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19 April 2024

*To the Independent Board Committee,
the Independent Shareholders of
Indigo Star Holdings Limited*

Dear Sir or Madam,

**POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY
ASTRUM CAPITAL MANAGEMENT LIMITED AND
RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF SPLENDOR INVESTMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
INDIGO STAR HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY SPLENDOR INVESTMENT LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer, details of which are set out in the Composite Document dated 19 April 2024 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 26 January 2024, after the trading hours, the Offeror, the Vendor, Mr. Goh, Astrum and Red Sun entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase, an aggregate of 204,800,000 Sale Shares, representing 51.20% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement. The Consideration for the Sale Shares is HK\$13,312,000, which is equivalent to HK\$0.065 per Sale Share. Completion took place on 28 March 2024.

As at the Latest Practicable Date, there are 400,000,000 Shares in issue. The Company does not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares, as at the Latest Practicable Date.

Immediately before Completion, save for the Sale Shares held by the Vendor (which is presumed to be a party acting in concert with the Offeror under class (9) of the definition of “acting in concert” under the Takeovers Code until full repayment of the Promissory Note), the Offeror and parties acting in concert with it are not interested in any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in a total of 204,800,000 Shares, representing 51.20% of the total issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make an unconditional mandatory cash offer for all issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Astrum and Red Sun (being the Joint Financial Advisers), on behalf of the Offeror, are making the Offer to acquire all the Offer Shares in compliance with the Takeovers Code and on the terms set out in the Composite Document issued in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.065 in cash

The Offer is extended to all Independent Shareholders in accordance with the Takeovers Code.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, that is, the date of despatch of the Composite Document. As at the Latest Practicable Date, the Company did not have any declared and unpaid dividend and did not have any intention to make, declare or pay any future dividend or make other distributions or any return of capital until the close of the Offer.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke and Mr. Khu Chee Hua (being all of the independent non-executive Directors), has been established by the Company to advise the Independent Shareholders in relation to the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer.

We, Nuada, are appointed with the approval of the Independent Board Committee to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between the Group or the Offeror and Nuada Limited. Apart from normal professional fees for our services to the Company in connection the aforesaid appointment, no other arrangement exists whereby we have received/ will receive any fees and/or benefits from the Group or the Offeror or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in respect of the Offer and normal professional fees for our services to the Company in connection the aforesaid appointment, there is no other relationships or interests between (a) Nuada; and (b) the Group, the Offeror, and their respective subsidiaries and associates, nor is Nuada associated with (a) the Group; and (b) the Offeror, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider that we are independent pursuant to Rule 2 of the Takeovers Code and Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to give independent advices on the Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Composite Document, which have been provided by the Company, the Directors, the director of the Offeror and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to Latest Practicable Date and should there be any material changes after the despatch of the Composite Document and up to date throughout the Offer Period, the Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information relating to the Group contained in the Composite Document (other than any information relating to the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

Mr. Chan, the sole director and the ultimate beneficial owner of the Offeror, accepts full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

Our review and analysis were based upon, among other things, the information provided by the Company including the Joint Announcement and the Composite Document, and certain published information from the public domain including trading performance of the Shares on the Stock Exchange, the annual reports of the Company for the financial years ended 31 December 2021 (“**Annual Report 2021**”) and 31 December 2022 (“**Annual Report 2022**”), the annual results announcement of the Company for the financial year ended 31 December 2023 (“**Annual Results 2023**”) respectively and the statistics and information published by various government departments of Singapore.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company, the Directors and the Management and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinions and advice. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the Management, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE OFFER

In formulating our advice in respect of the Offer, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

(a) *Principal business of the Group*

The Company is a company incorporated in the Cayman Islands with limited liability and the Shares of which are currently listed on the GEM (stock code: 8373). The Company is an investment holding company and its operating subsidiaries are principally engaged in the provision of reinforced concrete works including steel reinforcement works, formwork erection, concrete works, trading in ceramic tiles and as contractors for building related to ceramic tiles in Singapore.

(b) *Financial information of the Group*

The table below summarises the financial results of the Group for the financial years ended 31 December 2021 (“FY2021”), 31 December 2022 (“FY2022”) and 31 December 2023 (“FY2023”) respectively as extracted from the Annual Report 2021, the Annual Report 2022 and the Annual Results 2023.

	For the year ended 31 December		
	2023	2022	2021
	S\$'000	S\$'000	S\$'000
	(Audited)	(Audited)	(Audited)
Revenue	44,318	32,641	16,018
Gross profit	11,424	8,090	2,493
Administrative expenses	(9,646)	(7,115)	(4,443)
Profit/(loss) for the year	999	292	(3,715)

Financial performance for FY2022 vs FY2021

The Group recorded revenue of approximately S\$32.6 million for FY2022, representing an increase of approximately 103.8% as compared with that of approximately S\$16.0 million for FY2021. According to the Management, the increase in revenue was mainly attributable to (i) start of new business of sales of tiles which contributed revenue of approximately S\$12.0 million; and (ii) increase in revenue from civil engineering projects, which was mainly generated from a new project started in the first half of FY2022, being one of the largest projects of the Group with a substantial contract value of over S\$50 million (“Project A”) and contributing revenue of approximately S\$4.1 million for FY2022. The Group recorded gross profit of approximately S\$8.1 million for FY2022, representing an increase of approximately

224.5% as compared with that of approximately S\$2.5 million for FY2021. Gross profit margin of the Group also improved from approximately 15.6% for FY2021 to approximately 24.8% for FY2022. According to the Management and as disclosed in the Annual Report 2022, the increase in gross profit was mainly attributable to the increase in revenue and gross profit margin as disclosed above, and the increase in gross profit margin was in turn primarily attributable to the higher gross profits margin of the new segment in relation to sales of tiles. Overall, the Group recorded a profit for the year of approximately S\$0.3 million for FY2022 as compared with a loss for the year of approximately S\$3.7 million for FY2021. According to the Management and as disclosed in the Annual Report 2022, such improvement was mainly due to the aforementioned increase in gross profit by approximately S\$5.6 million and partially offset by the increase in administrative expenses (over 70% of which was attributable to salaries and other employee benefits) by approximately S\$2.7 million, which was due to expansion of workforce and was in line with the increase in revenue.

Financial performance for FY2023 vs FY2022

The Group recorded revenue of approximately S\$44.3 million for FY2023, representing an increase of approximately 35.9% as compared with that of approximately S\$32.6 million for FY2022. According to the Management and as disclosed in the Annual Results 2023, notwithstanding no new projects awarded to the Company in FY2023, the increase in revenue was mainly attributable to (i) continued progress of contracts in hand brought forward from the prior year, including Project A with a substantial contract value which only commenced in the first half of FY2022; and (ii) increase in revenue from the segment of labour supply related to contracts. As discussed with the Management, we understand that under this segment the Company provides its workers to its customers who are main contractors for reinforced concrete works related to the main projects where the Company acts as the subcontractor. The Group recorded gross profit of approximately S\$11.4 million for FY2023, representing an increase of approximately 40.7% as compared with that of approximately S\$8.1 million for FY2022. Gross profit margin of the Group was approximately 25.8% for FY2023 as compared with approximately 24.8% for FY2022, which was relatively stable. According to the Management and as disclosed in the Annual Results 2023, the increase in gross profit was mainly attributable to the increase in revenue as disclosed above. Overall, the Group recorded a profit for the year of approximately S\$1.0 million for FY2023, representing an increase of approximately S\$0.7 million or approximately 233.3% as compared with that of approximately S\$0.3 million for FY2022. According to the Management and as disclosed in the Annual Results 2023, such improvement was mainly due to the aforementioned increase in gross profit by approximately S\$3.3 million and partially offset by the increase in administrative expenses (over 70% of which was attributable to salaries and other employee benefits) by approximately S\$2.5 million (which in turn was due to expansion of workforce and was consistent with the increase in revenue).

Financial position as at 31 December 2022 and 31 December 2023

The table below summarises the financial position of the Group as at 31 December 2022 and 31 December 2023 respectively as extracted from the Interim Report 2023.

	As at 31 December 2023 (HK\$'000) (Audited)	As at 31 December 2022 (HK\$'000) (Audited)
Current assets	26,737	20,914
– Trade receivables	7,356	5,446
– Contract assets	5,250	4,145
– Prepayments, deposits and other receivables	1,927	3,337
– Cash and cash equivalents	10,316	5,810
Current liabilities	18,638	14,327
– Trade and retention sum payables	1,894	1,145
– Contract liabilities	6,295	3,466
– Other payables and accruals	7,919	6,374
– Bank borrowings	1,923	3,047
Net current assets	8,099	6,587
Non-current assets	7,192	7,878
– Property, plant and equipment	6,025	6,459
Non-current liabilities	903	982
– Lease liabilities	903	957
Net assets/total equity	14,388	13,483

As stated in Annual Results 2023, net current assets of the Group was approximately S\$8.1 million as at 31 December 2023 as compared with approximately S\$6.6 million as at 31 December 2022, which was relatively stable. Meanwhile, net assets of the Group was approximately S\$14.4 million as at 31 December 2023, which was relatively stable as compared with approximately S\$13.5 million as at 31 December 2022.

Our view

Based on the improvements in financial performance (in terms of revenue and profit) in recent years with no substantial change in financial position (in terms of net current assets and net assets), we are of the view that the Group had satisfactory financial performance and financial position in recent years.

(c) *Business overview of the Group*

As stated in the section headed “(a) Principal business of the Group” above in this letter, the Group is principally engaged in the construction sector in Singapore. In particular, the Group participates as a subcontractor for reinforced concrete works in general building and civil engineering projects and both public and private sector.

According to the statistics of the Building Construction Authority of Singapore (“BCA”), being a statutory board under the Ministry of National Development of the Government of Singapore, the construction industry in Singapore is a fragmented market. As of April 2024, 1,493 and 866 companies were registered under the general building workhead and civil engineering workhead categories of BCA’s Contractors Registration System respectively. Having also considered the construction output of the construction industry in Singapore (as detailed below) of approximately S\$34.9 billion for year 2023 and the revenue of the Group generated from general building projects and civil engineering projects of approximately S\$30.0 million for FY2023, the Group may be considered as a small player and may face competition among other companies.

Nevertheless, we understand from the Management that the Group has been involved in different types of general building and civil engineering projects in the past 27 years, which include residential housing, offices, commercial, industrial and institutional developments, Mass Rapid Transit stations and infrastructure. In addition, based on the information provided by the Management, we note that (i) there were four ongoing projects in the backlog with total outstanding contract value of approximately S\$79.2 million as at 31 December 2023, which involve Mass Rapid Transit station, tunnel, resort and public housing development respectively; and (ii) the Group was awarded a project related to an integrated development comprising sports and recreation stadium and exhibition and ancillary facility with contract value of over S\$40 million. The above five ongoing projects have expected end of contract period from mid-2024 to mid-2026 respectively.

In order to understand the market outlook of construction industry in Singapore, we have examined the relevant statistics from the Department of Statistics of Singapore (“DOS”), being the national statistical office of Singapore, as summarised as follows:

Year	2018	2019	2020	2021	2022	2023
Construction demand (by value of contracts awarded) (S\$ billion)	30.5	33.5	21.0	29.9	29.8	33.8
Construction output (by value of certified payments) (S\$ billion)	26.6	28.3	19.7	26.2	30.3	34.9

Source: DOS (<https://www.singstat.gov.sg>)

According to the data from DOS, we note that both construction demand (by value of contracts awarded) and construction output (by value of certified payments) were heavily impacted in 2020 by COVID-19 when both experienced slight increases in 2019, i.e. prior to COVID-19. Nevertheless, they have gradually returned to levels similar to those before COVID-19 in 2022 and continued to increase in 2023.

We have also reviewed the press release dated 15 January 2024 by BCA regarding the construction sector in Singapore titled “Steady Demand for the Construction Sector Projected for 2024” (<https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2024/01/15/steady-demand-for-the-construction-sector-projected-for-2024>). The BCA projects the construction demand to range between S\$32 billion and S\$38 billion in 2024, which will possibly exceed the construction demand in 2023 of approximately S\$33.8 billion (which itself was higher than the BCA’s forecast of S\$27 billion to S\$32 billion made in January 2023). As stated in the aforesaid press release, the forecasts were made by BCA based on, among others, public housing and infrastructure projects, residential developments under the government land sales, expansion of the two integrated resorts, redevelopment of commercial premises, as well as development of mixed-used properties and industrial facilities, the contracts of which are scheduled or planned to be awarded in 2024. BCA also expects a steady improvement in construction demand over the medium term, projected to reach between S\$31 billion and S\$38 billion per year from 2025 to 2028, which will mainly be driven by public housing developments of the Government of the Singapore and various public sector construction such as Mass Rapid Transit projects, hospital redevelopment and development. As disclosed above, given that the Company only participates in reinforced concrete works which is only one part of the whole construction project, the Company only works as subcontractor for projects and will not submit tender for the aforesaid future projects as main contractor. Nevertheless, we understand from the Management that given its experience in reinforced concrete works for similar projects in the past, the Company may, based on then available workforce and other resources of the Group, submit tender to the main contractors for the reinforced concrete works of such future projects.

Having considered (i) the ongoing projects of the Group; (ii) the historical uptrend in both construction demand and output following 2020; (iii) the projected steady improvement in construction demand over the medium term, we are of the view that the outlook of the construction sector in Singapore and in particular the prospect of the Group remain promising.

2. Information on the Offeror and the Offeror's intention regarding the Group

(a) Information on the Offeror

As stated in the section headed "Letter from Astrum and Red Sun" in the Composite Document, the Offeror is a company incorporated in Hong Kong with limited liability. The Offeror was incorporated on 2 May 2018 and has not engaged in any business activities save and except the entering into of the Sale and Purchase Agreement. As at the Latest Practicable Date, the entire issued share capital of the Offeror is beneficially owned by Mr. Chan.

Mr. Chan, aged 62, has worked for the Customs and Excise Department of Hong Kong Government ("CED") for over 33 years (1983-2017) and possessed high quality professional and managerial skills (including but not limited to general cargoes examination, passengers processing at entry points, anti-smuggling, combats intellectual property right infringements and investigations). During his service with the CED, Mr. Chan received several individual awards which praised his working attitude and professional achievements, and gave recognition to his outstanding performance and contribution to Hong Kong. Mr. Chan has also served as the committee member, vice-chairman, chairman (1993-2017) and honorable consultant (2017-2024) of the H.K. Customs Officers – Union. In addition, Mr. Chan was the director and vice general manager of China Global Financial Technology Limited (the principal activities of which include the provision of cross-boundary settlement and remittance services) from 2018 to 2021 and was responsible for the development of the financial technology business. Mr. Chan has no relevant experience in the principal business of the Group, which is the provision of reinforced concrete works including steel reinforcement works, formwork erection, concrete works, trading in ceramic tiles and as contractors for building related to ceramic tiles in Singapore.

(b) Intention of the Offeror regarding the Group

As stated in the section headed “Letter from Astrum and Red Sun” in the Composite Document, it is the intention of the Offeror that the existing business of the Group shall continue unaffected by the Offer, with no major changes planned after the close of the Offer. The Group will remain in the construction industry in Singapore, and will continue to identify main contractor works and subcontracting works to capture more potential business opportunities in Singapore. As at the Latest Practicable Date, save for the proposed change(s) to the composition of the Board as mentioned below, the Offeror has no intention to discontinue the employment of any employees of the Group and dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Offeror did not have any intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any existing business or assets of the Group.

The Offeror will, following the close of the Offer, conduct a review of the operations of the Group in order to formulate a long-term strategy for the Group and explore other business or investment opportunities for enhancing its future development and strengthening its revenue base. Subject to the results of the review, the Offeror may explore other business opportunities for the Company and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. As at the Latest Practicable Date, the Offeror had not identified any such investment or business opportunities.

(c) Proposed change of Board composition of the Company

The Board is currently made up of six Directors, comprising three executive Directors, namely, Mr. Goh, Ms. Tan and Mr. Ng Sai Cheong (“**Mr. Ng**”) and three independent non-executive Directors, namely, Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke and Mr. Khu Chee Hua.

As stated in the section headed “Letter from Astrum and Red Sun” in the Composite Document, it is intended that Mr. Ng and all independent non-executive Directors will resign from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. after the close of the Offer).

The Offeror has nominated Dato’ Koh Yee Keng, Mr. Chan Francis Ping Kuen, and Mr. Clay Huen as the new independent non-executive Directors of the Board. Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules. Please refer to the sub-section headed “Proposed change of Board composition of the Company” in the section headed “Letter from Astrum and Red Sun” for details of the biographies of the new Directors to be nominated.

We noted that all the new Directors nominated by the Offeror are nominated as new independent non-executive Directors and they have experience in wholesale and retail business, auditing and accounting and law respectively, and two of which have been independent non-executive directors of companies listed on the Main Board of the Stock Exchange. For the executive Directors, we noted that (i) Mr. Goh is primarily responsible for overseeing the Group's business strategy and overall management of the Group; (ii) Ms. Tan is primarily responsible for overseeing the financial performance of the Group and ensuring compliance with the Group's policies and objectives; and (iii) Mr. Ng is responsible for the overall financial aspects of the Group. Having considered (i) the role of Mr. Ng in relation to the financial aspects of the Group which is similar to Ms. Tan's; and (ii) the management of the business and daily operation of the Group being the responsibility of Mr. Goh and Ms. Tan together with the senior management of which the Offeror has no intention to discontinue the employment; (iii) the nature of independent non-executive Directors; and (iv) the background of the nominated new Directors, we considered that change of Board composition of the Company will not have material change in the business operation of the Group.

(d) Public float and maintenance of the listing status of the Company

As stated in the section headed "Letter from Astrum and Red Sun" in the Composite Document, the Offeror intends to maintain the listing of the Shares on the GEM after the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Company's total number of issued Shares, are held by the public, or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

In order to ensure that within a reasonable period after the close of the Offer, there will be not less than 25% of the Company's total number of issued Shares held by the public. Pursuant to Rule 19.81(3) of the GEM Listing Rules, the sole director of the Offeror, the new directors to be nominated by the Offeror and appointed to the Board and the Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in Shares.

(e) Our view

We noted that Mr. Chan has no relevant experience in the principal business of the Group and there will be change of Board composition of the Company. Nevertheless, the Offeror intends that the existing business of the Group shall continue unaffected by the Offer and, save for the proposed change(s) to the composition of the Board, has no intention to discontinue the employment of any employees of the Group and dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business. In addition, the

change of Board composition of the Company is mainly related to independent non-executive Directors while currently there is no proposed change in the executive Directors (save for Mr. Ng whose responsibility may be taken up by other Directors and/or senior management of the Company), who together with the senior management are responsible for the management of the business and daily operation of the Group. Accordingly, we expect that there would not be immediate material change in the business operation of the Group as a direct result of the Offer.

3. Principal terms of the Offer

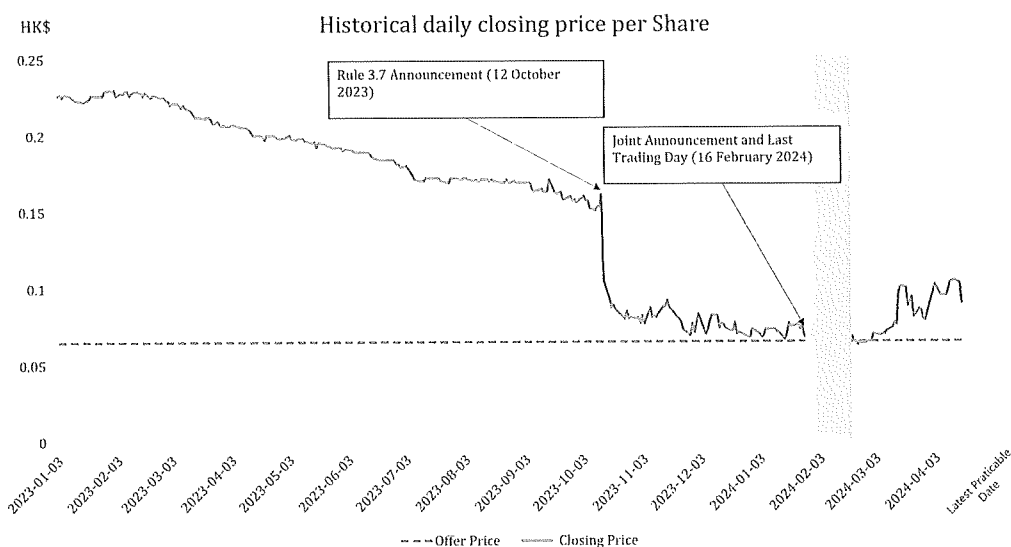
(a) Comparison of the market prices of the Shares

As stated in the section headed “Letter from Astrum and Red Sun” in the Composite Document, the Offer Price of HK\$0.065 per Offer Share represents:

- (i) a discount of approximately 3.0% to the closing price of HK\$0.0670 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 11.7% to the average closing price of HK\$0.0736 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to but excluding the Last Trading Day;
- (iii) a discount of approximately 10.6% to the average closing price of HK\$0.0727 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to but excluding the Last Trading Day;
- (iv) a discount of approximately 59.6% to the closing price of HK\$0.1610 per Share as quoted on the Stock Exchange on the last trading day prior to the date of publication of the Rule 3.7 Announcement (i.e. 12 October 2023);
- (v) a discount of approximately 27.8% to the closing price of HK\$0.0900 per the Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (vi) a discount of approximately 69.1% to the audited consolidated net asset value of approximately HK\$0.2104 per Shares as at 31 December 2023 (based on (a) the Group’s audited consolidated net assets value of approximately HK\$84,169,800 (equivalent to approximately S\$14,388,000) as at 31 December 2023; and (b) a total of 400,000,000 issued Shares as at 31 December 2023); and
- (vii) a discount of approximately 73.6% to the adjusted audited consolidated net asset value of approximately HK\$0.2460 per Share as at 31 December 2023, the calculation of which is set out under the paragraph headed “1. FINANCIAL SUMMARY OF THE GROUP” on pages II-2 and II-3 in Appendix II to the Composite Document.

(b) Historical price performance of the Shares

The graph below shows Offer Price and the movement of the closing prices of the Shares during the period from 3 January 2023, being the first trading day of the twelfth month prior to the Last Trading Day (i.e. 26 January 2024), to the Latest Practicable Date (the “**Review Period**”), with key/relevant events labelled. In determining the length of the Review Period, we consider on one hand that a period of longer than twelve months prior to the Last Trading Day (i.e. 26 January 2024) may not reflect the latest market conditions and the recent price performance and trading volume of the Shares for conducting an analysis against the Offer Price; on the other hand, the decline in closing prices of the Shares after the publication of the Rule 3.7 Announcement (i.e. 12 October 2023) as detailed below might reflect the market’s expectation of the valuation of the Company in view of potential change in controlling shareholder of the Company. Notwithstanding the above, we consider that the Review Period which includes closing prices further back to 3 January 2023 can illustrate the general trend of the closing prices of the Shares in recent period prior to release of any information regarding potential change in controlling shareholder of the Company. Accordingly, we consider the Review Period adopted is fair and reasonable.



Source: Website of the Stock Exchange (www.hkex.com.hk)

As illustrated in the graph above, the closing prices of the Shares experienced a general downward trend during the Review Period from approximately HK\$0.226 on 3 January 2023 to HK\$0.067 on the Last Trading Day. There was a steep decline in closing prices of the Shares by approximately 34.8% following the issue of the date of publication of the Rule 3.7 Announcement (i.e. 12 October 2023) in connection with the possible sale of the Sale Shares by the Vendor, from HK\$0.161 on 12 October 2023 to HK\$0.105 on 13 October 2023. We noted that within one week before and after 12 October 2023, the Company has only published the Rule 3.7 Announcement on 12 October 2023. We have also discussed with the Management on any other possible reason for the decline in closing

price of the Shares but they were not aware of any. Following the publication of the Joint Announcement, the closing price of the Shares had stayed at a level around HK\$0.065 for a few days before it experienced a spike in 14 March 2024. We noted that within one week before and after 14 March 2024, the Company only published an announcement regarding the delay in despatch of the Composite Document on 8 March 2024 and notice of board meeting regarding, among others, the annual results of the Group for FY2023 on 13 March 2024. We have also discussed with the Management on any other possible reason for the spike in closing price of the Shares but they were not aware of any.

During the Review Period, the closing prices of the Shares ranged from the highest of HK\$0.230 per Share recorded on 30 January 2023 and 1 February 2023 to the lowest of HK\$0.063 per Share recorded on 22 February 2024, with an average of approximately HK\$0.151 per Share. During the Review Period, the Offer Price of HK\$0.065 per Share (i) represents a discount of approximately 71.7% to the highest closing price of HK\$0.230 per Share; (ii) represents a premium of approximately 3.2% over the lowest closing price of HK\$0.063 per Share; and (iii) represents a discount of approximately 57.0% to the average closing price of approximately HK\$0.151 per Share. The Offer Price also represents discount to the historical closing prices of the Shares for 298 out of 301 days during the Review Period.

We also compared the Offer Price of HK\$0.065 to the closing prices during the period from the date of Rule 3.7 Announcement and up to the Latest Practicable Date (the “**Post-Announcement Period**”) for further information, in particular to consider the effect of potential change in controlling shareholders of the Company to the closing prices of the Shares. During the Post-Announcement Period, the Offer Price of HK\$0.065 per Share (i) represents a discount of approximately 59.6% to the highest closing price of HK\$0.161 per Share; (ii) represents a premium of approximately 3.2% over the lowest closing price of HK\$0.063 per Share; and (iii) represents a discount of approximately 18.8% to the average closing price of approximately HK\$0.080 per Share. The Offer Price also represents discount to the historical closing prices of the Shares for 109 out of 112 days during the Review Period.

Although the Offer Price represents small discounts of approximately 3.0%, 11.7% and 10.6% to the (average) closing price on the Last Trading Day, the last five consecutive trading days prior to but excluding the Last Trading Day and the last ten consecutive trading days prior to but excluding the Last Trading Day respectively, having considered that:

- (i) the closing price of the Shares experienced steep decline after publication of the Rule 3.7 Announcement;
- (ii) the Offer Price represents discounts to the historical closing prices of the Shares for 298 out of 301 days during the Review Period and 109 out of 112 days during the Post-Announcement Period with, in particular, a discount of approximately 57.0% and 18.8% to the average closing price of the Share during the Review Period and the Post-Announcement Period respectively; and

- (iii) the Offer Price represents a deep discount of approximately 69.1% to the audited consolidated net asset value per Share as at 31 December 2023,

we are of the view that the Offer Price is not fair and not reasonable so far as the Independent Shareholders are concerned.

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

(c) Historical trading liquidity of the Shares

The following table sets out the historical trading liquidity of the Shares during the Review Period:

	Number of trading days in each month/period	Average daily trading volume (Note 1)	Percentage of average daily trading volume to total issued share capital (%) (Note 2)	Percentage of average daily volume of the Shares to the total number of issued Shares held by public Shareholders (%) (Note 3)
2023				
January	18	2,794,444	0.699	1.432
February	20	2,321,500	0.580	1.189
March	23	3,275,870	0.819	1.678
April	17	2,920,588	0.730	1.496
May	21	3,367,381	0.842	1.725
June	21	3,265,476	0.816	1.673
July	20	3,430,500	0.858	1.757
August	23	3,293,478	0.823	1.687
September	19	3,960,263	0.990	2.029
October	20	11,482,250	2.871	5.882
November	22	2,037,045	0.509	1.044
December	19	2,723,684	0.681	1.395
2024				
January	19	1,220,789	0.264	0.540
February	9	9,614,444	1.139	2.333
March	20	3,057,000	0.764	1.566
April (up to the Latest Practicable Date)	10	1,380,500	0.345	0.707
Review Period	301	3,626,246	0.869	1.781

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. It is calculated by dividing the total trading volume of the Shares for the month/period by the corresponding number of trading days of that month/period.
2. It is calculated by dividing the average daily trading volume of the Shares by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date, where applicable.
3. It is calculated by dividing the average daily trading volume of the Shares by the total issued share capital of the Company held by public Shareholders, which is the difference between the total number of issued Shares and the Shares held by the Offeror and parties acting in concert with it, the Directors, and the Vendor.

As depicted above, during the Review Period, the average daily trading volume represents approximately (i) 0.264% to 2.871% of total issued share capital; and (ii) 0.540% to 5.882% of the total number of Shares in issue held by public Shareholders. We noted that the average daily trading volume were higher for October 2023 (i.e. approximately 2.871%) and February 2024 (i.e. approximately 1.139%) than other months in the Review Period, i.e. during which the Rule 3.7 Announcement and the Joint Announcement were published respectively. Before publication of the Rule 3.7 Announcement, average daily trading volume during the Review Period mostly represented less than 1.0% of the total issued share capital. Also, despite the increase in the average daily trading volume as percentage to the total issued share capital after publication of the Rule 3.7 Announcement, it gradually fell back from approximately 2.871% in October 2023 to approximately 0.509% in November 2023 and further to approximately 0.264% in January 2024. Accordingly, we consider that the liquidity of the Shares had been generally thin during the Review Period. Nevertheless, while the Offer provides an exit alternative at the Offer Price for the Independent Shareholders who would like to realise their investments in the Shares at a fixed price and within a short period of time, those Shareholders are also advised to consider to sell their Shares in the open market instead of accepting the Offer if the closing prices of the Shares is above the Offer Price, after taking into account the possible pressure on the Share price when selling in bulk.

(d) Comparable analysis

For comparison, we have conducted a search of companies listed on the Stock Exchange which are principally engaged in business similar to the Group, i.e. provision of reinforced concrete works (including steel reinforcement, formwork erection and concrete work), based on the criteria that over 50% of revenue are derived from provision of reinforced concrete works (including steel reinforcement, formwork erection and concrete work) in their respective latest financial years. Based on the above criteria, we have identified an exhaustive list of four peer companies (the “Peer Companies”). While we initially attempted to set criteria to limit Peer Companies by (i) the principal place of business in Singapore (i.e. the same as the Company); and (ii) a market capitalisation of not more than HK\$50 million (not more than twice of the market capitalisation of the Company implied by the Offer Price of approximately HK\$26.0 million), we note that there will be no Peer Companies. As such, we first relaxed such criterion (ii) regarding market capitalisation but there were only two Peer Companies. Hence, we further relaxed criterion (i) regarding the principal place of business and noted there would only be two more Peer Companies whose principal place of business is not Singapore.

In view of the facts that:

- (i) the sample size is small with only four Peer Companies despite our relaxation of criteria to include Peer Companies whose market capitalisation are more than twice of the Company (implied by the Offer Price) and principal place of business is not Singapore; and
- (ii) the Peer Companies have different financial performance and position as compared with the Company, in particular (a) three out of four Peer Companies which recorded net profit for the latest financial year consistently recorded net profit for recent five financial year whereas the Company recorded minimal net profit for the FY2022 and FY2023 and net losses for the two previous financial years; (b) net assets of three of the Peer Companies represent around four times of that of the Company,

we consider that any financial ratio (such as price-to-earnings ratio and price-to-book ratio, being two of the most common indicators) of the Peer Companies may not be comparable to that implied by the Offer Price. Accordingly, we consider that no fair comparison with listed companies with similar business can be conducted.

While we have also attempted to compare the terms of the Offer with mandatory offers of other listed companies announced within six months from the Last Trading Day, those listed companies identified are engaged in different business and/or have different financial performance from the Company. As such, we consider that they are not appropriate for assessing the fairness and reasonableness of the Offer Price.

RECOMMENDATION

Taking into consideration the aforementioned principal factors and reasons, in particular that:


- (i) based on the improvements in financial performance (in terms of revenue and profit) in recent years with no substantial change in financial position (in terms of net current assets and net assets), the Group had satisfactory financial performance and financial position in recent period;
- (ii) the outlook of the construction sector in Singapore and in particular the prospect of the Group remain promising given the ongoing projects of the Group with substantial outstanding contract value, the historical uptrend in both construction demand and output following 2020 and the projected steady improvement in construction demand over the medium term;
- (iii) the Offer Price is not fair and not reasonable given that (a) the Offer Price represents discounts to the historical closing prices of the Shares for 298 out of 301 days during the Review Period and 109 out of 112 days during the Post-Announcement Period with, in particular, a discount of approximately 57.0% to the average closing price of the Share during the Review Period; and (b) the Offer Price represents a deep discount of approximately 69.1% to the audited consolidated net asset value per Share as at 31 December 2023; and
- (iv) the liquidity of the Shares had been generally thin during the Review Period. Notwithstanding the Offer providing an exit alternative at the Offer Price for the Independent Shareholders who would like to realise their investments in the Shares at a fixed price and within a short period of time, the closing prices of the Shares are above the Offer Price as at the Latest Practicable Date and those Shareholders may consider to sell their Shares in the open market instead of accepting the Offer, after taking into account the possible pressure on the Share price when selling in bulk,

we are of the view that the Offer is not fair and not reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders not to accept the Offer.

Independent Shareholders are advised to consider all the factors above before deciding whether to accept the Offer. If the closing price of the Shares is above the Offer Price, the Independent Shareholders who wish to realise their investments in the Shares should consider to sell their Shares in the open market instead of accepting the Offer, if the net proceeds from such sale of Shares would exceed the net amount receivable under the Offer. However, the Independent Shareholders should be aware of the possible difficulties in selling a significant number of Shares in the open market at a fixed cash price within a short period of time.

Independent Shareholders should also carefully monitor the operating and financial performance of the Group and the intention of the Offeror in relation to the development strategy of the Group, and beware of the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. They should seek advice from their own professional advisers prior to making any investment decision.

Yours faithfully,
For and on behalf of
Nuada Limited



Kevin Wong
Vice President

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 16 years of experience in corporate finance industry.