. However, two out of these three companies identified were loss-making for their respective latest financial year and hence it was not practicable to conduct P/E Ratio analysis on them. Accordingly, we have expanded our selection criteria to companies principally engaged in manufacture and sales of construction materials with at least 50% of their revenue generated from this business segment for their latest financial year, as these companies were subject to similar industry and market sentiment, revenue and cost structure and operational performance. Based on the above, six more companies which fulfilled the above selection criteria were identified (the "**Comparable Companies**").

We noted the market capitalisation and the net asset value of the Comparable Companies are different from the Target Group. Nevertheless, given that (i) speculations on P/E Ratio and P/B Ratio generally vary depending on the industry instead of market capitalisation; (ii) companies with similar market capitalisation may vary significantly in profitability and net asset value due to characteristics of different industries; and (iii) save for the Comparable Companies, there were no other public companies listed on the Stock Exchange or other internationally recognised stock exchanges that could meet our selection criteria and engaged in similar line of business to the Target Group, we consider that the Comparable Companies form a representative reference for Shareholders to assess the fairness and reasonableness of the Consideration. We consider that the Comparable Companies are fair and representative samples and are exhaustive.

Shareholders should note that the business operations and prospects of the Target Group are not exactly the same as the Comparable Companies and we have not conducted any in depth investigation into the business operations and prospects of the Comparable Companies. The table below illustrates the details of the Comparable Companies:

Company name (stock code)	Stock exchange	Principal business	Debt to equity ratio *(Note 1)*	P/E Ratio *(Note 2)* *(times)*	P/B Ratio *(Note 2)* *(times)*	Market capitalisation *(Note 3)* *(HK$' million)*	Net asset value *(Note 4)* *(HK$' million)*
NSL Ltd (N02.SI)	Singapore Stock Exchange	Manufacturing and sale of building materials, including precast & prefabricated bathroom unit, as well as the provision of environmental services and sale of related products	N/A	N/A	0.7	2,047.3	3,056.1
Engro Corporation Ltd (S44.SI)	Singapore Stock Exchange	Manufacturing and sale of cement and building materials, and specialty polymers	N/A	19.4	0.5	660.3	1,331.6
Pan-United Corporation Ltd (P52.SI)	Singapore Stock Exchange	(i) Supply of cement, granite, ready mixed concrete, and refined petroleum products; (ii) trading of coal, basic building materials and general trading; and (iii) bulk shipping and agency operations	0.3	42.7	1.3	1,465.2	1,162.4
OKA Corporation Bhd (7140.KL)	Bursa Malaysia	Manufacturing and sale of pre-cast concrete products and trading of ready-mixed concrete	N/A	14.4	0.9	274.8	310.8

Company name (stock code)	Stock exchange	Principal business	Debt to equity ratio *(Note 1)*	P/E Ratio *(Note 2)* *(times)*	P/B Ratio *(Note 2)* *(times)*	Market capitalisation *(Note 3)* *(HK$' million)*	Net asset value *(Note 4)* *(HK$' million)*
Sarawak Consolidated Industries Berhad (9237.KL)	Bursa Malaysia	Manufacturing and sale of precast concrete, pipes, pre-stressed spun concrete piles and other related concrete products, and investment holding, property dealing and trading of properties, installation of industrialised building system components	0.4	N/A	3.0	261.5	88.1
Chin Hin Group Berhad (5273.KL)	Bursa Malaysia	(i) Investment holding and management services; (ii) distribution of building materials and provision of logistics; (iii) distribution of ready-mixed concrete; (iv) manufacturing of autoclaved aerated concrete and precast concrete products; and (v) manufacturing of wire mesh and metal roofing systems	1.2	18.8	1.1	794.2	747.7
Cahya Mata Sarawak Berhad (2852.KL)	Bursa Malaysia	Manufacturing and trading of cement and construction materials, construction, road maintenance, township, property and infrastructure development	N/A	8.5	0.8	4,407.4	5,511.9
Hock Heng Stone Industries Bhd (5165.KL)	Bursa Malaysia	(i) Manufacturing and sales of dimension stones and related products; (ii) supply and installation of dimension stones and related products for projects secured; (iii) development of properties; and (iv) investment holding	0.6	483.6 *(Note 5)*	1.0	107.7	105.9

Company name (stock code)	Stock exchange	Principal business	Debt to equity ratio *(Note 1)*	P/E Ratio *(Note 2)* *(times)*	P/B Ratio *(Note 2)* *(times)*	Market capitalisation *(Note 3)* *(HK$' million)*	Net asset value *(Note 4)* *(HK$' million)*
SK Target Group Ltd (8427.HK)	Stock Exchange	(i) manufacturing and trading of precast junction boxes, (ii) trading of accessories and pipes and provision of mobile crane rental and ancillary services in Malaysia and (iii) Japanese catering services in Hong Kong	N/A	N/A	2.3	142.0	62.0
		Maximum		42.7	3.0		
		Minimum		8.5	0.5		
		Average		20.8	1.3		
		The Acquisition		23.3 *(Note 6)*	5.9 *(Note 7)*		105.4

Sources: the Singapore Stock Exchange website (www.sgx.com), Bursa Malaysia website (www.bursamalaysia.com), the website of the Stock Exchange (www.hkex.com.hk), and Thomson Reuters

Notes:

1. The debt to equity ratio of the Comparable Companies were calculated based on their respective borrowing net of cash and cash equivalent and divided by their respective total equity based on their latest published financial information. NSL Ltd, Engro Corporation Ltd, OKA Corporation Bhd, Cahya Mata Sarawak Berhad and SK Target Group Ltd recorded net cash position hence their debt to equity ratio are not applicable.

2. The P/E Ratio and P/B Ratio of the Comparable Companies were calculated based on their respective closing prices as at the Latest Practicable Date and their respective latest published financial results. NSL Ltd, Sarawak Consolidated Industries Berhad and SK Target Group Ltd recorded net loss for its latest financial year and hence their P/E ratios are not applicable.

3. The market capitalisation value of the Comparable Companies were calculated based on their respective closing price of their shares and their total number of issued shares as at the Latest Practicable Date.

4. The net asset value of the Comparable Companies were based on their respective latest published financial results.

5. Hock Heng Stone Industries Bhd recorded thin profit for its latest financial year and hence its P/E Ratio is exceptionally large. Its P/E Ratio is therefore considered as an outliner.

6. The implied P/E Ratio of the Target Group was calculated based on the Consideration and the Target Group's profit for the year ended 31 December 2018 (excluding transaction expenses in connection with the Acquisition and the Share Offer).

7. The implied P/B Ratio of the Target Group was calculated based on the Consideration and the Target Group's net asset value as at 31 May 2019.

As shown above, the P/E Ratios of the Comparable Companies ranges from a minimum of approximately 8.5 times to a maximum of approximately 42.7 times (the "**P/E Range**") with an average of approximately 20.8 times. The implied P/E Ratio of the Target Group of approximately 23.3 times is thus within the aforesaid P/E Range and is higher than the average of the P/E Ratio of the Comparable Companies.

The P/B Ratios of the Comparable Companies ranges from a minimum of approximately 0.5 times to a maximum of approximately 3.0 times (the "**P/B Range**") with an average of approximately 1.3 times, thus the implied P/B Ratio of the Target Group of approximately 5.9 times is significantly higher than the P/B Range. In analysing the comparatively high P/B Ratio of the Target Group, we have taken into account the factors leading to the relatively low net asset value of the Target Group. As noted from the paragraph headed "5.1 Information on the Target Group" above, the Target Group utilise bank borrowings for working capital to substantiate its expanding operations, which led to the relatively larger amount of bank borrowings as at 31 December 2018. Furthermore, the Target Group declared and distributed dividend of approximately S$10.2 million during the year ended 31 December 2016. In this regard, we noted the Comparable Companies have relatively lower debt to equity ratio ranging from approximately 0.3 times to approximately 1.1 times or in net cash position while the Target Group recorded debt to equity ratio of approximately 1.7 times, which might also due to their ability to raise fund from the equity market and that their equity base were relatively large as they were public listed companies. On the other hand, the net assets of the Target Group has improved from approximately S$12.9 million as at 31 December 2016 to approximately S$16.2 million as at 31 May 2019 mainly due to the profit generated from operation for the two years ended 31 December 2018, details of which are set in the section headed "Financial Information" of this Circular. Accordingly the P/B Ratio of the Target Group has decreased from approximately 7.4 times as at 31 December 2016 to approximately 6.1 times as at 31 December 2017, and further decreased to approximately 5.1 times as at 31 December 2018 due to the improvement in the net asset value of the Target Group for the three years ended 31 December 2018. The P/B ratio of the Target Group increased from approximately 5.1 times as at 31 December 2018 to approximately 5.9 times as at 31 May 2019 mainly as a result of the declaration of final dividends of S$2.0 million on 6 May 2019 in respect of the year ended 31 December 2018 and loss of approximately S$0.4 million for the five months ended 31 May 2019. However, the decrease of the P/B Ratio of the Target Group from approximately 7.4 times as at 31 December 2016 to approximately 5.9 times as at 31 May 2019 is considered to be favourable.

After considering (i) the expanding operation of the Target Group and the Target Group expects to allow rooms for repayment of such borrowings through its cash flows generated from future operating activities; (ii) the Target Group is using debt financing to substantiate its expansion and has extended its geographic reach to market outside Singapore and Malaysia during 2017 and 2018 and the five months ended 31 May 2019; (iii) the expected positive outlook in the precast concrete wall panels market; and (iv) the competitive strengths of the Target Group as detailed in the paragraph headed "5.3 Overview of the precast concrete wall panel market" above, the prospect of the Target

Group is likely to be optimistic, we consider the net asset value of the Target Group may not be reflective of its profitability and prospects as the net asset value was affected by the reasons detailed in the above while the profit of the Target Group would be more reflective of the profitability and prospects. Nonetheless, the listing will provide an additional mean for the Target Group to raise fund without incurring interest expenses or increase its liabilities as compared to debt financing currently utilised by the Target Group. The net asset value of the Target Group may enlarge if it raise fund from the equity market for its further development, particularly as the Target Group is expanding its business in other regional market. Given the relatively higher debt to equity ratio of the Target Group as compared to that of the Comparable Companies and the bank loans of the Target Group during the Track Record Period were generally for working capital purpose to expand its business operations, we consider that the profitability as measured by the P/E Ratio is more important in evaluating the value of the Target Group rather than its current net asset value as measured by the P/B Ratio. In view of the above and that the P/E Ratio of the Target Group is within the P/E Range, despite the relatively high P/B Ratio of the Target Group, we consider that the Consideration is fair and reasonable.

6. The Whitewash Waiver

As at the Latest Practicable Date, the Concert Group does not own or control any Shares, convertible securities, warrants, options or derivatives in respect of the Shares. Upon Completion, the Concert Group will, in aggregate, hold approximately 65.0% of the issued share capital of the Company after the Capital Reorganisation and as enlarged by the Company's Placing Shares, the Public Offer Shares and the Consideration Shares.

As such, Amazana Investments, Amazana Equity and Amazana Ventures would be required to make a mandatory general offer for all the shares of the Company (other than those already owned or agreed to be acquired by Amazana Investments, Amazana Equity and Amazana Ventures) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

The Investors have made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will grant the Whitewash Waiver subject to the approval of the Independent Shareholders at the EGM by way of poll, in which parties of the Concert Group and those who are involved in or interested in the Proposed Restructuring will abstain from voting on the relevant resolution(s). Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the relevant resolutions shall be approved by at least 75% and more than 50% respectively of the votes casted by the Independent Shareholders either in person or by proxy at the EGM. If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, Amazana Investments, Amazana Equity and Amazana Ventures will not be required to make a mandatory offer which would otherwise be required as a result of the Acquisition and the Consideration Shares. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Restructuring Framework Agreement will lapse and consequentially the SO Underwriting Agreements and the Share Offer will also lapse.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the EGM by poll, the maximum potential holding of voting rights of the Company held by the Investors and parties acting in concert with them resulting from the Acquisition will exceed 50% of the voting rights of the Company upon Completion. The Investors may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

As stated in the above paragraph, if the Whitewash Waiver is not granted, the Restructuring Framework Agreement will terminate forthwith and consequentially the Share Offer will lapse. In light of the reasons for and possible benefits of the Restructuring Framework Agreement as set forth under the paragraph headed "1.4 Reasons for entering into of the Restructuring Framework Agreement" as well as the reasons for each of the Share Offer and the Acquisition, and that the terms of the Restructuring Framework Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is one of the conditions precedent to the Restructuring Framework Agreement which is crucial to the implementation of the Proposed Restructuring, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Restructuring Framework Agreement.

7. Dilution to the shareholding of the existing Shareholders

As set out in the paragraph headed "Change in shareholding structure" in the Letter from the Provisional Liquidators, the shareholding of the existing public Shareholders would be reduced from approximately 66.53% as at the Latest Practicable Date to, (i) assuming all existing Shareholders take up their Preferential Entitlement under the Preferential Offer, approximately 6.65% upon completion of the Capital Reorganisation, the Share Offer and the Acquisition, representing a dilution effect of approximately 90.0%; and (ii) assuming none of the existing Shareholders take up their Preferential Entitlement under the Preferential Offer, approximately 3.33% upon completion of the Capital Reorganisation, the Share Offer and the Acquisition, representing a dilution effect of approximately 95.0%.

We noted the aforementioned potential substantial dilution to the existing public Shareholders' shareholding interests in the Company. Nonetheless, taking into account that (i) the Group is heavily insolvent; (ii) the Company was under prolonged suspension of trading in the Shares since 25 March 2014 and was placed into third delisting stage since 8 April 2016; (iii) the implementation of the Share Offer and the Acquisition are crucial for the Company and the Shareholders as a whole as it provides an opportunity to restore a net asset position of the Group, to achieve Resumption and to allow Shareholders to recover their investments, and failing which the Company will be delisted; and (iv) the terms of the Restructuring Framework Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders being inevitable but acceptable.

8. Financial effects of the Proposed Restructuring

The possible financial effects of the Restructuring Framework Agreements are based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group (the "**Pro Forma**") as contained in Appendix III to the Circular which demonstrated the financial effects on the Group upon Completion:

(a) Net assets/(liabilities) and gearing

According to the Pro Forma, assuming the Proposed Restructuring had been completed on 30 June 2019, the Group's financial position would improve from net liabilities of approximately RMB7,537.9 million to net assets of approximately RMB66.7 million, which is mainly due to that all claims of the Company shall be compromised, discharged and/or settled under the Creditors Scheme upon Completion.

Based on the foregoing, the gearing level of the Group (calculated on the basis of the Group's total debts divided by total assets) would improve upon Completion.

(b) Earnings

According to the Pro Forma, assuming the Proposed Restructuring had been completed on 31 December 2019, the Enlarged Group is expected to record a pro forma loss for the year of approximately RMB175.1 million, which was mainly attributable to the deemed listing expenses of approximately RMB139.4 million, restructuring costs of approximately RMB30.8 million and professional fees and expenses of approximately RMB20.6 million, thereby resulting in a net loss for the Enlarged Group. Nonetheless, in view of the profit-making track record of the Target Group, it is expected that the Acquisition would bring a positive impact to the business of the Enlarged Group in the future.

(c) Working capital

As at 30 June 2019, the Group only had cash and bank balances of approximately RMB6.6 million. Upon Completion, the cash and bank balances of the Enlarged Group will be increased by the remaining portion of the proceeds from the Share Offer after satisfying the Creditors Schemes Consideration.

As disclosed in the paragraph headed "Working capital" in the section headed "Financial information of the Group" as set out in Appendix II to this Circular, the Company is of the opinion that, following the completion of the Proposed Restructuring and after taking into account the financial resources available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this Circular, in the absence of unforeseeable circumstances and to the best of its knowledge. As such, following Completion, it is expected that the Enlarged Group's working capital position will be strengthened and the Enlarged Group will be able to meet its working capital requirements in the near future.

RECOMMENDATION

Despite (i) the potential substantial dilution to the existing public Shareholders' shareholding interest in the Company as detailed in the paragraph headed "Change in Shareholding Structure" in the Letter from the Provisional Liquidators; (ii) the premium of the Issue Price over the unaudited net tangible assets per New Share; and (iii) the risk factors in relation to the business of the Target Group as disclosed in the section headed "Risk Factors" in this Circular, nevertheless, having considered and balanced by the abovementioned principal factors and reasons for the Restructuring Framework Agreement and the Whitewash Waiver, in particular that:

(i) the Creditors Schemes will discharge and settle the outstanding claims and indebtedness against the Company;

(ii) the proceeds from the Share Offer will fund the Creditors Schemes and strengthen the financial and liquidity position of the Enlarged Group upon Completion;

(iii) the Preferential Offer provides an opportunity for the Qualifying Lumena Shareholders to participate in the future growth and development of the Group upon successful restructuring of the Company;

(iv) the Acquisition will allow the Enlarged Group to have a sufficient level of operation upon Completion to satisfy the resumption condition and to support the continuing listing of the Company;

(v) the expected positive outlook in the precast concrete wall panels market combined with the competitive strengths of the Target Group and subject to the major risk factors disclosed in the section headed "Risk Factor" of this Circular such as the change in or failure of the regional property market or change in Singapore Government green building policy or infrastructure spending or the change in environmental and work place safety regulatory framework that are inherent to the business of the Target Group, such that the Target Group will be benefited from the growth momentum of the market in the future;

(vi) the Stock Exchange is likely to cancel the listing of the Shares on the Stock Exchange if the Resumption Proposal fails to proceed;

(vii) the Completion is conditional on, among others, the transactions contemplated under the Restructuring Framework Agreement, including the Capital Reorganisation, the Share Offer, the Creditors Schemes and the Whitewash Waiver, having been approved; and

(viii) the Proposed Restructuring represents the best offer received by the Provisional Liquidators, we are of the view that the terms of the Restructuring Framework Agreement, including the Capital Reorganisation, the Creditors Schemes, the Share Offer, the Acquisition, the Whitewash Waiver and the respective transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Capital Reorganisation, the Creditors Schemes, the Share Offer, the Acquisition and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited

Joshua Liu
Managing Director

Mr. Joshua Liu is a licenced person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the securities and investment banking industry.